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1/24/48

FOREIGN FUNDS CONTROL AND
 PROCEDURE FOR UNBLOCKING

In the freezing or immobilization of foreign property within the United States by the Treasury Department, the first property blocked was that of invaded friendly nations. To this property was added that of the aggressor nations, later enemies, and the property of the neutral nations.

The purpose, however, of freezing or immobilization varied. As to the enemy, the purposes were conventional and represent a policy to deprive the enemy of any use of its own funds. The policy in regard to the neutral nations was to prevent any transaction which might be effected through these neutral nations of advantage to the enemy and to immobilize any German property which might be concealed under a neutral name. The policy as to the invaded countries had several objectives: to prevent any person in any invaded country from being deprived by act of aggression of his property; to protect American institutions from possible adverse claims which might arise in a dispute between the original owner and someone who claimed to have secured right or title to the property; to prevent use by an aggressor country.

The steps which have so far been taken in unblocking or remitting the controls are briefly: As to German and Japanese property, to vest, with the intention of holding these assets, until final disposition thereof should be determined by Congress; as to most neutral and allied invaded countries, to unfreeze such accounts as had been determined to the satisfaction of our Government not to be held for the benefit of German or Japanese.

In furtherance of this last-named policy, the Treasury promulgated General License No. 95, which, in effect, provided that the beneficial owner of blocked property could secure from his own government a certificate that there was no enemy interest involved in such property and the property would thereupon be released. Considerable property has been released under this certification procedure, but still it is believed a relatively large proportion of the property originally blocked has not been certified and is held in French, Swiss, Dutch and other names.

Some other property in addition to that certified has been released; persons who had residences in the United States at a sufficiently early date were "general licensed nationals", meaning that their property, for practical purposes, was never subjected to blocking. Others who later took up residence in the United States have had their property freed and still others who resided in the generally licensed trade area; some foreigners have received regular amounts per month from their blocked accounts for living expenses. No problem, however, arises as to any of this property thus freed. The problem here discussed relates to the amount still blocked which, except for an infinitesimal amount which may be paid out of particular accounts for living expenses, can be released in accordance with present Treasury policies only on certification.

The probable reasons for the lack of certification as to this balance are several, only one of which is that the property may be held for the benefit of a German or Japanese. The policy of certification has now been in effect sufficiently long that one may with some confidence anticipate the certification procedure will not unfreeze much of the property which still remains blocked.

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The question, therefore, becomes important as to what further steps must be taken to bring this now immobilized property into the useful flow of international commerce. This becomes of even greater significance because of the scarcity of the dollar exchange of the various countries in whose rehabilitation the United States now has great concern, and with the adoption of the Marshall Plan will have still greater and more direct concern.

The amount of this still blocked property is believed to be relatively small, but in the face of the present situation becomes of paramount importance. The effect of continuation of present policies is to render useless these funds. These are not Government funds, but are funds of the nationals of various countries. Secretary Snyder, referring to the general situation in regard to foreign holdings, and particularly the need of such holdings for future commerce, said in his testimony before the Foreign Relations Committee of the Senate, on January 14, 1948:

"I need not labor the point that the European countries must have some gold and dollar reserves to finance their international trade if they are to return to normal operations after 1952. It should be kept in mind that the Economic Recovery Program is not intended to cover the entire import requirements of these countries. It would be folly on our part to force the European countries to use up their gold and dollar balances to a point where they would not have adequate funds to operate smoothly through ordinary commercial and financial channels."

This statement probably refers not only to the property still under block, but to that which is not under block particularly funds coming to the United States freely after the war. The argument, however applied equally to all such funds within the United States.

In considering trade between two countries, it is convenient to speak of it as though that trade were carried on by the countries themselves. This convenience of expression has frequently led to a misconception. The trade between two countries is carried on by persons and corporations within those two countries. In fact, trade by governments is the antithesis of the American theory of free enterprise. The amounts still unblocked represent a nucleus, all too small, for the beginning of this normal trade.

Coercion is not necessary under a free enterprise system to cause money to be used economically. The self-interest of the person having control of the funds is sufficient. Funds will be used when available in profitable operations of the type needed in world rehabilitation.

In the face of present conditions, and particularly after controls which were necessary during the war, there may be a feeling of hesitation upon permitting these funds to be used without supervision, but if we hope to return to a normal worldwide economy, this hesitation must be resolved and the policy historically conventional, which under unusual conditions was abandoned, must be reinstated. Further control will be wasteful of this important residue. Freedom for its use will preserve it and its usefulness. These funds are the only seed from which future normal commerce may grow.

The Treasury's interest in these funds has been to assure itself that there was no German interest involved. But an additional interest, broader than the Treasury interest, has now been added and that is so to arrange the policies in regard to these funds that they may take their normal place in the economy of the

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world; their free use will be added assurance that the Marshall Plan will succeed. Sympathy should be expressed for the apparent dilemma in which the Treasury finds itself, occasioned by its meticulous care concerning these and all other funds blocked during the war. The Treasury's dilemma can now happily be resolved. The usefulness of the funds to the country of origin and to the United States can in no way be more increased than by freeing them and permitting them to be used by the owners thereof. This, however, still leaves the one question of the termination of German interest in these funds.

The expectation of the Treasury that these funds would be released under certification has not been fulfilled. The owners of the property are not willing to resort to certification and the Treasury has considered plans to force a resort to certification by the threat of seizure in some form, either by the United States Government, or by assistance in this respect to the respective foreign governments.

Apologists for this program argue it is proper to aid friendly foreign governments thus directly or indirectly to recapture their refugee capital, but this argument omits the two important considerations: one, the probability of the immediate dissipation of these funds, and the other that this would be a breach of faith reposed in this country by foreign investors who in the past have contributed so much to the development of the United States and whose property may be said to be all that is left on which the future foreign trading of the country of origin could be restored.

Before the Government of the United States commits itself to a theory in negation of the policy of individual ownership, and causes private funds to be vested in a foreign government, it is a part of statesmanship to consider the use to which these private funds will be put and the ultimate results of such negation of the doctrine of private enterprise. Already, in an effort to solve their problems, many socialistic ideas have been accepted and are being acted upon by the governments of countries for whose welfare we are concerned. The pressures which caused such political thinking will affect the use to which these funds will be put. Also, the present economic conditions, the very occasion for the Marshall Plan, loom larger than considerations of the future. Either by doctrinal conviction, or by pressure exerted on the Government, one may anticipate that individuals will be deprived of these funds and they being exhausted the hope for normal individual enterprise in foreign trade would be lessened, if not wholly extinguished. Without individual initiative, and facilities for pursuing that initiative, the alternative is state-operation, and this, once instituted, makes impossible the return to free enterprise, which not only would we wish to preserve for ourselves, but believe would create the greatest hope for Europe. In their relatively helpless condition, this Government should not by its policies indirectly sanction, or directly impose, stateism upon the countries of Europe.

In dealing with these matters of uncertified funds their actual composition has sometimes been ignored or obscured. Some indeed may represent refugee capital, but much of it is accumulated earnings, accretion, or inheritances in the United States. Others may represent direct investment in business here which in the interest of the foreign government should not be destroyed. Yet under any policy of seizure the owners of all such assets are equally penalized. The only ones who escape are those who successfully not only placed their funds within the United States, but who also personally fled from their own countries before or during the war. These latter have been generally licensed. Those who had

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investments in the United States, but themselves stayed for whatever reason in Europe during the difficult years are not so favored.

The Treasury has pointed out that one reason for certification is a practical one. It is a necessity, it is said, because no adequate investigation can be made by the United States Government of the beneficial ownership, or if it could be, it would be prohibitively costly. This premise is based upon the desire of the Treasury to ascertain to the last dollar what are Nazi funds and see that they do not escape. In pursuing such a bitter-end policy, they immobilize all the funds in the face of most urgent need for their use; this is now a greater evil.

It is, therefore, time that a modification of policy be instituted. The Treasury, or if more appropriate, the Federal Reserve Bank, should institute a licensing procedure for the freeing of these accounts of persons residing abroad. The matter is not so difficult as it first appears, for it would be in order immediately to release, for example, all property which can be shown was within the United States at a certain date, say January 1, 1938, and all funds originating within the United States, the beneficiary of which is a foreigner. As to more doubtful cases, the Treasury, or other appropriate agency, could pass upon the propriety of freeing the particular funds in the same way it was forced to do during the war, when many thousands of individual licenses were granted and still more transactions effected under some formula set forth in general licenses.

There is no particular reason to assume that investigation purportedly made by interested foreign governments would be more exhaustive, or more just to the owner than such a system, when one considers the primary interest of the foreign government lies in securing some control over this particular property. Also, if the foreign government found it was enemy property it would not receive the property, -under our laws it goes to the United States. There is also no control as to what investigation may be abroad. This may be adequate or inadequate, honest or corrupt, yet for this important determination as to funds within our jurisdiction, the foreign government's word is relied upon wholly and exclusively.

The restrictions on American-held property were imposed by American Law. The release should also be under American law. The administration of the law should be confided to a United States agency and not to an agency of a foreign government. The costs of administration of such a program can, if necessary, be borne by the funds themselves. In releasing these funds the Government can better assist the foreign governments and at the same time relieve them of the political necessity of exhausting the funds immediately for less fundamental purposes and reserve them to the advantage of that government for more important future use. A census of foreign property held within the United States is not at this time necessary. Such a census could be of embarrassment rather than assistance to our Government for, once taken, one might expect pressure to reveal the information. Such revelation should not be made. No agency of our Government should place itself voluntarily in a position of a common informer, nor should Congress force any agency of our Government into such position relative to property entrusted to our care in reliance upon our fidelity.

The residue of unblocked funds under this suggested procedure for determining enemy interest, must necessarily be small. It will be composed only of those for whom the owner neither secured certification through his own government nor made an application to have them freed, under pledge of confidence, to this Government. We would not need then to be concerned why no claim for them had been made, for, having exhausted other possibilities, we could assume they were either unclaimed by reason of the death or disappearance of the owner, with de-

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struction of his records, or they would be really enemy-owned funds voluntarily abandoned in the face of a policy to seize such enemy funds.

At this point a census of them might well be made as an aid in determining their final disposition. Then, but only then, could an act of requisition or confiscation be taken with the assurance that justice had been done.

CONCLUSION

The United States should commence a program wholly operative within the United States of freeing the unblocked balances by releasing them under such formula as may seem just and in doubtful cases, under such investigations or hearings as it deems proper.

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D R A F T

Jan. 30, 1948

POSSIBLE QUESTIONS AND SUGGESTED ANSWERS

Amount of free assets:

I

- Q. How do you reconcile the figure of \$4.9 billion used in your earlier testimony and the figure you use today of \$4.3 billion?
- A. The figure of \$4.9 billion represents the approximate value of the long term investments, both blocked and free, belonging to private persons, including non-citizens residing in the sixteen participating countries.

The figure of \$4.3 billion, on the other hand, represents the approximate value of both long term and short term investments which are free and belong to private persons, including non-citizens, residing in the twelve recipient countries. I want to emphasize that the blocked assets have not been included in this computation.

II

- Q. Do you have a breakdown showing by countries their holdings of free assets in the United States?
- A. I do have a table, a copy of which I will be glad to furnish you, showing by countries the assets held directly by their nationals in the United States.

In connection with your study of this table I should like to point out the following:

1. The table includes only the directly-held assets of their citizens and does not take account of the assets held indirectly for their benefit through such countries as Switzerland.

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2. The table includes both the blocked and free assets. No accurate deduction could be made by countries for the blocked assets because, as I indicated to you in my testimony, we have no precise figures on this subject. However, since we estimate that approximately \$800 million represents directly-held assets which are blocked, we deducted this amount from the \$5.1 billion to arrive at the approximate value of free assets held by persons in the recipient countries, exclusive of governments and central banks.

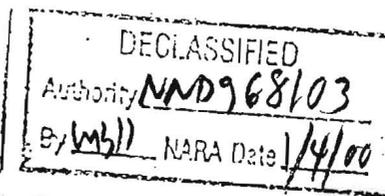
Amount of blocked assets:

III

- Q. Can you give us a breakdown of the present status of blocked assets by the individual recipient countries?
- A. I do have a table which will give you some idea of the current status of blocked assets of private residents of recipient countries who are citizens of such countries. In examining this table I want to call your attention particularly to the footnotes and the supplementary explanatory paragraph which sets forth some of the factors which must be considered in evaluating the significance of this table. In particular the supplemental statement evaluates the figures in column III to give some idea of the items which must be considered in determining the approximate amount of the dollar holdings of the recipient country citizens which would be readily available for centralization. You will recall that in my testimony I indicated that at a maximum \$400 is in this form.

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IV

- Q. How did you arrive at an approximation of the blocked assets held indirectly for the benefit of resident citizens of recipient countries through Switzerland?
- A. According to the TFR-300 census the total amount of cash, deposits and securities held as of 1941 in the United States in private Swiss accounts amounted to \$441 million. We estimated on the basis of this 1941 figure that more than 30% of this amount, or \$132.3 million represented French assets held through Switzerland. The 30% figure is based on information obtained through the operations of Foreign Funds Control and is borne out by statements of representatives of two of the largest Swiss banks that about 25% of their dollar assets represents French holdings. By attempting to take into account such additional factors as the rise in the prices of securities since 1941, accretions through income, and other factors we concluded that the approximate present value of these for French resident citizens would run between \$200 and \$250 million. In addition we estimate that a small part of the Swiss reported assets, perhaps 10 to 15%, represents assets held through Switzerland for Italian, Dutch, and other recipient country accounts.

Effect of new French exchange decree:

V

- Q. How will the recent change in the French exchange rate affect this problem?
- A. As you know, the essential feature of the French plan involves a change in the official franc rate from 119 francs to the United States dollar to approximately 214 francs. In addition a free market

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rate will be created for the United States dollar to be supplied by one-half of the proceeds from exports and by foreign exchange coming from other sources, including specifically capital transfers back to France.

Accordingly the French citizen who is required to turn over his dollar holdings in the United States to the French Government will receive more francs for his dollar than under the old rate or even under the new official rate. The free rate it is reported now is somewhat over 300 francs to the dollar. Thus a substantial barrier to the repatriation of dollar assets owned by French citizens in the United States is removed.

VI

- Q. What kind of amnesty is the French Government planning to grant under its new decree to its citizens for failure to have declared their hidden assets?
- A. It is my understanding that the present decree provides that French citizens who may have violated any of the foreign exchange laws, etc., can settle all outstanding liabilities to the government for a flat 25% of their assets which have been involved in the violation.

Effect of release of small accounts:

VII

- Q. You indicate that you are planning to release small amounts up to \$5,000 without certification. Can you give us some idea of the size of the funds which will be affected?
- A. The effect of this action, so far as assets of recipient countries are concerned, will be to unblock automatically approximately 49% of the total number of accounts reported for the affected countries

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on Form TFR-300. The amount of property unblocked will be less than \$40 million or 1.7% of the amounts reported in the census as held by residents of such countries.

Effectiveness of information program:

VIII

- Q. How long do you think it will be before the new census information can be turned over to the governments?
- A. It is our guess that within two to three months after the public deadline date we should be able to start turning over the information from the new census to the governments. I make this statement on the assumption that the forms will be prepared and in the hands of the reporters by the deadline date.

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There is quoted below for the information of persons interested in Foreign Funds Control matters the text of a letter of February 2, 1948, to Senator Arthur H. Vandenberg, Chairman of the Senate Foreign Affairs Committee, from Secretary Snyder as Chairman of the National Advisory Council. The text of this letter was released to the press by Senator Vandenberg at twelve o'clock noon on Monday, February 2, 1948.

John S. Richards
 Director

My dear Senator:

You will recall that when I appeared before the Senate Foreign Relations Committee to discuss the financial aspects of the European Recovery Program I indicated that I would soon be ready to report the results of the National Advisory Council's consideration of the extent to which this Government should assist countries likely to receive financial assistance under the European Recovery Program in locating the assets of their nationals concealed in the United States.

On that occasion I discussed the extent to which the dollar and gold holdings of the participating countries could be integrated with the European Recovery Program. In that connection I stated:

"Some people have argued that the participating countries should pay for part of the program by using up their gold and dollar assets in the United States, and by liquidating the American investments of their own citizens. I need not labor the point that the European countries must have some gold and dollar reserves to finance their international trade if they are to return to normal operations after 1952. It should be kept in mind that the European Recovery Program is not intended to cover the entire import requirements of these countries. It would be folly on our part to force the European countries to use up their gold and dollar balances to a point where they would not have adequate funds to operate through ordinary commercial and financial channels. By insisting that the participating countries exhaust their gold and dollar balances, we would merely add further instability to their monetary systems. As a matter of fact, all of the participating countries except Switzerland, Turkey, and Portugal have already reduced their dollar balances to or below the amount which would normally be regarded as safe.

"When we turn to the possibility of liquidating European investments in the United States, we must also look at the problem in terms of its long-run consequences. These investments annually earn a dollar income, which will be used to cover part of the cost of the Program, and which will be used in the future to meet part of the cost of imports after the Program ends. Without these investments, the balance-of-payments situation of the participating countries will be worse in the future. I doubt very much that it would be wise policy for the United States to force European countries as a general rule to liquidate the property owned in the United States by their nationals as a condition for receiving aid from this Government.

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"Some of the governments, however, will decide to liquidate some or all of their holdings so as to pay for imports. In practice this may be an alternative to borrowing from the United States....."

I emphasize again that, in the judgment of the National Advisory Council, it would not be wise to force countries likely to receive financial aid from the United States (referred to hereafter as "recipient countries") to liquidate the private holdings of their nationals as a condition to receiving such aid. But the problem of assisting these countries in locating the private assets of their nationals is separate and distinct. It is this problem which the National Advisory Council and the Executive Departments concerned have been studying for some time.

The problem stems from the fact that nationals of some recipient countries have for many years followed the practice of concealing their assets in the United States. Some hold property directly in their own names; others hold indirectly through intermediaries in third countries, notably Switzerland. These assets are concealed in this country despite the fact that the foreign exchange laws of the recipient countries typically require that foreign exchange assets be declared; some also require the turning over of liquid dollar holdings in exchange for local currency; practically all require that licenses be obtained for the expenditure of foreign exchange assets.

It is important to distinguish between two categories of assets: blocked assets and free assets. By blocked assets we mean those which are frozen in the United States under the Foreign Funds Control of the Treasury Department. It will be recalled that as a wartime measure the President, pursuant to Section 5(b) of the Trading with the enemy Act, blocked, under control of the Treasury, the private and public holdings in the United States of all of the European countries except the United Kingdom, Eire, and Turkey. Beginning in October 1945, machinery has been put in effect which provides for the unblocking of assets of persons in most of the formerly enemy-occupied and neutral countries if the government of the country where the beneficial owner of funds resides certifies to the private American custodian holding the assets that there is no enemy interest in such assets. The primary purpose of this procedure is to find concealed enemy property. The procedure is now applicable to all the recipient countries whose assets were blocked. However, not all the nationals of these countries have availed themselves of this procedure, which has the incidental effect of disclosing to their respective governments the ownership of assets in the United States. As a result the Treasury through Foreign Funds Control is still controlling a fairly substantial amount of blocked assets.

Free assets include all the dollar assets owned by nationals of Britain, Turkey, and Eire, for these assets, to repeat, were never blocked. In addition, free assets have accrued in the United States on behalf of residents of the other recipient countries since December 1945 when controls were lifted from all current transactions between the United States and nationals of these countries.

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It is obvious / impossible to ascertain accurately the amount of private dollar assets owned by resident citizens of recipient countries which are unknown to their governments despite the reporting requirements of such governments. Moreover, we have no controls which require complete and continuous reporting of foreign-owned assets. However, we have made certain estimates based on an analysis of the best facts and figures available to this Government.

As far as the free assets are concerned, we have concluded, as a result of investigations and consultation with the various governments, that they are for the most part known to the governments of the recipient countries. We have estimated that as of June 30, 1947, private persons, including non-citizens, residing in the recipient countries, had free assets in the United States approximating \$4.3 billion. Of this amount \$2.3 billion represents holdings of nationals of the United Kingdom, which has adequate information respecting these assets. In addition, from Foreign Funds Control operations we know that about \$1.3 billion represents assets of residents of recipient countries which have been certified for unblocking and hence are known to those governments. The balance includes proceeds from the liquidation of securities which has taken place in the United States with the knowledge of the appropriate governments; accruals from current transactions which are subject to control by the governments of the recipient countries; and assets of non-citizens resident in these countries. Some free assets may have accumulated here unknown to the respective governments, but we consider that the amounts are probably insignificant.

We come now to the question of the blocked assets held directly in the names of citizens of recipient countries and indirectly for their benefit through Swiss intermediaries. These assets are for the most part unknown to the respective governments; otherwise the appropriate unblocking certifications would have by now been obtained and the identity of the respective owners disclosed. Precise figures on the amount of these blocked assets are not available. Under the existing certification procedure, as has already been indicated, the certification is made directly by the foreign government to the private American custodian holding the assets and no report is made to the Treasury other than general summaries which have been obtained from the countries concerned. To have maintained current records on changes in blocked accounts would have subjected American financial institutions and the Government to unjustifiable costs and difficulties.

According to our best estimates resident citizens of recipient countries hold in the United States approximately \$700 million of blocked assets which are in a form readily available for meeting the balance-of-payment problems of the recipient countries. Of this amount, about \$400 million are held here directly in the names of the resident citizens; the balance of about \$300 million is held indirectly through Switzerland. In addition, resident citizens of recipient countries hold blocked investments in controlled enterprises, in estates and trusts, etc., which cannot readily be liquidated, although most of them are valuable sources of current dollar income. We estimate that they hold directly in this non-liquid form of investment about \$400 million and an additional small by unascertainable amount indirectly through Switzerland.

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It appears that so far as the recipient countries are concerned the resident citizens of France have in the United States the largest amount of concealed private blocked assets in a form which could be used in meeting balance-of-payment problems or to supplement official reserves. We estimate that the amount of the directly-held assets in this form of investment would run between \$100 million to \$150 million. The French Ministry of Finance has estimated that these assets amount to about \$150 million. In addition, French resident citizens hold indirectly through Switzerland liquid assets of probably between \$200 and \$250 million.

The policy we should adopt with respect to assisting the recipient countries in obtaining control of the private dollar assets which are hidden in this country by their citizens has been a subject of much discussion in recent months. Representatives of financial institutions have urged that it is fundamental to our free private enterprise system and, in particular to our capital market, to respect private property whether or not it is held by foreign nationals. Some felt that the United States Government should not adopt the policy of cooperating with foreign countries in the enforcement of their exchange control laws. Finally, it was argued that to adopt measures having the effect of forcing the disclosure to foreign governments of private property held by their citizens in the United States would put this Government in the position of supporting partial confiscation of private property. This last point relates to those cases where foreign countries require the surrender of dollar assets, against reimbursement in local currency at unrealistic rates of exchange.

The National Advisory Council gave serious consideration to these views. The Council doubted that under ordinary conditions this Government should assist foreign governments in enforcing their foreign exchange laws. However, these are not ordinary times. Some European countries are in dire need of dollars to permit their survival as free nations. American taxpayers are being called upon to make substantial contributions to European recovery. Moreover, most of the foreign governments have repeatedly asked our assistance in obtaining control of the holdings of their citizens, who have concealed them contrary to the laws and national interest of their countries. It is these circumstances, I am sure, which have inspired marked public interest in the problem and have produced various legislative proposals for action, such as the Kunkel Bill (H.R. 4576) and the Norbald Resolution (H.J. Res. 268).

The Council studied in detail many alternative proposals for dealing with this problem in an effort to arrive at a solution which would assist recipient countries to obtain the use of concealed private assets in the United States without doing violence to the traditional status of private property. None of these alternatives promised at the same time actually to protect the private interests of foreign nationals, to assist the recipient countries to mobilize the concealed dollar assets of their resident citizens, and to prevent the escape of concealed enemy assets.

The Council concluded that no action should be taken regarding free assets because the amounts which are unknown to the governments of recipient countries are probably insignificant, and in any event serious practical difficulties would be involved. Effectively to

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search out and to control of these free assets would require exchange controls and other measures which would do maximum violence to our position as a world financial center and to our policy of keeping the dollar substantially free of restrictions.

The Council also concluded, however, that this Government should assist the recipient countries to obtain control of the blocked assets in the United States of their resident citizens. Accordingly, it was agreed that the program described below, which has been developed by the Justice and Treasury Departments, should be put into operation promptly. In the opinion of the Council this program is the most effective way to accomplish the above objective and to prevent the escape of enemy assets.

The program provides that public notice will shortly be given that at the end of three months assets remaining blocked, including assets not certified by the appropriate foreign government as free of enemy taint, will be transferred to the jurisdiction of the Office of Alien Property in the Department of Justice. To permit this Government and the foreign governments concerned to concentrate on the areas where important results are likely to be obtained, accounts containing small amounts of property, say up to \$5,000, will be unblocked in the near future without requiring certification or other formalities except where a known German, Japanese, Hungarian, Rumanian or Bulgarian interest exists. The Office of Alien Property will take a new census of the assets which remain blocked as of the deadline date. In order effectively to help the recipient countries obtain control of the blocked assets of their resident citizens, the Office of Alien Property will than promptly carry out the following policies:

- (a) To deal with the directly-held assets by making available to governments of recipient countries the information from the new census of blocked assets of their citizens, including juridical persons, residing in their territories which remain uncertified as of the public deadline date referred to above. Each country receiving such information will be required to investigate the beneficial ownership of property held in the names of its citizens for the purpose of discovering any enemy interest. Pending a reasonable period for such investigations, such property will not be vested but will remain blocked under the jurisdiction of the Office of Alien Property. If these investigations show that the assets are owned by residents of the country receiving the information the assets will be released.
- (b) To deal with indirectly-held assets by a vesting program with respect to accounts which remain uncertified after the deadline date. Processing of uncertified assets in Swiss and Liechtenstein accounts for vesting under applicable law as enemy property will be started immediately after the receipt of the census information by the Office of Alien Property. The vesting program will also be applied to uncertified assets held indirectly through recipient countries where the program described in (a) above does not result in disclosure to the beneficial owner's government (e.g., French assets held through the Netherlands). In the absence of definite evidence of non-enemy ownership, full weight

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will be ven to the presumption of enem ownership arising from the failure to obtain certification. Evidence of non-enemy ownership or interest offered either before or after vesting will be checked in accordance with the usual investigative procedures of the Office of Alien Property. These procedures involve disclosure to the governments of the countries of which persons claiming legal or beneficial interests are residents. Of course, any vested assets which are proved to be non-enemy may be returned under existing law applicable to the return of vested property.

The Attorney General has informed the Council that there is adequate authority under the Trading with the enemy Act, as amended, to carry out all aspects of the above program.

