REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

Copy:

IB:HGH:MW:mwf
127570

January 22, 1952

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

Dear Mr. Snyder:

Reference is made to my letter of August 30, 1950 with which was enclosed a copy of my letter to Mr. Willard L. Thorp, Assistant Secretary for Economic Affairs, Department of State, with regard to the intention of the Department of Justice to take steps to vest those remaining blocked assets which fell within the scope of the program described in your letter of February 2, 1948 to Senator Vandenberg, then Chairman of the Senate Foreign Affairs Committee. Reference is also made to the reply of September 11, 1950 from Mr. E. H. Foley, Acting Secretary of Treasury.

For your information, I am enclosing a copy of my letter of January 22, 1952 to Mr. Thorp concerning the completion of the vesting program described in the Snyder-Vandenberg letter and the intention of this Office to take unblocking action with respect to all blocked countries which received aid under the Marshall Plan and Switzerland and Liechtenstein.

Very truly yours,

s/ Harold I. Baynton
t/ Harold I. Baynton
Assistant Attorney General
Director, Office of Alien Property

Enclosure

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

Copy:

HIB:HGH:MW:mwf
127567

Jan 22 1952

Mr. Willard L. Thorp
Assistant Secretary for Economic Affairs
Department of State
Washington 25, D. C.

Dear Mr. Thorp:

Reference is made to my letter of August 30, 1950 and the reply of September 29, 1950 of the Acting Assistant Secretary for Economic Affairs regarding the intention of this Office to vest those remaining blocked assets which fell within the scope of the program described in the letter of February 2, 1948 from Secretary of the Treasury Snyder, as Chairman of the National Advisory Council, to Senator Vandenberg, then Chairmen of the Senate Foreign Relations Committee.

I wish to advise you that the Office of Alien Property has completed the vesting program set forth in the Snyder-Vandenberg letter. All blocked assets held indirectly in the names of financial institutions in Switzerland, Liechtenstein and the countries which received aid under the Marshall Plan have been vested. In addition, vesting action has been taken with respect to those blocked assets held directly in the names of nationals of such countries in which this Office has reason to believe there was an enemy interest. The approximate value of the property seized under this program is $7,500,000.

Having completed the vesting phase of the Snyder-Vandenberg Program, this Office sees no further need for continuing its controls over the small residue of blocked property in this country held directly in the names or for the benefit of residents of the ten recepient countries and of Switzerland and Liechtenstein. According to the reports filed with this Office pursuant to Public Circular No. 39, the value of this directly held blocked property amounts to approximately $18,000,000. A table which intemizes the value of the blocked property for each country involved is attached.

I should like to call your attention to the fact that the values set forth in the table are tabulated from the figures reported to this Office by the American custodians of the property.

Initialed Copy in file - Vesting Program

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

These figures, I am advised, are not accurate and from an examination of the reports, it appears certain that the total amount of blocked property is considerably less than that given in the table, For example, in connection with some reports involving blocked interests in American estates and trusts, the reporter, instead of stating the value of the blocked interest, has given the value of the corpus of the trust or of the gross assets of the estate. Again, in many cases, the property reported is described as a cause of action which the foreign national is asserting against the reporter. The value placed upon the cause of action is presumably the amount claimed by the reportee and is undoubtedly far larger than the amount of any judgment which he may obtain. Further, our examination indicates that in many cases the property reported is not really blocked. Such reports were probably filed because of the unfamiliarity of the reporter with the blocking regulations and the scope of the outstanding general licenses such as General Licenses No. 42, 94, 95, 97.

While we do not definitely know why applications for unblocking have not been filed in connection with the small residue of property still blocked, our experience in this field provides some explanations. For example, with respect to interests in estates and trusts, it may be that the interests are contingent or that the administration of the particular trust or estate has not proceeded to the point where the persons involved feel that an application for unblocking is appropriate. In other such cases, the identity of the heirs or the beneficiaries, particularly in cases involving victims of persecution, has not been determined. We also have cases involving bookkeeping entries on the books of American companies representing credits in favor of its foreign subsidiaries. Unblocking has not been requested probably because the American companies have had not occasion to change the entries. Further, there are some reports which involve property which owned by a semi-governmental agency of a foreign government which does not expect to dispose of the property. I refer particularly to certain blocked stock of Italian Superpower Corporation, which stock is beneficially owned by Institute de la Ricostruzione Industrielle, an agency of the Italian Government.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

The unblocking action which we intend to take will be in the form of an amendment to General License No. 53 making the ten blocked countries which received aid under the Marshall Plan and Switzerland and Liechtenstein part of the generally licensed trade area. By amending General License No. 53 in this fashion, the countries involved will, under General License No. 53A, no longer be regarded as blocked countries. In addition, persons now in those countries who on October 5, 1945, were present in such countries or in any country which is a member of the generally licensed trade area will also have their interests in property in this country unblocked.

After our intended unblocking action, the countries which will remain blocked will be Germany and Japan, the former enemy satellite countries (Bulgaria, Hungary, Rumania), the Baltic countries (Estonia, Latvia, Lithuania), and Poland and Czechoslovakia. The special restrictions of General Ruling No. 11A, will, of course, continue to apply with respect to the property of any person resident in the twelve countries involved who is a citizen of Germany or Japan and who at any time on or since January 1, 1945 was in any country against which the United States declared war.

Prior to unblocking action with respect to the countries involved herein, this Office intends to send to the governments of the ten countries which received aid under the Marshall Plan copies of the OAP-700 reports which relate to residents of their respective countries who are or are presumed to be citizens of the so-called recipient countries. The transmittal of the copies of the OAP-700 reports will be in accordance with one of the policies underlying the Marshall Plan to assist recipient countries in locating and controlling dollar assets of their nationals hidden in the United States. The governments of the recipient countries as well as Switzerland and Liechtenstein, will be advised of the intended unblocking action of the Office of Alien Property.

This Office feels that with the completion of the vesting program and upon the transmittal of the OAP-700 reports as described above its responsibilities under the Snyder-Vandenberg Program will have been effectively and completely discharged. It therefore desires to take the unblocking action described above in the immediate future.

311092

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

If the Department of State is aware of any factors in our foreign relations which make it unwise to unblock at this time any or all of the twelve countries concerned, I would appreciate being advised as soon as possible.

Very truly yours,

s/ Harold I. Baynton
t/ Harold I. Baynton
Assistant Attorney General
Director, Office of Alien Property

Attachment

COUNTRY	CITIZEN—RESIDENTS OF RECIPIENT COUNTRIES	NON-CITIZEN—RESIDENTS OF RECIPIENT COUNTRIES	TOTAL
France	$ 4,232,969.24	$ 1,136,365.22	$ 5,369,334.46
Italy	1,706,140.05	1,483,173.65	3,189,313.70
Netherlands	994,347.04	196,836.74	1,191,183.78
Austria	360,928.94	30,502,13	391,431.07
Belgium	832,675.19	55,128.49	887,803.68
Luxembourg	11,428,77	4,998.03	16,426.80
Norway	907,544.09	3,993.63	911,537.72
Sweden	706,486.28	30,365.00	736,851.28
Denmark	799,471.85	47,976.29	847,448.14
Greece	2,234,531.11	35,506.30	2,270,037.41
TOTAL	$12,786,512.56	$ 3,024,845.48	$15,811,368.04
Switzerland			$ 2,257,466.04
		GRAND TOTAL	$18,068,834.08

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. Correspondence
Box 95

311094

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

77 Files

HGH:HW:PG:mwf
122205

November 30, 1950

Mr. Adrian S. Fisher
The Legal Adviser
Department of State
Washington 25, D. C.

Dear Mr. Fisher:

Reference is made to your letter dated October 20, 1950 concerning the unblocking of property owned by persecutees residing in Bulgaria, Hungary, and Rumania. Enclosed in your letter was a copy of a letter dated June 26, 1950 from Seymour J. Rubin, representing the American Jewish Committee, in which Mr. Rubin suggested that certain steps be taken to ensure that property of persecutees still resident in Bulgaria, Hungary, and Rumania does not fall into the hands of the governments of those countries. You state that it is the opinion of your Department that it is in the national interest for this Office to deny unblocking applications based upon powers of attorney executed by persecutees residing in the countries mentioned above in favor of officials or agencies of these countries.

You are advised that this Office is prepared to deny, and has already adopted the policy of denying, such unblocking applications. In general, it is our policy to issue licenses with respect to property owned by persecutees when it is clearly established that payment is to be made to persons outside the satellite countries provided such persons are in no way connected with the governments of such countries. Further, in those cases the licenses are limited to authorize payment only to such persons.

Mr. Rubin also proposes that, with respect to property of persecutees which has already been unblocked but not yet withdrawn, this Office and your Department join in apprising the New York banks that any powers of attorney in favor of officials or agencies of satellite governments may be presumed to have been obtained under duress. Your Department makes no recommendations with respect to this proposal of Mr. Rubin because it is believed that few, if any, accounts are in this category. You request information on the subject and our views on the desirability of an approach to the New York banks in this matter.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

This Office shares your view that there is probably very little unblocked persecutee property which has not yet been withdrawn and placed at the disposal of the satellite countries involved. It would therefore appear that Mr. Rubin's proposal would have little or no practical effect. Further, even if it were assumed that such property has not been withdrawn, this Office is of the opinion that there are serious legal and policy considerations involved in taking the step proposed by Mr. Rubin. If you wish, representatives of this Office will be glad to meet with representatives of your Department at a mutually convenient time to explore these considerations.

Very truly yours,

Harold I. Baynton

Harold I. Baynton
Assistant Attorney General
Director, Office of Alien Property

311096

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

COPY

Rubin and Schwartz
Attorneys at Law
1822 Jefferson Place, N.W.
Washington 6, D.C.

June 26, 1950

Mr. Adrian S. Fisher
The Legal Adviser
Department of State
Washington, D. C.

Dear Mr. Fisher:

I write in connection with the problem of the unblocking of property, particularly of persecutees resident in Roumania, Bulgaria and Hungary.

The assets of such persons are at present blocked pursuant to orders issued originally by the United States Treasury Department and since continued in effect. Pursuant to long standing administrative policies which have since been confirmed by the Congress, the United States has, however, unblocked from time to time and upon presentation of a properly documented power of attorney the assets of religious, racial or political persecutees.

As is quite obvious, the American Jewish Committee, on whose behalf I write, heartily endorses and supports the commendable policy of the United States in giving every aid and assistance to those who were in fact the enemies of the real enemies of the United States. Nevertheless, it has come to our attention that powers of attorney which are given by persecutees still resident in Iron Curtain countries, in almost all cases, are given under duress. Particularly is this so in the situation in which the resident of the Iron Curtain country gives a power of attorney in favor of the consulate, national bank or other governmental official or agency of that country. In such cases, it is quite clear that the owner of the assets in the United States in reality derives little or no benefit from the unblocking of his property. The assets in fact are taken over by his government and compensation, if any, is paid in local currency at an entirely unrealistic rate of exchange.

Under these circumstances, the American Jewish Committee has been in touch with the Office of Alien Property of the Department of Justice and has received certain assurances that powers of attorney granted by

persons

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

persons still resident in the Iron Curtain countries and running in favor of the consulates, national banks or other governmental agencies or officials will be carefully scrutinized and that unblocking applications based on such powers will be rejected. There is, however, some element of uncertainty in this picture. In the first place, the rejection of such a power of attorney by the Office of Alien Property may raise legal complications, unless such action is supported by the Department of State. In the second place, situations undoubtedly exist in which properties have been unblocked pursuant to such powers of attorney and in which the banks still retain the assets in question but are under constant pressure to pay them out.

It is our considered view that it would be extremely helpful if the Department of State were officially to apprise the Department of Justice, and through it, the New York banks of the fact that at present there exists a strong presumption to the following effect: that any power of attorney issued by a political, racial or religious persecutee resident in Roumania, Bulgaria or Hungary which runs in favor of an American consulate of those countries or of their national banks or any other governmental officials or agencies has been obtained under duress and against the will of the signer of the power of attorney. The presumption, of course, should not apply in cases where it is clear that a power of attorney has been smuggled out of the country and is in the hands of a responsible person not subject to the pressure of the Iron Curtain countries. Equally obvious, no change should take place in the procedure presently in effect for the unblocking of assets in the United States of persecutees who are physically outside of Roumania, Hungary and Bulgaria. To the extent possible the declaration of policy embodied in the above stated presumption should be made retroactive.

On behalf of the American Jewish Committee, I am

Sincerely yours,

Seymour J. Rubin

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

HGH:LRB:lem

Harold I. Baynton, Assistant Attorney General October 18, 1950
Director, Office of Alien Property
Henry G. Hilken
Chief, Operations Branch
Disposition of assets of foreign companies in which there are 25% to 50% enemy stock interests

Up to the present time this Office has not taken any action with respect to the property in this country of corporations or other business organizations organized under the laws of foreign non-enemy countries in which the enemy participation runs between 25% and 50%. The cases falling in this category have been held in abeyance pending a policy decision as to the appropriate disposition thereof. It is my opinion that the time has now arrived when this Office can and should make a decision with respect to these cases.