The vesting aspect of this program appears under the circumstances to be the most effective means of rendering help to countries with regard to indirectly-held assets. There is no satisfactory alternative to a procedure which will compel foreign nationals either to disclose their concealed dollar assets to their respective governments or to forfeit them to the United States. To date the certification procedure, which applies to Swiss and Liechtenstein accounts, as well as to accounts of recipient country nationals, has not been utilized by many citizens of recipient countries to obtain the unblocking of accounts in the United States. This is so with regard to assets held through Switzerland for resident citizens of recipient countries because the owners of these assets know that Switzerland cannot, under the existing procedure, certify their assets without securing a cross-certification from the government of the country where they reside thus disclosing their identity to their government. Actually, however, there is no effective way to ascertain whether property held in Swiss accounts is Swiss-owned, enemy-owned, or owned by resident citizens of recipient countries, except to rely on the Swiss and other interested governments.

It must be recognized that resident citizens of recipient countries who hold their assets through third countries and who have not revealed such assets to their own government may choose not to declare their assets to their own governments for certification, notwithstanding the announced program to vest these assets and even notwithstanding any amnesty which countries may offer. These persons would, in effect, choose to forfeit their indirectly-held assets to the United States rather than to disclose them to their governments. If this proves to be the case, consideration could be given at a later date to the allocation by appropriate Congressional action of the vested assets among the recipient countries.

In conclusion, I want to call your attention to the fact that this program also provides for the orderly termination of Treasury's blocking operations. This follows from the fact that, in addition to specifying the treatment to be accorded the uncertified assets in recipient country accounts and Swiss and Liechtenstein accounts, the program calls for the transfer to the jurisdiction of the Office of Alien Property of all other assets remaining blocked as of the public deadline date. Thus German and Japanese assets will be transferred and vested. Hungarian, Rumanian and Bulgarian assets will be transferred and will remain blocked until a settlement of war claims with

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these countries include. Finnish, Polish, and Czech and Slovakian blocked assets, which do not exceed \$5 million, will be transferred and remain blocked for the time being. Yugoslavian, Estonian, Latvian, and Lithuanian blocked assets will also be transferred to the Office of Alien Property and remain blocked until various current problems have been resolved. Spanish and Portuguese assets are still blocked pending the completion of the current negotiations with Spain and Portugal covering looted gold and German assets. If these negotiations are successfully completed before the public deadline date, arrangements can promptly be made for the unblocking of these assets; on the other hand, if the negotiations are not completed by that date, these assets would likewise be covered in the transfer to the Office of Alien Property and would remain blocked pending the conclusion of the negotiations.

It is the intention of the Treasury and Justice Departments to proceed promptly to carry out the above program.

Sincerely yours,

/s/

JOHN W. SNYDER

Chairman

National Advisory Council on
 International Monetary and Financial Problems

Honorable Arthur H. Vandenberg
 Chairman, Senate Foreign Relations Committee
 United States Senate
 Washington, D. C.

February 2, 1948

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DRAFT

January 19, 1948

You will recall that in my recent testimony before your committee in connection with the ERP I indicated that the MAC and interested Executive Departments concerned were studying the problem of private foreign assets in the United States of the European countries likely to receive financial assistance under the ERP (hereafter I shall refer to these countries as "recipient countries"). I am now prepared to discuss this problem with you and to set forth the government's program in this connection.

First I shall describe the amount and character of the funds involved, then state briefly the nature of the problem with an indication of some of the basic issues involved. In conclusion I shall detail the program which this Administration intends to put into execution in treating with the problem of blocked private foreign assets in the United States belonging to resident citizens of recipient countries.

In describing the amount and nature of the private foreign assets in the United States it is important at the outset to distinguish between two categories of assets: blocked assets and free assets. By blocked assets we mean those that are frozen in the United States under the Foreign Funds Control. It will be recalled that as a wartime measure the Treasury Department, pursuant to authority delegated to it by the President under Section 5(b) of the Trading with the Enemy Act, blocked the private and public holdings in the United States of all of the European countries except the United Kingdom, Eire, and Turkey. Since October 1945, machinery has been in effect which provides for the unblocking of assets of most of the formerly enemy-occupied and neutral countries if the

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government of the country where the beneficial owner of these funds resides certifies to the private American custodian holding the assets that there is no enemy interest in such assets. The primary purpose of this procedure is to find concealed enemy assets. The procedure is now applicable to all the recipient countries whose assets were blocked. However, not all the nationals of these countries have availed themselves of this procedure which has the incidental effect of disclosing to their respective governments the ownership of assets in the United States. As a result the Treasury through Foreign Funds Control is still controlling a fairly substantial amount of blocked assets.

Free assets include the assets of Britain, Turkey, and Eire, since these countries were never blocked. In addition, free assets have accrued in the United States on behalf of resident citizens of other recipient countries since December 1945 when controls were lifted from all current transactions between the United States and nationals of these countries. Current transactions are, however, subject to control by the governments of recipient countries so that for the most part it may be assumed they have knowledge of these free assets.

Accurate and detailed figures on the current private dollar assets of residents of these countries, both blocked and free, are not available. However, we have been able to prepare the estimates set forth in the following table:

Insert Table 1.

You will observe that the total amount of the private assets is estimated to be above \$5 billion. In assessing the significance of the above figures

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in relation to the problem of financial assistance to Europe certain factors must be emphasized. First, the amount shown under headings "Direct Investments" and "Others" in the above table are not readily subject to liquidation although some of them are valuable sources of current income. Second, the table includes assets of residents of these countries who are not citizens of such countries and whose assets are in general not subject to mobilization. Non-French persons residing in France, according to the Treasury census taken in 1941 of foreign owned assets in the United States (TFR-300) held approximately 41% of the assets reported in 1941 - exclusive of "Direct Investments" and "Other" assets - as held for the account of private persons in France. The analogous percentage was even higher in the case of Italy but was lower in the case of other countries. Finally, although no accurate figures are available of the extent to which these assets are known to the governments of the recipient countries, it is known from Foreign Funds Control operations that a substantial part of the assets have been declared to these governments. To the extent that the assets have been declared they are of course available to these governments either for meeting balance of payment problems or as supplements to official dollar reserves.

Nationals of the recipient countries hold assets in the United States in substantial amounts through third countries, notably Switzerland. The exact amount and real ownership of most of these assets is not only unknown to anyone in this country but is likewise unknown to the recipient countries.

Information is not available to permit an accurate breakdown between the free assets and the blocked assets. It is doubtful, however, that the amount of free assets which is unknown to the governments of the recipient countries

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is of such importance. In the first place, although British assets have always been free from control here, it is generally agreed that British citizens residing in the United Kingdom have, for the most part, declared their holdings to their government leaving no important problem with respect to concealed British assets. It will be observed that the British holdings constitute almost half of the private assets here of the recipient countries. Private hire holdings in the United States are also free but are small and therefore of little importance. Secondly, available data indicates that private foreign short-term balances since December 30, 1945, declined appreciably for France and the Netherlands and increased for Italy, Norway and Denmark. In the case of Italy the increase was \$90 million, but this increase was in the accounts of Italian banks and can therefore be assumed to be known to the Italian Government. The increases for Norway and Denmark were \$14 and \$16 million respectively. Finally, data regarding transactions in securities indicate net liquidation of United States securities by nationals of the recipient countries of about \$150 million in the period between the end of 1945 and June 30, 1947. Of course, it is possible that, despite the liquidation which presumably took place primarily with respect to property which had been declared under applicable foreign law, some assets unknown to foreign governments may have accumulated here.

There are also difficulties in estimating the present size of the blocked assets. While the TFR-300 census provides a basis for estimating the amount that was blocked in 1941, it has not been feasible to maintain records of changes since that time. Under the existing certification procedure, as I have already indicated, the certification is made directly by the foreign government to the private American custodian holding the assets and no report is made to the Treasury. However, the table which follows presents the best

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estimates of the current status of blocked assets:

Insert Table 2.

It would appear from the table that the amount of blocked assets of the recipient countries which have not been certified as shown in Column III and which may therefore be presumed to be unknown to those countries might amount to as much as \$800 million. I must emphasize, however, that the figures in Column III do not, without numerous adjustments, represent the amount of directly-held assets of recipient countries which are unknown to those countries and which would be readily available for meeting their balance of payment problems. For one thing, the valuations in Columns I and II are for different dates and are thus not directly comparable. In the second place the amounts shown under the heading "Direct Investments and Other" are not in general readily subject to liquidation although some of them are valuable sources of current income. Moreover the amounts have to be further adjusted downward to allow for departures of owners of some of the assets from the jurisdiction where they resided in 1941 and for withdrawals for any purposes permitted under foreign funds licenses. In addition, in those cases where the countries, in reporting the amounts certified, did not include securities (see footnote 3 of table 2), the figure in Column III must be still further reduced since it is known that some securities have been certified even though account has not been kept of the value of those certified. On the other hand, the figures in Column III must be adjusted upward to allow for (a) increases in market value of securities and accretions of income, (b) amounts included in Column II covering assets of non-citizen residents since these assets, although subject

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to certification, are not usually mobilized, and (c) amounts included in Column II covering assets listed under the heading "Direct Investments and Other" since these assets are not readily subject to liquidation.

Taking account of the above factors, it is doubtful that the blocked assets held here directly by recipient country nationals which are unknown to the respective countries and which are readily available for liquidation would exceed \$300 million to \$400 million. In the case of France, for example, it is not likely that the amount of such assets would exceed \$100 million to \$150 million. The French Ministry of Finance has estimated that the amount involved is approximately \$150 million.

In addition, nationals of these countries hold substantial but unknown amounts of blocked assets here through intermediaries in other countries, notably Switzerland. According to the TFR-300 census, the total amount of cash, deposits, and securities held in the United States in private Swiss accounts amounted to \$441,000,000. It is doubtful that more than 30% or \$132,300,000 represented French assets held through Switzerland. Various estimates have been made of the size of French assets held through Switzerland. The 30% figure is based on information obtained through the operations of Foreign Funds Control and is borne out by statements of representatives of two of the largest Swiss banks that about 25% of their dollar assets represent French holdings. The amount would, of course, be somewhat higher today due to rises in the prices of securities since 1941. In addition some small part of the \$441 million, perhaps 10%, represented assets held through Switzerland for Italian, Dutch and other recipient country accounts. The real ownership of the assets held through Switzerland can be established only if the system

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of unblocking requires the participation of the Swiss Government since that government is the only one in a position to ascertain which assets are in fact Swiss-owned and which are merely held through Swiss intermediaries.

To summarize briefly, it is doubtful that (a) the amount of free private assets held here by recipient country nationals which is unknown to the respective countries is of any importance and (b) the amount of blocked private assets here which is unknown to the countries and which could readily be liquidated, including those held directly or indirectly, will exceed \$700 million. I should like to point out that this is a much smaller amount than has been mentioned from time to time, but it is as accurate an estimate as we have been able to produce.

It is clear from the above that the blocked assets held here directly in the names of, and indirectly through third countries on behalf of, nationals of recipient countries constitute the bulk of the assets that have been concealed from such governments. This concealment is in violation of foreign exchange laws of most of the recipient countries. Some of these laws require that foreign exchange assets be declared; others require the turning over of liquid holdings in exchange for local currency; practically all require that licenses be obtained for expenditures of foreign exchange assets. Most of the recipient countries have requested our assistance in locating these hidden blocked assets. These countries can and will put these assets into the service of the Recovery Program if they can locate them. The problem therefore has been to decide whether and to what extent this government can and should help the recipient countries in locating the assets.

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The problem raised very serious issues which had to be weighed by the NAC. We therefore conferred at length with representatives of our domestic financial institutions and of foreign institutions. Some of these representatives pointed out that it is an intrinsic part of our free private enterprise system to respect private property held here by foreign nationals. They urged that there be no change in the traditional view that violations of the exchange control laws of foreign countries is of no concern to the United States. They argued that to adopt measures which will disclose or force the disclosure to foreign governments of private foreign property in the United States may put this government in the position of supporting partial confiscation of private property in those cases where foreign countries have compulsory mobilization laws and reimburse in local currency at unrealistic overvalued rates of exchange.

The NAC gave serious consideration to these views. We agreed that under ordinary circumstances it is doubtful that this government should be concerned with violations of foreign exchange of other countries or that it should take measures which might be construed as discriminatory against foreign private property in the United States. However, these are not ordinary circumstances. American taxpayers are being called upon to make substantial contributions to European recovery. It is therefore difficult to protect offenders of foreign exchange laws whose assets could now be used in connection with European rehabilitation if included in official reserves of these countries or otherwise effectively managed to improve the balance of payment positions of the recipient countries. This is especially so where some of the countries, notably France, have decided to mobilize and expend as far as possible the private holdings of their nationals and have asked our assistance in locating and controlling the assets. It is these circumstances, I am sure which have produced various

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legislative requests for action on this problem, such as the Funkel Bill (HR 4576) and the Herblud Resolution (HJ Res 268). Without commenting on these measures at this time, I should like merely, in passing, to indicate that they do not adequately meet the problem at hand.

We weighed the public concern with this problem against the traditional views in the United States respecting private property. We studied in detail many alternatives with the hope of arriving at a solution which would meet the objective of assisting recipient countries in securing the benefit of concealed private assets in the United States without jeopardizing traditional views with respect to private property. I shall not detail ~~alternatives~~ at this time the alternatives we considered, although I shall be glad to do so later if you desire. In general, I can state that none of the alternatives which have been developed to date could really protect the private property in the United States of foreign nationals and, at the same time, meet the objective of assisting the recipient countries with regard to the concealed assets here of their resident nationals and of preventing the escape of concealed enemy assets from this government's control.

After considering the issues, the MAC concluded that no action need be taken regarding free assets because of probable insignificant amounts involved, but that this government should help the recipient countries in locating, controlling, or otherwise securing the benefit of the blocked assets in the United States of their resident citizens. Accordingly, the MAC agreed that the program which I will now describe and which has been developed by the Justice and Treasury Departments should be put into operation as soon as possible unless the Congress objects since it is the most effective way to accomplish the above objective that has been devised.

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(Describe program)

The vesting aspect of this program appears under the circumstances to be the most effective means of rendering help to countries with regard to indirectly held assets. It is, of course, recognized that foreign nationals who hold their assets through third countries and who have not revealed such assets to their own government may, notwithstanding the announced program to vest these assets, choose not to declare their assets to their own governments for certification. This difficulty might be met in part if appropriate foreign governments were to grant some moderation of penalties for failure to have previously declared the assets. We expect informally to indicate to the foreign governments the beneficial effect of granting amnesty in speeding up the certification procedure and thereby reducing the amount of assets to be vested by the Office of Alien Property.

It has been argued that many foreign nationals will nevertheless choose to forfeit their indirectly-held assets to the United States rather than disclose them to their governments. If this proves to be the case, consideration could be given at a later date to the allocation of the vested assets among the recipient countries. Of course, if a more effective means of solving this problem can promptly be devised, consideration would be given to appropriate revisions.

Moreover, the program will not reach the assets of citizens of recipient countries who permanently migrate from the continent of Europe. In such cases, the individual can obtain the release or return of his assets before or after vesting, and the government of the country where he formerly resided would not obtain control over the assets. It can be expected that some foreign nationals will so migrate and that others will allege that they have done so,

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but may, in fact, return to their former place of residence once the assets have been released or returned. This difficulty could be avoided if the foreign country concerned issued a decree vesting title to the dollar assets in the United States of its resident citizens regardless of compliance by the owner, and if the State Department recognized the extra-territorial effect of such a decree. In that event, the foreign government would be able to establish in our courts its title to the assets regardless of whether its resident citizens subsequently migrated and we could refuse, as a matter of policy, to release or return the affected property to the former owner. Recognition of the decrees to the extent indicated above raises an important policy decision for this government which has not yet been made. It is believed in fact, that none of the recipient countries has to date issued such a decree.

Before concluding my discussion of this program, I want to call your attention to the fact that it has the added feature of providing for the orderly termination of the Foreign Funds Control blocking operations in a manner which will avoid the escape from this government of enemy assets concealed in blocked accounts standing in the names of friendly or neutral nationals. The plan involves the transfer to the jurisdiction of the Office of Alien Property of all assets remaining blocked after the public deadline date. Thus German, Japanese, Hungarian, Rumanian, and Bulgarian assets would be covered; Finnish, Polish, and Czechoslovakian assets which will not exceed \$5 million, would be transferred and remain blocked until international developments permit their ultimate disposition. As for the Yugoslavian, Estonian, Latvian, and Lithuanian blocked assets, if international problems make it impossible to unblock these

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assets before the public deadline date, the Office of Alien Property would also keep these assets blocked until a solution is found for their ultimate disposition. Spanish and Portuguese assets are still blocked pending the completion of the current negotiations with Spain and Portugal covering looted gold and German assets. If these negotiations are successfully completed before the public deadline date, arrangements can promptly be made for the unblocking of these assets; on the other hand, if the negotiations are not completed by that date, these assets would likewise be covered in the transfer of the assets to the jurisdiction of the Office of Alien Property and would remain blocked pending the conclusion of the negotiations.

Finally, I should like to add that the Attorney General has informed me that there is adequate authority under the Trading with the Enemy Act as amended to carry out all aspects of the above program. Moreover, the program will be far more effective in helping the recipient countries than would either the Funkel Bill (HR 4576) or the Norblad Resolution (HJ Res 268). Accordingly, it appears to me that no legislation of this kind is required or desirable.

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Redraft

January 16, 1948

III. Conclusions

The following recommendation is submitted for the consideration of the National Advisory Council:

1. The National Advisory Council agrees that the Congress, during its consideration of the European Recovery Program, should be advised of the probable extent of the dollar assets in the United States of nationals of countries likely to receive financial assistance under the European Recovery Program, distinguishing as between blocked and free assets. It should be indicated that the blocked assets held directly in the names of, and indirectly through third countries on behalf of, nationals of these countries constitute the bulk of the assets in this country that have been concealed from the governments of such countries. Accordingly, action to assist foreign governments in locating private assets is justified only in connection with those which are blocked.
2. The National Advisory Council agrees that this Government should help European countries receiving financial assistance under the European Recovery Program in locating, controlling, or otherwise securing the benefit of the blocked assets in the United States of their resident citizens. It therefore concurs in the program set out in 3 below. The vesting program described in 3(b) appears under present circumstances to be the most effective means of rendering help to these countries with regard to the indirectly-held assets of their nationals.

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3. The National Advisory Council agrees that the Congress should be informed of the intent, unless Congress objects, to put into operation the following program which has been agreed to by the Departments of Justice and Treasury. Three months public notice will shortly be given after which assets then remaining blocked, including assets not certified by the appropriate foreign government as free of enemy taint, would be transferred to the jurisdiction of the Office of Alien Property. For administrative reasons, accounts containing property valued at \$5,000 or less will be unblocked in the near future without requiring certification or other formalities except where a known German, Japanese, Hungarian, Rumanian or Bulgarian interest exists. The Office of Alien Property will take a new census of the assets which remain blocked as of the deadline date. In order effectively to help European countries receiving financial assistance under the European Recovery Program in locating, controlling, or otherwise securing the benefit of the blocked assets in the United States of their resident citizens, the Office of Alien Property will then promptly carry out the following policies:
- (a) To deal with the directly-held assets by making available to such governments the information from the new census of blocked assets of their citizens residing in their territories which remain uncertified as of the public deadline date referred to above. Each country receiving such information will be required to investigate the beneficial ownership of property held in the names of its citizens for the purpose of discovering any enemy interest, so

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that enemy property will not escape this government. Pending such investigations, such property will not be vested but will remain blocked under the jurisdiction of the Office of Alien Property. If these investigations show that the assets are owned by residents of the country receiving the information, the assets will be released.

(b) To deal with indirectly-held assets by vesting any assets in blocked accounts of countries receiving aid under the European Recovery Program, and in Swiss and Liechtenstein accounts, which remain uncertified as of the deadline date referred to above and which are not disclosed to the country of which the beneficial owner is a resident through the furnishing of information as provided in (a) above to countries receiving financial assistance under the European Recovery Program. Vesting of uncertified assets in Swiss and Liechtenstein accounts will be started immediately after the receipt of the census information by the Office of Alien Property since it is not intended to furnish such information to the Swiss Government. On the other hand, the vesting of uncertified assets in accounts of countries obtaining financial assistance under the European Recovery Program will not be commenced before this Government received the results of investigations conducted by these countries on the basis of information furnished to them. If these investigations show that the assets are held for the account of residents of another country receiving financial assistance under The European Recovery Program, such assets will be vested unless

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it is possible to inform such country of the existence of the assets and it is found that the assets are free of enemy taint. In accordance with existing law, any friendly or neutral property so vested would be returned to the beneficial owner upon proof of the absence of any enemy taint, but only after consulting the government of the foreign country of which he was a resident, thus assuring the disclosure of such property to that government.

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National Advisory Council
 Document No. 580
 January 14, 1948

MEMORANDUM To: National Advisory Council

From: National Advisory Council Staff Committee

Subject: U.S. Assistance in Tracing the Private Dollar Assets
 in the U.S. of Nationals of Countries Receiving Aid
 Under the European Recovery Program

I. The Problem

Most of the countries which are likely to receive financial aid under the European Recovery Program (hereafter called "recipient countries") require their nationals to declare their holdings of foreign exchange assets; some of the countries require that at least the liquid holdings be turned over to the governments in exchange for local currency. All of these countries also have exchange controls which require that permission be obtained from the government covering any expenditure of foreign exchange assets. Nevertheless a substantial number of nationals of certain countries follow the practice of keeping their foreign holdings secret from their own governments. Ordinarily this practice is of little concern to the United States but the fact that American taxpayers are being called on to make substantial contributions to European recovery has aroused considerable congressional and public interest in the subject of European-owned assets which may be hidden in the United States with numerous demands for action to aid these foreign governments in locating the assets.

The problem is to determine to what extent the United States can and should assist the governments of the recipient countries to locate and control the dollar assets of their nationals concealed in this country. The question, in general terms, is whether this government should undertake to force the private assets into the control of the recipient governments so that they may be included in the official reserves or be effectively managed to improve balance of payments positions. Moreover, some of the countries concerned, notably France, have decided to mobilize and expend, as far as possible, the private holdings in the United States of their nationals and have been pressing for assistance from this government in locating these assets.

II. Discussion

1. Amount of Assets Involved

For the most part, there are no completely accurate and detailed figures of the current holdings of dollar assets in the United States of private foreign nationals residing in the recipient countries. Reasonably accurate estimates, by major types of property, are, however, available for each of these countries and are shown below.

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Table 1

Estimated United States Assets, Blocked and Free, Held by
 Persons in the Recipient Countries Other than Governments
 and Central Banks, as of June 30, 1947

(in millions of dollars)

Country 1/	Short term Assets	Long-term Assets 2/			Total
		Securities	Direct Investments	Other	
Austria	-	3	1	2	6
Belgium	132	55	85	45	317
Denmark	35	10	8	16	69
Eire	15	14	8	18	37
France	182	225	90	150	3/ 647
Greece	17	5	5	22	49
Italy 5/	108	14	2	47	171
Luxembourg	22	5	6	3	35
Netherlands	149	580	360	55	1,144
Norway	62	20	5	25	112
Sweden	109	50	35	30	224
United Kingdom	280	600	980	445	4/2,305
Total					5,116

- 1/ Turkey, Switzerland and Portugal are not included since it is not expected that they will receive financial assistance under the ERP. Iceland is not included because its assets are insignificant.
- 2/ Estimates of long-term assets are based on TFR-300 data as of June 14, 1941, adjusted for transactions and price changes and other known factors. Calculations were made by the Department of Commerce and Treasury Department.
- 3/ Includes assets since vested by the French Government.
- 4/ Includes about \$900 million of assets pledged by the British Government as collateral to the RFC loan of which about \$193 million remained unpaid as of September 1, 1947.
- 5/ Does not include assets of the Vatican.

In assessing the significance of the above figures in relation to financial assistance to Europe certain factors must be emphasized. First, the amounts shown under headings "Direct Investments" and "Other" in the above table are not readily subject to liquidation although some of them are valuable sources of current income. Second, the table includes assets of residents of these countries who are not citizens of such countries and whose assets are in general not subject to mobilization. Non-French persons residing in France, according to the TFR-300 census, held approximately 41% of the assets reported in 1941 - exclusive of "Direct Investments" and "Other" assets - as held for the account of private persons in France. The analogous percentage was even higher in the case of Italy but was lower in the case of

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other countries. Finally, although no accurate figures are available of the extent to which these assets are known to the governments of the recipient countries, it is known from Foreign Funds Control operations that a substantial part of the assets have been declared to these governments. To the extent that the assets have been declared they are of course available to these governments either for meeting balance of payment problems or as supplements to official dollar reserves.

It should also be noted that nationals of the recipient countries hold assets in the United States in substantial amounts through third countries, notably Switzerland. The amount and real ownership of most of these assets is unknown to anyone in this country.

2. Assets Blocked in the United States

As a wartime measure, all of the private and public holdings in the United States of the recipient countries, except the United Kingdom and Eire, were blocked under Foreign Funds Control in the Treasury Department. Assets which have newly accrued to these countries or their nationals since December 7, 1945, are not blocked. Since the end of the war the Treasury has established a procedure for unblocking the private assets of each of these countries. Under this procedure, the foreign national residing in any of these countries must apply to the government of that country for a certification that there is no enemy interest in the assets. Although the primary purpose of this procedure is to find any concealed enemy assets, an obvious incidental result of the procedure is that the assets must be revealed to the foreign government concerned or else must remain blocked in this country.

In addition the private and public assets held here by most of the other European countries at the outbreak of the war were also blocked. This includes (a) Switzerland and Liechtenstein, (b) Spain and Portugal, (c) Finland, Poland, and Czechoslovakia, (d) Yugoslavia, Estonia, Latvia, and Lithuania, (e) Hungary, Rumania, and Bulgaria, and (f) Germany. Swiss and Liechtenstein assets are presently being unblocked through the certification procedure described in the preceding paragraph. No procedure has yet been established for the unblocking of Spanish and Portuguese assets since it has not been possible to conclude satisfactory arrangements between Spain or Portugal and the Allies concerning the disposition of German assets located in those countries or the restitution of looted gold acquired by them from Germany. Finnish, Polish, and Czechoslovakian assets are at present covered by the certification procedure and most of these assets have already been certified by the respective governments. Yugoslavian, Estonian, Latvian, and Lithuanian assets remain blocked at the request of the State Department and no procedure at present exists for their unblocking. Hungarian, Rumanian, and Bulgarian assets also remain blocked since, under the respective peace treaties, this country has first claim against these assets; as of the present date it has not been possible to arrive at a settlement of war claims with these

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countries. The remaining blocked German assets in general are being vested by the Office of Alien Property, Department of Justice, as rapidly as investigations can be completed. Japanese blocked assets are, of course, being treated in the same manner as blocked German assets.

The amount of blocked assets at the present time is uncertain. While the census of foreign owned assets in 1941 provides a basis for estimating the amount that was blocked at that time, it has not been feasible to maintain records of changes since that time. When assets are released under the existing certification procedure, the certification is made directly by the foreign government to the private American custodian of the assets without a report to the Treasury. However, according to the best estimates, the current status of the blocked private assets of each recipient country is as set out below.

Table 2

Current Status of Blocked Assets of Private Residents of Recipient Countries who are Citizens of such Countries 1/ (in millions of dollars)

Country of Residence	I Amounts blocked as per 1941 census			Total	II Amounts Certified (recent date)	III Difference I less II
	Short Term Assets	Securities <u>2/</u>	Direct Investments and Other			
Austria	.5	.8	1.6	2.9	.6	2.3
Belgium	104.9	27.6	128.3	260.8	174.6 <u>3/</u>	86.2
Denmark	9.1	5.2 <u>4/</u>	14.8	29.9 <u>4/</u>	<u>6/</u>	<u>6/</u>
France	156.6	87.4	217.8	461.8	203.0 <u>3/</u>	258.8
Greece	11.5	1.6	13.5	26.5	9.8	16.7
Italy <u>5/</u>	8.4	5.5	28.7 <u>7/</u>	42.6 <u>7/</u>	none	42.6
Luxembourg	21.1	2.9	6.6	30.6	12.3 <u>3/</u>	18.3
Netherlands	142.1	451.8 <u>4/</u>	355.8	949.6 <u>4/</u>	684.5	265.1
Norway	38.2	9.6	18.4	66.3	25.0	41.3
Sweden	25.4	33.0	58.7	117.1	138.9	<u>8/</u>

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- 1/ Holdings of private residents were figured by subtracting government and central bank holdings.
- 2/ Exclusive of foreign securities held in the United States on June 14, 1941, valued at \$101.2 million. These were partly bonds expressed in dollars and partly securities expressed in foreign currencies.
- 3/ Figure does not include any securities since the certifying authorities have not kept account of the value of securities certified.
- 4/ United States dollar bearer securities held in Denmark estimated as amounting to \$1.5 million and in the Netherlands estimated as amounting to \$147 million have been added to the census data for these two countries.
- 5/ Vatican holdings deducted.
- 6/ The Danish Government has not yet submitted a report appropriate for the present purpose but it is known that a very substantial portion of the Danish assets have been certified.
- 7/ Approximately \$15 million of Italian assets have been vested by the Office of Alien Property and this amount has therefore been deducted from the census data.
- 8/ Excess of certified amounts may result from higher market value of securities at time of certifying.

It must be emphasized that the figures in Column III above do not, without numerous adjustments, represent the amount of direct holdings of recipient countries which would be available for meeting their balance of payments problems. For one thing, the valuations in Columns I and II are for different dates and are thus not directly comparable. It should also be recognized that the amounts shown under the heading "Direct Investments and Other" are not in general readily subject to liquidation although some of them are valuable sources of current income. The amounts have to be further adjusted downward to allow for departures of owners of some of the assets from the jurisdiction where they resided in 1941 and for withdrawals for many purposes permitted under foreign funds licenses. In those cases where the countries, in reporting the amounts certified, did not include securities (see footnote 3), the figure in Column III must be further reduced since it is known that some securities have been certified even though account has not been kept of value of those certified. On the other hand, the figures in Column III must be adjusted upward to allow for (a) increases in market value of securities and accretions of income, (b) amounts included in Column II covering assets of non-citizen residents since these assets, although subject to certification, are not usually mobilized, and (c) amounts included in Column II covering assets listed under the heading "Direct Investments and Other" since these assets are not readily subject to liquidation.

In view of the above factors, it is not possible to calculate accurately the amount of direct recipient country holdings in the United States which are unknown to the governments of those countries

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and which are available for ready liquidation. From this and other collateral information, it may be deduced that the amount of blocked uncertified assets in the United States belonging to private residents of recipient countries who are citizens of such countries may amount to as much as \$800 million. At the same time, it should be noted that the amount of such assets which could be readily mobilized may not exceed \$300 million or \$400 million. In the case of France, for example, it is not likely that this latter amount would exceed \$100 million to \$150 million. The French Ministry of Finance has estimated that the amount involved is approximately \$150 million.

In addition, nationals of these countries hold substantial but unknown amounts of blocked assets here through intermediaries in other countries, notably Switzerland. According to the TFR-300 census, the total amount of cash, deposits, and securities held in the United States in private Swiss accounts amounted to \$441,000,000. It is doubtful that more than 30% or \$132,300,000 represented French assets held through Switzerland.* This amount would be somewhat higher today due to rises in the prices of securities since 1941. In addition some small part of the \$441 million, perhaps 10%, represented assets held through Switzerland for Italian, Dutch and other recipient country accounts. The real ownership of the assets held through Switzerland can be established only if the system of unblocking requires the participation of the Swiss Government since that Government is the only one in a position to ascertain which assets are in fact Swiss-owned and which are merely held through Swiss intermediaries.

It is anticipated that in the near future any blocked accounts in which the total value of the property is \$5,000 or less will be unblocked through the issuance of a general license not requiring certification by any foreign government. Accounts in which there is a known German, Japanese, Hungarian, Bulgarian, or Rumanian interest will be excluded from this general license and will remain blocked. The purpose of the license is to reduce the administrative problems in connection with maintaining the blocking controls over small accounts. The effect of the general license, so far as assets of recipient countries is concerned, will be to unblock automatically approximately 49% of the total number of accounts involved, although the amount of property unblocked will be less than \$40 million or 1.7% of the amounts reported in the 1941 census as held by residents of the recipient countries.

* Various estimates have been made of the size of French assets held through Switzerland. The 30% figure is based on information obtained through the operations of Foreign Funds Control and is borne out by statements of representatives of two of the largest Swiss banks that about 25% of their dollar assets represent French holdings.

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3. Free Assets in the United States

As indicated above, the assets of the United Kingdom and Eire were never blocked. It is believed that British citizens residing in the United Kingdom have, for the most part, declared their holdings to their government leaving no important problem with respect to concealed British assets. Private Eire holdings in the United States are small and therefore of little importance.

Assets accruing since December 7, 1945, to residents of the countries included in Table 2 have not been blocked by or reported to this government except in a limited statistical manner. Accordingly, no accurate figures are available. Available data indicated that private foreign short-term balances since December 30, 1945, declined appreciably for France and the Netherlands and increased for Italy, Norway and Denmark. In the case of Italy the increase was \$90 million, but this increase was in the accounts of Italian banks and can therefore be assumed to be known to the Italian Government. The increases for Norway and Denmark were \$14 and \$16 million respectively. Data regarding transactions in securities indicate net liquidation of United States securities by nationals of the recipient countries of about \$150 million in the period between the end of 1945 and June 30, 1947. It is possible that some assets unknown to foreign governments may have accumulated here despite the liquidation which it is assumed took place primarily with respect to property which had been declared under applicable foreign law.

4. Ways and Means by Which This Government Might Cooperate with the Foreign Governments to Assist Them in Locating and Controlling Private Assets in the United States of Their Nationals

In section 5(b) of the Trading with the enemy Act the executive branch of the United States Government has formal legal authority to take any of the measures discussed below. Therefore it is not believed necessary to discuss legal questions in this memorandum, although challenges to the government's authority might actually be instituted in the courts by persons affected by the measures.

a. Assets Blocked in the United States

As indicated in connection with Table 2 above the maximum amount of assets blocked in the United States which have not yet been certified and are therefore probably unknown to the government of the recipient countries is estimated as not exceeding \$800 million. In addition there are unknown amounts held indirectly in the United States, notably through Switzerland. As noted above, however, it is probable that private assets of recipient countries held through Switzerland do not exceed \$175 million.

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With respect to these assets we could cooperate with the foreign governments concerned either by (i) making available to the foreign governments concerned information already available through the TFR-300 census of July 14, 1941, (ii) taking a new census of blocked assets with the results being turned over to the foreign governments concerned, (iii) furnishing information from new census to recipient countries coupled with a vesting of Swiss and Liechtenstein accounts and residual accounts of recipient countries not reached for the benefit of such countries through the furnishing of information, (iv) recognizing decrees of foreign governments vesting the dollar assets of their nationals and using directive powers under the Trading with the enemy Act to compel persons in the United States having custody of the assets to turn them over to some central foreign government account, or (v) offering inducements to owners to gain their cooperation.

i. Turning Over to Foreign Governments Information Now Available Under the TFR-300 Census

The turning over of this information would obviously assist foreign governments in gaining control over the direct holdings of their nationals. In fact numerous requests have been received since the war from foreign governments for this information. Such requests have uniformly been refused. The turning over of such information raised the following difficulties:

First, the census was taken primarily for the purpose of assuring that our wartime freezing controls would be effective. In order to assure complete coverage, the persons reporting were given assurances that the material which they submitted would be treated as confidential information to be used only for official purposes of this government. An important segment of the reporting public construed this assurance to mean that the information would not be made available to foreign governments.

Second, the census reflects the amount of assets as of June 14, 1941. This information is now inaccurate because (a) some of the owners of these assets have, since 1941, removed themselves from the jurisdiction of the recipient countries; and (b) the amount and location of the assets has been affected by the operation of Foreign Funds Control.

Third, the census information will not assist foreign countries in locating or controlling assets of their nationals held here indirectly as, for example, held through Swiss banks and other Swiss institutions.

ii. Turning over to foreign governments information to be obtained from a new census of blocked assets

The taking of a new census of blocked assets with the announced intention of furnishing the information to foreign governments would, of course, eliminate the first two difficulties outlined in the preceding section. However, the new census would not deal with assets held

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here indirectly and therefore fails to meet a substantial part of the problem. Moreover, a new census might raise difficulties as to compliance with the reporting requirement, although these difficulties would not be serious since most financial institutions would undoubtedly make the required reports and a check of other persons could be made through the TFR-300 reports.

- iii. Furnishing information from new census to recipient countries coupled with a vesting of Swiss and Liechtenstein accounts and the residual accounts of recipient countries not reached for benefit of such countries through information program.

After a three months public notice, assets then remaining blocked, including assets not certified by the appropriate foreign government as free of enemy taint, would be transferred to the jurisdiction of the Office of Alien Property. That Office would take a new census of the assets which remain blocked as of the public deadline date and would institute the following two-fold program - information and vesting - to assist the recipient countries effectively in locating, controlling or otherwise securing the benefit of blocked assets in the United States of their resident citizens:

(a) To deal with directly-held assets by making available to such governments the information from the new census on blocked assets of their citizens, including juridical persons, residing in their territories which remain uncertified as of the public deadline date. Each country receiving such information would be required to investigate the beneficial ownership of property held in the names of its citizens for the purpose of discovering any enemy interest so that enemy property would not escape this government. Pending a reasonable period for such investigations, such property would remain blocked under the jurisdiction of the Office of Alien Property. If the investigations showed that the assets belonged to residents of the recipient countries, the assets would be released.

(b) To deal with indirectly held assets by a vesting program with respect to accounts which remain uncertified after the deadline date. Processing of uncertified assets in Swiss and Liechtenstein accounts for vesting under applicable law as enemy property will be started immediately after the receipt of the census information by the Office of Alien Property. The vesting program will also be applied to uncertified assets held indirectly through recipient countries where the program described in (a) above does not result in disclosure to the beneficial owner's government. In the absence of definite evidence of non-enemy ownership, full weight will be given to the presumption of enemy ownership arising from the failure to obtain certification. Evidence of non-enemy ownership or interest offered, either before or after vesting would be checked in accordance with the usual investigative procedures of the Office of Alien Property. These procedures involve disclosure to the governments of the countries of which persons claiming legal or beneficial interests are residents. Of course, any vested assets which are proved to be non-enemy may be returned under existing law applicable to the return of vested property.

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From the standpoint of locating concealed foreign assets, the principal advantage of this proposal over the other two is the fact that it does deal with the problem of indirectly-held assets. This is true because Swiss accounts are also blocked and are released only through the certification procedure. The Swiss Government is not permitted to certify assets held through Switzerland except on the basis of a cross-certification from the government of the country where the beneficial owner resides. There is no satisfactory alternative but to rely on the Swiss and other interested governments in ascertaining whether property held in Swiss accounts is Swiss-owned, enemy-owned, or owned by nationals of recipient countries.

A further advantage of the proposal is that it would provide for an orderly termination of Foreign Funds Control without sacrificing its most important current objective. It would avoid the escape from this government of enemy assets concealed in blocked accounts standing in the names of persons in friendly or neutral countries. Moreover the plan involves the transfer to the jurisdiction of the Office of Alien Property of all assets remaining blocked after the public deadline date. Thus German, Japanese, Hungarian, Rumanian, and Bulgarian assets would be covered; Finnish, Polish, and Czechoslovakian assets which will not exceed \$5 million, would be transferred and remained blocked until international developments permit their ultimate disposition. As for the Yugoslavian, Estonian, Latvian, and Lithuanian blocked assets, if international problems make it impossible to unblock these assets before the public deadline date, the Office of Alien Property would also keep these assets blocked until a solution is found for their ultimate disposition. Spanish and Portuguese assets are still blocked pending the completion of the current negotiations with Spain and Portugal covering looted gold and German assets. If these negotiations are successfully completed before the public deadline date arrangements can promptly be made for the unblocking of these assets; on the other hand if the negotiations are not completed by that date these assets would likewise be covered in the transfer of the assets to the jurisdiction of the Office of Alien Property and would remain blocked pending the conclusion of the negotiations.

A difficulty with this program from the standpoint of promptly locating indirectly-held foreign assets is the fact that the foreign nationals who have not revealed their assets to their own government may, notwithstanding the announced program to vest these assets, choose not to declare their assets for certification. This difficulty might be met in part if appropriate foreign governments were to grant some moderation of penalties for failure to have previously declared the assets. Accordingly, if this alternative is adopted, our government would use its good offices in an effort to bring about the granting of such moderation. However, the approach to the foreign governments would be informal and on the basis of pointing out the beneficial effect in speeding up the certification procedure and thereby reducing the amount of assets to be vested by the Office of Alien Property. It has been argued that many foreign nationals will nonetheless choose to forfeit their indirectly held assets. If this proves to be the case, considera-

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tion could be given at a later date to the allocation of the vested assets among the recipient countries. Of course if a more effective program is hereafter proposed for dealing with the indirectly-held assets, it could be adopted as a supplement to or in lieu of the vesting program described in (iii) (b) above.

A further difficulty arises in connection with citizens of recipient countries who permanently migrate from the continent of Europe. In such cases, the individual involved would be able to obtain the release or return of his assets before or after vesting and the government of the country where he formerly resided would not obtain control over the assets. It can be expected that some foreign nationals will so migrate and that others will allege that they have done so, but may, in fact, return to their former place of residence once the assets have been released or returned. This difficulty could be avoided if the foreign country concerned issued a decree vesting title to the dollar assets in the United States of its resident citizens regardless of compliance by the owner, and if the State Department recognized the extra-territorial effect of such a decree. In that event, the foreign government would be able to establish in our courts its title to the assets regardless of whether its resident citizens subsequently migrated and we could refuse, as a matter of policy, to release or return the affected property to the former owner. Recognition of the decrees to the extent indicated above raises an important policy decision for this government which has not yet been made. It is believed, in fact, that none of the recipient countries has to date issued such a decree.

iv. United States Implementation of Foreign Vesting Decrees

In those cases where foreign governments decide to issue decrees vesting in themselves title to the dollar assets in the United States of their nationals, the United States might give effect to such decrees by recognizing their extraterritorial application and by using the directive powers under the Trading with the Enemy Act to require the United States holders of the assets to turn them over to a central foreign government account. Since the identification of concealed enemy assets held in private foreign accounts would not be possible under this plan a settlement would be negotiated with the foreign government under which that government would agree to pay over some mutually satisfactory percentage of the assets which were centralized. Under this plan the foreign national could remain anonymous from his own government and still receive compensation, in the form of a bearer bond, probably in foreign currency, through arrangements made by the foreign government with American custodians. The foreign government could also arrange for compensation to be temporarily deferred until the currency of the country is stabilized. It may turn out that persons in the United States holding the assets will not be willing to comply with the directive without first testing its validity in the courts. Even if this proves to be the case it might be possible for an immediate loan to be arranged, perhaps by the Export-Import

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Bank, on the security of the assets to be centralized so that dollar assistance might be provided under this plan at an early date.

This proposal has certain advantages. It might remove some of the objections of our financial community to the rendering of assistance to foreign countries in locating private assets, since the foreign nationals could remain anonymous from their government and since the compensation arrangements might be deferred with the prospect that compensation might be at a more favorable rate. Finally, for the same reasons, the Swiss banks might regard such a plan as more favorable to the interests of their foreign customers than other proposals. If so, the Swiss banks might possibly cooperate to the extent of identifying by nationality those parts of their accounts in the United States which represent assets of nationals of countries participating in this plan.

The directive plan has serious disadvantages. It is too limited in applicability to deal with the over-all problem of blocked private assets in the United States. For example, some of the recipient countries will not desire to vest title to the dollar assets of their nationals since they will prefer to permit their nationals to retain their dollar investments in order that the income earned can be used to meet balance of payments deficits. Even in the case of recipient countries that do vest title to private assets, the directive plan will not be readily applicable to all directly held assets since some of these assets are not readily subject to centralization, as for example, interests in trusts created here, and since such countries probably would not care to liquidate the direct investments of their nationals in controlled enterprises in the United States. Moreover the directive plan by itself will not meet the problem of assets held through Switzerland since it is clear that the Swiss banks would cooperate with the directive plan only if the vesting proposal had been announced, in which case they might prefer the directive plan as being more favorable to their customers in the recipient countries. Finally, Switzerland, although not a recipient country, has blocked private assets in the United States which have not been certified and which could not be dealt with under the directive plan since Switzerland certainly would have no reason to vest title to the private dollar assets of its nationals.

In view of the inadequacies of the directive plan it is clear that it would be necessary to supplement the directive plan by using the vesting proposal outlined in (iii) above. Moreover it would not be possible to set as early a date for the transfer of the assets to the Office of Alien Property as has been anticipated since it would be necessary to allow adequate time for working out and implementing the details of the directive plan. Probably the earliest that the transfer could be made would be the end of 1948.

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The use by this government of its directive powers would involve ~~serious administrative difficulties for this government~~ and might well cause troublesome litigation. In addition to the problem of following up the directive orders to insure compliance, the administrator would be faced with difficult problems in devising procedures for handling assets which are not readily centralizable or which for one reason or another should not be centralized. In fact, as to such assets, the most that could be done under any program would be to provide the foreign government with information thereby enabling that government to control the income. It is exceedingly doubtful that persons in the United States holding the assets would comply with the directive without first testing its validity through our courts and thus involving this government in long and difficult litigation. It may be concluded that, if it is decided to recognize foreign vesting decrees expressly, it would be more desirable to do so by coupling the recognition with an information program rather than with the directive plan since the information program would not involve as serious administrative or legal problems.

Finally the feature of anonymity would raise serious difficulties with regard to persons in countries which did not desire to vest title to the dollar assets of their nationals. Persons in such countries could argue that they should also be permitted to remain anonymous from their governments, but this would not be possible under any program other than the directive plan and that plan could not be used for all countries.

v. Offering inducements to owners to gain their cooperation

Various proposals have been advanced designed to obtain the cooperation of the owners of the blocked assets by offering them various inducements. The most complete proposal of this kind to date is one which provides for unblocking assets in the United States of residents or recipient countries under a procedure for determining the absence of enemy interest without requiring the disclosure of the owners to their respective governments provided that (a) a certain percentage of each person's assets were surrendered for remittance to the appropriate government in lieu of outstanding penalties for failure to have complied with the laws of that country regarding such assets and (b) the remainder of such assets were liquidated and the proceeds invested in United States Government or other suitable securities which would be in non-transferable form for a specified period of years. Such a procedure for determining the absence of enemy interest would involve relying on some agency, such as the Swiss Compensation Office or the Federal Reserve Bank of New York, outside the country of which the alleged owner is a resident and that agency would hold confidential any information disclosed to it. The amount to be surrendered to the respective governments in lieu of penalty would be determined by agreement with such governments. If the amount remaining after deduction of the surrendered percentage is invested in bonds of the United States, such amount could be applied for the purposes of the European Recovery Program under appropriation by the Congress. If there are objections to

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the use of bonds of the United States for this purpose, the unsurrendered amount might be invested in long term bonds of the International Bank for Reconstruction and Development. The International Bank has indicated, however, that it would probably not be willing to make any commitment in advance as to the use of the funds so invested other than that they would be used for the making of loans for the purposes specified in the Articles of Agreement of the Bank in the same manner as other funds borrowed by the Bank, due consideration being given to the source of the funds in determining the types of loans for which they should be used. In order to provide for a reasonably prompt solution of the problem a reasonable time limit, such as six months, would be allowed during which the owners of the assets could avail themselves of this plan. It would be made clear that at the end of such period all such blocked assets not so released would be vested by the Office of Alien Property.

This proposal has certain advantages. It might remove some of the objections of our financial community to the rendering of assistance to foreign countries in locating private assets, since the foreign nationals would remain anonymous from their own governments and would be guaranteed a return in dollars after an agreed period with interest during that period, except for the amount surrendered in lieu of penalties. For the same reasons a larger percentage of the foreign nationals involved might take advantage of this plan than would be the case under the other alternatives discussed above. This factor would be particularly significant in the case of assets held indirectly through Switzerland where the foreign national has the ability under any plan to forfeit the assets to this government in lieu of having them put under the control of his own government. The proposal might also appeal to some of the foreign governments concerned if it represented the extent of the cooperation this government was prepared to give in meeting the problem, since the amounts surrendered by their nationals in lieu of penalty would be available reasonably promptly and since the funds invested as described above might in fact be used for the benefit of the countries concerned even though no expressed commitments to that effect were made.

There are also certain disadvantages to this proposal. In the first place it would not entirely achieve the purpose of bringing assets of their residents into the hands of recipient countries in support of the European Recovery Program. The countries would not secure control of the principal sums which their laws require to be disclosed but would merely receive a relatively small part in lieu of penalties. For this reason the recipient countries might not agree with the program except on a take-it-or-leave-it basis. The proposal is less advantageous to the American taxpayer than alternative (iii) above which provides a program whereby the assets are entirely turned over to the recipient countries or are forfeited to this country. If United States Treasury bonds were issued, the American taxpayer would ultimately be obliged to provide funds for their redemption. On the other hand it appears that the carrying out of the program through the issuance of bonds by the International Bank would not be a truly

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appropriate function for that institution. The Bank has always been conceived of as a means for encouraging private participation in foreign investment by the addition of safeguards, including in effect government guarantees, which are not present in the ordinary capital market. It may be questioned whether, as a matter of policy, the Bank should participate in a semi-coercive enterprise involving delicate relationships between member governments and their citizens. Moreover, because of the guarantee feature the issuance of bonds by the Bank would involve some possible risk to the taxpayers of this country.

In addition this government would either have to forego any attempt to locate enemy assets concealed in blocked accounts or would have to create new and less effective machinery for disclosing such assets. The owner of the assets could not remain anonymous from his own government unless this government departed from the established principle of requiring the investigation of ownership to be made by the government of the country of which he is a resident. Substitute machinery for determining the absence of enemy interest would be less effective since the administrator of that machinery would have no effective means of carrying on investigations in the country where the alleged owner resides and accordingly would be unable to penetrate the many and varied cloaking devices which have been established to conceal an enemy taint. It might, of course, be possible to negotiate a settlement with each foreign country whereby an agreed percentage of the assets surrendered in lieu of penalty would be turned over to this government as representing the probable extent of the concealed enemy assets.

The relationship of the proposed plan to assets which are not readily marketable would involve serious discrimination, as well as practical difficulties for the administering agency. If the plan were applied to such assets the owners would have to dispose of the property at a sacrifice, or would have to declare it to their government as an alternative to having it vested. In any of these events such owners would be less favorably situated than the holder of marketable assets who may anonymously retain the value of his property, less only the payment in lieu of penalty. If, on the other hand, assets not readily marketable were exempted from the plan, except as to penalty, the owners of such assets would be more favorably treated than owners of marketable assets. Moreover, some agency would then have the difficult problem of deciding which assets were not readily marketable and therefore exempt.

Finally the program does not really avoid a departure from the traditional treatment of private foreign investments in the United States since it is apparent that foreign nationals will not sacrifice even the amounts in lieu of penalties unless it is clear that any assets not made available within a reasonable period will then be vested by this government. Basically therefore this plan involves a forced investment either in United States Government or in International Bank bonds. While the plan offers substantial mitigation to the owner who accepts it, the United States must in principle make the same basic

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National Advisory Council
 Document No. 580

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policy decisions as in the case of the more direct programs because of the need for underlying coercion. Moreover, as to persons not able or willing to accept the plan, these policy decisions ultimately must be carried out.

All of the above proposals contemplate the taking of measures by this government which directly or indirectly assist foreign governments in locating private assets of their nationals. Such measures would conflict basically with the views of financial institutions in this country regarding the treatment to be accorded private property held here by foreign nationals. Moreover our financial institutions would stress the fact that some foreign countries have compulsory mobilization laws and that compensation in local currency is paid at unrealistic rates of exchange which have the effect of partial confiscation. They would also emphasize that the traditional view has been that the United States need not concern itself with violations by foreign nationals of the foreign exchange laws of other countries.

In evaluating the specific alternatives in the light of the general objections outlined in the preceding paragraph, it appears on the surface that alternative (v) is the least vulnerable. However, under this program not only would the least assistance be given to the recipient countries in regard to their private blocked assets but its successful execution is itself dependent on its being coupled with a vesting program for the residual amounts. Thus any program designed to assist foreign governments effectively in locating, controlling or otherwise securing the benefits of private foreign assets cannot entirely meet the objections raised by financial institutions. Under all the circumstances, alternative (iii) is the preferable program since it would be most effective in assisting in the mobilization of foreign private assets and would involve the least administrative and legal difficulties.

b. Free Assets in the United States

As indicated in Section II 3 above, it is difficult to advance any figures concerning the amounts that have accrued since December 7, 1945, and which are not known to the governments of the countries concerned. In fact, however, such data as are available indicate that no significant amounts of private foreign assets have come into the United States during this period which are held openly in the names of the owners.

If, however, it is assumed that some private foreign holdings during this period have been brought into the United States, the following procedures might be utilized to assist the foreign countries concerned to locate and control these assets: (i) a new comprehensive census, or (ii) use of directive powers to force the centralization of the assets.

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National Advisory Council
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i. New comprehensive census of all assets held here by nationals of the recipient countries who reside in those countries.

Such a census can be expected to afford assistance to foreign governments in locating and controlling the assets of their citizens if the results are made available to those governments. The problem of the flight or concealment of assets after the project for such a census became known could be met by taking the census as of a date in the recent past. It is highly unlikely that foreign nationals could effectively conceal their assets from their governments if information concerning their recent holdings were available.

There are serious difficulties with this proposal. In the first place it is doubtful that the benefits to be achieved would warrant the difficulties involved in the taking of such a census since (a) such a census would obviously not meet the problem of assets held here indirectly through third countries; (b) there might be evasion of the reporting requirements even where the assets are held here directly; and (c) such data as are available indicate that no significant amounts of private foreign assets which are held openly have come into the United States since December 7, 1945, the date on which the freezing controls over current transactions were eliminated.

Such a census would tend to cause the cloaking of foreign-owned assets which might come into the United States in the future. Accordingly, a census alone would be effective only for assets now here. A long-term policy of assistance could be implemented only through the adoption of measures in the nature of exchange control, with a substantial investigatory staff, and through extensive cooperation of foreign governments.

ii. Use of directive powers to force centralization of assets.