When, after the cessation of hostilities, the certification agreements were worked out with the friendly foreign governments with respect to the assets in this country of their nationals, such agreements provided that the foreign governments might certify the assets in this country of companies organized under their laws where the enemy participation in such companies was less than 25%, and after the certification procedure was terminated, this Office, continuing the same standard, has entertained applications for unblocking, and has unblocked, the assets of such companies where the holders of more than 75% of the stock were themselves eligible for unblocking and the company was not otherwise enemy controlled. At the other extreme, the Office has consistently refused to unblock assets of such companies where the enemy interest was 50% or higher and has in many such cases vested their assets. As you know, in the Brussels Agreement the interest of this government in at least the enemy portion of the assets of such companies is recognized and the same is true of the recently negotiated Swiss agreement in the so-called "participation" cases.

There has thus been left the category of cases described above wherein the enemy interest ranges between 25% and 50%. It is my opinion that the property in this country of such companies, where there is no evidence of their acting for or on behalf of the enemy or enemy control, should be unblocked. This is consistent with the position which this goverment took both in the Brussels and Swiss agreements. Such enemy interest as does exist in these companies should be dealt with by the government of the country in which they are organized.

Further, as you know, under Section 32 of the Act, property of corporations or other business organizations organized under the laws of foreign non-enemy countries is subject to return if such corporations are not enemy controlled and the enemy interest therein

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

is less than 50%. Accordingly, the assets of such companies which are vested by the Office would be returned in the absence of evidence of enemy control or other factors which would make applicable the so-called "national interest" clause of Section 32. Finally, I believe it necessary at this time to dispose of cases of this type in view of the program to vest assets remaining blocked. Since applications have been filed in most, if not all, of these 25-50% cases, it would not be appropriate to vest on the presumption of enemy ownership and the cases should be decided on their merits.

Accordingly, I recommend that we unblock all the assets of operating companies organized under the laws of non-enemy countries in which the enemy participation is less than 50%, the other participations are all eligible for unblocking under our usual standards and there is no evidence of acting for or on behalf of the enemy or enemy control.

It should be noted, of course, that I am referring in this memorandum only to operating companies of the usual type. Assets of family and personal holding and investment companies should continue to be treated as in the past, i.e. consider for vesting that portion of the assets related to the percentage of enemy stock interest in the holding company even though such enemy interest is less than 25%.

(Signed) Henry G. Hilken

H.G.H.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

FROM: Donald Sham,
Secretary,
Office of Alien Property

TO: **Henry G. Hilken, Chief**
Operations Branch

Since the letter of August 30, 1950, referred to in the attached letter from State, originated in your Branch, we are referring the incoming letter of September 29, 1950 to you.

John J. McDonnell
Acting Secretary

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

FF & Files

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

DEPARTMENT OF STATE
WASHINGTON

122274 Baf

024-210

In reply refer to
MN

September 29, 1950

OFFICE OF ALIEN PROPERTY
OCT 2 1950
NOV 8 1950
#121429

My dear Mr. Baynton:

Reference is made to your letter of August 30, 1950 announcing the intention of the Office of Alien Property to vest those remaining blocked assets which fall within the scope of the program described in the letter of February 2, 1948 from the Secretary of the Treasury, as Chairman of the National Advisory Council, to Senator Vandenberg, then Chairman of the Senate Foreign Relations Committee.

I wish to advise you that the Department of State concurs in your proposed action which contemplates, as further implementation of the program as agreed upon in the National Advisory Council (1) the taking of a new census of blocked assets, and (2) consultations with the "recipient countries," or, as described in your letter, those governments receiving aid under the Marshall Plan. In this connection, I assume that there will be excluded from such program the assets of Rumania, Bulgaria, Hungary, Poland, Czechoslovakia, Finland and the three Baltic States, Estonia, Latvia and Lithuania.

I understand that by his letter of September 11, 1950, the Acting Secretary of the Treasury has informed you why the Treasury Department considers your proposed action to be desirable at this time. The Department of State is in general agreement with such views, and suggests that in addition to the "recipient countries," you bring the proposed vesting action to the attention of the countries that may be affected to ascertain whether they have any cases that might be appropriate for licensing.

Sincerely yours,

John E. O'Gara
Acting Assistant Secretary for Economic Affairs

The Honorable
Harold L. Baynton,
Assistant Attorney General,
Director, Office of Alien Property.

Received
10-3-50
Secretary's Office

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

77C

LRB:MW:11

Henry G. Hilken, Chief
Operations Branch
Leon R. Brooks, Chief
Foreign Funds Section
Future Program with respect
to Blocked Property

February 11, 1949

The purpose of this memorandum is to set forth a program which, in my opinion, should be adopted with respect to assets which are still blocked under Executive Order 8389, as amended. The blocked countries will be divided into four groups and a program will be recommended for each group.

I. Recipient Countries, Switzerland and Liechtenstein

The Department of Justice Press Release of September 29, 1948, announcing the transfer of jurisdiction over blocked property from the Treasury Department to the Department of Justice, pursuant to Executive Order 9989, stated that such transfer was "a further step in the orderly liquidation of war-time controls over blocked property in the shortest possible time compatible with the policy of eliminating enemy interests in our economy, and in the program of assisting, as far as possible, in the successful recovery of the foreign countries participating in the European Recovery Program by aiding them to marshal the United States assets of their nationals".

The Press Release also pointed out that "the reasons for the transfer and the governmental policy with respect to the further administration and disposition of blocked assets have been stated in detail in a letter from Secretary of the Treasury John W. Snyder to Senator Arthur H. Vandenberg, Chairman of the Senate Foreign Affairs Committee, dated February 2, 1948, which was made public at that time".

The Snyder letter set forth a program to be carried out by the Department of Justice with respect to (a) directly held blocked assets of citizen residents of recipient countries and (b) blocked assets in Swiss and Liechtenstein accounts and assets held indirectly through recipient countries. Part (a) of this program is currently being carried out. No plans, however, have yet been made with respect to implementing Part (b) which sets forth the following measures to be taken by this Office:

> "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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

owner's government (e.g., French assets held through the Netherlands). 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 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."

I also think the above vesting program, if adopted, should cover directly held assets of citizen residents of recipient countries in those cases where, for one reason or another, no application for unblocking has been filed. Vesting action in this type of case should be taken only after appropriate consultation with the interested recipient country. The implementation of this program will require the following action:

1. A new census of those blocked assets coming within the vesting program will have to be taken.* Because of the extension of the certification procedure under General License No. 95 until December 31, 1948, the TFR-600 reports plus the fourth copies cannot be used as a basis for the vesting program. As you know, the fourth copies did not have to be submitted to the Office with respect to property unblocked, by certification or otherwise, subsequent to October 1, 1948.

The question of taking a new census was discussed by us with the Foreign Exchange Committee in New York just prior to the transfer of jurisdiction. At that time, we were advised by the representatives of the banking institutions that they had no objection to a new census. In fact, it was indicated to us that the banks would prefer a new census rather than be required to submit current reports of property unblocked either by way of certification or by special or general license.

2. When the details of a new census are worked out, a public announcement should be made fixing a date when vesting action by this Office will begin with respect to assets not unblocked. This date will presumably be fixed approximately as of the time for the bar date for the receipt of the new census reports. Direct applications for unblocking should be invited during this period.

If the vesting program is initiated, a decision will have to be made with respect to the disposition to be made of applications for unblocking that

* The exact form and detail of the new census report will depend upon the type of vesting order to be issued. In the interest of simplicity and speed in getting the vesting orders out, I recommend a limited "all property" vesting order.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

are pending as of the bar date for vesting and as to whether new applications for unblocking should be accepted after the bar date. I think that we must continue to process pending applications and that we should accept applications filed subsequent to the bar date in those cases where the assets have not yet been vested. By refusing to consider pending applications and to accept new applications, we would only be adding to the administrative burden of the Office, since the applicants would presumably be eligible for return of their property under the present return legislation.

Another problem is the impact of such a vesting program on our continued use of the Federal Reserve Bank of New York. As I have advised you, Mr. Davis has expressed the opinion that foreign funds work is a dying operation. He has indicated that his personnel is restless and has no incentive to continue to do this type of work. Furthermore, other Departments of the Federal Reserve Bank are anxious to obtain the experienced personnel still employed in foreign funds work. Mr. Davis thinks that if the vesting program is adopted, the Office ought to discontinue using the Federal Reserve Bank.

Assuming that the vesting program is adopted, I think we should continue to utilize the Federal Reserve Bank at least until after the census is taken and vesting action actually begins. Otherwise, the Foreign Funds Section, understaffed as it is, might not be able to handle the large number of inquiries and applications that would probably come in after a public announcement is made of the vesting program.

II. Baltic and Satellite countries which were former enemies

Because of political reasons and until the State Department takes some action in the matter, no program can be made with respect to Baltic (Lithuania, Latvia and Estonia) assets or with respect to assets of the satellite countries which were former enemies (Rumania, Hungary and Bulgaria). These assets will have to remain blocked.

III. Finland, Poland and Czechoslovakia

With respect to these countries, the latest available figures indicate that their blocked assets amount to approximately $4,500,000. Mrs. Henderson advises me that there are no known enemy business enterprises in those countries. In view of the small amount of blocked assets and the information Mrs. Henderson has given me, I think that the amount of enemy property that might come to light with respect to these blocked assets would be trivial. Accordingly, it is my opinion that these three countries should be unblocked in the same manner that Yugoslavia was unblocked. General License No. 53 would have to be amended by including Finland, Poland and Czechoslovakia in the General Licensed Trade Area.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

I have been informally advised that the State Department would have no objection to our taking this action.

IV. Germany and Japan

Blocked assets of these countries and their nationals will continue to be vested in accordance with the vesting policy.

I recommend that immediate steps be taken to place the above program into operation.

(Signed) Leon R. Brooks

L. R. B.

311106

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MAY 25 1948

Dear Mr. Burgess:

I have your letter of May 5 and have again reviewed both your original suggestion and our own program for dealing with the assets still blocked under Foreign Funds Control.

Our program is designed to accomplish two purposes: (1) to complete by September 1, 1948, the process of certification by the appropriate foreign governments that there is no enemy interest in the assets for which unblocking is requested; and (2) to assist the countries which are to receive aid under the European Recovery Program to mobilize the dollar assets of their citizens. In operation, the two purposes are of course closely linked since the certification procedure does mean that the person desiring unblocking of assets must reveal them to the appropriate government. The precise means of carrying out the certification procedure on the part of the foreign countries involved may vary from country to country since this Government has never undertaken to prescribe the exact methods which a foreign government should adopt in fulfilling its commitments with respect to the procedure. As you are doubtless aware, the French Minister of Finance recently announced an arrangement which the French Government felt would tend to preserve the anonymity of French property owners as far as was consistent with the purposes of the certification procedure. This Government perceived no objection to the arrangement since it was assured that the purposes referred to above, including that of detecting enemy interests, would be fully carried out.

However, it is basically true that our program does contemplate that the blocked assets of citizens of the countries receiving aid under the European Recovery Program will be made known to the governments of the proper countries on their request and eventually will be available as a resource in connection with European Recovery. In considering the arrangements which the National Advisory Council

MAY 25 1948 - Mailed
cc:- Arnold - Lynch - Powell (3)

FILE COPY

311107

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

has proposed for dealing with this problem we gave careful attention to both the legal and the practical factors. While both have been restudied carefully in the light of your observations, I still believe that the arrangements we have advanced are the most satisfactory which have been proposed, taking into account all the extremely complicated circumstances.

Sincerely yours,

(Signed) JOHN W. SNYDER

Secretary of the Treasury

Mr. W. Randolph Burgess
55 Wall Street
New York 15, New York

EArnold:VJ
5-21-48

Cleared with RAA CA.

CA.

311108

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

DRAFT

Letter to General License No. 95 countries

This Department is seriously concerned with the substantial number of blocked accounts still to be certified under the procedure of General License No. 95. It is apparent, of course, that the certification procedure cannot be indefinitely prolonged. We feel that it is therefore necessary to take some action which will simplify and expedite the operation of the procedure without prejudice to its basic purpose, i.e., the discovery of assets in which an enemy has an interest.

Accordingly, we intend to issue in the near future a general license which will have the effect of unblocking without certification all accounts under $10,000 except those in which there is reason to believe that an enemy has an interest. By this removal of the blocking controls over a relatively large number of accounts which constitute an insignificant proportion of the total blocked assets, the governments of the countries included in General License No. 95 will be able to place full emphasis on the more important problem of investigating the larger accounts. It is realized of course that some minor enemy assets in the United States may escape detection. It is our belief, however, in which other interested agencies concur, that any such loss will be outweighed by the benefits which will accrue to this Government and to the governments of the General License No. 95 countries from the concentration of effort which will be placed on the more important accounts.