A directive program to deal with the problem of presently free assets in the United States would not be likely to produce significant results since it would be subject to all of the basic difficulties outlined under 4-a-iv above and to the additional considerations discussed under the preceding topic.

III. Conclusions

The following recommendation is submitted for the consideration of the National Advisory Council:

1. The National Advisory Council agrees that the Congress, during its consideration of the European Recovery Program, should be advised of the probable extent of the dollar assets in the United States of nationals of countries likely to receive financial assistance under the European Recovery Program,

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105926

February 3, 1948

Dear Walter:

I am enclosing for your information copies of Secretary Snyder's letter of February 2, 1948, to Senator Vandenberg concerning private blocked assets of recipient country nationals. In reading the letter to Senator Vandenberg it should be noted that Switzerland, although a participating country, is not a recipient country under the European Recovery Program.

Yesterday morning Mr. Grüssli and Mr. Bruppacher called at my office and were furnished with copies of the letter to Senator Vandenberg and were handed a covering letter, a copy of which is also enclosed. It appears from the initial reaction that the Swiss will, as expected, enter a strong protest against the vesting of property standing in Swiss and Liechtenstein names as provided in sub-paragraph (b) on page 6 of the letter to Senator Vandenberg. In view of the importance of French private assets held through Switzerland I am also enclosing for your information a copy of a covering letter which was handed to Valensi here yesterday.

You will note that the probable date for the termination of our blocking controls is June 1, 1948. In this connection reference is made to your letter No. 498 of October 14, 1947, in which Dr. Schwab was stated to have inquired whether the termination date could be extended to June 30, 1948. Your attention is called to the third paragraph of the enclosed letter to Mr. Bruppacher which is intended to relieve the Swiss fears arising from the fact that they may not be able to complete the investigatory work in connection with the certification of Swiss property by June 1, 1948.

It is still too early to determine what the Congressional reaction to the program will be although I gather that Senator Lodge was pleased.

I doubt that any action is required on your part but I wanted to let you know about current developments here.

I am sending a similar letter to Mr. Emlinson and Mr. Tasca.

Sincerely,

JOHN S. RICHARDS

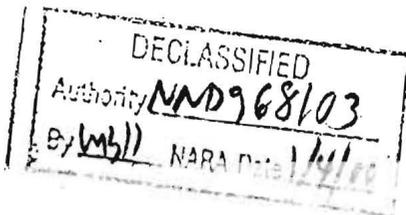
John S. Richards
 Director

Mr. Walter Ostrow
 U. S. Treasury Representative
 Bern, Switzerland

Enclosures JSRichards:ltm 2/3/48

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COPY)

Bern, October 14, 1947

No. 498

Dear John:

During the meeting with officials of the Swiss Clearing Office in Zurich yesterday Dr. Schwab stated that he had received a communication from the Political Department that the Treasury intended to terminate its blocking controls by April 1, 1948.

Schwab was disturbed by this news. He explained that when his office took over this work it was expected that it could be completed in 1-1/2 to 2 years. He was certain that this work could not be completed by April 1948, and he requested that I inquire as to whether an arrangement could be made whereby the Swiss end of the certification work could be extended until June 30, 1948.

It would be appreciated if you could let me know as soon as possible whether such an arrangement would be acceptable to the Treasury.

Very truly yours,

Walter W. Ostrow,
 U.S. Treasury Representative.

Mr. John S. Richards,
 Assistant Director,
 Office of International Finance,
 U.S. Treasury Department,
 Washington 25, D. C.

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 Authority NMD 968103
 By mbj NARA Date 1/4/00

25

FEB 3 1948

108719

Dear Count Ahlefeldt:

In order to advise your Government of our plans in connection with blocked accounts still remaining uncertified, I am enclosing a copy of a letter which Secretary Snyder has today sent to Senator Vandenberg, Chairman of the Senate Foreign Relations Committee, at the latter's request, setting out this Government's plan for dealing with this problem. The attention of your Government is called to the description of the plan which starts at the bottom of page 5 of the enclosed letter. It is our intention to issue on or about March 1, 1948 the public notice referred to in the letter. This plan is directed toward completing the certification of all non-enemy accounts in the names of your nationals by June 1, 1948.

We shall advise you of the exact date on which we shall issue our public notice so that your Government will be able to issue simultaneously an announcement urging its residents to apply to the appropriate authorities for the certification of assets held in their names which are eligible for certification in order that property which in fact as well as in name belongs to friendly or neutral persons will not be transferred to the jurisdiction of the Office of Alien Property.

It is believed that any questions of conflicting claims between our governments to any property which may be vested under the procedure described above can be settled at a later date after a more precise determination can be made of the nature and extent of the problem.

A similar communication is being sent to each of the other countries covered by General License No. 95.

Sincerely yours,

JOHN S. RICHARDS

John S. Richards
Director

Count Benedict Ahlefeldt-Laurvig,
 Financial Counselor, Danish Embassy,
 Office of the Financial Counselor,
 Room 1614, 42 Broadway,
 New York, New York.

Enclosure.

JSRichards:ebb 2/2/48

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DECLASSIFIED
 Authority NMD 968103
 By mbj NARA Date 1/4/00

February 6, 1948

- : Mr. Southard
- : John S. Richards

*Cable from
 O'Brien &
 and memo
 from Swiss
 Legation.*

As agreed with you I have arranged a meeting in your office for 11 o'clock Monday, February 9th, to discuss the following Foreign Funds Control problems:

1. The Swiss opposition to the plan outlined in the letter to Senator Vandenberg. It appears that the Swiss position will be that there is no basis for presuming an enemy interest in uncertified property in Swiss and Liechtenstein account because of the provision in paragraph 6 of the defrosting letter of November 22, 1946, providing for the transfer to a special blocked account AX in the United States of property held through Switzerland for Germans in Germany and Japanese in Japan, which provision the Swiss are prepared to implement as soon as we work out the details in connection with establishing the special blocked account. The Swiss also want certain concessions such as (a) ability to certify assets held through Switzerland by Swiss nationals residing in Spain and Portugal and in other General License No. 95 countries without any cross-certification from country of residence, (b) automatic unblocking of small dollar accounts up to \$4,500 held through Swiss banks, and (c) assurances that a reasonable time will be permitted them to complete the investigation of Swiss property before this Government actually vests Swiss property under investigation for certification by the Swiss Compensation Office.

It is my view that we should stand firm against the point made in the first sentence on the ground that the transfer to the AX account of certain German and Japanese property held through Switzerland does not in any way negative the presumption of an enemy interest in any other property held in Swiss or Liechtenstein account in the absence of a certification of non-enemy interest by the Swiss Government. On the other hand, I believe we should agree to make the above three concessions to the Swiss.

I suggest that we also take the position with the Swiss that the vesting of the residual uncertified Swiss and Liechtenstein accounts can be avoided if the Swiss Government will cooperate with this and other European Recovery Program countries by furnishing information to the recipient countries concerning dollar assets held through Switzerland by nationals of recipient countries. I feel that our announcement that we will furnish information to the recipient countries greatly strengthens our position to insist that the Swiss do likewise or that the property will be vested.

Most of the positions discussed above will have to be cleared with State Justice.

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- 2 -

2. French assets held through the Netherlands. (See attached copy of my memorandum for the files of December 29, 1947.) I have suggested to both the French and Dutch Governments that, since we are prepared to furnish the Dutch Government with information concerning assets held in Dutch account, the Dutch Government should in turn furnish the information to the French Government where in fact the assets involved belong to French citizens in France.

3. Spain. I recommend that the Treasury take a firm position against including Spain in the certification procedure. It is my understanding that the State Department also is opposed to including Spain in that procedure.

4. Portugal. It is my view that we have nothing to gain by a certification procedure for Portugal, and therefore we should not oppose, and perhaps should encourage, the State Department to adopt Ambassador Wiley's recommendation that Portugal be unblocked without certification but after an accord on German assets and looted gold has been reached. In this connection I do not believe that the lack of a certification procedure for Portugal will prejudice our case for maintaining the certification procedure for the remaining assets in blocked Swiss and Liechtenstein accounts.

*see attached
 tab 6*

JOHN S. RICHARDS

cc: Gunter, Kowarck, Friedman, Arnold, R. Shwarts, and M. Schwartz

JSRichards:lta 2/6/48

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By Wb/1 NARA Date 1/4/00

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MAIL ROOM
FEB 16 1948
U.S. DEPARTMENT OF THE TREASURY

Elgin Illinois
February 16, 1948

RESPECTFULLY REFERRED
FOR CONSIDERATION

William D. Hoar
Director of the Treasury

RECEIVED

FEB 16 1948

T.A.P.

The President
The White House
Washington 25, D. C.

My dear Mr. President:

The Secretary of the Treasury announces in a letter to Senator Vandenberg that the U. S. Government will disclose to foreign governments the names of their citizens holding assets in American banks. This is a stab in the back of human liberty and the individual free enterprise system which we profess to defend. It will only serve to further demoralize and undermine whatever strength there is still left in the European middle classes. Mr. Snyder and the National Advisory Council are aware that in so doing we would violate a fundamental principle, and a moral principle at that. In making this momentous statement Mr. Snyder said: "The Council (National Advisory Council) doubted that under ordinary conditions this Government should assist foreign governments in enforcing their foreign exchange laws. However, these are not ordinary times...."

Granted that these are not ordinary times, I still fail to find justification for forsaking a fundamental moral principle. Only in time of war, and only as an act of retaliation against an enemy, can I conceive of our country doing something wrong, which means something in violation of moral principles. Most of the time exchange controls are the diabolic instrument of either totalitarian or of stupid governments. Why are we, for the sake of the problematic saving of a few dollars, going to help foreign governments exercise coercion against their citizens? Who is going to help the foreign governments exercise coercion against hoarders of gold? It is my considered judgment that the consequences of our coercion will be to increase the demands for help from us. Are those who trusted the American banks and therefore implicitly our Government, going to be penalized, thus creating distrust in currency and bank accounts, and so further the hoarding of gold? Are we forgetting that the basis of capitalism is respect for contractual and ethical relations between persons, be they physical or moral? One can only guess the kind of a "national interest" standard, or "civic behavior" standard, the American Government has had recourse to in taking the initiative of denouncing the names of the holders of foreign assets. But I am convinced that whatever they may be, measured by these very standards, the holders of assets entrusted to the American banks were better citizens than the hoarders of gold. Be it said in passing, I do not mean to imply that the hoarding of gold is objectionable. Who can tell the human suffering and tragedy which may be behind this anonymous few hundred million dollars of assets?

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 By WBJ NARA Date 1/4/00

- 2 -

The initiative of the National Advisory Council is ludicrous when we stop to think that we have spent and are going to spend a huge number of billions of dollars in the name of and for the sake of human liberties and the individual free enterprise system. Let's not be million wise and billion foolish.

The basis of any sound currency is confidence, and confidence cannot be restored by coercion. Coercion has just the opposite effect. If and when confidence is restored, I am convinced that hidden assets, be they gold, bank notes, or foreign deposits, will come out in the open. The Poincare experience in France has proven that confidence is the sine qua non condition for the restoration of a sound currency. Furthermore, we shouldn't make the mistake of thinking these hidden assets belong to rich people. If we call someone rich possessing between \$5,000 and \$10,000, or even \$20,000, then the adjective rich is justified. My information, however, is to the effect that most of these assets belong to small people who started to buy gold or dollars when they began to be afraid that there might be a war in Europe. Most of these people are married and fathers of families, and it seems to me that it was a very human thing that they should try to protect their families in case of war or an invasion. It is perhaps not abnormal also that individuals should try to protect the fruit of their hard labor during their lifetime against the stupidity and follies of some politicians. A country does not become richer because everyone gets ruined, and the politicians in Europe don't seem to be happy until they make sure that everyone, including the Government, is bankrupt.

I am afraid that those who argue in favor of the requisitioning of private property don't realize the blow they would strike at human liberty if this were done. We shouldn't undertake to police individuals on behalf of foreign governments for the sake of saving a few dollars. Let us not adopt the methods of the Prussian bureaucracy. In other words, we shouldn't be million wise and billion foolish, and besides forsake a moral principle.

Respectfully,

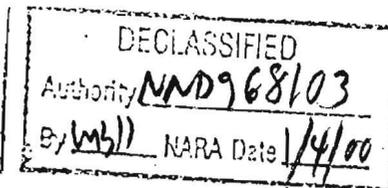
J. Albert

Elgin - Illinois

Philip Cortney : if

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109004

730 FIFTH AVENUE

New York

February 6, 1948

The Honorable John W. Snyder
 Secretary of the Treasury
 Washington, D. C.

My dear Mr. Snyder:

You announce in a letter to Senator Arthur H. Vandenberg that the U. S. Government will disclose to foreign governments the names of their citizens holding assets in American banks. This is a stab in the back of human liberty and the individual free enterprise system which we profess to defend. It will only serve to further demoralize and undermine whatever strength there is still left in the European middle classes. You and the National Advisory Council are aware that in so doing we would violate a fundamental principle, and a moral principle at that. In making this momentous statement you said: "The Council (National Advisory Council) doubted that under ordinary conditions this Government should assist foreign governments in enforcing their foreign exchange laws. However, these are not ordinary times...."

Granted that these are not ordinary times, I still fail to find justification for forsaking a fundamental moral principle. Only in time of war, and only as an act of retaliation against an enemy, can I conceive of our country doing something wrong, which means something in violation of moral principles. Most of the time exchange controls are the diabolic instrument of either totalitarian or of stupid governments. Why are we, for the sake of the problematic saving of a few dollars, going to help foreign governments exercise coercion against their citizens? Who is going to help the foreign governments exercise coercion against hoarders of gold? It is my considered judgment that the consequences of our coercion will be to increase the demands for help from us. Are those who trusted the American banks and therefore implicitly our Government, going to be penalized, thus creating distrust in currency and bank accounts, and so further the hoarding of gold? Are we forgetting that the basis of capitalism is respect for contractual and ethical relations between persons, be they physical or moral? One can only guess the kind of a "national interest" standard, or "civic behavior" standard, the American Government has had recourse to in taking the initiative of denouncing the names of the holders of foreign assets. But I am convinced that whatever they may be, measured by these very standards, the holders of assets entrusted to the American banks were better citizens than the hoarders of gold. Be it said in passing, I do not mean to imply that the hoarding of gold is objectionable. Who can tell the human suffering and tragedy which may be behind this anonymous few hundred million dollars of assets?

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 By mbj NARA Date 1/4/00

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The initiative of the National Advisory Council is ludicrous when we stop to think that we have spent and are going to spend a huge number of billions of dollars in the name of and for the sake of human liberties and the individual free enterprise system. Let's not be million wise and billion foolish.

The basis of any sound currency is confidence, and confidence cannot be restored by coercion. Coercion has just the opposite effect. If and when confidence is restored, I am convinced that hidden assets, be they gold, bank notes, or foreign deposits, will come out in the open. The Poincare experience in France has proven that confidence is the sine qua non condition for the restoration of a sound currency. Furthermore, we shouldn't make the mistake of thinking these hidden assets belong to rich people. If we call someone rich possessing between \$5,000 and \$10,000, or even \$20,000, then the adjective rich is justified. My information, however, is to the effect that most of these assets belong to small people who started to buy gold or dollars when they began to be afraid that there might be a war in Europe. Most of these people are married and fathers of families, and it seems to me that it was a very human thing that they should try to protect their families in case of war or an invasion. It is perhaps not abnormal also that individuals should try to protect the fruit of their hard labor during their lifetime against the stupidity and follies of some politicians. A country does not become richer because everyone gets ruined, and the politicians in Europe don't seem to be happy until they make sure that everyone, including the government, is bankrupt.

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Respectfully yours,



Philip Cortney:mrc

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730 FIFTH AVENUE

THE WHITE HOUSE
WASHINGTON

February 11, 1948

Respectfully referred to the
Treasury Department.

WILLIAM D. HASSETT
Secretary to the President

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730 FIFTH AVENUE
New York
February 6, 1948

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10 AM. FEB 11 1948
INITIAL MJH
DATE 2-26-48

The President
The White House
Washington 25, D. C.

My dear Mr. President:

The Secretary of the Treasury announces in a letter to Senator Vandenberg that the U. S. Government will disclose to foreign governments the names of their citizens holding assets in American banks. This is a stab in the back of human liberty and the individual free enterprise system which we profess to defend. It will only serve to further demoralize and undermine whatever strength there is still left in the European middle classes. Mr. Snyder and the National Advisory Council are aware that in so doing we would violate a fundamental principle, and a moral principle at that. In making this momentous statement Mr. Snyder said: "The Council (National Advisory Council) doubted that under ordinary conditions this Government should assist foreign governments in enforcing their foreign exchange laws. However, these are not ordinary times...."

Granted that these are not ordinary times, I still fail to find justification for forsaking a fundamental moral principle. Only in time of war, and only as an act of retaliation against an enemy, can I conceive of our country doing something wrong, which means something in violation of moral principles. Most of the time exchange controls are the diabolic instrument of either totalitarian or of stupid governments. Why are we, for the sake of the problematic saving of a few dollars, going to help foreign governments exercise coercion against their citizens? Who is going to help the foreign governments exercise coercion against hoarders of gold? It is my considered judgment that the consequences of our coercion will be to increase the demands for help from us. Are those who trusted the American banks and therefore implicitly our Government, going to be penalized, thus creating distrust in currency and bank accounts, and so further the hoarding of gold? Are we forgetting that the basis of capitalism is respect for contractual and ethical relations between persons, be they physical or moral? One can only guess the kind of a "national interest" standard, or "civic behavior" standard, the American Government has had recourse to in taking the initiative of denouncing the names of the holders of foreign assets. But I am convinced that whatever they may be, measured by these very standards, the holders of assets entrusted to the American banks were better citizens than the hoarders of gold. Be it said in passing, I do not mean to imply that the hoarding of gold is objectionable. Who can tell the human suffering and tragedy which may be behind this anonymous few hundred million dollars of assets?

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 By (mb) NARA Date 1/4/00

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 New York

-2-

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Respectfully,

Philip Cortney

Philip Cortney : if

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 By mbll NARA Date 1/4/00

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Messrs. Southard and Richards

DATE: February 11, 1948

FROM : Elting Arnold

SUBJECT: Attached memorandum entitled "Foreign Funds Control and Procedure for Unblocking."

Attached is a memorandum concerning the unblocking of foreign assets which was handed to me on February 2 by Mr. W. Harvey Reeves. The fact that I was out of the office during most of the week of the second has prevented me from circulating the memorandum. Fortunately, I doubt that it is of any special significance.

Mr. Reeves told me that the memorandum had been prepared to state, in a general way, the prevailing sentiment in the New York financial community. It was intended for presentation to the Treasury Department but as far as I know it has not formally been submitted.

Mr. Reeves gave it to me on a personal basis with the statement, however, that I was free to circulate it as widely as I wished within the Department.

The essence of the proposal is that all property within the United States before some pre-war date should be released automatically and that other property should be unblocked by application to an agency of this Government without checking with the interested foreign government. The arguments in support of this system are those with which we are all so familiar.

ca.



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Switzerland

CABLE ADDRESS: WHITECASE, N. Y.

109024

WHITE & CASE
14 WALL STREET
NEW YORK 5, N. Y.

JMH-MRH

February 10, 1948.

MAIL ROOM
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AND...
NO AND. REC.
INITIAL *mb/ll*
DATE *2-24-48*

Honorable John W. Snyder,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary:

Further replying to your letter of February 2nd, assume that you have seen the articles in the New York Times of yesterday and today, about the intention of Switzerland to send a delegation to this country to talk with you and others about the blocked assets. Particularly I hope you have read the article in the New York Times of February 9th by Mr. Edward Collins appearing on the Financial page.

I hope very much that the Advisory Council and your Department will delay giving the notice referred to in your letter to Senator Vandenberg, until after you have given the proponents of the so-called Swiss plan "a day in court". I would also hope that at the same time, if you do determine to give them such a hearing, you will arrange to have some representatives of the French Government present at the conference so they can be heard with respect to their position.

I believe that some voluntary plan ought to be worked out by which the property of nationals of countries, that are to receive benefits under the Marshall Plan, will first be utilized for the benefit of their respective governments. This can be done without requiring the United States banks to repudiate their obligations. I hope you will also conclude that such a plan is very much more desirable from the viewpoint of our country and its present and future reputation for fair dealing.

With kind regards, believe me,

Sincerely yours,

Joseph P. Hartfield

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 Authority NND 968103
 By WBJ NARA Date 1/4/00

MEMORANDUM FOR THE FILES

February 11, 1948

Re: Tentative Swiss reaction to Foreign Funds Control termination plan

On Thursday, February 5, 1948, Messrs. Grüssli and Bruppacher of the Swiss Legation called at my office to meet with Rella Shwartz, Margaret Schwartz, Harold Pollak and me. After making it clear that the Swiss Government had not had an opportunity to study in detail the plan outlined in Secretary Snyder's letter of February 2, 1948 to Senator Vandenberg, Mr. Grüssli handed me an Aide-Memoire (copies of which have previously been distributed) outlining the tentative reaction of the Swiss Government. During the conversation the following significant points were discussed:

1. Mr. Grüssli referred to the provision in paragraph 6 of the defrosting letter of November 22, 1946 from Secretary Snyder to Petitpierre providing for the transfer to a special blocked account AX in the United States of property held through Switzerland and Liechtenstein and for Germans in Germany and Japanese in Japan. Mr. Grüssli stated that the Swiss Government had promptly issued a decree requiring Swiss and Liechtenstein banking institutions to effect the necessary transfers to implement this provision. He indicated that, since the Swiss Government was prepared to segregate this German and Japanese property, there was no basis for presuming that the balance of the blocked property held in Swiss and Liechtenstein accounts was enemy tainted even though it had not been certified by the deadline date. I stated that in our opinion the transfer to or willingness to transfer to the AX account of certain German and Japanese property held through Switzerland and Liechtenstein does not in any way negative the presumption of an enemy interest in any other property held in Swiss or Liechtenstein account in the absence of a certification of non-enemy interest by the Swiss Government. I added that the primary point of requiring certification for all blocked property held in Swiss and Liechtenstein account was to require the alleged owners of the property to submit to an investigation by the Swiss Compensation Office in order to establish the absence of an enemy interest. It seemed to me therefore that if the alleged owners, in spite of a public notice of three months, still refused to apply to the Swiss Government for a certification of non-enemy interest, it was justifiable for us to presume an enemy interest in the property.

2. Mr. Grüssli referred to the fact that the AX account referred to above had not yet been set up due to technical difficulties and urged that it be established immediately. I pointed out that this government had made certain proposals about a year ago for the establishment of this AX account but that the Swiss Government had not seen fit to accept our proposals and instead had offered certain counter proposals. I also said that we had studied these counter proposals and had found them unacceptable and that we now believed it unnecessary to make any further attempt to work out the technicalities since we were content to have the German and Japanese property

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remain where it is. The Office of Alien Property will take over all such property when it carries out the vesting program for the balances remaining uncertified in Swiss and Liechtenstein accounts. I added that in the meantime, of course, the Swiss Government in accordance with the defrosting agreement could not certify such property.

3. Mr. Grüssli stated that the three months deadline was too short to permit his government to complete the necessary investigations in connection with the certification of property in Swiss and Liechtenstein accounts. I pointed to the third paragraph of my letter of February 2, 1948 to Mr. Bruppacher in which I had indicated that I was certain that arrangements could be worked out whereby blocked property of Swiss and Liechtenstein residents would not be immediately vested if an application for certification had been filed with the Swiss Compensation Office by the deadline date. I said that I felt sure that this government would be prepared to allow the Swiss Government a reasonable period beyond the deadline date to complete its investigations before actually vesting property covered by applications on file with the Swiss Compensation Office on the deadline date. I agreed that the Swiss Government was entitled to definite assurances on this point prior to March 1, 1948, the date on which we expect to issue the public announcement of our plan. I added that Swiss residents might be encouraged to file for certification if the Swiss Government were to follow the lead of the French Government and grant some reduction in the existing penalties for failure to have paid Swiss taxes on the property involved.

4. Mr. Grüssli said the Swiss Government wanted to be assured that it would be permitted to certify assets held through Switzerland by Swiss nationals residing in Spain and Portugal and in other General License No. 95 countries without any cross-certification from the country of residence. I said that we would study this proposition to see what could be worked out.

5. Mr. Grüssli referred to the request of his government that arrangements be made whereby small dollar accounts up to \$5,000 held through Swiss banks would be automatically released without requiring certification just as this government now intended to unblock small accounts held here directly by foreign nationals. I said that we were already working on this problem and that I thought we could probably work something out, but that we would first have to discuss the matter with the Department of State and Justice.

6. Mr. Grüssli indicated that he doubted that the Swiss Government would be able to agree with our program so far as it affects Switzerland and Liechtenstein. In addition he was doubtful that the various problems which he had raised could be settled by March 1, 1948. In reply I stated that, except as indicated in point 3 above, failure to agree on the other proposals that the Swiss Government had made would in no way preclude our issuing our public notice on March 1, 1948. I added that, although we were happy to discuss with the Swiss Government its views and to do our best to work out satisfactory solutions to specific problems, we intended to proceed with our basic plan even though the Swiss Government might not find it possible to agree with that plan.

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7. In passing I said that I thought a careful analysis of Secretary Snyder's letter to Senator Vandenberg indicated that the vesting of residual uncertified Swiss and Liechtenstein accounts might in large part be avoided if the Swiss Government were to cooperate with this government and with governments of recipient countries under the European Recovery Program by furnishing information to the recipient countries concerning dollar assets held through Switzerland by resident citizens of the recipient countries. If the Swiss Government were to cooperate in this manner I believe we would be justified in furnishing to that government the information from the new census concerning uncertified balances in Swiss and Liechtenstein accounts. Neither Mr. Grässli nor Mr. Bruppacher made any particular comment.

John S. Richards

cc: Southard, Gunter, Ostrow (Bern), Tomlinson (Paris), Kamarck, Friedman, Arnold, R. Schwartz, M. Schwartz, Sham (OAP), and Metzger (State).

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(COPY)

LEGATION OF SWITZERLAND

Washington 8, D.C.

The Federal Political Department in Berne has been apprised of the contents of the letter addressed by Secretary of the Treasury Snyder, in his capacity as Chairman of the National Advisory Council, to Senator Vandenberg, outlining a procedure for ultimate disposition of assets not certified as of June 1, 1948.

The Swiss authorities extremely regret not having been given an opportunity, as provided in the certification agreement, to express their views on the question of termination of certification before the American plan was made public.

Their point of view, based on preliminary information, may be summarized as follows:

1. The Swiss Government is not in a position to finally terminate certification before various pending questions and unsatisfactory aspects of the certification conditions have been settled. The case of Swiss nationals in Spain and Portugal is only one among several. Referring to the last sentence of paragraph 1 of the certification agreement, the Legation has been requested to ask that negotiations be taken up immediately in Washington with regard to the various problems, the exact nature of which are to be made known.

2. The time limit set for termination of certification is too short, considering the extent and nature of the assets in Switzerland yet to be certified, and a prolongation will have expired the Swiss Compensation Office continue to be in a position to obtain immediate release of assets against certification without the necessity to follow a procedure not provided for in the certification agreement. In fact, presumption of enemy ownership arising from the failure to obtain certification is not in accordance with said agreement which stipulates that enemy assets have to be segregated and transferred to a special blocked account.

Washington, D.C. February 4, 1948

Southard,
 cc: Friedman, Arnold, Sham (OAP) and Metzger (State)

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FEB 16 1948

1 Mrs. Nella Swartz, Mrs. Margaret Swartz,
 Mr. E. Arnold, and Mr. E. Rains
 2 John S. Richards

In a recent conversation with Norman Davis concerning the prospective transfer of the blocking operations to the Office of Alien Property on or about June 1, 1948, he made the following points with which I agree:

1. It would be well to consult the Foreign Exchange Committee about the various documents that will be issued, including those to be issued by the Office of Alien Property and the Treasury.

2. There should be excluded from the transfer any securities held in blocked accounts under General Ruling No. 5, as amended, and any proceeds of such securities which have been blocked by us as a part of our looted securities program.

It is assumed that these points will be given adequate consideration in connection with the prospective transfer.

JOHN S. RICHARDS

cc: N.Davis

JSRichards:lta 2/16/48

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February 19, 1948

Honorable John W. Snyder
 Secretary of the Treasury
 Washington, D. C.

Dear Mr. Secretary:

From articles published recently in the press, I believe there is under consideration a plan for enforced liquidation and repatriation to countries on the European Recovery Program, of dollar assets blocked in the United States, belonging to nationals of those countries whose owners failed to obtain non-enemy certification from their respective governments.

Would not such a course by this government be inconsistent with our principles of private ownership of property and a violation of the confidential status of transactions between bankers and their depositors?

As a leader opposed to Socialism or Communism, it would seem that such a procedure would shatter the confidence of citizens in this country and in the countries where we hope to maintain our theories of individual freedom.

There is also involved a situation which will prove very embarrassing to companies representing foreign producers as sole importing agents in this country, who hold in blocked accounts indebtedness dating back to pre-war times.

Respectfully yours,

Joseph G. Ringwalt

 Joseph G. Ringwalt,
 President

JGR:a

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ECONOMICS AND FINANCE

On the 'Freeing' of Frozen Assets

NEW YORK TIMES
 By EDWARD H. COLLINS 2/9/48

Representative Sundstrom of New Jersey offered a suggestion last week "for strengthening the European program" which commends itself chiefly for its well-meant but misdirected zeal. Mr. Sundstrom would have the United States call in the \$28,000,000,000 in currency presently outstanding and issue a new series in its stead. This, he declares, would bring out of hiding the "billions of dollars" now hoarded in foreign countries.

The impracticability of such a plan has already been pointed out on the editorial page of this newspaper. What has not been touched upon is what may be described, under the most lenient terminology, as its gross impropriety; by severer definition, its dubious morality. For this proposal is tantamount to asking the United States Government to help the French Government coerce its citizens, and in the process repudiate its own currency.

Since it is highly improbable that Representative Sundstrom's plan will ever be more than a plan, it might seem like flaying a dead horse to raise the question of its ethics in connection with it. The fact is, however, that the same issue is implicit in last week's action by the National Advisory Council with respect to the freeing of the \$1,100,000,000 in blocked private assets of foreign nationals held here.

* * *

These assets are not to be confused with the \$4,300,000,000 in "free" foreign-owned assets in this country, the suggestion to force the liquidation of which was quite properly rejected by the Council. They are the residue of foreign assets "frozen" here by the Treasury Department during the war. The first property blocked was that of invaded friendly nations. To this property was added that of the aggressor nations; later, that of enemies and neutral nations. In freezing enemy assets, the purpose was the obvious and conventional one of depriving him of their use. The aim of tying up neutral holdings was to immobilize any enemy resources whose ownership might be concealed under the name of a neutral. The policy with respect to the assets of invaded countries had several objectives—to prevent nationals of such countries from being deprived of their property by act of aggression, to protect American institutions, should claims to right or title arise, and to prevent the use of such assets by an aggressor country.

The steps which have so far been taken in unblocking or re-

mitting the controls are briefly: As to German and Japanese property, to hold these assets until final disposition shall be determined by Congress; as to most neutral and allied invaded countries, to unfreeze such accounts as had been determined to the satisfaction of our Government not to be held for the benefit of German or Japanese. The machinery for carrying out this latter policy was provided under General License No. 95. The effect of the latter, has been to release such assets whenever the beneficial owner obtained certification from his own Government that there was no enemy interest involved.

Sufficient time has now elapsed to conclude that holders of the \$1,100,000,000 remaining of what was once \$3,000,000,000 in non-enemy blocked assets do not mean, for one reason or another, to resort to certification. The Advisory Council has announced, therefore, that it means to "free" these assets. But in this case the term "free" is a fantastic misnomer. What it means is that the beneficial owner of such property is to be given his choice of accepting certification or seeing his holdings handed to the Alien Property Custodian. The Alien Property Custodian will then "turn over to the respective governments the names of holders of record * * *; release the assets upon certification by the respective governments that (they) are without enemy interest, thus making it possible for those governments to obtain control over them."

* * *

This proposal, it is submitted, represents the very negation of established American policy with respect to the rights of the individual and the sanctity of contract. On this point the best witness, perhaps, is the Advisory Council itself, which admits that for two years it has resisted efforts of the French Government to learn the identity of holders of record among its citizens. Why the change of policy? Because, declares Secretary of the Treasury John W. Snyder, speaking for the Council, "these are not ordinary times." Perhaps not. But the role of common informer is hardly one which a person can step into or out of at will, depending upon the time of day, the weather, or some other random change of circumstance. A man who would act as an informer is a man who has something wrong with his character. And a government which would, in effect, do the same thing is, if not an immoral, at least a completely amoral, government.

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 By mbj NARA Date 1/4/00

MEMORANDUM FOR THE FILES

February 17, 1948

Re: Further Swiss reaction to Foreign Funds Control termination plan

On Monday, February 16, 1948, at 4:30 p.m. Messrs. Grüssli and Bruppacher of the Swiss Legation called at my office and met with Mr. Metzger of the State Department, Messrs. Sham, Blacklow and Lamont of the Office of Alien Property, and Rella Shwartz, Elting Arnold, Edwin Rains, and me.

Mr. Grüssli stated that he had called to inform us of the fact that the Swiss Government was sending a delegation to Washington late this week to open discussions concerning the plan contained in Secretary Snyder's letter of February 2, 1948 to Senator Vandenberg. The Swiss delegation will be made up of Mr. Kappeler and his assistant Mr. Gut of the financial section of the political department, Mr. Luterbacher of the Swiss Compensation Office, possibly Mr. Pfenninger of the Swiss National Bank, and probably two representatives of the Swiss Bankers Association who have not yet been selected. Mr. Grüssli said that he would like to let us know in advance the principal points which the Swiss delegation would desire to discuss. These points are as follows:

1. The time limit of three months is too short for the Swiss Government to complete the certification of Swiss assets.
2. The Swiss Government wishes to be assured that certifications issued after the deadline date will be handled in the same manner as at present; that is, the certifications may continue to be sent directly to the United States banking institutions where the property is on deposit and be effective in releasing the property from the blocking controls.
3. The Swiss Government believes that the plan is discriminatory against Swiss assets and is opposed to such discriminatory treatment.
4. The Swiss Government is unable to comprehend how it is possible to presume an enemy interest in non-certified Swiss accounts since the Swiss Government had indicated its willingness to segregate into a special blocked account in the United States German and Japanese property held through Switzerland.
5. The Swiss Government desires to discuss the following operating problems:
 - (a) The Swiss Government desires to be able to certify on its own responsibility the assets of Swiss citizens residing in countries not yet included in General License No. 95, such as Spain, Portugal, and Yugoslavia.

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(b) The Swiss Government desires to be able to certify on its own responsibility assets of Swiss citizens residing in Germany, Japan, Rumania, Bulgaria, and Hungary.

(c) The Swiss Government desires a revision of the cross-certification requirements presently in effect for assets held through Switzerland by residents of other countries included in General License No. 95. This, of course, would include the elimination of the cross-certification requirements for Swiss citizens residing in such countries.

(d) The Swiss Government desires a revision of the certification arrangements now in effect for certain companies organized in Switzerland, such as holding companies and companies whose assets may not be certified without consultation with the United States Treasury Representative in Switzerland.

(e) The Swiss Government desires that small accounts held through Swiss banks be unblocked automatically in a manner comparable to our proposed General License No. 97 which will unblock small accounts up to \$4,500 provided there is no known Japanese, German, Hungarian, Rumanian, or Bulgarian interest.

The Swiss representatives were informed that we would be prepared to meet with the Swiss delegation to discuss these problems. It was agreed that the first meeting will be held Tuesday morning, February 24, 1948. We pointed out that the interested agencies of this government were already exploring the matters referred to in items 1, 2, and 5(a) and (e), and, to the extent Swiss citizens are involved, 5(c). We also indicated that we would be prepared to explore item 5(d) as soon as we are informed of the exact nature of the desired revision. We expressed a willingness to explore item 5(b) but held out no hope of concurring in the Swiss point of view. We told the Swiss representatives that we would be unable to concur in item 5(c) except possibly in the case of Swiss citizens. In commenting on item 3 above we made it clear that in our view the plan is not really discriminatory against Swiss assets. We also made it clear that the Swiss point of view set out in item 4 could not be accepted. Finally we indicated that we intend to issue the public announcement on March 1, 1948 regardless of the status at that time of the discussions with the Swiss delegation.

John S. Richards

cc: Southard, Gunter, Ostrow (Bern), Tomlinson (Paris), Kamarck, Friedman, Arnold, R. Schwartz, M. Schwartz, Sham (OAP), and Metzger (State).

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By mb11 NARA Date 1/4/00



Office of the Attorney General
Washington, D.C.

February 20, 1948

Dear Mr. Secretary:

As you know, an inter-Departmental (State, Treasury and Justice) committee has had under active consideration an appropriate press release relating to the transfer of jurisdiction over blocked foreign funds from the Department of the Treasury to the Department of Justice and related matters. The attached press release, which the committee submitted, is satisfactory.

With kind personal regards,

Sincerely,

Samuel E. Elwell
Attorney General

Honorable John W. Snyder
Secretary of the Treasury
Washington 25, D. C.

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State-Treasury-Justice DRAFT
February 18, 1948

PROPOSED PRESS RELEASE

Secretary of the Treasury Snyder today announced that effective June 1, 1948 the Treasury Department will cease to have jurisdiction of blocked foreign funds. On that date, the jurisdiction over the remaining blocked assets will be transferred from Foreign Funds Control in the Treasury Department to the Office of Alien Property in the Department of Justice. Attorney General Clark joined Secretary Snyder in urging that persons whose assets may be unblocked under the certification procedure provided by Treasury's General License No. 95 avail themselves of this procedure before June 1, 1948. After that date, outstanding licenses authorizing withdrawals or changes in the assets will become inoperative.

The Attorney General stated that immediately upon transfer he will take a census of all assets remaining blocked. In line with this Government's decision to assist countries which receive financial aid under the European Recovery Program, in locating assets of their resident nationals held in the United States, the information concerning the names and assets of such nationals as disclosed by the new census will be given to the governments of the appropriate countries.

In addition, the Attorney General stated that in order to prevent the escape of enemy assets from this Government's control and to implement further this Government's objective to assist countries which receive financial aid under the European Recovery Program, the Office of Alien Property, immediately after the receipt of the census information, will begin to process for vesting the assets remaining blocked and held in Swiss and Liechtenstein accounts. The vesting program will also be applied to uncertified assets held

*McC. Press Service
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indirectly through recipient countries where the census information does not disclose the beneficial owner. Assets, either before or after vesting may be released upon a showing of non-enemy interest. In such cases, the Office of Alien Property will consult with the government of the country of which the alleged beneficial owner is a resident. It was pointed out that claims for the return of property vested in the Attorney General must be filed within two years after the date of vesting.

Secretary Snyder added that Treasury, Justice and State Department representatives are currently engaged in discussions with representatives of the Swiss Government concerning certain aspects of the program. It was pointed out that Switzerland is not a country which is to receive financial assistance under the European Recovery Program.

The governments of the European Recovery Program are being requested to give their residents public notice of the action which will be taken by the United States on June 1, 1948, and to urge their residents to apply to them immediately for the certification of their assets held in the United States if the assets qualify for certification. Secretary Snyder suggested that persons in the United States holding blocked assets of foreign nationals immediately inform such nationals of today's announcement.

Treasury officials stated that this announcement in no way affects its control over importation of securities specified on the list attached as a part of General Ruling No. 5.

Approved _____

Date _____

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GAGNEPICO SERVICES

Treasury

February 20, 1948

Honorable Harry S. Truman
White House
Washington, D. C.

My dear President Truman:

On the basis of moral principle as well as practical realities, we very much oppose the announced intention of our Government to disclose to foreign governments the names of their citizens holding assets in American banks. Such a move will destroy the confidence of the world in the trustworthiness of our American banking system, as well as the integrity of our Government.

From a practical standpoint, it can do nothing but further encourage the hoarding of gold with all its attendant impact on the world's financial, food and rehabilitation problems.

Sincerely yours,

Clarence W. Hamilton
Clarence W. Hamilton
Executive Office

CWH:vm

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 By WBJ NARA Date 1/4/00

Paris, February 26, 1948

Secretary of the American Treasury
 Washington

Dear Mr. Secretary:

We are a group of veterans of 1914-1918 who took an active part in the defense of our soil, not in the services of the rear but in those where our temperament and initiative were better employed; most of us were recovered wounded or seriously ill in 1918 as well as after the signing of the armistice.

We were profoundly surprized and disappointed in reading your statements in the press concerning the funds and assets which certain Frenchmen had entrusted, well before 1939, both to your banks under seal of banking secrecy and to those of a small friendly nation, famous for its traditions of honesty, of fair-dealing, and respect for the pledged word, even without the exchange of signatures.

These sums were deposited by them on account and, in fact, constituted only a guarantee against future spoliation, theft or pillage in view of the war which they considered as inevitable. They were in a position to judge and appraise, after having suffered for four years, what the post-war period held for them, the successive surrenders to Germany, the aid given to their old enemies to assist them to recover and reconstitute themselves, the suppression of reparations and interest on sums advanced, especially on guaranteed loans, Young Plan, and others and this caused them to take precautions, recalling the separate peace made in 1917 with Russia by Germany, which cost us more than five hundred thousand dead, with Lenine, the Bolshevik leader, the savior of the (illegible), on the German train. The million and a half dead comrades for all the Allies, we have (illegible) the Bolshevik propaganda, the core of all the syndicates and in the various administrations. We were all anti-Communist. To that title we opposed a propaganda, each in his own sphere, with all the means at our disposal, but it was relatively feeble for the counteraction of that distributed by a foreign power which subsidized the chiefs of the party devoted to its cause.

In 1936 we had the punishment of seeing the flag of the hammer and sickle unfurled, a sad period which led to the enfeeblement of the national defense, sabotaged by that party which along would be for the war, the only period necessary for its expansion.

In 1939 we saw this same country concluding a pact and an alliance with Hitler, who was able to overrun us in 1940 in a few weeks, thanks to the disorganization and sabotage. This story, which explains for us the motives which led a number of Frenchmen to deposit in your banks, under the cloak of anonymity, the assets and capital which they desired to save from the storm which lowered over them. Although you may think these are poor Frenchmen, who never failed to pay their taxes and have always fulfilled their

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financial obligations, we believe, when it is a question of getting along without funds and without control, there is no fault in keeping for oneself a little part of his labor for himself and his family. These Frenchmen are not accustomed to asking the State for pensions or subsidies. On returning from the 1st war, they went courageously to work and they have showed their enterprise during the 2nd war, having been for the most part avengers and plunderers, because the Germans were adept robbers, having harassed the crooks of the occupation by their silent and stubborn resistance, in certain parts of France having rescued and protected at their own risk and peril the aviators whose machines had been hit and shot down, for which they never asked decorations or medals of the liberation; surely some of these flyers, your compatriots, will remember this assistance.

In 1944, the period of the liberation, when the Communist party, taking advantage of the resistance, often joined the great party of the true resistance, entering the ranks and the younger ones enrolling in Leclerc's army. The party was preoccupied in assuring its political predominance. It was disgusting to Frenchmen to see Thorez, who twice deserted in 1914-1918 and 1939-1940, passing through Germany to reach Russia, becoming Vice President of the Council of State, Duclos Vice President of the Chamber of Deputies, Sillon Minister for Air, Laue (?), Paul head of the Industrial Convention, and finally Lautey, a former officer and deserter from the Black Sea fleet, these and others, occupying and distributing the offices of the Government, all incapables who had no other qualification than the card of a militant Communist, and it is in their hands that we have placed these funds and these assets which have been held up in your banks, which permitted us to have a small guarantee for the future and to assure for them the revenues which belong to us private men since 1939-1940, following the blocking of these funds, to defray the expenses of the propaganda which was raised against this party provided with capital and resources which were not blocked, which certainly move freely at present, which propaganda produced results in the last municipal elections, but our resources are tied up, notwithstanding our intense labor, and we counted on the revenue which we should receive on account of the cessation of hostilities; the blocking has only held this up. We ought to explain to you that if these assets or money had been in France instead of deposited in your banks or with certain other bankers, they would have been seized by the Germans who robbed us. At present the menace which hangs over us is exactly the same thing; we find ourselves in the same situation. We have been taught to have confidence in the pledged word and to lend our money which normally should be returned to us. Germany again has the excuse of the war, but here these operations are not present in the same degree, the more so because it has affected those who have done the most work although it could be said that if the negotiators of finances had assumed their responsibilities, an economical administration in accordance with the needs of the country, France would not be obliged to beg and we would not be beggars. Only one small country which is famous for its honesty and respect for the pledged word and for its signature has resisted all pressure. This country, which has failed to be (illegible) such a place at the side of the (illegible) and has had the opportunity of not being one, has perfectly understood the French and itself transferred these assets to the shelter of the banks in 1940 in order to protect them. The (illegible) which testified to the American People was deceived, since today it has

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opposed the blocking under certain vague pretexts. These are not enemy funds; although you recognize that they are French, these assets, restored to the French without formalities, would certainly be more useful as anti-Communist propaganda than all the dollars you could advance. If we examine the situation, you will recall that in 1910 the French subscribed a 4 $\frac{1}{2}$ % Russian loan whose arrears have ceased to be paid and whose amount was never paid in gold at that period. France is the creditor of a large sum of gold since she alone suffered to collect the amount of dollars which should be sent us, the amount never reclaimed from the Allied nation which seems to be one of the major producers of gold.

Still earlier the Frenchman, Lafayette, did not hesitate to give America whatever gold he could get together to assure her Independence. It is never the idea of the French to act superior to demand it although due. We had a million and a half dead in 1914-1918 but we assumed the restoration (?) of our country alone.

Mr. Secretary, I could go on longer but I excuse myself for this long letter and I hope again that in the light of this explanation you will reach your own decision which you believe just and equitable.

Please accept the assurance of my high regard.

/s/ P. Rei (?)

Please note that this measure affects persons whose age is between fifty-five and seventy years or more. Those who have been able to unblock their assets have **gone** to the United States; the others who had confidence in you remained in France and that is the only difference.

Translated by

William H. Eubardy . . .
 Treasury Department
 Division of Loans and Currency
 3/11/48

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 Authority NND 968103
 By MB/11 NARA Date 1/4/00

Treasury Department
 FOREIGN FUNDS CONTROL
 February 27, 1948

GENERAL LICENSE NO. 97
 UNDER EXECUTIVE ORDER NO. 8389, AS AMENDED,
 EXECUTIVE ORDER NO. 9193, AS AMENDED, SECTION
 5(b) OF THE TRADING WITH THE ENEMY ACT, AS
 AMENDED BY THE FIRST WAR POWERS ACT, 1941,
RELATING TO FOREIGN FUNDS CONTROL.

General License No. 97 - (1) Property licensed. A general license is hereby granted licensing, subject to the exceptions of paragraph (2) below, the following property to be regarded as property in which no blocked country or national thereof has or has had any interest: Property in any account on February 1, 1948, and any income subsequently accruing from such property, where the total value of the property in the account on such date was not more than \$5,000.

(2) Exceptions. This license shall not apply to any property of any person resident or organized in Germany, Japan, Hungary, Rumania, or Bulgaria, regardless of the citizenship of such person.

(3) Restrictions of General Ruling No. 11A. Attention is directed to the special restrictions contained in General Ruling No. 11A pertaining to dealings in certain property in which there is any interest of Germany or Japan or certain nationals thereof.

(Signed) John W. Snyder
 Secretary of the Treasury

AUTHORITY: Section 131.97, issued under sec. 5(b), 40 Stat. 415, 966, sec. 2, 48 Stat. 1, 54 Stat. 179, sec. 301, 55 Stat. 839; 12 U.S.C. 95a, 50 U.S.C. App. Sup., 5(b); E.O. 8389, April 10, 1940, as amended by E.O. 8785, June 14, 1941, E.O. 8832, July 26, 1941, E.O. 8963, Dec. 9, 1941, and E.O. 8998, Dec. 26, 1941, E.O. 9193, July 6, 1942, as amended by E.O. 9567, June 8, 1945; 3 CFR, Cum. Supp., 10 F.R. 8917; Regulations, April 10, 1940, as amended June 14, 1941, February 19, 1946, June 28, 1946, and January 1, 1947; 31 CFR, Cum. Supp., 130.1-7, 11 F.R. 1769, 7184, 12 F.R. 6.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
 Friday, February 27, 1948

Press Service
 No. S-645

Secretary of the Treasury Snyder announced today that the freezing controls have been removed from blocked accounts where the value of the property in the accounts on February 1, 1948 was not more than \$5,000, and the accounts are held for persons residing in any country except Germany, Japan, Bulgaria, Hungary and Rumania.

Treasury Department officials pointed out that the automatic release of the smaller accounts, the total value of which is relatively small, through today's issuance of General License No. 97 will enable the European countries to speed up action on the certification of the larger accounts. Concentration on these larger accounts will afford the greatest assistance to countries likely to receive financial aid under the European Recovery Program. This action is in line with Secretary Snyder's letter of February 2, 1948 to Senator Vandenberg.

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Treasury Department

Washington

FOR RELEASE, MORNING NEWSPAPERS
Monday, March 1, 1948

Press Service
No. 5-646

Secretary of the Treasury Snyder today announced that effective June 1, 1948 the Treasury Department will cease to have jurisdiction of blocked foreign funds. On that date, the jurisdiction over the remaining blocked assets will be transferred from Foreign Funds Control in the Treasury Department to the Office of Alien Property in the Department of Justice. Attorney General Clark joined Secretary Snyder in urging that persons whose assets may be unblocked under the certification procedure provided by Treasury's General License No. 95 avail themselves of this procedure before June 1, 1948. After that date, outstanding licenses authorizing withdrawals or changes in the assets will become inoperative.

The Attorney General stated that immediately upon transfer he will take a census of all assets remaining blocked. In line with this Government's decision to assist countries which receive financial aid under the European Recovery Program in locating assets of their resident nationals held in the United States, the information concerning the names and assets of such nationals as disclosed by the new census will be given to the governments of the appropriate countries.

In addition, the Attorney General stated that in order to prevent the escape of enemy assets from this Government's control and to implement further this Government's objective to assist countries which receive financial aid under the European Recovery Program, the Office of Alien Property, immediately after receipt of the census information, will begin to process for vesting the assets remaining blocked and held in Swiss and Liechtenstein accounts. The vesting program will also be applied to uncertified assets held indirectly through recipient countries where the census information does not disclose the beneficial owner. Assets, either before or after vesting, may be released upon a showing of non-enemy interest. In such cases, the Office of Alien Property will consult with the government of the country of which the alleged beneficial owner is a resident. It was pointed out that claims for the return of property vested in the Attorney General must be filed within two years after the date of vesting.

Secretary Snyder added that Treasury, Justice and State Department representatives are currently engaged in discussions with representatives of the Swiss Government concerning certain aspects of the program. It was pointed out that Switzerland is not a country which is to receive financial assistance under the European Recovery Program.

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The governments of the European Recovery Program countries included in General License No. 95 are being requested to give their residents public notice of the action which will be taken by the United States on June 1, 1948, and to urge their residents to apply to them immediately for the certification of their assets held in the United States if the assets qualify for certification. Secretary Snyder suggested that persons in the United States holding blocked assets of foreign nationals immediately inform such nationals of today's announcement.

Treasury officials stated that this announcement in no way affects its control over importation of securities specified on the list attached as a part of General Ruling No. 5.

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RRShwartz:JSRichards:ebb 2/26/48

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MEMORANDUM FOR THE FILES

March 3, 1948

Re: Technical Committee for Swiss Problems

I. Organization of Technical Committee

On February 25, 1948 Mr. Richards, Chairman of the American group, and Mr. Grässli, Chairman of the Swiss group, decided that many of the problems which the Swiss wanted to consider in connection with the termination plan for Foreign Funds Control involved technical problems which could better be worked out by a small committee group.

The American representatives of this technical committee consist of Rella R. Schwartz (Chairman), Margaret W. Schwartz, and Edwin Rains for the Treasury; John Lamont, Leon Brooks and Philip Blacklow for the Office of Alien Property; Stanley Metzger, and Ely Maurer for the Department of State.

The Swiss committee is composed of the following: Dr. Jann (Chairman), Messrs. Kappeler, Gut, Luterbacher, and Bruppacher.

II. Problems Considered by Technical Committee

The technical group held committee meetings Wednesday afternoon (February 25), Thursday morning, and Thursday afternoon (February 26) during which time the Swiss group outlined in some detail the problems which they desire to have resolved in connection with their further operations with respect to blocked funds.

The following is an itemization of the problems set forth by the Swiss group with a summary of their comments with respect to each item.

A. Extension of time for processing applications on file with the Swiss Compensation Office as of June 1st

Swiss comment: The Swiss pointed out that they have been pursuing the following procedure in connection with the handling of applications for certification. Persons who hold assets directly in their own name in the United States would ordinarily go to the Swiss Compensation Office and apply for certification. In these cases the Swiss Compensation Office conducts the entire investigation.

In cases where the accounts are held through Swiss banks the major part of the investigative process in connection with certification applications is made by the bank of which the individual is a client. In these cases the bank does not file applications with the Swiss Compensation Office until they have completed all the investigative work with respect to the clients accounts. Accordingly, it was pointed out that the banks could not under present procedures complete all their action on their clients accounts by June 1st and

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therefore could not have these applications on file with the Swiss Compensation Office by that date. However, it was pointed out that these banks could, of course, file with the Swiss Compensation Office immediately a form which would be the equivalent of an application form with the Swiss Compensation Office before they conducted their investigations so that these cases could be considered as being on file with the Swiss Compensation Office as of June 1st.