At the same time, there will be unblocked under the general license interests of non-enemies in estates and trusts created by non-blocked persons in the United States or in the generally licensed trade area as defined in General License No. 53, as amended on January 1, 1947, and property paid or distributed to non-enemies from any trust or estate pursuant to Treasury license. The unlikelihood of their being any enemy interest in such cases

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

is apparent. Removal of these assets from the operation of the certification procedure will further permit the placing of greater emphasis on the investigation of those assets in which enemy interests may exist.

Our recent action whereby direct certifications may be issued with respect to assets held by a resident of one General License No. 95 country through a depository in another General License No. 95 country was likewise taken with the same aim of facilitating operations under the defreezing program.

These measures will not only accomplish the stated objective of expediting the discovery of enemy assets but will also substantially reduce the problem with respect to the ultimate disposition of the uncertified residuum. We expect to inform your Government in the near future concerning our plans for resolving this problem.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

The National City Bank
of New York
ESTABLISHED 1812

New York 15, N. Y.

OFFICE OF
THE CHAIRMAN
OF THE EXECUTIVE COMMITTEE

May 5, 1948

Dear John:

Your note of April 29 in reply to mine of April 8 with respect to methods for bringing frozen foreign funds into more active use is, I confess, both surprising and disappointing, and seems to miss the point of our letter.

My proposal was made only after a very careful study of the problem, both in this bank and in other institutions, and after conferring with Allan Sproul, who has had the responsibility for administering foreign funds control in this market. It was directed towards finding practical ways of bringing about the results which I think both you and the Congress have had in mind.

The proposals made by Congressman Keating seem to me beside the point, as Congressman Keating's proposals were interpreted in the discussions to involve seizure of all assets here of foreign nationals. Certainly the rejection of this amendment does not deprive the Export-Import Bank or other lending agencies of the right to require collateral for any of its loans where it may be possible.

As to the meaning of the final paragraph of your letter, I am a little at sea. These foreign countries are now making every effort within their power to take possession of the assets of their nationals with considerable success. The problem is reaching such funds as are now beyond

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FFC Gen. correspondence
Box 9.5

The National City Bank
of New York
ESTABLISHED 1812

New York 15, N. Y.

OFFICE OF
THE CHAIRMAN
OF THE EXECUTIVE COMMITTEE

May 5, 1948

Dear John:

Your note of April 29 in reply to mine of April 8 with respect to methods for bringing frozen foreign funds into more active use is, I confess, both surprising and disappointing, and seems to miss the point of our letter.

My proposal was made only after a very careful study of the problem, both in this bank and in other institutions, and after conferring with Allan Sproul, who has had the responsibility for administering foreign funds control in this market. It was directed towards finding practical ways of bringing about the results which I think both you and the Congress have had in mind.

The proposals made by Congressman Keating seem to me beside the point, as Congressman Keating's proposals were interpreted in the discussions to involve seizure of all assets here of foreign nationals. Certainly the rejection of this amendment does not deprive the Export-Import Bank or other lending agencies of the right to require collateral for any of its loans where it may be possible.

As to the meaning of the final paragraph of your letter, I am a little at sea. These foreign countries are now making every effort within their power to take possession of the assets of their nationals with considerable success. The problem is reaching such funds as are now beyond

REPRODUCED AT THE NATIONAL ARCHIVES
National City Bank of New York
ESTABLISHED 1812
DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00
RG 131
Entry
File FPC Gen. correspondence
Box 915

their reach, and there are two ways of doing this. One way is to make an attractive offer to these people, which will be reasonable and acceptable; and the other is for the United States to step in as a policeman and help foreign countries enforce foreign laws within the United States, a surrender of sovereignty.

The latter course: that is, our acting as a policeman, would appear in the opinion of the lawyers I have consulted to have doubtful legal basis, relying as it does upon the Trading with the Enemy Act two years after the actual conclusion of war. It involves, also, the highly dubious business of distorting action originally taken to protect from the enemy the nationals of friendly countries, to a totally different use. It seems to us that if the Treasury persists in following this course it is likely to encounter grave difficulties in the courts and to open itself to the accusation of violating international understandings with respect to private property--of very grave importance. The proposal to expropriate Swiss assets is a case in point. The eventual repercussions on the treatment of American property abroad should be carefully reviewed. It goes counter to what we have been seeking at Bogota.

We fail to find in the recent action of Congress any specific legal basis for the action now proposed to be taken by the Treasury and Department of Justice.

Under these circumstances it would seem to me that the Government should first make every endeavor to reach these funds in clearly Constitutional ways, and not violate one of the fundamental principles on which the

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9-5

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,

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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, collateraled 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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

Received by hand of Harvey Reeves
May 9, 1948

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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

This loan can be as an additional fund to those already established.

To meet Objectives
mentioned above

As to Switzerland, it is believed that all German property has been segregated; that Switzerland is well assured of all property under Swiss names which has German beneficial ownership. Switzerland will not accept and transmit under the assurances any such acceptance of offer. There is strong reason to believe that Switzerland will cooperate in such a plan; will urge its banks to recommend acceptance of such an offer.

As to (for example) a Frenchman living in France who desires to accept the offer and his bank will certify that he is free of Nazi taint, if the Frenchman has in fact paid his taxes his government is aware of the existence of the foreign property even though he has not applied for certification. In such a case the only reason he has not applied for certification is because he is unwilling to take francs. Therefore he could apply to his government (Office d'Exchange) and all of his property could be used as collateral or so much thereof as is required by his government, but without reduction of taxes, i.e., 25%. The above scheme therefore is reasonable assurance to the Treasury that no foreign property has Nazi interest; that taxes have been paid; there is immediate availability of 25% and the discount or loan value of the remaining value of 75%.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

As to the Bank

The banks holding this property will receive directions from their own customers avoiding double claims for liability and the like. They will do their own liquidating and payment and if desired will hold the collateral or will deposit the same.

This voluntary offer, therefore, would differ only from the present offer in France by permitting the holder of dollar securities to (a) keep his funds in dollar securities; (b) hypothecate them at once for the immediate availability of dollar exchange to France. Under present Licence 95 he must give all of his property but has the full value immediately in francs.

It is believed and hoped that such an offer will alleviate the present difficulties amounting to an impasse.

Non-Liquidatable Values

The problem of non-liquidatable property is less severe under the alternate proposal than under the present, since the offer contemplates the continuation in dollars, with perhaps a promise to pay the capital levy tax. In any event, the problem is certainly no more severe.

The above was written on specific points, the general situation is more fully explained in the attached memorandum.

H.R.

May 7/48

311120

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

USE OF FOREIGN FUNDS WITHIN
THE UNITED STATES - MARSHALL PLAN

Since the inception of freezing control, the purposes to which it has been put, have varied with changing world conditions. The continuation of the technique of freezing - mobilization of property except under license - has served somewhat to give a false sense of continuing of objective. It is unnecessary to consider the course of the various ideas to the consummation of which freezing control has been lent; it is only necessary to consider the present proposed plans.

At the present time there are roughly two plans both of which revolve around the European Recovery Program. One is exemplified in the letter of Secretary Snyder as Chairman of the National Advisory Council (NAC) and the other is the somewhat indefinite provision in the Marshall Plan Bill concerning the obligation of participating beneficiary countries "to locate and control" the assets of their citizens within the United States.

As to this latter, various schemes were proposed for seizing all foreign property, liquidating it, and depositing the proceeds in the Treasury as a first payment, or payment-on-account of the Marshall Plan. Many objections were raised to this procedure and it is certain that the executive departments are against it. As the matter now stands foreign countries will "locate and control" to the extent "practical" and this dollar value will not be paid to the United States, but will be for the benefit of the countries involved. If this money is used in the proper manner it will, of course, reduce the cost of the Marshall Plan and is altogether a more sensible approach. Whether some other system would be better is now irrelevant.

At the moment we may expect that the bill in Congress will in operation mean no more than the Secretary's letter.

The best arrangement within this framework is now sought. The assets of the Iron Curtain countries need not concern us at the moment - they will remain blocked. Russian funds are operating under a general license, i.e., general license was issued very shortly after Germany attacked Russia. The assets of both of these countries are still in the realm of international relations.

Since the end of the war, or more accurately since the date when each now-participating country was liberated, each country has sought to obtain control over the assets of its citizens. The general poverty of the countries, and particularly the small amount of dollar exchange available had caused them to expand these efforts into a national policy. The United States has so far not actively assisted. Now it plans to do so. In its present form the plan is for a census to be taken as of June 1, 1948 and all accounts blocked as French (France will be used as an example for all countries similarly situated) to be given to the French Government by

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

WITHIN
- MARSHALL PI

control, t
anging wor

2.

names and with other details to identify the account, its location and amount and French national interest therein.

No effort will be made to hand over the account. It will merely remain blocked. What exact steps the foreign government will thereafter take still remain to be seen. It is known that most of the foreign countries have exchange decrees under which their nationals were presumed to have registered these accounts. Frequently they paid a tax and in case there are back taxes due, these as well. They then received local currency in return for the foreign account. On receipt of the census information questions must immediately arise in regard to persons whom the foreign country cannot find within its borders, persons who may communicate with banks demanding the funds be not handed over. Confusion and adverse claims are a most likely result.

Furthermore time is a factor. By the time the census be taken, properly tabulated, transmitted to the foreign government, the foreign government has searched for its own nationals, perhaps instituted civil or criminal proceedings against them, secured assignments or entered judgments, a long time will have elapsed. At best the system is clumsy, many of the decisions will ultimately have to be decided by courts and delay and loss of value will ensue. The immediate question then is what better system can be instituted? A better system would obviously be one in which the availability of value can be obtained promptly, also with a minimum of double claims for liability to the holders of the property. As to foreign countries which need the money, and particularly the dollar exchange, it is believed that they would be very happy to concur in any system which would give them an immediate use. From the standpoint of the holding banks in the United States, a voluntary arrangement with the foreign depositor would assist greatly in avoiding suits of adverse claims.

The situation in regard to Switzerland must not be overlooked. The assumption on which our Government will operate; that all uncertified Swiss accounts are indeed Nazi, is practically without any foundation. Switzerland has long since segregated the German accounts. Switzerland knows (i.e., the banks in Switzerland) who has a beneficial interest in many, if not most, of the accounts, these being the French and the like, but it will not give up that information. If, however, a system were sufficiently attractive to the beneficial owners so that they would voluntarily agree, a large part of this difficulty would also be overcome.

The matter does not need to be now a question of legislation, since the State Department is authorized to make agreements with the foreign participating countries for the use to the extent practicable, the balances of the "citizens" or "nationals". Estimates of the amount of the properties for each country are available but vary widely. At least, however, minimums can be assumed as to each.

The following steps have therefore been suggested as a plan to be made as an agreement between the United States and each particular country, the terms of each plan, in so far as it affects assets in the United States to be the same so that all blocked funds may be treated equally.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

The United States Government will take a census of all of the property still blocked as the property of a national of any European country - this will include those behind the Iron Curtain, as well as all others. The information on this census will not be given to the foreign countries but will be tabulated by an appropriate agency of our Government and the gross amounts statistically arranged under appropriate headings, will be supplied to the foreign government as:

Demand Deposits
Domestic Securities
Trusts, etc.

The foreign country will agree that any person owning property here may advise, within a brief period of time, theholder of the property to deal with property as hereinafter proposed. At the end of that time, if no directions have been received, our Government will vest the same.

The plan will contemplate an offer, to be made generally, which will be publicized by the respective countries. Each person owning property may advise his own bank on a form to be approved by the banks and mad available at every American Consulate, to liquidate 25% of the value of the classes of property selected and to remit the same to the disbursing agent for the benefit of the respective foreign country. To avoid immediate liquidation of 25% of the holdings, arrangements can be made for a loan of this amount, against the balance, the liquidation to take place, however, within a year; or if a loan be made, be paid for within a year against the freeing of 25% of the investment. The bank will then either hold or deliver to the Export-Import Bank 75% as collateral for a loan to be made immediately by that bank. At this point the 100% securities will either have been (a) liquidated by 25%, or will be subject to (b) collateral loan for 25% and a collateral loan based upon 75% of this value, made by the Export-Import Bank. The immediate advantage to the foreign country in such a proceeding is that it would get the amounts immediately, first the 25% and then within a very brief time thereafter, such proportion of the remainder as would be granted by the Export-Import Bank.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

The foreign government would grant complete amnesty to any holder whose property was thus, under his own consent by having accepted the offer, liquidated to the extent of 25% with the remainder available to some agency which would make a dollar loan against it. No publicity would be granted to the names of those who had thus availed themselves of the offer. A certificate would be issued by either the United States Government or under its authority by any bank, trust company, brokerage house, etc., which held the property, stating that so much had in fact been liquidated and that so much had in fact been made available and this would be complete protection to the holder of the property.