If the Swiss adopt the procedure of filing immediately with the Swiss Compensation Office applications for the certification of pure Swiss accounts so that these cases could be on file with the Swiss Compensation Office as of June 1st and thus be within the category of cases which could be processed beyond the June 1st deadline in accordance with the existing General License No. 95 procedure it is estimated that the Swiss would require at least four months beyond June 1st to complete action on these applications. This estimate is based on the following: Beginning March 1st it will take about two weeks for the banks to file with the Swiss Compensation Office a form equivalent to a notice of application for the appropriate accounts. Approximately six months would be required by the banks to complete the investigations on these cases. Thereafter it would take the Swiss Compensation Office approximately two weeks to clear the last of the applications out of Switzerland and have them in the hands of the American custodian of the assets.

American comment: First, the Swiss were assured that the statement in the press release, issued March 1, 1948, to the effect that "After that date, outstanding licenses authorizing withdrawals or changes in the assets will become inoperative." would not prejudice an arrangement on this subject of the time extension.

Secondly, it was pointed out to the Swiss that any extension of time, if granted, would apply only to applications involving funds of persons who did not require cross-certification. In this connection, a Swiss organized company which has foreign shareholders would not be considered a Swiss person.

B. Authorization to certify following categories of funds

1. Funds blocked as German and Japanese but owned by:
 - (a) Swiss persons in those areas
 - (b) Non-Swiss persons (other than German and Japanese) in those areas holding their funds through Switzerland
 - (c) IIA persons who reacquire Swiss citizenship and Swiss residence

American comment: In connection with this request the State Department representatives pointed out that the status of German and Japanese assets was still unresolved. Under the circumstances this Government could not make

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any special exception on behalf of the category of persons in which the Swiss were interested. Moreover, it was indicated that Foreign Funds Control was not even taking any action on the funds of American citizens who may still be residing in these areas.

2. Funds blocked as Bulgarian, Rumanian, and Hungarian funds but owned by:
- (a) Swiss persons in those areas.
 - (b) Non-Swiss persons (other than Bulgarian, Rumanian, and Hungarian) in those areas holding their funds through Switzerland

American comment: With respect to this category of cases also the State Department indicated that since the treatment to be accorded these funds was still not resolved by this government it did not appear likely that we could authorize the Swiss to take action with respect to the funds held for the category of persons in which the Swiss were interested.

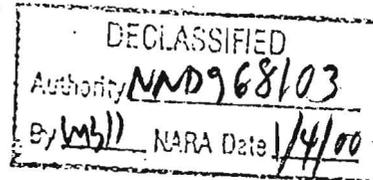
3. Funds blocked as Spanish, Portuguese, and Yugoslavian funds but owned by:
- (a) Swiss persons in those areas
 - (b) Non-Swiss persons (other than Spanish, Portuguese and Yugoslavian) in those areas

American comment: Again the State Department indicated that this government had not yet set up a procedure for handling the Spanish, Portuguese, and Yugoslavian assets. Under these circumstances it did not see how any special authorization could be given to the Swiss to act on cases involving assets blocked in the names of residents of these countries.

4. Funds blocked as Swiss and as another General License No. 95 country but owned by:
- (a) Swiss citizens in those other countries
 - (b) Swiss companies more than 25% owned by shareholders in those other countries
 - (c) Swiss beneficiaries of income from trusts created by persons in other 95 countries

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Swiss comment: First, the Swiss pointed out that they would like very much to be able to certify their citizens residing in countries like France, Belgium, and Holland without requiring such persons to obtain a cross-certification from the other government. They pointed out the Swiss Government's interest in protecting Swiss citizens residing abroad, who actually must reside abroad because of the limited possibilities within Switzerland, from the mobilization and tax decrees of these foreign governments. They did point out that the French Government to date is not mobilizing the assets of non-French citizens residing in France although they may require the turn over of current income. Belgium and Holland, however, do exercise control over the assets of non-citizens residing in their areas. It is estimated that approximately \$2,000,000 represents the assets of Swiss citizens residing in 95 countries, the majority of which is owned by persons residing in France. The Swiss indicated that they would be very glad to give us the names of those Swiss persons in the 95 countries whom they would like to certify without reference to cross-certification on the understanding, of course, that this information would not be given to any other government. Moreover, the Swiss indicated that they were in a position to investigate the possibility of enemy interest in the funds of these persons because of the close supervision which the Swiss in foreign countries are obtaining from Swiss consulates, etc., in those areas.

Secondly, the Swiss are very anxious to secure a ruling from this government that a Swiss company organized in Switzerland is a real Swiss person regardless of the nationality of the shareholders in such companies. This is a principle of Swiss law which they state must be maintained.

American comment: It was pointed out that it is our practice to pierce the corporate veil and look through to the beneficial ownership of a company in order to determine its nationality for purposes of our certification arrangements. There was no possibility that this principle could be modified so that actually no hope was held out for the Swiss in so far as their request involving the Swiss company certification was involved. Moreover, it was indicated that the problem raised intercustodial issues which could not be resolved by this group.

C. Disposition of problem cases

1. Swiss desire to certify Swiss companies where beneficial owners of a Swiss company cannot be located

American comment: First, it was suggested to the Swiss that they might get some figures to show the size of the problem, i.e., the number of companies where it is impossible to find the whereabouts of the shareholders. Secondly, little hope was held out to the Swiss that any ruling could be made with respect to those cases at this time other than that the assets would be among those transferred to the jurisdiction of the Office of Alien Property.

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2. Family foundation cases

American comment: It was indicated that to date these cases have been resolved between the Swiss Compensation Office and Foreign Funds Control on an ad hoc basis. There did not appear to be any reason why this procedure could not be followed in the future.

3. Swiss assets held through German banks

American comment: It was suggested that Mr. Luterbacher of the Swiss Compensation Office discuss the facts of these cases, which did not number more than two or three, with Mrs. Margaret Schwartz to work out their disposition. It was felt that some way could be found for handling these cases.

4. Cases which Swiss cannot certify without prior consultation with Foreign Funds Control

American comment: Foreign Funds Control indicated that 11 cases were submitted to the Swiss Compensation Office as those not eligible for certification without prior consultation with the Treasury. To date three of these cases have been resolved. It was recommended that the remaining 8 cases be the subject of discussion between Mr. Luterbacher and Mr. Gewirtz of Foreign Funds Control with the view to crystalizing the remaining problems in these cases so that they can be resolved as soon as possible.

5. Bulgarian, Rumanian, and Hungarian persons permanently outside these areas but in Switzerland temporarily

American comment: To meet their temporary difficulties we are prepared to authorize living expense allowances up to \$1,000 a month, plus traveling expenses. Accordingly, there should be no immediate hardship.

D. Application of General License No. 97 to Swiss omnibus accounts

American comment: It was again indicated that before action could be considered with respect to this request the Swiss Government would have to furnish the Treasury Department with some idea of the amount of funds which would be affected if General License No. 97 were applied to Swiss omnibus accounts. In this connection Mr. Jann advised us that he would immediately cable the Swiss Bankers Association to get up figures in this connection from some of the larger Swiss banks and a representative group of the smaller banks.

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The figures which are to be supplied will indicate the total amount of blocked funds of each bank and the approximate amount of the funds which would be affected by the unblocking of the \$5,000 and under accounts.

E. Authorization to certify liens acquired against French assets after the French freezing but before the Swiss freezing

American comment: It was indicated that we could not recognize the effectiveness of changes in French accounts after the French freezing without there having been a Treasury license.

R. Schwartz

cc: Southard; Arnold, M. Schwartz, Rains, Metzger (State), Sham (O.A.P.)
 Tomlinson (Paris), and Ostrow (Bern)

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TRANSLATION.

MEMORANDUM

ON THE ATTITUDE OF THE UNITED STATES TREASURY
 TOWARD FOREIGN FLIGHT CAPITAL IN THE UNITED STATES

MAIL ROOM
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 AND
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Persons who at present are taking it upon themselves to change the traditional rules of respect for private property in connection with capital which has sought hospitality in the United States, must answer to the public and their own conscience a number of questions which are being raised by this violation of private international law.

Why did such capital seek refuge in the United States and why was it not declared to the French Government? In this connection it should be stated that the question of declaring such capital was first raised early in 1945 at the end of the war, at which time the French Government had practically no external debts in foreign exchange.

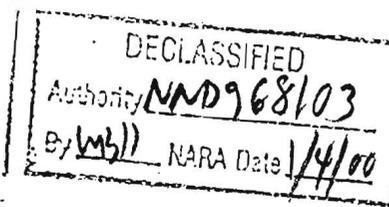
A.--On the one hand, people had no confidence in the terms on which the French Government might requisition such assets.

Meanwhile it has been seen, that those who declared their assets found, especially insofar as American securities are concerned, that they were requisitioned on July 6, 1947, in French francs on the basis of 120 francs per dollar, i.e., at a time when the actual* rate of exchange, ratified since then at the initiative recently taken by the French Government, ranged from 300 to 350 francs or approximately three times [as high as the former rate].

Even after the creation of a free market for the dollar in Paris, the French Government has been paying and now continues to pay on that basis for the items requisitioned by it.

*Translator's note: Obviously meaning black market.

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Any authorities imbued with a sense of equity would realize that assistance should not be given to governments which have succeeded each other since liberation and which have acted with obvious dishonesty in regard to the savings of this country.

Mr. J. Snyder should ask his conscience whether it is advisable to recommend to the French citizens to accept such payment or whether, on the contrary, it might not be well to suggest to the French Government that it reestablish, retroactive to July, 1947, a system of requisitioning on the basis of what in any civilized country is termed fair and prior indemnification.

B.--On the other hand, however, flight capital has been contemplating more serious contingencies, namely those of subversive moves directed against the democratic institutions in France.

The owners of such capital have during the war witnessed the prosecution of Jews and the miseries and despair into which the latter were plunged when, on the face of such persecutions they were stranded abroad without any reserve for themselves, their wives or their children.

Mr. Snyder should also consult his conscience as to what he would do if such an event were to recur, and whether, if the requisitioning should be carried out as contemplated, a great many Frenchmen who, in an effort to preserve their freedom, might seek refuge in the United States, would find that they have been despoiled of the assets which they had built up of their own free will.

Mr. Snyder may, by the way, answer this question as of now and ask himself whether, if such a requisitioning program had been carried out with respect to Czechoslovak citizens, he would have acted as a man conscious of his duties by substituting his decisions for those which must be made by the citizens of foreign countries in view of any contingencies which may concern them.

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C.—In conclusion, if the United States feels that Western Europe should be helped in order not to lapse into confusion and chaos, would it not be advisable for that great country [United States] to act on the strength of its own means instead of forcibly borrowing from citizens of the Western [European] countries, thus exposing them, their families and the vast majority of their assets to the dangers in question.

(Signed) S. M.
March 1, 1948

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 By mbj NARA Date 1/4/00

March 4, 1948

Mr. Rains

J. Allan

Re: Action to be taken with respect to outstanding patent documents in view of the termination of Foreign Funds Control.

The public documents issued by the Treasury Department relating to patents which are presently outstanding are the following, General Licenses Nos. 72 and 72A and Public Circular No. 5. Copies of the documents are attached.

General License No. 72 served to effectuate the relinquishment by the Secretary of the Treasury of control over the domestic patent field with the exception of control over payments out of blocked accounts for services in connection with the filing and prosecution of patent applications. Assuming that the termination program for Foreign Funds Control envisages the delegation of certain powers exercised by the Secretary of the Treasury under Executive Orders Nos. 8389 and 9193 to the Attorney General, the revocation of this general license simultaneously with the delegation by the Secretary of the Treasury of powers under Executive Orders Nos. 8389 and 9193 including those exercised by the Secretary of the Treasury in respect to the entire patent field would seem to be appropriate.

General License No. 72A deals with certain transactions with respect to American-owned patents, trademarks and copyrights issued by blocked countries and by foreign countries in which a blocked interest exists. All transactions licensed by General License No. 72A now also covered by General License No. 94 with the exception of transactions licensed under General License No. 72A which relate to patents, copyrights or trademarks issued by countries or nationals thereof not included in General License No. 94.

Since transactions with respect to patents, trademarks and copyrights issued by Spain and Portugal or in which their nationals have an interest are probably negligible, the revocation of General License 72A would have little effect.

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Public Circular No. 5 was issued at the time General License No. 72 and 72A were issued for the purpose of describing these documents and for the purpose of referring the public to the appropriate documents issued by the Alien Property Custodian with respect to domestic patents. In view of the purely descriptive nature of this document, there would seem to be no reason for not revoking it at this time.

JAllen:ac: 3-4-48

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March 4, 1948

Mr. Southard

H. R. Sturte

Subject: Nature of Proof to be Required to Support Claim of a Pre-Freezing Transfer Involving Presently Blocked Funds.

I. Nature of the Problem:

Foreign Funds Control is willing to consider applications involving funds in the names of persons who have permanently migrated from General License No. 95 countries and are either in the United States or in the generally licensed trade area. In recent months there have been a number of such applications filed by such persons for the unblocking of assets which they allege belong to them although the assets are held in the names of persons still resident in the G. L. 95 countries. In these cases the applicants allege that they acquired the beneficial interest in the assets before the imposition of our controls although they cannot produce pre-freezing documentary evidence in support of these allegations.

Facts in support of the claims, as will be seen from the sample case situations described below, are usually supported by current affidavits which are sometimes buttressed by documents of a fragmentary character, usually, prepared post-freezing which purport to reflect alleged pre-freezing oral assignments. In this connection it should be kept in mind that in transactions of this nature the absence of documentary evidence may in some instances be reasonable. Although in some cases the evidence is of a nature which might, under ordinary circumstances, convince a reasonable person that a pre-freezing transfer was made, it is clear that under the present circumstances there is every reason to motivate persons to claim an interest in funds in the United States with the view to avoiding foreign exchange mobilization decrees. Moreover, the evidence presented is generally of a type which could reasonably have been prepared as of a recent date in an effort to defeat the effects of the certification procedure which require disclosure of ownership of assets in the United States to appropriate governments. In this connection it should be noted that the person now claiming the funds is usually a close relative of the person in whose name the assets are held and it is generally alleged that the assignment was based on a gift rather than having been made for value. It is accordingly difficult to accept this evidence as probative of an alleged pre-freezing transfer.

II. Issues:

1. Should we insist upon the maintenance of the Foreign Funds Control practice of requiring pre-freezing documentary evidence definitely showing that the particular funds in issue were the subject of a pre-freezing transfer to the applicant and thus in the absence of clear proof decide in favor of maintaining the status quo of funds which may be subject to control by governments of the recipient countries under the National Advisory Council decision.

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2. In contrast, should we give favorable consideration to the requests of applicants who are no longer within the jurisdiction of recipient countries if they present a case which under ordinary circumstances might make out a reasonable case of a pre-freezing transfer, but in which pre-freezing proof is lacking and which is supported only by proof the nature of which has been discussed in I.

III. Recommendation:

It is our recommendation that Foreign Funds Control should ~~abolish~~ the standard practice of requiring reliable pre-freezing evidence which establishes a pre-freezing transfer with reasonable definiteness. In making the recommendation we recognize that some persons who may have a rightful claim to the funds may suffer. Moreover, some of the claimants may be American citizens; all will have permanently migrated from recipient countries. The issue, however, is not the status of the applicant but the nature of his claim to the assets which are the subject of the application. We are motivated in making this recommendation by the consideration that only proof of a high degree of probative value should be accepted in order to justify the removal of funds from the control of governments of recipient countries.

We expect that there will be considerable pressure to change this ruling. However, our denial of licenses in this class of cases does not constitute an absolute bar to the recovery of the property by the person claiming to be the true owner. The recovery may be more difficult when the funds are transferred to the jurisdiction of the Office of Alien Property and may require disclosure to foreign governments which may be objectionable to applicants.

IV. Examples of cases raising problems:

1. Mass case. Applicant is a 17 year old French boy who has recently entered the United States on an immigration visa and is presently a student in New York City. The property involved was transferred to the United States in 1939 by the applicant's father, who together with the rest of his immediate family resides in France. The funds are held through a cousin of the father in various banks in New York City. The bank accounts are set up in various ways but most of them are in the form of trust accounts for the benefit of the applicant's father or mother or both. In reporting on Form TFR-300 the cousin who holds the funds stated that they were beneficially held for the father.

It is now alleged that prior to the war these funds were given to the son by an oral gift and that the father sent them to the United States to be held for the son. The applicant's attorney is not too sure that the cousin was ever informed of the alleged facts. Recent affidavits of the father and son have been submitted to sustain the allegations made in the application. There has also been submitted an affidavit of another cousin who claims that she had been advised of these facts by letters written to her before the war but that unfortunately these letters had been destroyed. The applicant offers no pre-freezing evidence and states that he is unable to find any pre-war correspondence between the father and cousin which might have a bearing on the proof of the facts alleged.

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2. Haisch case. Applicant who is now a citizen of the United States and residing in this country was a partner in a French limited liability company organized in 1935. He is applying for the unblocking of the total assets of the company in this country claiming full ownership of these assets. He alleges that in 1939 the other stockholders agreed to dissolve the business and to give him an option to satisfy his claims against the company out of the company's American assets. He alleges that in 1946 the company was dissolved and in the act of dissolution the property formally became his.

Applicant alleges that he was not informed of the 1939 option until after the liberation of France. No pre-freezing evidence with respect to this option has been shown although there has been submitted what purport to be the minutes of a 1939 stockholders' meeting. These, however, were executed in 1946 and, even if accepted at face value, cannot be considered to give the applicant an option with respect to the assets.

3. Jorgensen case. Applicant who left Denmark in December 1946 and has since been residing in Brazil, and who alleges that he intends to immigrate to the United States as soon as possible, has applied for the unblocking of funds held in a New York bank. These funds had previously since 1923 stood in the name of N. G. Jansen of whom Jorgensen is an illegitimate son. Jorgensen claims that just prior to the invasion of Denmark, Jansen by oral gift (a procedure which is lawful in Denmark) gave him the funds. Both Jansen and Jorgensen affirm the truth of these allegations. In addition, just prior to the freezing of Danish assets, Jansen wrote to the New York bank and requested that the account which had previously stood in his name be transferred to the heading, N. G. Jansen-Foreign Syndicate Separate Account. In January 1946, six months before Danish funds were made subject to the certification procedure but after our unblocking procedure was generally known, and at a time when Jorgensen was still in Denmark, Jansen wrote to the bank and stated that Jorgensen was the owner of the funds.

4. Thivot case Applicant, a French citizen, domiciled in Brazil since 1934, requests the unblocking of cash and securities valued at approximately \$170,000, held by the Commercial National Bank and Trust Company of New York for the account of Credit Suisse, Geneva.

It is alleged by the applicant that these assets, although held by Credit Suisse in the name of his cousin, a citizen and resident of France, are and always have been his sole property. The account, he states, was opened on his behalf by his cousin in May 1932 and documents in evidence of the opening of the account by the French cousin have been submitted. In January 1934, just prior to the applicant's departure for Brazil, he gave to his cousin a general power of attorney a copy of which we have for the primary purpose, he says, of managing the account with Credit Suisse. Both the applicant and his cousin have submitted affidavits to the above effect and we also have on hand current statements of the officials of Credit Suisse that the French resident cousin had made it clear to them from the very beginning that he was not the beneficial owner of the account and had indicated that he was acting for a relative who had left France. The only pre-freezing document applicant has been able to supply

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is a letter purportedly written to him by his cousin in 1939. The letter carries no reference to the account in question, but states merely that certain other members of the family have been informed of "our affairs" and "our arrangements".

* * * * *

5. Rubel case. Applicant, a naturalized U. S. citizen, requests the unblocking of an account maintained with Hallgarten and Company in the name of Peter A. Rubel-Family Account.

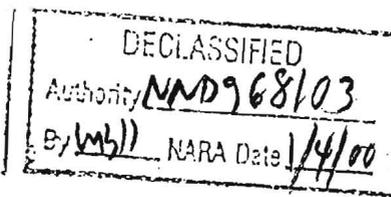
The funds in question are shown to our satisfaction to have been derived many years ago from an estate of a U. S. citizen and to have been carried since some years prior to blocking in a joint account (of which the title was changed to its present form under Treasury license in 1945) for applicant and his five brothers and sisters, all of whom are citizens and residents of Switzerland. Applicant's claim to the property is based on an alleged family arrangement whereby that one of the six children who emigrated to the United States was to acquire the property in this country (other funds derived from the same source had previously been transferred to Switzerland). As applicant did emigrate to this country in 1936, he states he then acquired ownership of the property, at the same time relinquishing his interest in the Swiss property, but that no formal transfer was made until 1947 when a formal accounting first became practicable. In substantiation, there have been submitted a current affidavit of applicant's father attesting to his son's acquisition of the funds in 1936, releases of their interests in the property executed in December 1947 by the five brothers and sisters, and a letter by an official of Hallgarten stating that he had been advised by the father in 1937 that the property belonged to the applicant. Against applicant's claim are the facts that the youngest brother, having come of age in 1940, a formal accounting would seem to have been possible at an earlier date; applicant, notwithstanding his claim to ownership of the whole account since 1936, withdrew just one-sixth of the account under General License No. 42 and, further, has reported only one-sixth of the income for tax purposes (the formal releases having now been obtained, it is stated that he will file an amended return for 1947); powers of attorney over the property were granted to applicant by his brothers and sisters after the date on which it is asserted their interests in the property had been extinguished; and finally, Hallgarten, in spite of the knowledge as to beneficial ownership, claimed by the official in charge of the account, reported on the TFR-300 that the property was owned by all six brothers and sisters.

(Signed) R. R. Shwartz

RRShwartz:hjl:3/4/48

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In reply please
 refer to: 105946

MAR 5 - 1948

Dear Mr. Evans:

Your letter of February 13, 1948, addressed to Secretary Snyder, in which you comment on Secretary Snyder's letter of February 2, 1948 to Senator Vandenberg has been referred to me for reply.

At the outset it should be indicated that the plan described in the reference letter, a copy of which is enclosed, does not contemplate that this government will give to the Swiss Government the results of the census as it pertains to persons holding assets in the United States through Swiss and Liechtenstein accounts. It does, however, provide that the Office of Alien Property will immediately upon receipt of the census information begin to process for vesting assets held in Swiss and Liechtenstein accounts.

This government does not desire to vest pure Swiss assets. In the interest of clearing up all purely Swiss cases and avoiding their being vested, discussions have been held from time to time with representatives of the Swiss Government on tax problems affecting the certification procedure. In this connection the Swiss Government has pointed out to us that a tax delinquent may either clear up his tax obligation on the basis of his actual liability, plus certain penalties, or remain anonymous from the taxing authorities by paying a penalty of 50% of his assets to the Swiss Government. It is our understanding that the tax penalties are normally considerably less than 50% except in the case of persons who misused an amnesty offered a few years ago. In our most recent discussions with the Swiss it was informally pointed out that a reduction in the 50% penalty provision might encourage Swiss persons in securing certification of their assets in the United States.

We are fully appreciative of the problem set forth in your letter. On the other hand, existing Treasury procedure for securing the unblocking of Swiss funds, for example, is based on the premise that the Swiss Government is the only government which can adequately investigate the true ownership of assets allegedly held for Swiss persons within its jurisdiction. Likewise the Office of Alien Property follows the procedure in connection with the release of funds, either before or after vesting, of consulting with the appropriate government with respect to the proof submitted to show that there is no enemy interest in particular funds.

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In conclusion it should be pointed out that the general observations you make with respect to the effects of the plan were carefully considered by the National Advisory Council before it formulated the plan set forth in its letter of February 2, 1948 to Senator Vandenberg. On balance, however, it was the conclusion of the Council to adopt the plan set forth in the reference letter as the one best calculated to meet the national interest in view of the circumstances involved.

Very truly yours,

(Signed) Frank A. Southard, Jr.

Frank A. Southard, Jr.
 Director, Office of International Finance

Mr. John P. Evans
 Evans, Mand and Evans
 129 Market Street
 Paterson 1, New Jersey

Enclosure

RRShwartz:ltm 3/1/48

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 By Wb/1 NARA Date 1/4/00

COPY:
 to
 Members of the National
 Advisory Committee

730 Fifth Avenue
 New York City
 March 4, 1948

The President
 The White House
 Washington 25, D. C.

My dear Mr. President:

I have received a letter from Mr. Frank A. Southard, Director of the Office of International Finance in answer to my letter addressed to you on February 6th, regarding the assistance the National Advisory Council advises giving to foreign governments in enforcing their foreign exchange laws. I beg to submit that the answer received is completely unsatisfactory and doesn't meet the arguments put forward in my letter of February 6th in opposing such assistance. Mr. Southard has attached to his letter a copy of the correspondence with Senator Vandenberg regarding the matter. The Council justifies its recommendations mainly on these points:

(1) "That these are not ordinary times."

I don't know how the Council distinguishes between "ordinary times", when respect for moral principles is our doctrine, and abnormal times, when considerations of expediency overwhelm moral principles. However the National Advisory Council defines "ordinary times", the least I can say is that we have not been living in "ordinary times" since 1914.

(2) "Some European nations are in dire need of dollars to permit their survival as free nations."

I believe that even a superficial examination of the facts between the two world wars will prove that ever since 1918 many European nations have been "in dire need of dollars to permit their survival as free nations." One of the reasons was socialistic policies, nationalistic policies, or demagoguery.

(3) "American taxpayers are being called upon to make substantial contributions to European recovery."

Very frankly, this argument doesn't sound genuine, for the simple reason that the amounts involved are trifling as compared with the help we are requested to extend. I don't believe that our country should forego a moral principle for a few hundred million dollars when we are requested to spend at least seventeen billion for the recovery of Europe. Furthermore, the greatest part of these few hundred million dollars would return anyhow to their countries as soon as confidence, chiefly domestic, is restored.

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(4) If it is sound policy to help foreign governments in coercing their citizens to do certain things for the sake of saving a few hundred million dollars, can the National Advisory Council answer the following question: "Why don't they ask the foreign governments to requisition from their citizens gold, in any shape or form, diamonds, platinum, silver, or even valuable paintings, which are readily convertible into dollars?" If we are to forsake principles, let's at least do it for big stakes.

(5) Can the National Advisory Council answer the following question: Since when are we subscribing to the doctrine that exchange controls laws are "in the national interest" of democratic countries? Is it not true that we are constantly advocating the removal of exchange controls, and that we have even made such removal a condition of the British loan of 1946, although we knew that it was not feasible with the means provided?

Respectfully,

Philip Cortney : if

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109449

TRANSLATION

March 6, 1948

FILED IN... BY
 TO: MAIL & FILES
 APR.
 NO ANS. REQ.
 INITIAL P.R.A.
 DATE weeks 3/2/48

My dear Mr. Secretary:

I take the liberty of writing to you after having read for several weeks in French and Swiss newspapers the decisions which you intend to make with respect to French assets blocked in the United States under cover of Swiss banks. If you had been living in France for a long time, you would understand why "average" [middle class] Frenchmen who receive no retirement [pension] from the Government, have brought enormous sacrifices in order to build a nest egg for their old age when they can no longer work and to protect such savings from devaluations, [and the] covetousness and squandering by the governments which succeed one another in our unfortunate country. Those deposits of which we have been deprived for so many years, represent a combination of privations of all kinds and extra work which you cannot imagine. Furthermore, they [the deposits] were in America, the country of complete freedom, prior to the last war. The balance was sent in 1939 when it was feared that Switzerland might be overrun. We would really never have thought that a country as great as yours would trample on the principles of liberty, honesty and uprightness like the totalitarian countries or dictatorships.

The French woman who is writing these lines to you has been awarded the medal of resistance; her husband has likewise been decorated with the war [iron] cross, because they concealed, at their home, arms, patriots and two American aviators who dropped from their flying fortress[es] when they were shot down over Toulon in June and July 1944. The name of the first [flyer shot down] was Joseph Lubliewski, the second was a lieutenant pilot by the name of Georges Russel*. We gave them lodgings, fed and clothed them and, at the same time, we had a

Translator's note:

*Probably: George Russell

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German officer [in the house] and German [field] batteries in the [nearby] countryside. We did not hesitate to risk our lives and the lives of our children because that was our duty as French people, but today the Americans might remember this and return to us the nest egg [which we saved] for our old age, intact.

There is no need for us to tell you how you should act with regard to these funds which have been placed under your protection, but we cannot believe that you would decide to strip those [persons], who trusted you in moments of distress, of capital which will be uselessly thrown into the gulf of nationalization and wasteful spending.

If you wish to honor us with a favorable reply, kindly address it to 54.694 B.M.A. c/o. Union des Banques Suisses [Union of Swiss Banks] Agence du Molard [Molard Agency] Geneva.

We beg to remain, my dear Mr. Secretary,

Sincerely yours,

[unsigned]

translated by: F.Neter, O.I.F.
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MAR 8 1948

108682

TO: Mr. Donald Sham
 Secretary, Office of Alien Property
 Department of Justice

FROM: Rella R. Swartz
 Acting Director

In view of the imminent transfer to the jurisdiction of your Office of all property remaining blocked on June 1, 1948, this Office considers it advisable that you be kept informed of any significant licensing policies which we feel obliged to adopt in the remaining period of our administration of blocked property.

For some time now we have had under consideration the problems involved in the certification of estates of blocked decedents. It is our view that it is both impractical and unjust to require that an heir of such an estate obtain a certification from the country in which the decedent resided unless the heir is also a resident of that country. Accordingly, we are now prepared, on application from any heir who is outside of the country in which the decedent resided, to determine by examination of evidence submitted directly to us the fact of ownership of the assets of the estate by the decedent and, upon such determination, to license the distribution of the estate keeping in mind that the distributive shares of resident citizens of recipient countries must be kept blocked in line with the Vandenberg letter.

RRSwartz:Earold:ltm 3/8/48

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By <u>(Mh)</u>	NARA Date <u>1/4/00</u>



OFFICE OF INTERNATIONAL FINANCE

TREASURY DEPARTMENT
 WASHINGTON 25

In reply please
 refer to: 109004

FEB 26 1948

Dear Mr. Cortney:

Your letters of February 6, 1948, addressed to the President and to Secretary Snyder, in which you comment on Secretary Snyder's letter of February 2, 1948 to Senator Vandenberg, have been referred to me for reply.

In formulating the plan finally expressed in the letter to Senator Vandenberg the National Advisory Council gave careful consideration to the very views expressed in your letters. In fact you will note in examining this letter, a copy of which is enclosed, that the Council indicated that it had seriously weighed these considerations. On balance, however, it was the conclusion of the Council to adopt the policy set forth in the reference letter.

In your letters you express the fear that persons holding the small accounts will be the ones most directly affected by the program. In this connection, your attention is called specifically to the top of page six of the enclosed letter in which it is indicated that "small amounts of property, say up to \$5,000, will be unblocked in the near future without requiring certification or other formalities except where a known German, Japanese, Hungarian, Rumanian or Bulgarian interest exists." It is expected that an appropriate license will be issued in the near future.

Very truly yours,

Frank A. Southard, Jr.

Director, Office of International Finance

Mr. Philip Cortney,
 730 Fifth Avenue,
 New York City, New York.

Enclosure.

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Morgan

TRANSLATION

The United States Treasury has just publicly defined its policy with respect to foreign assets which are still[at present] blocked in the United States.

This policy includes, insofar as applicable to French assets, the following regulations:

I. ASSETS AMOUNTING TO LESS THAN \$5,000

Such assets are unblocked as of March 1st without any necessity for owners thereof to comply with any formalities, and more particularly without any need for such owners to submit a certificate of non-enemy ownership. Blocking is being continued to the extent to which the United States Treasury [itself] has knowledge of the existence of German, Japanese, Hungarian, Roumanian or Bulgarian interests in such assets.

II. ASSETS AMOUNTING TO MORE THAN \$5,000

A. -- Assets Held in the United States Directly in French Accounts

These assets remain blocked. Owners [of such assets] may within three months from March 1st apply for unblocking by submitting a certificate of non-enemy ownership issued by the French Government.

Upon expiration of this period of three months, the Office of Alien Property will proceed with a census of the assets which are not certified and will communicate to the French Government the result of that census. It will be up to the French Government then to proceed with investigations in order to find out whether or not there are enemy interests in the assets, the existence of which will thus have been brought to its attention. Those of the assets which will have been acknowledged as being free from enemy interests will be unblocked.

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B. -- French Assets Held in the United States in Foreign Accounts (especially in the name of Swiss banks or Liechtenstein banks.) These assets remain blocked. Owners [of such assets] may within three months from March 1st apply for unblocking in accordance with the procedure now in effect, which includes submission of a certificate of non-enemy ownership issued by the French Government.

Upon expiration of this period of three months, assets which are not certified will be subject to a census for [purposes of] the Office of Alien Property. They will be considered as enemy assets, and, as such, sequestered by the said Office of the Alien Property. Such sequestration can subsequently be canceled only if the French Government, after having been informed of the name of the real owner[s] of such assets, certifies that the presumption of enemy ownership is to be ruled out.

These various measures are in close harmony with those taken, in turn, by the French Government, which, by law of February 2, 1948, afforded owners of undeclared assets the opportunity to clear their situation by converting such assets into French francs. It may be well to point out especially that during the entire period of three months granted by the United States Treasury, the rate of the special tax which must be paid by owners of undeclared assets remains fixed at 25 per cent. In fact, the rate of this tax will not be increased except on or after July 1st by one per cent each month.

Insofar as assets held in the United States -- for which non-enemy ownership certification is requested of the French Government by their owners during the period of three months granted by the United States Treasury -- are subject to requisitioning, indemnification for assets so requisitioned will be computed on the basis of the exchange rate for the dollar on the free exchange market in

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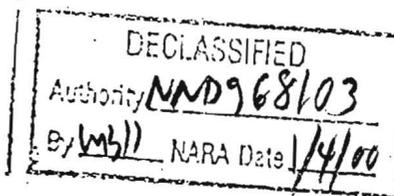
Paris on March 1, 1948. On the other hand, no penalty will be imposed for delays in complying with the obligations provided for in the requisitioning regulations.

On the other hand, the Government reserves every right to freedom of action in this matter of penalties with respect to the requisitioning of assets which might be brought to its attention in pursuance of measures which will be taken by the United States Treasury in regard to such assets as might not be certified by the time the period beginning March 1st expires.-

Translated by: F.Neter, O.I.F.
ah

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~~SECRET~~

National Advisory Council
 Document No. 638
 March 18, 1948

March 17, 1948

MEMORANDUM To: National Advisory Council
 From: Treasury Department
 Subject: Swiss Proposal for Handling the Private Blocked Dollar Assets in the United States Held Through Switzerland to Aid in the European Recovery Program

I. The Problem

A delegation of the Swiss Government is presently in the United States discussing with representatives of the Departments of Treasury, State, and Justice its objections to the government's plan respecting Swiss and Liechtenstein blocked assets which was set forth in the National Advisory Council's letter of February 2, 1948 to Senator Vandenberg. This letter represents the Council's conclusions as outlined in N.A.C. Document No. 580 of January 14, 1948.

The Swiss delegation have recommended as a substitute for the government's plan the following:

"This solution would consist in the earliest possible mobilization of blocked assets in the United States, held in a Swiss name, for the European Recovery Program, by means of a loan issued by the International Bank for Reconstruction and Development. An agreement would have to be reached with regard to the following details:

- (a) Conditions of eligibility of the owner to subscribe anonymously.
- (b) Terms of the offering and interest rate.
- (c) Date of maturity.
- (d) Period of time during which subscriptions may be entered.
- (e) Possible further conditions, such as temporary restriction with regard to the marketing of these securities.

"The proceeds of the loan would be reserved for the recipient countries, primarily France, according to the articles of agreement of the International Bank for Reconstruction and Development."

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National Advisory Council
 Document No. 638

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II. Discussion

Critical analysis of the Swiss plan can, of course, not be made on the basis of the above. However, reference is made in this connection to N.A.C. Document No. 580 where a plan involving the use of the International Bank was analyzed by the National Advisory Council at the time it was formulating its program. This plan was rejected at that time since it was the conclusion of the Council that the disadvantages in the proposal outweighed the possible advantages. These disadvantages would inevitably be inherent in any plan, regardless of its individual features, which was premised on the use of an International Bank loan.

III. Recommendation

The following recommendation is submitted for the consideration of the National Advisory Council:

The National Advisory Council agrees that the proposal of the Swiss Delegation for the mobilization of blocked assets in the United States, held in a Swiss name, by means of a loan issued by the International Bank for Reconstruction and Development, is unacceptable to this government.

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MAR 24 1948

109335

To : Mr. R. Tompkins,
 Chief, Foreign Funds Control Department,
 Federal Reserve Bank of New York.

From : Margaret W. Schwartz,
 Chief, Licensing Division.

Reference is made to your memorandum of March 11, 1948, transmitting a letter dated March 10, 1948 from the Guaranty Trust Company and a letter from the Sub-Committee on Foreign Funds Control, requesting clarification of certain questions arising under General License No. 97.

With respect to the questions raised by the Guaranty Trust, please advise that it is the Treasury's position that memorandum accounts under General Ruling No. 17 should not be considered as separate accounts for the purpose of unblocking under General License No. 97. The fact that certain assets held in omnibus accounts are distinguished by reason of their having been identified or certified under General Ruling No. 17 is not considered as a sufficient basis to regard such property as being held in a separate account.

With respect to the questions raised by the Sub-Committee, our position is as follows:

1. No
2. No
3. No. However if the contingent interest can be evaluated and if the February 1, 1948 value was \$5,000 or less it may be released under General License No. 97.
4. No. The same principle set forth in 3 above applies.
5. Property of persons who on February 27, 1948 were residing in Germany, Japan, Bulgaria, Hungary or Rumania is excluded from General License No. 97.
6. The assets of the General Ruling No. 6 account should be certified under General License No. 95.

/s/

RWilliams:ebb 3/23/48

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 Authority NND 968103
 By Wb/1 NARA Date 1/4/00

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MAR 24 1948

109335

To : Mr. R. Tempkins,
 Chief, Foreign Funds Control Department,
 Federal Reserve Bank of New York.

From : Margaret W. Schwartz,
 Chief, Licensing Division.

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6. The assets of the General Ruling No. 6 account should be certified under General License No. 95.

/s/

RWilliams:ebb 3/23/48

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MAR 24 1948

108705

Dear Norman:

This is with reference to inquiries which Foreign Funds Control and the Federal Reserve Bank have been receiving during the past two weeks respecting the effect of the transfer of jurisdiction over blocked assets from Foreign Funds Control in the Treasury Department to the Office of Alien Property in the Department of Justice.

At this time it is, of course, impossible to anticipate the procedures which will be established by the Office of Alien Property for administering assets under the program. In view of the purposes of the program, however, it is not now anticipated that the procedures will in substance be directed toward the reblocking of assets which have been released under Treasury license. On the other hand, I must point out that the statement in the press release to the effect that after June 1, 1948 "the outstanding licenses authorizing withdrawals or changes in the assets will become inoperative" clearly implies that tighter controls will be exercised over the assets which remain blocked as of June 1, 1948. In this respect a question may arise as to such matters as the satisfaction of bank service charges. The interested agencies of this government have never desired to prevent the satisfaction of legitimate charges of this nature, and I am sure that they will be appropriately recognized in the new procedures.

It is the hope of the Treasury that appropriate elements of the procedures which are finally developed in connection with the program will be discussed with the Foreign Exchange Committee, which has always afforded Foreign Funds Control such valuable assistance in its operations.

Very truly yours,

(Signed) Rella R. Shwartz

Rella R. Shwartz
 Acting Director

Mr. Norman P. Davis
 Assistant Vice President
 Federal Reserve Bank of New York
 33 Liberty Street
 New York, New York

Mailed from this office
 3/24/48 - ltm

RRShwartz:ltm 3/24/48

Termination

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HONE FRANKLIN 8095

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FRANK PAUL ANDERWALD
LIQUIDATING TRUSTEE FOR
MANNHARDT & VON HELMOLT
77 WEST WASHINGTON STREET
CHICAGO 2, ILLINOIS

FILES SUBMITTED BY
TO: MAIL & FILES
ASST. ✓
NO ANT. REQ. ✓
INITIAL mbj 12-13-98

March 27, 1948. 12-13-98

U. S. Treasury Department
Foreign Funds Control
Washington, D. C.

Gentlemen:

A few days ago I received a copy of Press Service No. S-646 intended for release to morning newspapers on Monday, March 1, 1948, pertaining to the announcement by the Secretary of the Treasury that all blocked assets will be transferred to the Office of Alien Property, effective June 1, 1948. The last sentence of the fifth paragraph reads as follows: "Secretary Snyder suggested that persons in the United States holding blocked assets of foreign nationals immediately inform such nationals of today's announcement."

Among the several hundred pending cases which it is my duty to bring to a close as Liquidating Trustee on the Law partnership of Mannhardt & von Helmolt, there are some accounts which have been blocked by the First National Bank of Chicago. The money was collected by Mannhardt & von Helmolt as attorneys-in-fact for the German nationals who had an interest in an estate pending in this or other states of the union. The various funds were deposited in the names of the individuals and immediately blocked pursuant to Executive Order No. 8983 and subsequent orders. Owing to the postal facilities being suspended, it was impossible to ascertain whether the respective beneficiaries were still alive at the time, or to ascertain their exact addresses. It is therefore impossible for the First National Bank of Chicago, who is holding blocked accounts to notify the respective owners of these accounts.

I would greatly appreciate receiving your advice whether failure to notify the beneficiaries of these accounts would in any way prejudice their right of recovery.

Very truly yours,

Frank Paul Anderwald
LIQUIDATING TRUSTEE FOR
MANNHARDT & VON HELMOLT

FPA:GG

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
 Monday, March 1, 1948

Press Service
 No. S-646

Secretary of the Treasury Snyder today announced that effective June 1, 1948 the Treasury Department will cease to have jurisdiction of blocked foreign funds. On that date, the jurisdiction over the remaining blocked assets will be transferred from Foreign Funds Control in the Treasury Department to the Office of Alien Property in the Department of Justice. Attorney General Clark joined Secretary Snyder in urging that persons whose assets may be unblocked under the certification procedure provided by Treasury's General License No. 95 avail themselves of this procedure before June 1, 1948. After that date, outstanding licenses authorizing withdrawals or changes in the assets will become inoperative.

The Attorney General stated that immediately upon transfer he will take a census of all assets remaining blocked. In line with this Government's decision to assist countries which receive financial aid under the European Recovery Program in locating assets of their resident nationals held in the United States, the information concerning the names and assets of such nationals as disclosed by the new census will be given to the governments of the appropriate countries.

In addition, the Attorney General stated that in order to prevent the escape of enemy assets from this Government's control and to implement further this Government's objective to assist countries which receive financial aid under the European Recovery Program, the Office of Alien Property, immediately after the receipt of the census information, will begin to process for vesting the assets remaining blocked and held in Swiss and Liechtenstein accounts. The vesting program will also be applied to uncertified assets held indirectly through recipient countries where the census information does not disclose the beneficial owner. Assets, either before or after vesting, may be released upon a showing of non-enemy interest. In such cases, the Office of Alien Property will consult with the government of the country of which the alleged beneficial owner is a resident. It was pointed out that claims for the return of property vested in the Attorney General must be filed within two years after the date of vesting.

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Secretary Snyder added that Treasury, Justice and State Department representatives are currently engaged in discussions with representatives of the Swiss Government concerning certain aspects of the program. It was pointed out that Switzerland is not a country which is to receive financial assistance under the European Recovery Program.

The governments of the European Recovery Program countries included in General License No. 95 are being requested to give their residents public notice of the action which will be taken by the United States on June 1, 1948, and to urge their residents to apply to them immediately for the certification of their assets held in the United States if the assets qualify for certification. Secretary Snyder suggested that persons in the United States holding blocked assets of foreign nationals immediately inform such nationals of today's announcement.

Treasury officials stated that this announcement in no way affects its control over importation of securities specified on the list attached as a part of General Ruling No. 5.

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PORTUGUESE EMBASSY
 WASHINGTON

Proc. 77,1
 No. . . 23

March 25, 1948

Sir:-

According to a communication just received from my Government, a Lisbon bank which had requested the Guaranty Trust Company, of New York, to open a credit extending beyond 1st June 1948, received the reply that the bank, after having consulted the Treasury Department, was not in a position to open it because the situation of Portuguese funds in this country beyond that date was not known.

I presume that this reply is connected with the Treasury Department's decision, announced in Mr. Snyder's letter to Mr. Vandenberg of February 2, 1948, to transfer to the control of the Office of Alien Property foreign assets remaining blocked in the United States.

In this connection, I was happy to be able to transmit to my Government the most satisfactory guarantees for the situation of Portuguese assets, following my conversation on February 10 with the chief of the Western European Division of the State Department, on my return from Portugal where I had taken part in the final arrangements for the signature of the agreement of February 2 regarding the Lagens Airfield in the Azores.

I was assured, in fact, that as far as Portugal was concerned it was merely a question of a transfer of functions within the administration of the United States, and that the position of Portuguese assets in this country would in no way be affected. The Department went so far as to express its concern lest the way in which Portugal was associated with the decision, and at such a moment, might lead to interpretations entirely different from what the United States Government had in mind.

Later, on March 11, I again called on the chief of the Western European Division, following the Treasury's formal setting of the June 1 deadline. My purpose was not to request a repetition of guarantees already given, but to emphasize the need for practical measures to avoid any confusion arising as a result of the Treasury's

The Honourable, George C. Marshall,
 The Secretary of State,
 etc. etc. etc.

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decision. My Government considered it essential that these measures should be taken to avoid any disturbance in current transactions and in the use of Portuguese assets. Their urgency is clearly shown by the reply of the Guaranty Trust, which might just as easily have been given by any other bank, and which might give rise to the most serious repercussions.

I feel it necessary to call to your attention the grave nature of this situation and at the same time to express to you the certainty of my Government that, whatever administrative regulations be adopted, they shall take into account the guarantees given both here and in Lisbon.

I avail myself of this opportunity to renew to you, Sir, the assurances of my highest consideration.

/s/ Pedro Theotónio Pereira

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By mbj NARA Date 1/4/00

MAR 19 1950

Dear Senator Vandenberg:

Enclosed is a copy of a letter to Senator Baldwin which I am sending to him today in response to your letter of March 16. It occurs to me that a copy of the reply may be of some interest to you.

Sincerely yours,

(Signed) JOHN W. SNYDER

Secretary of the Treasury

Honorable Arthur H. Vandenberg
United States Senate
Room 139, Senate Office Building
Washington, D. C.

Enclosure

EArnold:VJ
3-25-48

C.A. [Signature]

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MAR 29 1948

Dear Senator Baldwin:

Senator Vandenberg has referred to me for reply your letter of March 13, 1948 in which you raise certain inquiries respecting the effect of the Department's press release of March 1, 1948.

The press release under reference constitutes the first step in the execution of a program described in detail in a letter of February 2, 1948 which I sent to Senator Vandenberg on behalf of the National Advisory Council and a copy of which is enclosed. This program defines the procedure which this government will follow with respect to blocked private assets in the United States with a view to assisting the governments of recipient countries in locating the blocked dollar assets of their resident citizens in the United States as well as preventing the escape of enemy assets from this government's control.

The vesting aspect of this program appears under the circumstances to be the most effective means of rendering help to recipient countries with regard to the assets of their nationals held indirectly through third countries. It is recognized that some of these persons might choose not to declare their assets to their government or to file claims for the return of such assets after they are vested but might instead choose to forfeit their indirectly-held assets to the United States Government. However, there is no intention on the part of this government to take this private property for the use of the United States Government. In this connection, the Council stated that consideration could be given by Congress at a later date as to the proper disposition of these assets.

Moreover, the program applies only to private foreign assets which are blocked in the United States and does not cover free assets. The Council pointed out in its letter to Senator Vandenberg that after considerable thought it had decided, despite the dollar shortage of recipient countries, that no action should be taken with respect to free assets because "effectively to search out and take control of these free assets would require exchange controls and other measures which would do maximum violence to our position as a world financial center and to our policy of keeping the dollar substantially free of restrictions." It is regrettable that some persons despite this statement fear that this government may apply this program to the free assets in the United States belonging to foreigners.

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Without commenting specifically on the many considerations which the Council weighed before it formulated its program, it should be pointed out that the factors which today make the United States the leading world financial center are its stable currency and its basic economic and political strength.

It is recognized that some may have difficulties with the program. However, it is hoped that it will be appreciated that it represents the considered conclusion of the Council that the program is the one best calculated to meet the national interest in view of the circumstances involved.

Sincerely yours,

(Signed) JOHN W. SNYDER

Secretary of the Treasury

Honorable Raymond E. Baldwin,
United States Senate.


RRS EFR CQ. JWS
RRS Swartz: ltr 3/23/48

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OFFICE OF INTERNATIONAL FINANCE

March 31, 1948

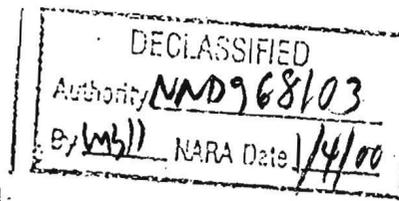
TO: Mr. Arnold

1. I think we should get at this with the least possible delay.
2. I believe we should inform Bazelon that we are drafting our own reply to State, and would send him a copy of our reply with the hope that we might coordinate our reply with theirs.
3. If you have any other ideas as to how to proceed, please let me know.

F.A.S.

Frank A. Southard, Jr.
Director
TELEPHONE 397; 398 ROOM 3434

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OFFICIAL COMMUNICATIONS TO
 THE SECRETARY OF STATE
 WASHINGTON 25, D. C.

DEPARTMENT OF STATE
 WASHINGTON



In reply refer to
 L/E

March 30, 1948

My dear Mr. Southard:

Enclosed is a copy of note no. 23 of March 25, 1948 from the Portuguese Ambassador to the Secretary of State, concerning the refusal of the Guaranty Trust Company, of New York, to open a credit on behalf of a Lisbon bank which would extend beyond June 1, 1948, the date contemplated for the turnover of jurisdiction over blocked assets from the Treasury Department to the Department of Justice.

It is my understanding that the question of giving assurances to the principal banks that certain trade licenses now in effect will be continued in substantially the present form after June 1, 1948, has been the subject of some discussion between the banking community, the Treasury Department, and the Department of Justice.

This Department is fully cognizant of the reasons which motivated the statement in the March 1, 1948 press release issued by the Secretary of the Treasury, to the effect that outstanding Treasury licenses would no longer be in effect following the turnover of jurisdiction on June 1, 1948. It seems clear, however, that the continuation of trade licenses such as the one pursuant to which trade is carried on at the present time between Portugal and the United States, will not adversely affect our interest in securing dollars to the recipient European Recovery Program countries pursuant to the General License 95 mechanism.

This Department

Mr. Frank A. Southard, Jr., Director,
 Office of International Finance,
 Treasury Department.

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This Department believes it to be of the highest importance to maintain the most friendly relations with the Portuguese Government. On February 2, 1948, an agreement was concluded with the Portuguese Government giving our military aircraft important facilities in the Azores, and this Government looks forward to increasingly close cooperation with the Portuguese Government in this general field. The Department believes it to be of the highest importance that the Portuguese Government be accorded favorable treatment with respect to its blocked assets in this country.

A similar situation has arisen with respect to Spanish accounts in the United States. This Department has been informed that certain lines of credit have been opened by the Chase National Bank of New York which will run beyond June 1, 1948. The Chase Bank is, of course, desirous of assurances that trade licenses will be continued beyond that date.

Under these circumstances, this Department believes that it should be in a position promptly to give to the Portuguese and Spanish Governments specific assurances that trade licenses now in effect will be continued in substantially the present form following June 1, 1948, and that such assurances should likewise be given to the principal banks in this country.

In view of the urgency of this matter, this Department would appreciate your concurrence as soon as possible.

A letter in similar vein is being transmitted to Mr. David L. Bazelon, Assistant Attorney General, Department of Justice.

Sincerely yours,



Willard L. Thorp
 Assistant Secretary

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 By MB/1 NARA Date 1/4/00

APR 2 1948

My dear Mr. Thorp:

Reference is made to your letter of March 30, 1948, concerning the effect upon Spain and Portugal and their nationals of the proposed transfer of jurisdiction over blocked assets from the Treasury Department to the Department of Justice.

This question was covered in general terms in next to the last paragraph of Secretary Snyder's letter of February 2, 1948, to Senator Vandenberg with regard to the transfer of jurisdiction. Secretary Snyder's letter referred to the possibility that Spanish and Portuguese assets might remain blocked after the transfer. Under the letter, it was the understanding of this Department that if the assets remained blocked, there would be no change in the substance of the licensing structure applicable to property of and transactions with Spain and Portugal and their nationals. This Department is not aware of any factual development which would require alteration of this position. On the other hand, this Department is acutely conscious of the unfortunate effects upon transactions with Spain and Portugal which have arisen from the uncertainty outlined in your letter.

It is therefore the position of this Department that the Spanish and Portuguese Governments and interested private persons and institutions should immediately be informed substantially as follows:

It is not now anticipated that the transfer of blocked assets to the jurisdiction of the Office of Alien Property on June 1, 1948, will result in any changes in the substance of the licensing structure applicable to property of and transactions with Spain and Portugal and their nationals. Accordingly, trade transactions which are now permissible, including

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the issuance of letters of credit, may appropriately be undertaken even though the transactions will not be consummated until after the date of transfer to the Office of Alien Property. In case any changes in the licensing structure may prove desirable after the transfer, they will be carried out in such a manner as not to invalidate or prevent the consummation of transactions initiated under license.

Sincerely yours,

(Signed) Frank A. Southard, Jr.

Frank A. Southard, Jr.
Director, Office of International Finance

Honorable Willard L. Thorp
Assistant Secretary
Department of State
Washington, D. C.

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4-2-48 - C.A. [initials]

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APR 2 1948

To : Mr. R. R. Tompkins, Chief,
 Foreign Funds Control Department,
 Federal Reserve Bank of New York.

From : Margaret W. Schwartz, Chief,
 Licensing Division.