It is suggested that perhaps two certificates should be given, one as proof that the property had been subject to this offer in case that at some time thereafter and through different channels the person whose property had been thus in the United States should be found and it would be necessary for him to prove that his property had in fact come under the offer, that is to say, had not escaped its share of the financial burden of his own country and was entitled to amnesty. Another certificate might be issued which would be either in bearer form or registered and this could be sold, transferred or otherwise dealt in as the interest of the holder in the property pledged. This would necessarily identify the amounts or the securities which were in fact held (deposited as cash collateral) or pledged secured collateral. It is conceivable that a person to whom a certificate was issued showing 75% of the value of his property might wish to sell this for dollars for whatever it might bring rather than hold it awaiting the possible return of his property or its gradual reduction by his demand for francs as against it. If the certificate had any market value there would seem to be no reason why he should not be able to transfer good title to it to anyone. The main purpose is to assure France that all of the dollar assets of its nationals have been subjected to the same treatment. Presumably by the time the owner could secure back his dollar exchange, other persons in France would also be able to transfer francs into dollars if they so desired, that is, the country would be sufficiently rehabilitated to make normal international transactions impossible or all would suffer in the general loss.

At any time during the continuation of the loan the holder of any such collateral or the certificate representing it could apply with the latter named certificate to his own government and draw down francs as against dollar values, the amounts to be endorsed or punched on or into the certificate, the certificate thus being in the nature of evidenced or warehouse receipt. If such were drawn down the government account would be credited with the cash and the loan to that extent repaid.

Such a scheme would apply also to Switzerland since it represents the voluntary acceptance of an offer by, for example, a French national, as to his own government. Those who did not avail themselves of this would have their property confiscated.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

Our problem remains as to the use to which these loans could be put, for it is obvious that this might be merely an indirect way of liquidating all of the property; that is, a government could borrow and then intentionally default the loan, forcing the liquidation by the loaning agency, in our illustration, the Export-Import Bank. This, of course, would apply only to the 75% collateral, since the 25% would be available to the foreign government in any event. This can be avoided by having the money from the loan available only for those projects which would have an interest in not failing themselves, that is in some self-liquidating project or some project in which the Government could obtain no advantage by mere default. One might be a stabilization loan for a period of five years. The country would then not have any right to default upon the loan unless it needed funds for the continued stabilization of its currency. No country would ruin its currency voluntarily merely to liquidate the securities, Of course this raises a question as to the repayment of the loan and the terms should be certain partial repayments during the period of five years. Another use would be as an investment fund or a guarantee of investment for commercial projects instituted by citizens or corporations of the country involved. Here, again, there would be inducement to the persons interested in the project to carry it through successfully and profitably and of course repay the loan.

In this and other ways the blocked funds in the United States as to each country would be immediately available as to 25% for the current use and 75% (or 80% - 90% of 75%) for longer time investment or other national use.

The question of income on pledged securities has not yet been stressed. This would either go to the owner or could be invested in United States bonds.

The risk to the United States would not be great, as it would have the dollateral. Of course a depression within the United States would cause the liquidation or partial liquidation, but it would appear that this is a risk which must be run.

Some such plan as the above is easy of administration as transfers of property are either (a) under advice of the owner of the property, or (b) by operation within the United States of the laws of the United States.

In case of any special problems arising, banks could without violation of the confidential relationship discuss this problem with the proper agency of their own government and it is therefore believed that the number of suits which would arise would be relatively small.

On any matter of this sort offered as an alternative to the present delaying and clumsy plan further details could be worked out, once the principle is accepted.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

USE OF FOREIGN FUNDS WITHIN
THE UNITED STATES - MARSHALL PLAN

Since the inception of freezing control, the purposes to which it has been put, have varied with changing world conditions. The continuation of the technique of freezing - mobilization of property except under license - has served somewhat to give a false sense of continuing of objective. It is unnecessary to consider the course of the various ideas to the consummation of which freezing control has been lent; it is only necessary to consider the present proposed plans.

At the present time there are roughly two plans both of which revolve around the European Recovery Program. One is exemplified in the letter of Secretary Snyder as Chairman of the National Advisory Council (NAC) and the other is the somewhat indefinite provision in the Marshall Plan Bill concerning the obligation of participating beneficiary countries "to locate and control" the assets of their citizens within the United States.

As to this latter, various schemes were proposed for seizing all foreign property, liquidating it, and depositing the proceeds in the Treasury as a first payment, or payment-on-account of the Marshall Plan. Many objections were raised to this procedure and it is certain that the executive departments are against it. As the matter now stands foreign countries will "locate and control" to the extent "practical" and this dollar value will not be paid to the United States, but will be for the benefit of the countries involved. If this money is used in the proper manner it will, of course, reduce the cost of the Marshall Plan and is altogether a more sensible approach. Whether some other system would be better is now irrelevant.

At the moment we may expect that the bill in Congress will in operation mean no more than the Secretary's letter.

The best arrangement within this framework is now sought. The assets of the Iron Curtain countries need not concern us at the moment - they will remain blocked. Russian funds are operating under a general license, i.e., general license was issued very shortly after Germany attacked Russia. The assets of both of these countries are still in the realm of international relations.

Since the end of the war, or more accurately since the date when each now-participating country was liberated, each country has sought to obtain control over the assets of its citizens. The general poverty of the countries, and particularly the small amount of dollar exchange available had caused them to expand these efforts into a national policy. The United States has so far not actively assisted. Now it plans to do so. In its present form the plan is for a census to be taken as of June 1, 1948 and all accounts blocked as French (France will be used as an example for all countries similarly situated) to be given to the French Government by

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

names and with other details to identify the account, its location and amount and French national interest therein.

No effort will be made to hand over the account. It will merely remain blocked. What exact steps the foreign government will thereafter take still remain to be seen. It is known that most of the foreign countries have exchange decrees under which their nationals were presumed to have registered these accounts. Frequently they paid a tax and in case there are back taxes due, these as well. They then received local currency in return for the foreign account. On receipt of the census information questions must immediately arise in regard to persons whom the foreign country cannot find within its borders, persons who may communicate with banks demanding the funds be not handed over. Confusion and adverse claims are a most likely result.

Furthermore time is a factor. By the time the census be taken, properly tabulated, transmitted to the foreign government, the foreign government has searched for its own nationals, perhaps instituted civil or criminal proceedings against them, secured assignments or entered judgments, a long time will have elapsed. At best the system is clumsy, many of the decisions will ultimately have to be decided by courts and delay and loss of value will ensue. The immediate question then is what better system can be instituted? A better system would obviously be one in which the availability of value can be obtained promptly, also with a minimum of double claims for liability to the holders of the property. As to foreign countries which need the money, and particularly the dollar exchange, it is believed that they would be very happy to concur in any system which would give them an immediate use. From the standpoint of the holding banks in the United States, a voluntary arrangement with the foreign depositor would assist greatly in avoiding suits of adverse claims.

The situation in regard to Switzerland must not be overlooked. The assumption on which our Government will operate; that all uncertified Swiss accounts are indeed Nazi, is practically without any foundation. Switzerland has long since segregated the German accounts. Switzerland knows (i.e., the banks in Switzerland) who has a beneficial interest in many, if not most, of the accounts, these being the French and the like, but it will not give up that information. If, however, a system were sufficiently attractive to the beneficial owners so that they would voluntarily agree, a large part of this difficulty would also be overcome.

The matter does not need to be now a question of legislation, since the State Department is authorized to make agreements with the foreign participating countries for the use to the extent practicable, the balances of the "citizens" or "nationals". Estimates of the amount of the properties for each country are available but vary widely. At least, however, minimums can be assumed as to each.

The following steps have therefore been suggested as a plan to be made as an agreement between the United States and each particular country, the terms of each plan, in so far as it affects assets in the United States to be the same so that all blocked funds may be treated equally.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FFC Gen. correspondence
Box 95

The United States Government will take a census of all of the property still blocked as the property of a national of any European country - this will include those behind the Iron Curtain, as well as all others. The information on this census will not be given to the foreign countries but will be tabulated by an appropriate agency of our Government and the gross amounts statistically arranged under appropriate headings, will be supplied to the foreign government as:

Demand Deposits
Domestic Securities
Trusts, etc.

The foreign country will agree that any person owning property here may advise, within a brief period of time, theholder of the property to deal with property as hereinafter proposed. At the end of that time, if no directions have been received, our Government will vest the same.

The plan will contemplate an offer, to be made generally, which will be publicized by the respective countries. Each person owning property may advise his own bank on a form to be approved by the banks and mad available at every American Consulate, to liquidate 25% of the value of the classes of property selected and to remit the same to the disbursing agent for the benefit of the respective foreign country. To avoid immediate liquidation of 25% of the holdings, arrangements can be made for a loan of this amount, against the balance, the liquidation to take place, however, within a year; or if a loan be made, be paid for within a year against the freeing of 25% of the investment. The bank will then either hold or deliver to the Export-Import Bank 75% as collateral for a loan to be made immediately by that bank. At this point the 100% securities will either have been (a) liquidated by 25%, or will be subject to (b) collateral loan for 25% and a collateral loan based upon 75% of this value, made by the Export-Import Bank. The immediate advantage to the foreign country in such a proceeding is that it would get the amounts immediately, first the 25% and then within a very brief time thereafter, such proportion of the remainder as would be granted by the Export-Import Bank.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

The foreign government would grant complete amnesty to any holder whose property was thus, under his own consent by having accepted the offer, liquidated to the extent of 25% with the remainder available to some agency which would make a dollar loan against it. No publicity would be granted to the names of those who had thus availed themselves of the offer. A certificate would be issued by either the United States Government or under its authority by any bank, trust company, brokerage house, etc., which held the property, stating that so much had in fact been liquidated and that so much had in fact been made available and this would be complete protection to the holder of the property.

It is suggested that perhaps two certificates should be given, one as proof that the property had been subject to this offer in case that at some time thereafter and through different channels the person whose property had been thus in the United States should be found and it would be necessary for him to prove that his property had in fact come under the offer, that is to say, had not escaped its share of the financial burden of his own country and was entitled to amnesty. Another certificate might be issued which would be either in bearer form or registered and this could be sold, transferred or otherwise dealt in as the interest of the holder in the property pledged. This would necessarily identify the amounts or the securities which were in fact held (deposited as cash collateral) or pledged secured collateral. It is conceivable that a person to whom a certificate was issued showing 75% of the value of his property might wish to sell this for dollars for whatever it might bring rather than hold it awaiting the possible return of his property or its gradual reduction by his demand for francs as against it. If the certificate had any market value there would seem to be no reason why he should not be able to transfer good title to it to anyone. The main purpose is to assure France that all of the dollar assets of its nationals have been subjected to the same treatment. Presumably by the time the owner could secure back his dollar exchange, other persons in France would also be able to transfer francs into dollars if they so desired, that is, the country would be sufficiently rehabilitated to make normal international transactions impossible or all would suffer in the general loss.

At any time during the continuation of the loan the holder of any such collateral or the certificate representing it could apply with the latter named certificate to his own government and draw down francs as against dollar values, the amounts to be endorsed or punched on or into the certificate, the certificate thus being in the nature of evidenced or warehouse receipt. If such were drawn down the government account would be credited with the cash and the loan to that extent repaid.

Such a scheme would apply also to Switzerland since it represents the voluntary acceptance of an offer by, for example, a French national, as to his own government. Those who did not avail themselves of this would have their property confiscated.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

Our problem remains as to the use to which these loans could be put, for it is obvious that this might be merely an indirect way of liquidating all of the property; that is, a government could borrow and then intentionally default the loan, forcing the liquidation by the loaning agency, in our illustration, the Export-Import Bank. This, of course, would apply only to the 75% collateral, since the 25% would be available to the foreign government in any event. This can be avoided by having the money from the loan available only for those projects which would have an interest in not failing themselves, that is in some self-liquidating project or some project in which the Government could obtain no advantage by mere default. One might be a stabilization loan for a period of five years. The country would then not have any right to default upon the loan unless it needed funds for the continued stabilization of its currency. No country would ruin its currency voluntarily merely to liquidate the securities. Of course this raises a question as to the repayment of the loan and the terms should be certain partial repayments during the period of five years. Another use would be as an investment fund or a guarantee of investment for commercial projects instituted by citizens or corporations of the country involved. Here, again, there would be inducement to the persons interested in the project to carry it through successfully and profitably and of course repay the loan.

In this and other ways the blocked funds in the United States as to each country would be immediately available as to 25% for the current use and 75% (or 80% - 90% of 75%) for longer time investment or other national use.

The question of income on pledged securities has not yet been stressed. This would either go to the owner or could be invested in United States bonds.

The risk to the United States would not be great, as it would have the dollateral. Of course a depression within the United States would cause the liquidation or partial liquidation, but it would appear that this is a risk which must be run.

Some such plan as the above is easy of administration as transfers of property are either (a) under advice of the owner of the property, or (b) by operation within the United States of the laws of the United States.

In case of any special problems arising, banks could without violation of the confidential relationship discuss this problem with the proper agency of their own government and it is therefore believed that the number of suits which would arise would be relatively small.

On any matter of this sort offered as an alternative to the present delaying and clumsy plan further details could be worked out, once the principle is accepted.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

COPY

THE NATIONAL CITY BANK
OF NEW YORK

New York 15, N.Y.

May 5, 1948

Dear John:

Your note of April 29 in reply to mine of April 8 with respect to methods for bringing frozen foreign funds into more active use is, I confess, both surprising and disappointing, and seems to miss the point of our letter.

My proposal was made only after a very careful study of the problem, both in this bank and in other institutions, and after conferring with Allan Sproul, who has had the responsibility for administering foreign funds control in this market. It was directed towards finding practical ways of bringing about the results which I think both you and the Congress have had in mind.

The proposals made by Congressman Keating seem to me beside the point, as Congressman Keating's proposals were interpreted in the discussions to involve seizure of all assets here of foreign nationals. Certainly the rejection of this amendment does not deprive the Export-Import Bank or other lending agencies of the right to require collateral for any of its loans where it may be possible.

As to the meaning of the final paragraph of your letter, I am a little at sea. These foreign countries are now making every effort within their power to take possession of the assets of their nationals with considerable success. The problem is reaching such funds as are now beyond

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FFC Gen. correspondence
Box 95

New York 15, N.Y.

their reach, and there are two ways of doing this. One way is to make an attractive offer to these people, which will be reasonable and acceptable; and the other is for the United States to step in as a policeman and help foreign countries enforce foreign laws within the United States, a surrender of sovereignty.

The latter course: that is, our acting as a policeman, would appear in the opinion of the lawyers I have consulted to have doubtful legal basis, relying as it does upon the Trading with the Enemy Act two years after the actual conclusion of war. It involves, also, the highly dubious business of distorting action originally taken to protect from the enemy the nationals of friendly countries, to a totally different use. It seems to us that if the Treasury persists in following this course it is likely to encounter grave difficulties in the courts and to open itself to the accusation of violating international understandings with respect to private property--of very grave importance. The proposal to expropriate Swiss assets is a case in point. The eventual repercussions on the treatment of American property abroad should be carefully reviewed. It goes counter to what we have been seeking at Bogota.

We fail to find in the recent action of Congress any specific legal basis for the action now proposed to be taken by the Treasury and Department of Justice.

Under these circumstances it would seem to me that the Government should first make every endeavor to reach these funds in clearly Constitutional ways, and not violate one of the fundamental principles on which the

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

economy of our country rests—that private property should not be taken except by due process of the law.

Please forgive me in writing so strongly on this subject. I know how burdened you are with a mass of work, and how difficult it is for you to give personal attention to these complicated matters. Yet I do firmly believe that the importance of this question warrants your giving it further personal review. I enclose an additional copy of my original suggestion.

I am further taking the liberty of sending a copy of this to Bob Lovett, and to Willard Thorpe, who I know is concerned with the drafting of the agreements with foreign countries, which are bound to refer to this question.

Sincerely yours,

/s/ W. Randolph Burgess

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

311133

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

P
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 ar

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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

RECEIVED
Treasury Department
APR 13 1940
OFFICE OF
INTERNATIONAL FINANCE

311135

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File RFC Gen. correspondence
Box 915

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, collateraled 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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

Honorable John W. Snyder April 8, 1948

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,

Randolph

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 (OFLC), and Hilken (OAP)
Norman Davis (NYFed)

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

109379 APR 7 1948

To : Mr. R. R. 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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

(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.

/s/ Margaret H. Schwartz

HRPollak:MWSchwartz:ebb 4/6/48

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FFC Gen. correspondence
Box 915

108687

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)

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

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 (other 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

MHS:MHSchwartz:obb 4/2/48

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

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

311143

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

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.

EArnold:VJ
4-2-48 E.A.

311144

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

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

Willard L. Thorp
Assistant Secretary

311147

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FFC Gen. correspondence
Box 915

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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

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.

FILE COPY

311151

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

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 F. Evans
Evans, Hand and Evans
129 Market Street
Paterson 1, New Jersey

Enclosure

MAR 5 1948 - Mailed MMB

FILE COPY

RRSchwartz:ltm 3/1/48

311152

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILES

March 3, 1948

Re: Technical Committee for Swiss Problems

1. 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. Shwartz (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 intemization 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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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) 11A 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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

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 those 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.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

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 L Schwartz

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

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

LIFTING FOREIGN FUNDS CONTROL

Speech to be delivered by Orvis A. Schmidt, Acting Director, Foreign Funds Control, before the Thirty-First National Foreign Trade Convention, Hotel Pennsylvania, New York City, October 9, 1944

As the military situation has progressed, we in Foreign Funds Control have been giving increasing attention to the problems involved in lifting our freezing controls. Within the office, this has come to be known as the "defrosting problem." I shall not try at this time to give a detailed analysis of the technical aspects of the defrosting job but shall attempt, rather, to indicate the general frame of reference within which the defrosting operations must be conducted.

I might begin by calling your attention to the fact that Foreign Funds Control is not a foreign exchange control in the ordinary sense in which the term is used. At present this Government exercises no control over foreign exchange transactions as such. For example, Americans are perfectly free to transfer funds, without limit or license, to Canada, the United Kingdom, Latin America, or other unblocked countries. Foreign Funds controls, which apply only to international financial transactions with or on behalf of persons located in blocked countries, are concerned not with problems arising out of a shortage of foreign exchange but rather with problems arising out of the war. Their fundamental purpose is to guard against financial transactions contrary to our wartime interests. The Foreign Funds controls must hence be regarded as wartime controls, and I can assure you that it is the intention of the Treasury Department to relax and eliminate them as rapidly as can be done consistent with the

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

protection of American financial interests and the completion of Foreign Funds Control's wartime objectives.

The types of problems that arise in connection with the lifting of the controls over the assets of the blocked countries can be most clearly visualized in connection with the types of countries to which they relate and the purpose for which they were established.

The countries to which the freezing orders have been extended may, for purposes of this discussion, be considered as falling within three general categories. The first category consists of those friendly countries which have been occupied by the Axis. Examples of such countries are Norway, Holland, Belgium, and France. The second category consists of countries such as Germany and Japan, which belonged to the Axis and which declared war against the United States. We may refer to them as enemy countries. Into the third category may be placed the European neutrals which, until just recently, were surrounded by Axis might, namely: Portugal, Spain, Sweden, and Switzerland.

Let us turn our attention first to the case of the occupied countries. As you may recall, it was to these countries that the freezing control was first applied. Foreign Funds Control was inaugurated in April 1940, at which time the funds of Norway and Denmark were frozen, shortly after the invasion of these two countries by Germany. As additional countries were occupied by the Axis, the freezing controls were extended to the assets of these occupied countries. With the exception of China, which is a different type of case, the occupied countries have been under

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

the complete control of the invader for from two and a half to four years. In all cases, trade and communication with the United States have been severed since early in 1942.

The primary objectives in originally applying the freezing controls to the $4 billions of assets held in this country by the occupied countries were twofold: The first objective was to safeguard these assets and to prevent them from being transferred under duress or upon the order of the invaders into the control of the occupying country to be used in financing his war effort. The second objective was to protect American financial institutions from possible conflicting claims based upon instructions received from the occupied countries. Now that the occupied countries are being liberated, and we approach more closely the time when trade and communication can be restored, we find that considerations very similar to those which led to the original application of the freezing controls make it strongly undesirable to completely wipe out the controls immediately after the liberation of the country by Allied armed might.

In order to visualize more clearly the nature of the problem, let us assume for a moment that the freezing controls relating to France were lifted tomorrow. Immediately, the protection which banks and other financial institutions are receiving with respect to payment orders and instructions which originated in France while it was occupied by Germany would be withdrawn, and they would have either to act upon the instructions or assume the full responsibility for their failure to act. We might also expect that, with the freezing order out of the way, new instructions would

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FRC Gen. correspondence
Box 915

begin to come from Argentina, Spain, or Switzerland, accompanied by assignments, powers of attorney, etc., authorizing payments from French accounts to persons scattered all over the world. Many of such instructions would serve to carry to completion transactions originating under duress or for the benefit of the Germans during the period of occupation. Not only would French assets be paid over to agents or cloaks of our enemies, but the financial institutions receiving such instructions would be subject to conflicting claims and possible suit. If we also assume that adequate controls have not been established within France, there would be no assurance that instructions received from France itself did not represent the transfer into a new hiding place of assets held by the enemy within France or acquired there during the period of occupation. Furthermore, American creditors who, by reason of the occupation of France and the existence of the freezing control, did not receive payment of amounts due them might find the funds of their debtors transferred out of the United States before they had an opportunity to re-establish contact with the debtors.

It is evident that freezing controls cannot be completely lifted with respect to occupied countries immediately after their liberation, but that a "defrosting program" is called for which is designed to deal in an effective manner with the problems resulting from the fact that such countries have, in most instances, been occupied by the enemy and cut off from trade and communication with this country for approximately three years. Such a program must provide a simple and easily workable method of permitting

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

the resumption of trade and financial transactions with the liberated countries, while affording American banks and financial institutions the maximum protection against suit and conflicting claims. It must permit the newly originating bona fide instructions to be readily honored while preventing the completion of transactions originating under duress or designed to place funds in hiding for the postwar use of the Axis leaders. It must afford American creditors an opportunity for contacting their debtors before assets which the debtors have in this country are transferred beyond their reach. It must provide for the uncovering and identification of assets held within this country by our enemies through cloaks of financial institutions within the occupied countries and the segregation of such funds for ultimate disposition as enemy assets. In short, it must provide for an orderly transition from the period of enemy occupation to the time of restoration and the gradual removal of the controls without sacrificing the wartime objectives of the freezing program.

The methods by which these objectives may be accomplished may vary from country to country. I am not prepared at this time to describe the methods to be used to achieve these defrosting objectives. I might point out, however, that the general licenses issued by Foreign Funds Control have served remarkably well as instruments designed to freely permit transactions of a desirable character while reserving for special treatment the transactions of a problem character. It is expected that this same approach may be used to advantage in the defrosting program as applied to friendly countries which have been occupied.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

Let us now turn our attention to the countries falling in category two -- namely, the enemy countries. The controls were extended to these countries during the summer of 1941 in order to control the use being made by such countries of United States financial facilities and of their assets within this country. Originally applied as a measure of economic defense, they became, with our entry into the war, a weapon of aggressive financial warfare throughout the period of hostilities.

It is clear that the controls over assets of the enemy countries must remain in effect until decision has been made as to the disposition of such assets. It may be well briefly to give some idea of the nature of one or two of the basic considerations involved in making such a decision.

The total value of the assets held within the United States by the six enemy countries (Germany, Italy, Japan, Bulgaria, Rumania, and Hungary) and uncovered to date is roughly $440,000,000, not counting the value of enemy-owned patents. In comparison, assets of American citizens in the enemy countries are valued roughly at $1,775,000,000, or approximately four times the value of enemy assets in this country. These figures are derived from the census of foreign-owned property in the United States taken by the Treasury Department in June 1941 and the census of American-owned property in foreign countries taken as of May 1943. As these figures indicate, the plan which is sometimes suggested of simply using the enemy assets to pay claims of American citizens against enemy countries comes up against the fundamental fact that enemy assets within this

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

country are very small as compared to the claims of American private interests against the enemy countries. These figures do not take into consideration amounts still owed to the United States by Germany arising from the last war nor any claims which may possibly arise out of this one.

A second basic consideration is the fact that Americans having property in enemy countries are not now in a position to know the extent of their losses. In many instances properties in enemy territory which would now be considered as lost may be returned intact to the American owners. In other instances American assets may be destroyed or otherwise rendered worthless. It is only after the termination of hostilities, when the facts are known concerning the extent of American claims against the enemy countries, that action can properly be taken to protect the rights of American creditors of enemy countries. The decision as to the disposition of enemy assets should properly be considered as part of an over-all financial program with respect to such enemy countries which must take into consideration not only the claims of American private interests but also the economic and political factors that will be pertinent.

Another facet of this "enemy funds" problem which might be mentioned in this connection is the necessity of resolving what we have come to refer to as the "conflicting custodial claims" of various United Nations. These are cases in which two or more of the Allied governments have a basis for claiming the same enemy asset. An example of one of these problems is represented by Corporation A, which was incorporated in Great Britain and which was controlled prior to the war by Germans. Let us

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

assume that the stock of Corporation A has been vested by the British Custodian of Enemy Property. However, the dollar and security balances held within the United States by this corporation will be blocked as German under the Foreign Funds Control regulations. Thus, both the United States and the British Governments would have a potential claim against these frozen assets. We might assume further that the corporation has issued bonds, some of which are registered in the names of Germans but are physically located in Canada. This raises the question as to whether the Canadian Government can claim the bonds by virtue of possession of the physical securities or whether they go to the British Government where the registration books are kept. At present, representatives of this Government are exploring with representatives of the United Kingdom and Canada ways of resolving these conflicting custodial problems.