In connection with applications which you may receive involving estates of blocked decedents, action may be taken as follows:

1. Decedent, resident of a country included in General License No. 95
 - (a) If all heirs are residents of decedent's country, refer to General License No. 95, unless one or more of such heirs are citizens of the United States.
 - (b) If any heir is resident outside decedent's country, or if any heir is a United States citizen even though within decedent's country, license distribution. Shares of heirs (other than United States citizens) in recipient countries should be blocked regardless of date of decedent's death. Shares of heirs in Germany and Japan should be blocked if decedent died on or before December 31, 1946. Shares of heirs in Bulgaria, Hungary and Rumania should be blocked if decedent died on or before December 7, 1945. All other shares may be unblocked.
2. Decedent, resident of Spain, Portugal, Estonia, Latvia, Lithuania or Yugoslavia
 - (a) If all heirs are residents of decedent's country - deny; stip. G.S. #3, unless one or more of such heirs are citizens of the United States.
 - (b) Same as 1(b).
3. Decedent, resident of Bulgaria, Hungary or Rumania
 - (a) License distribution. Shares of heirs resident in these countries should be blocked if decedent died on or before December 7, 1945. Shares of heirs in Germany and Japan should be blocked if decedent died on or before December 31, 1946. Shares of heirs (other than United States citizens)

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in recipient countries should be blocked regardless of date of decedent's death. All other shares may be unblocked.

4. Decedent, resident of Germany or Japan

Refer such cases to Treasury.

5. Decedent, United States citizen resident in any country in category 1, 2, or 3

- (a) License distribution. Shares of heirs resident in Germany and Japan should be blocked if decedent's death occurred on or before December 31, 1946. Shares of heirs in Bulgaria, Hungary, and Rumania should be blocked if decedent's death occurred on or before December 7, 1945. Shares of heirs in recipient ^(except U.S. citizens) countries should be blocked if decedent's death occurred on or before the effective date of General License No. 94 for such countries. All other shares may be unblocked.

Recipient countries are: Austria; Belgium; Denmark; France; Greece; Italy; Luxembourg; Netherlands; Norway; Sweden.

Before the licensing of distribution in any of the above cases, satisfactory evidence should be obtained establishing the decedent's ownership of the assets.

/s/ Margaret H. Schwartz

Ms:MSSchwartz:ebb 4/2/48

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 By W511 NARA Date 1/4/00

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109379

APR 7 1948

To : Mr. R. H. Tompkins, Chief,
 Foreign Funds Control Department,
 Federal Reserve Bank of New York.

From : Margaret W. Schwartz, Chief,
 Licensing Division.

You are hereby authorized and requested to act on and approve, subject to the exceptions of paragraph (2) below applications to unblock property or interests in any of the following categories:

1. Property and Interests.

- (a) Interests in any trust administered in the United States or in any decedent's estate other than (i) any interest of the settlor of a trust who at the time of creating the trust was resident in a country then or subsequently designated in the Order, except a member of the generally licensed trade area as defined in General License No. 53, and (ii) interests in the estate of a decedent who at the time of his death was for any purpose regarded as a national of a country designated in the Order;
- (b) Interests under any insurance policy, other than any interest of an insured who at the time the policy was issued was resident in a country then or subsequently designated in the Order, except a member of the generally licensed trade area as defined in General License No. 53;
- (c) Property paid or distributed from any such trust or decedent's estate, or under any insurance policy, pursuant to license, other than any such property paid or distributed to a settlor of a trust who is excluded from the privilege of sub-paragraph (1)(a) above.

2. Exceptions.

You should not unblock under the above authority any property or interest of:

- (a) Any person resident in or organized under the laws of Germany, Japan, Bulgaria, Hungary or Rumania regardless of the citizenship of such person; or

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- (b) Any person resident at any time on or since October 5, 1945, in France, Belgium, Norway, The Netherlands, Luxembourg, Denmark, Greece, Austria, Sweden or Italy, or organized under the laws of any such country.
3. You will, of course, not unblock under the above authority any property or interest which is subject to General Ruling No. 11A.

15/ Margaret A. Schwartz

HRPollak:MNSchwartz:ebb 4/6/48

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By (mb) NARA Date 1/4/00

W. RANDOLPH BURGESS
55 WALL STREET
NEW YORK 15, N. Y.

April 8, 1948

Dear Mr. Secretary:

Now that the Foreign Assistance Act of 1948 has become law and broad policies determined, it seems to me and some others with whom I have discussed the matter that the way has been opened for a more effective and practicable method of bringing about the utilization in the European Recovery Program of the assets in this country of foreign nationals which are now blocked.

The Foreign Assistance Act requires each participating country to enter into an agreement with this country as a condition of participation. The Congress has decided that that agreement should include an undertaking by each country as far as practicable to locate and make use of the funds of its nationals in this country. The Senate report on the bill appears to indicate that this refers to funds now blocked.

We all recognize that the present plan embodied in Executive Order 8389 has certain serious defects both as to its ineffectiveness in bringing out the money, and its violation of certain aspects of the rights of private property.

This subject has, I know, been considered at length by the Treasury and by the National Advisory Council, but it seems to us the passage of the Act puts a new face on the matter and opens the way to consideration of new plans.

One plan that you have considered is an offering to foreign nationals

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Honorable John W. Snyder

April 8, 1948

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of bonds of the International Bank, and this has been rejected for reasons I understand.

My associates and I have, therefore, been canvassing other means which might be effective in attracting foreign funds into use, and so saving the American taxpayer without any breach of principle. Some precedent for a procedure is to be found in the loan which the R.F.C. made to England, collateralized by the property of British nationals.

A Proposed Plan

Under the Foreign Assistance Act the Export-Import Bank is authorized to lend one billion dollars to participating countries. I wish to suggest a means by which this loan might be partly secured by collateral turned in by foreign nationals having assets now in blocked account. The suggested procedure to this end would be as follows:

(1) That the foreign government concerned offer its nationals having funds here amnesty from taxation or legal prosecution if they will, first, liquidate twenty-five per cent of their blocked assets and remit that amount, through an appropriate agent, to the foreign government; and, second, lend the balance of the assets to their government, to be pledged with the Export-Import Bank as collateral for a loan to their country.

(2) The country concerned would undertake first to return the collateral to its national when that country will have repaid its loan from the Export-Import Bank; and second, would undertake at any time during the duration of the loan, on request of the individual, to take over the collateral and give the national the market value of the collateral in local currency of the country at the rate of exchange prevailing at that time. Whether the collateral should

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Honorable John W. Snyder

April 8, 1948

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then be liquidated or left pledged is a matter to be determined between the country concerned and the Export-Import Bank.

It seems to me possible to carry through this arrangement without revealing the identity of the national whose assets are pledged in this fashion, and I know of no reason why the arrangement could not be handled through the Export-Import Bank. It would have the advantages of making immediately available in cash 25% of blocked assets tendered, and of giving the Export-Import Bank a certain amount of collateral back of loans which it is authorized to make under the Foreign Assistance Act.

We have discussed this plan with a number of Europeans, and believe it is sufficiently attractive to bring about a considerable tendering of blocked assets. The plan would offer an inducement to the holder of blocked funds to adhere for (1) he could maintain his claim to dollars; (2) he could convert into local currency at any time he felt the rate to be favorable; and (3) he would not have to disclose to his government the dollar assets held in the United States.

Since this plan would rest on voluntary compliance instead of force it would avoid the difficulty of the United States acting as policeman and would avoid the violation of principles of the protection of private property rights.

I have reviewed this proposal with Allan Sproul and a number of bankers here and find substantial concurrence. Some of our people who have reviewed the techniques involved are of course available for further discussion.

Sincerely yours,

Honorable John W. Snyder
 Secretary of the Treasury
 Washington, D.-C.



cc: Stenger (State), Knapp (FR), Arey (Ex-Im), Blau (Comerce), Tirana (ECA),
 Louchheim (SEC), Luthringer (Fund), Hooker (Bank), Carre (OFIC), and Hilken (OAP)
 Norman Davis (NYFed)

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By mb11 NARA Date 1/4/00

109186

April 7, 1948

To: Mr. Henry Hilken
Chief, Operations Branch
Office of Alien Property
Department of Justice

From: Mrs. Rella R. Shwartz
Acting Director
Foreign Funds Control

Re: Problems in connection with the transfer of jurisdiction over blocked assets from the Treasury Department to the Office of Alien Property.

Attached hereto you will find six copies of an informal memorandum prepared in this office containing some observations in connection with problems arising out of the transfer of jurisdiction with respect to blocked funds from this office to the Office of Alien Property. Only two of the copies attached have a full set of appendices. The other four contain only Appendix E.

It is hoped that this memorandum, which was prepared for our internal use, may be of some value to you. We will, of course, be glad to discuss with you any problems raised by the memorandum.

/s/ Rella R Shwartz

Attachments

*EPR
mbs*

EF Rains :mbc
4/7/48.

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 Box 95

DECLASSIFIED
 Authority NND 968103
 By mbj NARA Date 1/4/00

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109186

April 7, 1948

To: Mr. Henry Hilken
 Chief, Operations Branch
 Office of Alien Property
 Department of Justice

From: Mrs. Rella R. Shwartz
 Acting Director
 Foreign Funds Control

Re: Problems in connection with the transfer of
 jurisdiction over blocked assets from the
 Treasury Department to the Office of Alien Property.

Attached hereto you will find six copies of an informal memorandum prepared in this office containing some observations in connection with problems arising out of the transfer of jurisdiction with respect to blocked funds from this office to the Office of Alien Property. Only two of the copies attached have a full set of appendices. The other four contain only Appendix E.

It is hoped that this memorandum, which was prepared for our internal use, may be of some value to you. We will, of course, be glad to discuss with you any problems raised by the memorandum.

Attachments

Rella R Shwartz

EF:ins:mbc
 4/7/48.

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Authority NND 968103
By mbj NARA Date 1/4/00

APR 13 1948

My dear Mr. Attorney General:

Upon further consideration following our conference yesterday, I have decided to adopt your suggestion that the Treasury Department continue until September 1, 1948, to administer controls over blocked assets instead of transferring jurisdiction over such assets to your Department on June 1 as envisaged in our understanding pursuant to my letter to you of January 9, 1948. This arrangement for the continued functioning of the Treasury Department is for the purpose, as you know, of affording foreign governments a reasonable period within which to complete certification under General License No. 95 with respect to assets as to which applications for certification have been filed with the appropriate authorities on or before June 1. All aspects of the program outlined in my letter of February 2 to Senator Vandenberg which can feasibly be applied during the extended period will be carried out vigorously. In my opinion, the operations during the extended period will serve to facilitate and simplify the ultimate transfer of jurisdiction over blocked assets to your Department.

I am authorized to tell you that the Department of State regards the proposed arrangement as desirable.

Sincerely yours,

(Signed) JOHN W. SNYDER

Secretary of the Treasury

Honorable Tom C. Clark
Attorney General
of the United States
Washington, D. C.

EARnold:VJ
TJLynch/kfa
4/13/48

JW

*Cleared with Willard Thorp
(State) JWS
4/13/48*

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 By mbj NARA Date 1/4/00

APR 13 1948

Dear Mr. Thorp:

I am attaching hereto a copy of the letter which I read to you over the phone today. In accordance with the oral approval which you gave to me, we have included the final paragraph indicating that your Department regards the arrangement as desirable.

Very truly yours,

(Signed) Frank A. Southard, Jr.

Frank A. Southard, Jr.
 Director, Office of International Finance

Mr. Willard Thorp
 Assistant Secretary for
 Economic Affairs
 Department of State
 Washington, D. C.

Enclosure

FAS:msh 4/13/48

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COPY

APR 13 1948

My dear Mr. Attorney General:

Upon further consideration following our conference yesterday, I have decided to adopt your suggestion that the Treasury Department continue until September 1, 1948, to administer controls over blocked assets instead of transferring jurisdiction over such assets to your Department on June 1 as envisaged in our understanding pursuant to my letter to you of January 9, 1948. This arrangement for the continued functioning of the Treasury Department is for the purpose, as you know, of affording foreign governments a reasonable period within which to complete certification under General License No. 95 with respect to assets as to which applications for certification have been filed with the appropriate authorities on or before June 1. All aspects of the program outlined in my letter of February 2 to Senator Vandenberg which can feasibly be applied during the extended period will be carried out vigorously. In my opinion, the operations during the extended period will serve to facilitate and simplify the ultimate transfer of jurisdiction over blocked assets to your Department.

I am authorized to tell you that the Department of State regards the proposed arrangement as desirable.

Sincerely yours,

(Signed) JOHN W. SNYDER
 Secretary of the Treasury

Honorable Tom C. Clark
 Attorney General
 of the United States
 Washington, D. C.

EArnold:vj
 TJIynch/kfa
 4/13/48

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Box 95

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By MB/1 NARA Date 1/4/00

APR 13 1948

Dear Mr. Thorp:

I am attaching hereto a copy of the letter which I read to you over the phone today. In accordance with the oral approval which you gave to me, we have included the final paragraph indicating that your Department regards the arrangement as desirable.

Very truly yours,

(Signed) Frank A. Southard

Frank A. Southard, Jr.
Director, Office of International Finance

Mr. Willard Thorp
Assistant Secretary for
Economic Affairs
Department of State
Washington, D. C.

Enclosure

FAS:msh 4/13/48

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APR 13 1948

Dear Mr. Anderwald:

Reference is made to your letter of March 27, 1948, requesting to be informed whether failure to send notice of the announcement made by the Secretary of the Treasury, March 1, 1948, to certain beneficiaries of blocked accounts would in any way prejudice their right of recovery.

Failure to notify German nationals who are beneficiaries of certain blocked accounts with the First National Bank of Chicago will not in any way affect the rights of beneficiaries of such accounts. German assets in this category are subject to vesting by the Office of Alien Property. The Press Release of March 1, 1948, did not change the status of such assets.

Very truly yours,

(Signed) Rella R. Shwartz

Rella R. Shwartz
 Acting Director

Mr. Frank Paul Anderwald
 77 West Washington Street
 Chicago 2, Illinois

JAllen:ec: 4-12-48

J.A.

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730 FIFTH AVENUE
New York

April 15, 1948

109748

MAIL ROOM
NO. 10
APR 15 1948
4-22-48

The Honorable John W. Snyder
Secretary of the Treasury
Washington, D. C.

Dear Sir:

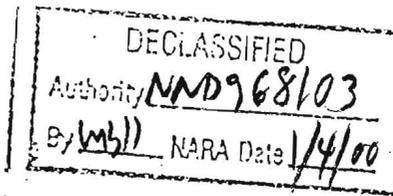
Supplementing my letter of March 26th addressed to you, I received the enclosed answer from Mr. Southard. I can easily imagine how heavily your time is taxed by the problems you have to tackle. However, I do not think it would be a waste of time if you could spare the few minutes necessary to read my answer which I have addressed to Mr. Southard.

Respectfully yours,



Philip Cortney : if

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OFFICE OF INTERNATIONAL FINANCE

TREASURY DEPARTMENT
 WASHINGTON 25

APR 8 1948

Dear Mr. Cortney:

Secretary Snyder has asked me to reply to your letter of March 26, and to thank you for the copy of Professor Jessup's book. He has also directed me to return to you the attached letter to Representative Cooley which reached him in the enclosed envelope.

Section 15(b)(4) (which is now Section 115 in the Foreign Assistance Act) about which you are concerned was initiated by the Congressional Committees. It is not our understanding that it is the intent of Congress to see this section of the law used to impose any unnecessary limitation on the movement of peoples. I realize that when countries encounter foreign exchange shortages they find themselves obliged to limit the right of their citizens to make conversions into foreign exchange. Even as liberal a country as Canada has been obliged to introduce such restrictions. The alternative literally would have been to borrow money from the United States with which to support a freer movement of Canadian citizens out of Canada. No one can regret more than we do that interference with full multilateral convertibility of currencies has interfered with the free movement of people. The whole policy of this Government is to restore such convertibility as rapidly as possible. But I frankly do not think the task is solved merely by reference to principles of international law.

Sincerely yours,

Frank A. Southard, Jr.
 Director, Office of International Finance

Mr. Philip Cortney
 730 Fifth Avenue
 New York, New York

Enclosure

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 Y

April 12, 1948

Mr. Frank A. Southard, Jr., Director
 Office of International Finance
 Treasury Department
 Washington 25, D. C.

Dear Mr. Southard:

This will acknowledge receipt of your letter of April 8th. I am not concerned with the principles of International Law, but am simply worried about human liberty. You probably remember that David Hume has written somewhere: "It is seldom that liberty of any kind is lost all at once."

I didn't raise my voice against what other countries were doing or felt compelled to do with regard to exchange controls. My protest was directed to our country. First we began to assume the role of a Gestapo by accepting to denounce to their countries the names of their citizens who had accounts in American banks. Then we had Section 15(b)4 of S2202 wherein we asked the foreign countries to "locate and control" the assets of their citizens in the United States, which meant, of course, that we implicitly assumed the obligation to help the exercising of such control upon the assets of individuals. I have no hesitation to state that these actions are pure demagoguery, and will finally also cost our country much more money than without these demagogic measures because they will help to further deteriorate the confidence of people in paper money and bank deposits.

I wonder whether anyone in the Government realizes that what we did pursuant to the recommendation of the National Advisory Council regarding the blocked assets and Section 15(b)4 amounts to:

(a) A distinct discrimination against American banks. Any citizen of the foreign countries involved does not have to worry about our new rules if he has deposited his money in South American banks, or even if his money is in the United States via South American banks.

(b) Discrimination in favor of hoarders, chiefly of gold and bank notes. Any possessor of gold or bank notes is better off today than anyone who has put his money "for use" in American bank deposits or American shares. May I repeat again the following question: Why don't we force the foreign countries involved to surrender anything readily convertible into dollars, like gold, diamonds, emeralds, rare paintings, etc.? Why did we discriminate only against assets in American banks?

You state in your letter that "it is not our understanding that it is the intent of Congress to see this section of the law used to impose any unnecessary limitation on the movement of peoples." I feel likewise convinced that this was not the intention of Congress; neither is it the intention of Congress to destroy human liberty when it indulges in deficit spending and monetization of debt, or when it puts taxes unbearable for any

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individualistic economic system. The fact that Congress did not intend to deny to anyone the right to emigrate, or that it does not intend to destroy our liberty, does not change the fact that it might and will bring about these results by ill-considered legislation.

If there is any hope left in the world for the survival of liberty in its fight against totalitarianism, it is squarely placed on our shoulders. If, for the sake of the hypothetical saving of a few hundred million dollars we are willing to forsake moral principles, then I am afraid that one day, in the not very distant future, we shall find ourselves also in chains.

Yours very sincerely,

Philip Cortney:mrc

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RECEIVED
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OFFICE OF
THE DIRECTOR
GENERAL INVESTIGATIVE
DIVISION

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(COPY)

April 22, 1948

Dear Mr. Thorp:

This is with reference to the National Advisory Council's recommendation in its document No. 580 of January 14, 1948 that this government should help the governments of recipient countries in securing the benefit of the blocked assets in the United States of their resident citizens. A question has now arisen whether this recommendation was intended to cover the blocked assets of persons residing in recipient countries who may not be citizens of such countries.

It is the view of the Treasury Department that the National Advisory Council's recommendation was not intended to cover the assets of such persons. The council's consideration of the problem was in terms of resident citizens of recipient countries. Its recommendations were silent on the terms to be accorded the blocked assets of non-citizens of recipient countries residing therein. Moreover, it should be noted that since the establishment of the unblocking procedures Foreign Funds Control has accorded special treatment to American citizens residing in recipient countries. With the concurrence of the State Department it has followed the practice of unblocking assets of American citizens residing in blocked countries without requiring the disclosure of such assets to those countries.

I should appreciate receiving your views on this matter as soon as possible. If it is your view that the blocked dollar assets of all persons residing in the recipient countries who are not citizens of such countries should be treated in the same way as the assets of resident citizens of such countries I feel that the views of the National Advisory Council should be secured since such a position constitutes a substantial change in the Council's recommendation. On the other hand, if you consider that the recommendation should apply to the blocked dollar assets of citizens of one recipient country who reside in a second recipient country it is our view that action might be taken without further reference to the Council. In such cases, we think that the assistance by this Government should be rendered to the country of citizenship.

Very truly yours,

Frank A. Southard, Jr.
 Director, Office of International Finance

Mr. Willard L. Thorp
 Assistant Secretary for Economic Affairs
 Department of State
 Washington, D. C.

cc: Arnold, M. Schwartz, Nelson, Gewirtz, Davis, McHugh, Rains, Pollak,
 Anderson, Allan, and Sham (OAP)

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DEPARTMENT OF STATE
 Washington

May 10, 1948

My dear Mr. Southard:

Reference is made to your letter of April 22, 1948 concerning the National Advisory Council's recommendation in its Document no. 580 of January 14, 1948, as it affects the blocked assets in the United States of persons residing in recipient countries who may not have been citizens of such countries.

This Department is of the opinion that the recommendation of the National Advisory Council should apply to the blocked dollar assets of citizens of one recipient country who reside in a second recipient country. Assistance by this Government to the country of citizenship appears to be consistent with the objectives of the program outlined by the National Advisory Council. With respect to the blocked assets of citizens of non-recipient countries who reside in recipient countries, this Department has no objection to the Treasury Department's position.

Sincerely yours,

Willard L. Thorp
 Assistant Secretary
 for Economic Affairs

Mr. Frank A. Southard, Jr.,
 Director, Office of International Finance,
 Treasury Department.

cc: Arnold, M. Schwartz, Nelson, Gewirtz, Davis, McHugh, Rains, Pollak,
 Anderson, Allen, and Sham (OAP)

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COPY OF LETTER SENT TO
 JOHN W. SNYDER, SECRETARY OF THE TREASURY
 BY W. RANDOLPH BURGESS

April 8, 1948

Dear Mr. Secretary:

Now that the Foreign Assistance Act of 1948 has become law and broad policies determined, it seems to me and some others with whom I have discussed the matter that the way has been opened for a more effective and practicable method of bringing about the utilization in the European Recovery Program of the assets in this country of foreign nationals which are now blocked.

The Foreign Assistance Act requires each participating country to enter into an agreement with this country as a condition of participation. The Congress has decided that ^{that} agreement should include an undertaking by each country as far as practicable to locate and make use of the funds of its nationals in this country. The Senate report on the bill appears to indicate that this refers to funds now blocked.

We all recognize that the present plan embodied in Executive Order 8389 has certain serious defects both as to its ineffectiveness in bringing out the money, and its violation of certain aspects of the rights of private property.

This subject has, I know, been considered at length by the Treasury and by the National Advisory Council, but it seems to us the passage of the Act puts a new face on the matter and opens the way to consideration of new plans.

One plan that you have considered is an offering to foreign nationals.

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John W. Snyder

April 8, 1948

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of bonds of the International Bank, and this has been rejected for reasons I understand.

My associates and I have, therefore, been canvassing other means which might be effective in attracting foreign funds into use, and so saving the American taxpayer without any breach of principle. Some precedent for a procedure is to be found in the loan which the R.F.C. made to England, collateralized by the property of British nationals.

A Proposed Plan

Under the Foreign Assistance Act the Export-Import Bank is authorized to lend one billion dollars to participating countries. I wish to suggest a means by which this loan might be partly secured by collateral turned in by foreign nationals having assets now in blocked account. The suggested procedure to this end would be as follows:

(1) That the foreign government concerned offer its nationals having funds here amnesty from taxation or legal prosecution if they will, first, liquidate twenty-five per cent of their blocked assets and remit that amount, through an appropriate agent, to the foreign government; and, second, lend the balance of the assets to their government, to be pledged with the Export-Import Bank as collateral for a loan to their country.

(2) The country concerned would undertake first to return the collateral to its national when that country will have repaid its loan from the Export-Import Bank; and second, would undertake at any time during the duration of the loan, on request of the individual, to take over the collateral and give the national the market value of the collateral in local currency of the country at the rate of exchange prevailing at that time. Whether the collateral should

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John W. Snyder

April 8, 1948

- 3 -

then be liquidated or left pledged is a matter to be determined between the country concerned and the Export-Import Bank.

It seems to me possible to carry through this arrangement without revealing the identity of the national whose assets are pledged in this fashion, and I know of no reason why the arrangement could not be handled through the Export-Import Bank. It would have the advantages of making immediately available in cash 25% of blocked assets tendered, and of giving the Export-Import Bank a certain amount of collateral back of loans which it is authorized to make under the Foreign Assistance Act.

We have discussed this plan with a number of Europeans, and believe it is sufficiently attractive to bring about a considerable tendering of blocked assets. The plan would offer an inducement to the holder of blocked funds to adhere for (1) he could maintain his claim to dollars; (2) he could convert into local currency at any time he felt the rate to be favorable; and (3) he would not have to disclose to his government the dollar assets held in the United States.

Since this plan would rest on voluntary compliance instead of force it would avoid the difficulty of the United States acting as policeman and would avoid the violation of principles of the protection of private property rights.

I have reviewed this proposal with Allan Sproul and a number of bankers here and find substantial concurrence. Some of our people who have reviewed the techniques involved are of course available for further discussion.

Sincerely yours,

Honorable John W. Snyder
 Secretary of the Treasury
 Washington, D. C.

(Signed) W. RANDOLPH BURGESS

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Received by hand of Henry Levey
 May 9, 1948

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ENDING OF FREEZING CONTROL - USE OF
 FOREIGN FUNDS WITHIN THE UNITED STATES.

Objectives and Obligations
 as to use of still blocked
 funds in the United States

There are two objectives or obligations, one is to release funds only under some system which will give reasonable assurances that the funds released are not in fact Nazi-owned. The second objective is to release the said funds only under some assurances that their use will be a reasonable one under the obligations imposed by Section 15-4 of the Economic Cooperation Act.

Present Plans
 of Treasury

The Treasury plans to accomplish both objectives and obligations by:

- (1) continuing License 95, thus releasing any amounts certified, and thus receiving assurances from the foreign government involved that the funds are not Nazi; that they have been subjected to exchange regulations;
- (2) by taking a census and transmitting the information on that census to each respective country concerning the accounts there appearing to be of nationals of that country. The Treasury will take no supervision over what is done with this information.

Presumably each country will hunt up the persons of whom it has no record and take what it may consider appropriate action with resulting judgments. Some of these persons may be in a

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position to defend any action taken in our courts. Others will be outside of the jurisdiction and it is not unreasonable to suppose that many suits, injunctions, adverse claims, and the like, will result. Whatever may be the outcome, delay, confusion and litigation expense will precede the ultimate receipt by these foreign governments of any substantial amounts.

As to Switzerland

This represents a special problem involving cross-licensing, the difficulties of operating under its own laws as to secrecy of information and special problems, are likely to arise. As to this the Treasury anticipates the vesting of all property of Switzerland not properly identified as property of either the nationals of Switzerland solely, or the nationals of any particular named country. Thus the Treasury plans to vest property of a neutral country without any full knowledge as to beneficial interest.

An alternate plan, which as will be shown can be operated with the Treasury's Plan, is as follows:

Any particular country will make an offer to its citizens similar to the offer now outstanding. Using France as an example, it will offer immunity to any person holding dollar account provided it has assurances he has directed the payment of 1/4 of this account into a special fund of a named depository for the foreign government and has hypothecated his remaining 3/4 for a loan to be made forthwith.