Let us now consider the neutral countries which we have placed in category three. The freezing controls were applied to these countries in order to prevent them from being used as cloaks for carrying out Axis transactions which might not be effected if the true facts were known. Since the middle of 1940, shortly after they were frozen, a general license has been outstanding authorizing financial transactions on behalf of nationals of each of these countries. Throughout these years the bulk of the American financial transactions with nationals of these neutral countries have been effected under these broad general licenses.

The primary problem to be dealt with in lifting the Foreign Funds controls over the assets held in this country by persons and institutions

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

within the neutral countries is that of identifying and segregating assets which are beneficially owned by our enemies.

It is now well known that the Germans, even before the armistice in the last world war, were laying their plans and making preparations to preserve their power, influence, and ability to try again to realize their ambitions of world domination. As part of this plan, substantial amounts of assets were secreted in neutral countries beyond the reach of Allied controls. Accumulating evidence now indicates that the Nazis have improved upon and are perfecting the techniques successfully adopted by the militarists after World War I. By devious methods, funds are being transferred to or accumulated in neutral countries, where they are cached or invested to provide future sources of income. Facilities are being established to camouflage future financial operations for the purpose of thwarting and defeating any penalties, controls, or restrictions imposed upon a defeated Germany by the United Nations. In recognition of the importance of this problem, the United Nations Monetary and Financial Conference at Bretton Woods unanimously adopted Resolution VI, calling upon neutral countries to cooperate in dealing with this problem. It is clear that one of the first steps is the establishment of machinery to insure that assets held within the United States by the enemy shall not be released merely because they were held through cloaks in neutral countries.

The remaining set of controls to which I would like briefly to refer ties in rather closely with the problem just mentioned in connection with the neutral countries. These are the Treasury controls over the importation into the United States of securities and dollar currency. In

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-09

RG 131
Entry
File FPC Gen. correspondence
Box 915

cooperation with a program prepared by the American Commission for the Protection and Salvage of Artistic and Historic Monuments in War Areas, these controls were recently extended to objects of art. The primary objective for the establishment of these controls was to prevent the dumping in this market of assets looted by the invader in the occupied countries. It is known that dollar securities and dollar currency running into substantial figures were held in the occupied countries prior to the German invasion. Once seized by the invader and converted into foreign exchange, these looted assets would have served to bolster the enemy's war effort. The looted assets can, of course, also be cashed in neutral countries for use by war leaders and party officials who manage to escape from the defeated Axis countries.

By its import controls, supplemented by other active measures, Foreign Funds Control has operated to drive down the black market value of looted currency and securities and to impose serious obstacles to the liquidation of these valuables. Should the import controls be simply removed in the near future, it is evident that the United States would provide the best market for the enemy loot. Such a step would not only enhance the value of this material presently in the possession of Axis cloaks and black market operators, but would also expose American financial interests to the conflicting claims which would arise in dealing with looted property. While every endeavor will be made to relax these controls as rapidly as possible, it is expected that their complete elimination can most satisfactorily be effected in connection with a

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

United Nations program for dealing with the over-all problem.

In closing, I should like to express my appreciation of the opportunity to be here today to participate in this discussion. I shall be happy to answer any questions that I can and to take under advisement any that I am not able to answer at this time. We are fully conscious of the complex character of many of the problems with which we are confronted, and we are anxious to have your suggestions. Please feel free to write to us and to call to our attention any problems which you feel we may be overlooking or instances in which you feel we are not making the progress that should be expected.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

Treatment of U.S. Claimants.

Lifting the freezing control must be approached from the standpoint of the protection of those American creditors who have claims against the liberated country in question or its nationals. Foreign Funds Control has consistently denied these creditors the privilege of effecting collection out of the frozen assets of an enemy invaded country or its nationals.

It is felt that any lifting of the freezing control should be so arranged and timed so as to give U.S. claimants the opportunity before the lifting to collect their claims against nationals of the country involved from any assets such specific nationals have in this country.

Before the lifting of the freezing control would take place it is expected to give wide-spread publicity to such prospective lifting. This advance notice would be given at such a time so as to provide American claimants with a reasonable opportunity to communicate with their debtors to arrange amicable settlements of claims, or to bring suit, or to take any steps to protect their interests.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FFC Gen. correspondence
Box 9.5

It is also felt that prior to any lifting of the freezing control arrangements should be made so that where the debtor of the liberated country involved does not have assets in the U.S. to cover American creditors, but has adequate assets located in the country involved, such debtor shall have made available to him dollar exchange by the liberated government to facilitate the effecting of payment.

In this type of case it would seem desirable to take care of the problem by an agreement with the government involved whereby payment by such debtor from his assets in the liberated country to American creditors will be facilitated. In other words, that the government of the area concerned would agree to make dollar exchange available to U.S. claimants in payment of any bona fide pre-war obligation, the payment of which is made or tendered by any debtor in such foreign country.

~~In this type of case it would seem desirable to take~~

In the light of the need mentioned above of these governments for dollar assets it is understandable that this agreement would

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

...t require that the government involved make dollar excange available for the effecting of any capital transfers. With respect to capital transfers it would seem reasonable that U.S. claimants shall be given rights which shall be no worse than those enjoyed by the residents of any other countries.

311172

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FFC Gen. correspondence
Box 95

Treatment of persons located within enemy-occupied areas: Protection of their rights.

In considering the question of lifting the freezing control we must also be concerned with the protection of persons who have assets in this country and whose claims or rights with respect to such assets may not be known to the control. This factor is one of the most basic, inasmuch as the control was originally instituted for the protection of the assets of the invaded countries and their nationals which were located in the U.S., by the broad device of prohibiting, during the emergency, transactions affecting their interests when such transactions would also involve participation in varying degrees by the enemy. FFC has maintained protective control over the assets of persons in such situations by refusing to allow the payment of claims in cases where a suggested enemy interest has been possible.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FFC Gen. correspondence
Box 95

It is reasonable to assume that many nationals of the occupied countries will have been forced to "sell" or "give" their assets by executing transfers, giving pay orders, powers of attorney and the like. Any lifting of the freezing control that does not make provision for a continuance of this protection, that is, for an arrangement which would prevent the completion of any such forced "sales" or "gifts", would play into the hands of the persons at whom the whole program of FFC was directed. On the other hand, the reopening of communications will unquestionably bring many legitimate applications for retroactive licenses.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

Determination of enemy interest: Conflicting custodian problem.

Before we lift the freezing control with respect to any assets that have been blocked as non-enemy, that is, have been blocked as neutral or under the designation of one of the enemy occupied countries, we would want to be certain that none of these assets bears ~~that~~ the taint of enemy interest.

It is obvious ~~xx~~ that we would not consider altering the present freezing control with respect ~~to~~ enemy frozen assets in the U.S. until the matter of its disposition has been determined. It would follow that we have a responsibility not to give up any rights of this Government with respect to enemy assets which are cloaked in the ~~xxxx~~ neutral countries or in the enemy occupied countries.

The apointment of an A.P.C. to vest enemy-owned assets within the U.S. has clearly established an overall government policy of taking title to certain types of property. While to date the vesting of certain blocked assets has not been deemed necessary, the problem of searching out enemy-owned assets masquerading in

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

dummy corporations and names and omnibus accounts, remains.

Granted this decision not to give up any such rights of this Government the question becomes one of deciding the mechanics for protecting the position of the Government with respect to any assets that are found to be enemy owned. From an administrative point of view whatever the mechanics adopted the following standards must be met: That the lifting of the freezing control not take an unreasonably long time to be completed, and that the rights of this Government are reserved and protected with respect to any asset the control of which has been lifted and in which asset an enemy interest is found subsequent to the lifting.

We believe that the program for releasing foreign exchange assets to the liberated areas must be initiated without prior settlement of the enemy property question. With this over-riding objective in mind it would seem sensible that an arrangement be entered into whereby, should any assets which are released to a liberated area government, be subsequently found to contain an enemy interest, such liberated area government would return such asset to this Government or hold it available for disposition in

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 9.5

accordance with any program adopted by this Government with respect to enemy-owned assets.

The problem of enemy assets is to see to it that they will be held available pending determination as to their ultimate disposition.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

File: Depositing; Neutrals

MEMORANDUM FOR THE FILES

July 13, 1944

Following the collapse of Germany and the cessation of hostilities in Europe there will undoubtedly be strong diplomatic pressure by the European neutral countries to lift the freezing controls in respect to their assets in and transactions with the United States. It seems probable that the strongest pressure of this nature will be exerted in respect to Swiss assets. It seems equally clear that in respect to the European neutrals the problem of greatest magnitude and importance will be in connection with assets in and transactions with the United States of Swiss nationals.

It is well known that the Swiss Government and Central Bank have declined, with only infrequent minor exceptions, to certify transactions under the Swiss general license, other than transactions for government account. Up to the present the Swiss have declined to avoid the restrictions imposed on security transactions by General Ruling No. 17, by appropriate certification under the Swiss general license. The Swiss have explained this refusal primarily on the grounds of the magnitude of the problem involved and their manpower shortage due to military mobilization, etc.

To minimize the prospect of a complete lifting of freezing controls in respect to Swiss assets and transactions, due to successful diplomatic pressure, not only in respect to those types which we would have no objection to being lifted out of the freezing controls but also those types which we feel should continue to be subject to freezing controls for some further period of time (such as assets in which there is an interest of an enemy or possibly an occupied country national), it is felt desirable to indicate now to the Swiss the probable general nature of our controls following the cessation of hostilities in Europe, and the general policies which this Department now feels disposed to follow at that time in respect to Swiss transactions and assets. This would be in accord with similar general indications, during the latter part of 1943 and the early months of 1944, of Treasury attitude toward the use by reestablished recognized governments in the liberated areas of assets within the United States owned by nationals of such countries. (In this connection, see memoranda dated October 14, 1943, November 2, 1943, November 4, 1943, December 10, 1943, December 20, 1943, January 20, 1944.) An ancillary consideration that should be kept in mind is that failure to take prompt and reasonable action in respect to facilitating non-objectionable dollar transactions following the cessation of hostilities in Europe will have a strong tendency to drive the handling of international trade and financial operations away from our dollar facilities toward direct or other triangular channels to the detriment of our national interests.

Accordingly, it is suggested, as a basis for further discussion, that consideration be given now to advising the Swiss at an early date that following the cessation of hostilities in Europe it is presently the intention of Treasury to remove from the prohibitions of the freezing controls those assets within the United States blocked only as Swiss and in respect to which neither we nor the holders thereof have any information indicating an interest therein of a blocked national other than Swiss (or possibly of a Swiss and European neutral or person in a blocked country in the Generally Licensed Trade Area), after the Swiss Government or Central Bank, or other appropriate government agency, has certified that such assets are owned beneficially only by Swiss (or more broadly as indicated above). One method of effecting this general result would be to designate the accounts in which such assets are held, following appropriate certification by the Swiss, as the accounts of generally licensed nationals. Concurrently, Switzerland (and the other European neutrals) would be included in a general license similar to General

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

License No. 53 which would permit trade transactions with the United States and with countries within the Generally Licensed Trade Area, provided such transactions were effected through accounts appropriately certified as indicated above. This procedure would have the effect of removing from our controls most trade transactions of a satisfactory nature, and release, after certification, those accounts in the United States from freezing restrictions in respect to which by that time we would have but little significant interest. For remittance purposes, accounts of banking institutions in Switzerland, so certified by the Swiss, would be deemed to be blocked accounts for the purposes of General Licenses No. 32 and 33, and any other appropriate general licenses (presumably General License No. 1 and possibly General License No. 72, etc.)

Coupled with this might be the prior step of directing the transfer of all unidentified and uncertified (pursuant to General Ruling No. 17) balances and securities held in Swiss blocked accounts to General Ruling No. 6 accounts and the concurrent revocation of General Ruling No. 17.

It is felt that indicating to the Swiss now our attitude toward purely Swiss assets and transactions following the cessation of hostilities in Europe, and the procedures by which relative freedom from our freezing controls could be obtained, would to a substantial extent deflate potential Swiss diplomatic pressure to lift all our controls in respect to all assets held here nominally or beneficially in Swiss names, and prevent the Swiss from raising at a later and possibly inconvenient date manpower shortage, inconvenience, or dislike of procedure, etc.

It is felt that the freezing control problem in this general respect is primarily with the Swiss and that any agreed on approach should first be made to them. Following such discussions with the Swiss and in the light of developments therefrom, similar discussions could be had with other European neutrals.

A. U. Fox

cc: Messrs. Pehle, Schmidt, Richards, R.Schwartz, Luxford, Alk, Moscivitz, Glasser, Fisher, Bennett, Day, Blake, J.C. Jones.

AUFox:rd 7-15-44

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILE

October 14, 1943

Mr. E. M. Bernstein and I discussed the following matters with Baron de Gruben and Baron Boel, of the Belgian Embassy, today.

The representatives of the Belgian Government referred to the Council meeting to be held at Atlantic City beginning November 9 covering the establishment of UNRA. It was pointed out to the Treasury that at such meeting the Belgian Government would be asked to enter into discussions which would inevitably involve the financing of shipments of relief goods to Belgium. Such goods conceivably could be financed through Lend Lease, through a loan to be obtained by the Belgian Government as soon as it returns to Belgium using as collateral Belgian private assets in the United States, or by the direct use of Belgian governmental and private assets in the United States for this purpose. The representatives of the Belgian Government said that they felt they ought to be in a position to know whether the Belgian blocked funds could be used for purchases of goods to be shipped to Belgium. They did not raise the question with respect to purchases to be made before the liberation of Belgium. Baron Boel said that the Belgian Government would raise this matter at the conference in Atlantic City unless it was resolved in the meantime.

Baron Boel explained some of the measures which the Belgian Government is planning to take upon the liberation of Belgium. He said that he would obtain the permission of his Government to inform the Treasury more fully with respect to such measures which include, (1) the calling in of all Belgian franc notes over 100 francs, (2) the blocking of portions of all Belgian bank accounts, including the proceeds of surrendered currency, (3) a somewhat-disguised capital levy, (4) a census of all Belgian assets held abroad, etc. Baron de Gruben said he hoped the Treasury was thinking through the problems involved in releasing Belgian assets at the end of the War. He was assured the Treasury was focusing on the several problems involved in dealing with such assets. There was a brief discussion of the possibility of some form of interlocking controls between the United States and Belgium such as the arrangement with China. Baron Boel seemed to be very interested in this possibility and said that if the Treasury was in agreement he would like to have a director of the National Bank of Belgium, which is to serve as the Belgian exchange control, come to the United States from London in order to discuss the matter with us more fully. Baron Boel emphasized the point that upon the liberation of Belgium the Belgian Government would like to reassure the Belgian people that the only financial controls remaining on Belgian assets were those which the United States was maintaining with the full approval of the Belgian Government and as a measure of assistance to it.

The representatives of the Belgian Government were assured that these matters would receive careful consideration by the Treasury.

(Signed) J. W. Pehle

cc: E.M. Bernstein, Taylor, Glasser, Luxford, DuBois, Aarons, Fox, Schmidt, Hodel.

JWPehle:rg 10-16-43

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILES

November 2, 1943

At a conference on November 1 with Baron Boel, Financial Adviser to the Belgian Government, attended by Messrs. Pehle, Luxford, E.M. Bernstein, Glasser, and Fox, the following matters were discussed.

1. Pursuant to Baron Boel's inquiry, the mechanics of the operation of the account in the United States of the National Bank of Belgium under the existing notification license was explained. It was specifically pointed out that the same procedure was applicable to both internal and external payments ordered by the National Bank of Belgium. Baron Boel appeared entirely satisfied with the explanation and the procedure.

2. In response to an inquiry previously made by Baron Boel in respect to the probable policy of the Treasury with respect to the use of blocked Belgian funds within the United States following the liberation of Belgium, it was indicated that it was the intention of the Department to follow a policy of cooperation with the Government of Belgium, designed to facilitate the use of such funds for the relief and other needs of Belgium, and in general, with certain qualifications, the fundamental objective of our controls would be to complement Belgian controls and to regulate operations in Belgian funds consistent with the mutual interests of Belgium and the United States.

3. Baron Boel inquired if it might not be desirable to initiate inter-governmental discussions with a view toward arriving at an agreement as to post-war policies applicable to Belgian funds within the United States, and, at the same time, endeavor to devise a formula for resolving many of the mutual problems which will confront both governments following the liberation of Belgium. It was indicated to Baron Boel that, while Treasury was giving extensive thought to such matters within the Department, it was deemed to be premature at this time to enter into inter-governmental discussions looking toward the signing of such an agreement.

A. U. Fox

cc: Messrs. Pehle, Luxford, E.M. Bernstein, Glasser, Schmidt, and Miss Hodel.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILES

November 4, 1943

Baron de Gruben called on November 4 to discuss with Messrs. Pehle and Fox the probable policy of the Treasury with respect to the use of blocked Belgian funds within the United States following the liberation of Belgium, which subject had been discussed in general terms with Baron Boel, Financial Adviser to the Belgian Government, on November 1.

It was indicated to Baron de Gruben that, following the liberation of Belgium, it was the intention of the Treasury to follow a policy of cooperation with the Government of Belgium, designed to facilitate the use of Belgian funds within the United States for the relief and other needs of Belgium, and that the Belgian Government, in making plans in respect to its financial requirements in connection with UNRA, could insofar as Treasury was concerned consider that Belgian funds within the United States would be available to the Belgian Government for its relief purposes.

With regard to the availability to the Belgian Government of Belgian funds within the United States, including funds of Belgian nationals, it was indicated to Baron de Gruben that, following the liberation of Belgium and the establishment of effective controls by the Belgian Government, the fundamental objective of our controls would be to complement Belgian controls and regulate operations in Belgian funds consistent with the mutual interests of Belgium and the United States, and that subject to the resolving of conflicting custodial problems and the protection of American creditors of Belgian debtors, it would be the intention of the Treasury to permit the transfer of funds owned by Belgian nationals to the effective control of the Belgian Government and to permit the Belgian Government to utilize freely such assets consistent with the mutual interests of both countries.

A. U. Fox

cc: Messrs. Pehle, Luxford, E.M. Bernstein, Glasser, Schmidt, and Miss Kodel.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILES

December 10, 1943

There was a conference held in my office today at which the following were present:

For the Belgian Government	For the Treasury Department
Finance Minister Gutt	Mr. E. M. Bernstein
Baron de Gruben	Mr. Luxford
Mr. Ansiaux	Mr. Pehle

Mr. Gutt referred to the conversations which the Treasury had had with Baron de Gruben and Baron Boel with regard to the unfreezing of Belgian assets and said that he would like to renew these discussions. Mr. Gutt mentioned that in May of this year he had discussed this question in a general way with Mr. White who had indicated that from a technical point of view there was no reason why the controls of this Government over Belgian assets should be continued after the war; Gutt subsequently mentioned this to Acheson who said he was in agreement. It was then pointed out that we had already indicated that upon the liberation of Belgium, and the establishment of a recognized Belgian Government in the area, the Treasury assumed that the assets of the Belgian Government, and of its nationalsin Belgium, would be available for appropriate Belgian uses, such as the plans of UNRRA. At this point we mentioned two problems the Treasury anticipated coming up at that time, as follows:

(1) Certain assets held in Belgian names will be found to belong not to Belgian nationals but to Germans or other enemies, and the problem will have to be resolved as to whether such assets should be made available to Belgium or to the United States. On this point Mr. Gutt said that he recognized the problem and was willing, on behalf of his Government, to enter into an agreement whereby any assets released to the Belgian Government which later turned out to be German and which, according to the peace treaty or other undertaking between the interested governments, were assets to be dealt with by the United States, would be turned over to the United States or replaced by assets of comparable value. In this connection Mr. Gutt said that his Government planned to sequester enemy assets within Belgium for the benefit of the Belgian state, but that creditors who have a lien on specific assets or have a claim against specific assets would be paid from such assets.

(2) The problem of American creditors of Belgian debtors was discussed. Mr. Gutt conceded that American creditors who had attachments or judgments should be paid out of the attached funds and that he was perfectly agreeable to any other creditors having claims against specific

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

assets, attaching such assets. With regard to Belgian debtors who had no assets in the United States Mr. Gutt said that if the debtor was found to be insolvent the Belgian Government should have no responsibility. On the other hand, Belgian debtors who have Belgian currency should be provided with transfer facilities to pay their American creditors. Mr. Gutt stated categorically that his Government was willing to enter into an agreement on this point (and, if necessary, to leave enough Belgian assets in the United States to provide adequate transfer facilities) for the payment of commercial debts owing to United States creditors, as well as to convert into dollars Belgian franc bank deposits held by Americans.

At this point there was some discussion of the possibility of the controls of the United States being modified in such a way as to be ancillary to the controls to be set up by the Belgian Government. Mr. Ansiaux described the controls which the Belgian Government is envisaging and said that it was intended that the Belgian Government would impose immediately very strict and broad exchange controls which would require all Belgians to report their foreign exchange assets (as well as all their assets in Belgium) to the Belgian Government; and all foreign exchange transactions would be prohibited, except with the approval of the National Bank of Belgium which would manage the exchange controls. Later, it was envisaged, the five or six largest banks in Belgium would be allowed to act as foreign exchange dealers on behalf of the National Bank. Mr. Ansiaux indicated that the Belgian exchange controls would be used for monetary, financial, economic and political purposes, including within the political purposes the function of preventing trade with the enemy.

There was some discussion of the Treasury's issuing licenses comparable to the licenses issued in connection with Belgian Congo transactions. Such licenses would permit the assets of persons and institutions in Belgium to be transferred to the National Bank and would allow assets held by the National Bank to be freely disposed of. It was made clear to Mr. Gutt, however, that the Treasury representatives were merely expressing their views as to what course of action would be taken and were not attempting to commit the Treasury, either as to what extent our controls would be lifted or to continuing supplementary controls. With regard to Belgian business enterprises operating in the United States, it was indicated that one approach would be to give the Belgian Government a list of such enterprises and to issue general licenses to those enterprises recommended by the Belgian Government. With regard to Belgian citizens residing outside of Belgium, it was indicated that except with regard to persons against whom there was evidence of an unsatisfactory character, this Government would probably not be willing to require the approval of the Belgian Government before releasing, but at that point would treat the Belgian nationals residing in Mexico, for example, just as other nationals of Mexico.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

Belgian Neutrals

SECRET

Baron de Gruba pressed for a written agreement by the Treasury on the points discussed. We pointed out that while we had been glad to indicate our views and the Treasury policy in such matters as we knew it, a written agreement, which must necessarily envisage a host of different hypothetical situations, would invariably contain all manner of conditions and stipulations. We also indicated that preparing such an agreement would be very time-consuming. Mr. Gutt seemed to be sympathetic with the Treasury's position.

(Signed) J. W. Pehle

TO Mr. Pehle

FROM Mr. White

/s/ HDW

I have read the report of the conference held in your office on December 10, 1943 with the representatives of the Belgian Government. I, as you know, am in complete accord with your views as expressed at that conference. However, I want to correct what appears to be a misunderstanding or misrepresentation of the explanation of my views to Finance Minister Gutt as described by him to you according to your account. I am taking this way of telling it to you intended as the record shall be perfectly clear. In discussing this matter sometime ago with Mr. Gutt, and in other discussions with representatives of other Allied Governments, I have always taken the position when the question was raised by them as to the unfreezing of their assets in this country that the funds were not frozen for monetary reasons in the first place that it was not that we lacked gold or foreign exchange resources or feared in any way any drain of such resources. Now, after the war is the formulation of a decision as to the time of the unfreezing of these balances would monetary considerations play a role. In the postwar period we would be happy to see them withdraw their balances as rapidly as they could. There remained, however, political considerations and questions of claims and counterclaims which obviously we are not in a position to appraise at this time and which might delay or modify a complete unfreezing of funds in this country. I added that it was my judgment that friendly governments would have no trouble after the

cc: Messrs. Paul, White, E.M. Bernstein, Taylor, Luxford, DuBois, Lesser, Schmidt, Fox, Miss Hodel.

JWPehle:rg 12-11-43

311185

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILES

COPY

TREASURY DEPARTMENT
Inter Office Communication

Date December 20, 1943

TO Mr. Pehle

FROM Mr. White

/i/ HDW

I have read the report of the conference held in your office on December 10, 1943 with the representatives of the Belgian Government. I, as you know, am in complete accord with your views as expressed at that conference. However, I want to correct what appears to be a misunderstanding or misrepresentation of the expression of my views to Finance Minister Gutt as described by him to you according to your account. I am taking this way of calling it to your attention so the record shall be perfectly clear. In discussing this matter sometime ago with Mr. Gutt, and in other discussions with representatives of other Exiled Governments, I have always taken the position when the question was raised by them as to the unfreezing of their assets in this country that the funds were not frozen for monetary reasons in the sense that it was not that we lacked gold or foreign exchange resources or feared in any way any drain of such resources. Nor, after the war in the formulation of a decision as to the time of the unfreezing of these balances would monetary considerations play a role. In the postwar period we would be happy to see them withdraw their balances as rapidly as they could. There remained, however, political considerations and questions of claims and counterclaims which obviously no one was in a position to appraise at this time and which might delay or modify a complete unfreezing of funds in this country. I added that it was my judgment that friendly governments would have no trouble after the war to obtain needed portions of their dollar or gold balances here.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILES

July 13, 1944

Following the collapse of Germany and the cessation of hostilities in Europe there will undoubtedly be strong diplomatic pressure by the European neutral countries to lift the freezing controls in respect to their assets in and transactions with the United States. It seems probable that the strongest pressure of this nature will be exerted in respect to Swiss assets. It seems equally clear that in respect to the European neutrals the problem of greatest magnitude and importance will be in connection with assets in and transactions with the United States of Swiss nationals.

It is well known that the Swiss Government and Central Bank have declined, with only infrequent minor exceptions, to certify transactions under the Swiss general license, other than transactions for government account. Up to the present the Swiss have declined to avoid the restrictions imposed on security transactions by General Ruling No. 17, by appropriate certification under the Swiss general license. The Swiss have explained this refusal primarily on the grounds of the magnitude of the problem involved and their manpower shortage due to military mobilization, etc.

To minimize the prospect of a complete lifting of freezing controls in respect to Swiss assets and transactions, due to successful diplomatic pressure, not only in respect to those types which we would have no objection to being lifted out of the freezing controls but also those types which we feel should continue to be subject to freezing controls for some further period of time (such as assets in which there is an interest of an enemy or possibly an occupied country national), it is felt desirable to indicate now to the Swiss the probable general nature of our controls following the cessation of hostilities in Europe, and the general policies which this Department now feels disposed to follow at that time in respect to Swiss transactions and assets. This would be in accord with similar general indications, during the latter part of 1943 and the early months of 1944, of Treasury attitude toward the use by reestablished recognized governments in the liberated areas of assets within the United States owned by nationals of such countries. (In this connection, see memoranda dated October 14, 1943, November 2, 1943, November 4, 1943, December 10, 1943, December 20, 1943, January 20, 1944.) An ancillary consideration that should be kept in mind is that failure to take prompt and reasonable action in respect to facilitating non-objectionable dollar transactions following the cessation of hostilities in Europe will have a strong tendency to drive the handling of international trade and financial operations away from our dollar facilities toward direct or other triangular channels to the detriment of our national interests.

Accordingly, it is suggested, as a basis for further discussion, that consideration be given now to advising the Swiss at an early date that following the cessation of hostilities in Europe it is presently the intention of Treasury to remove from the prohibitions of the freezing controls those assets within the United States blocked only as Swiss and in respect to which neither we nor the holders thereof have any information indicating an interest therein of a blocked national other than Swiss (or possibly of a Swiss and European neutral or person in a blocked country in the Generally Licensed Trade Area), after the Swiss Government or Central Bank, or other appropriate government agency, has certified that such assets are owned beneficially only by Swiss (or more broadly as indicated above). One method of effecting this general result would be to designate the accounts in which such assets are held, following appropriate certification by the Swiss, as the accounts of generally licensed nationals. Concurrently, Switzerland (and the other European neutrals) would be included in a general license similar to General

REPRODUCED AT THE NATIONAL ARCHIVES

MEMORANDUM FOR THE

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

License No. 53 which would permit trade transactions with the United States and with countries within the Generally Licensed Trade Area, provided such transactions were effected through accounts appropriately certified as indicated above. This procedure would have the effect of removing from our controls most trade transactions of a satisfactory nature, and release, after certification, those accounts in the United States from freezing restrictions in respect to which by that time we would have but little significant interest. For remittance purposes, accounts of banking institutions in Switzerland, so certified by the Swiss, would be deemed to be blocked accounts for the purposes of General Licenses No. 32 and 33, and any other appropriate general licenses (presumably General License No. 1 and possibly General License No. 72, etc.)

Coupled with this might be the prior step of directing the transfer of all unidentified and uncertified (pursuant to General Ruling No. 17) balances and securities held in Swiss blocked accounts to General Ruling No. 6 accounts and the concurrent revocation of General Ruling No. 17.

It is felt that indicating to the Swiss now our attitude toward purely Swiss assets and transactions following the cessation of hostilities in Europe, and the procedures by which relative freedom from our freezing controls could be obtained, would to a substantial extent deflate potential Swiss diplomatic pressure to lift all our controls in respect to all assets held here nominally or beneficially in Swiss names, and prevent the Swiss from raising at a later and possibly inconvenient date manpower shortage, inconvenience, or dislike of procedure, etc.

It is felt that the freezing control problem in this general respect is primarily with the Swiss and that any agreed on approach should first be made to them. Following such discussions with the Swiss and in the light of developments therefrom, similar discussions could be had with other European neutrals.

A. U. Fox

cc: Messrs. Pehle, Schmidt, Richards, R.Schwartz, Luxford, Alk, Moscovitz, Glasser, Fisher, Bennett, Day, Blake, J.C. Jones.

AUFox:rd 7-15-44

311188

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILE

October 14, 1943

Mr. E. M. Bernstein and I discussed the following matters with Baron de Gruben and Baron Boel, of the Belgian Embassy, today.

The representatives of the Belgian Government referred to the Council meeting to be held at Atlantic City beginning November 9 covering the establishment of UNRA. It was pointed out to the Treasury that at such meeting the Belgian Government would be asked to enter into discussions which would inevitably involve the financing of shipments of relief goods to Belgium. Such goods conceivably could be financed through Lend Lease, through a loan to be obtained by the Belgian Government as soon as it returns to Belgium using as collateral Belgian private assets in the United States, or by the direct use of Belgian governmental and private assets in the United States for this purpose. The representatives of the Belgian Government said that they felt they ought to be in a position to know whether the Belgian blocked funds could be used for purchases of goods to be shipped to Belgium. They did not raise the question with respect to purchases to be made before the liberation of Belgium. Baron Boel said that the Belgian Government would raise this matter at the conference in Atlantic City unless it was resolved in the meantime.

Baron Boel explained some of the measures which the Belgian Government is planning to take upon the liberation of Belgium. He said that he would obtain the permission of his Government to inform the Treasury more fully with respect to such measures which include, (1) the calling in of all Belgian franc notes over 100 francs, (2) the blocking of portions of all Belgian bank accounts, including the proceeds of surrendered currency, (3) a somewhat-disguised capital levy, (4) a census of all Belgian assets held abroad, etc. Baron de Gruben said he hoped the Treasury was thinking through the problems involved in releasing Belgian assets at the end of the War. He was assured the Treasury was focusing on the several problems involved in dealing with such assets. There was a brief discussion of the possibility of some form of interlocking controls between the United States and Belgium such as the arrangement with China. Baron Boel seemed to be very interested in this possibility and said that if the Treasury was in agreement he would like to have a director of the National Bank of Belgium, which is to serve as the Belgian exchange control, come to the United States from London in order to discuss the matter with us more fully. Baron Boel emphasized the point that upon the liberation of Belgium the Belgian Government would like to reassure the Belgian people that the only financial controls remaining on Belgian assets were those which the United States was maintaining with the full approval of the Belgian Government and as a measure of assistance to it.

The representatives of the Belgian Government were assured that these matters would receive careful consideration by the Treasury.

(Signed) J. W. Pehle

cc: E.M. Bernstein, Taylor, Glasser, Luxford, DuBois, Aarons, Fox, Schmidt, Hodel.

JWPehle:rg 10-16-43

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILES

November 2, 1945

At a conference on November 1 with Baron Boel, Financial Adviser to the Belgian Government, attended by Messrs. Pehle, Luxford, E.M. Bernstein, Glasser, and Fox, the following matters were discussed.

1. Pursuant to Baron Boel's inquiry, the mechanics of the operation of the account in the United States of the National Bank of Belgium under the existing notification license was explained. It was specifically pointed out that the same procedure was applicable to both internal and external payments ordered by the National Bank of Belgium. Baron Boel appeared entirely satisfied with the explanation and the procedure.

2. In response to an inquiry previously made by Baron Boel in respect to the probable policy of the Treasury with respect to the use of blocked Belgian funds within the United States following the liberation of Belgium, it was indicated that it was the intention of the Department to follow a policy of cooperation with the Government of Belgium, designed to facilitate the use of such funds for the relief and other needs of Belgium, and in general, with certain qualifications, the fundamental objective of our controls would be to complement Belgian controls and to regulate operations in Belgian funds consistent with the mutual interests of Belgium and the United States.

3. Baron Boel inquired if it might not be desirable to initiate inter-governmental discussions with a view toward arriving at an agreement as to post-war policies applicable to Belgian funds within the United States, and, at the same time, endeavor to devise a formula for resolving many of the mutual problems which will confront both governments following the liberation of Belgium. It was indicated to Baron Boel that, while Treasury was giving extensive thought to such matters within the Department, it was deemed to be premature at this time to enter into inter-governmental discussions looking toward the signing of such an agreement.

A. U. Fox

cc: Messrs. Pehle, Luxford, E.M. Bernstein, Glasser, Schmidt, and Miss Hodel.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILES

November 4, 1943

Baron de Gruben called on November 4 to discuss with Messrs. Pehle and Fox the probable policy of the Treasury with respect to the use of blocked Belgian funds within the United States following the liberation of Belgium, which subject had been discussed in general terms with Baron Boel, Financial Adviser to the Belgian Government, on November 1.

It was indicated to Baron de Gruben that, following the liberation of Belgium, it was the intention of the Treasury to follow a policy of cooperation with the Government of Belgium, designed to facilitate the use of Belgian funds within the United States for the relief and other needs of Belgium, and that the Belgian Government, in making plans in respect to its financial requirements in connection with UNRA, could insofar as Treasury was concerned consider that Belgian funds within the United States would be available to the Belgian Government for its relief purposes.

With regard to the availability to the Belgian Government of Belgian funds within the United States, including funds of Belgian nationals, it was indicated to Baron de Gruben that, following the liberation of Belgium and the establishment of effective controls by the Belgian Government, the fundamental objective of our controls would be to complement Belgian controls and regulate operations in Belgian funds consistent with the mutual interests of Belgium and the United States, and that subject to the resolving of conflicting custodial problems and the protection of American creditors of Belgian debtors, it would be the intention of the Treasury to permit the transfer of funds owned by Belgian nationals to the effective control of the Belgian Government and to permit the Belgian Government to utilize freely such assets consistent with the mutual interests of both countries.

A. U. Fox

cc: Messrs. Pehle, Luxford, E.M. Bernstein, Glasser, Schmidt, and Miss Hodel.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

MEMORANDUM FOR THE FILES

December 10, 1943

There was a conference held in my office today at which the following were present:

For the Belgian Government	For the Treasury Department
Finance Minister Gutt	Mr. E. M. Bernstein
Baron de Gruben	Mr. Luxford
Mr. Ansiaux	Mr. Pehle

Mr. Gutt referred to the conversations which the Treasury had had with Baron de Gruben and Baron Boel with regard to the unfreezing of Belgian assets and said that he would like to renew these discussions. Mr. Gutt mentioned that in May of this year he had discussed this question in a general way with Mr. White who had indicated that from a technical point of view there was no reason why the controls of this Government over Belgian assets should be continued after the war; Gutt subsequently mentioned this to Acheson who said he was in agreement. It was then pointed out that we had already indicated that upon the liberation of Belgium, and the establishment of a recognized Belgian Government in the area, the Treasury assumed that the assets of the Belgian Government, and of its nationalsin Belgium, would be available for appropriate Belgian uses, such as the plans of UNRRA. At this point we mentioned two problems the Treasury anticipated coming up at that time, as follows:

(1) Certain assets held in Belgian names will be found to belong not to Belgian nationals but to Germans or other enemies, and the problem will have to be resolved as to whether such assets should be made available to Belgium or to the United States. On this point Mr. Gutt said that he recognized the problem and was willing, on behalf of his Government, to enter into an agreement whereby any assets released to the Belgian Government which later turned out to be German and which, according to the peace treaty or other undertaking between the interested governments, were assets to be dealt with by the United States, would be turned over to the United States or replaced by assets of comparable value. In this connection Mr. Gutt said that his Government planned to sequester enemy assets within Belgium for the benefit of the Belgian state, but that creditors who have a lien on specific assets or have a claim against specific assets would be paid from such assets.

(2) The problem of American creditors of Belgian debtors was discussed. Mr. Gutt conceded that American creditors who had attachments or judgments should be paid out of the attached funds and that he was perfectly agreeable to any other creditors having claims against specific

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

assets, attaching such assets. With regard to Belgian debtors who had no assets in the United States Mr. Gutt said that if the debtor was found to be insolvent the Belgian Government should have no responsibility. On the other hand, Belgian debtors who have Belgian currency should be provided with transfer facilities to pay their American creditors. Mr. Gutt stated categorically that his Government was willing to enter into an agreement on this point (and, if necessary, to leave enough Belgian assets in the United States to provide adequate transfer facilities) for the payment of commercial debts owing to United States creditors, as well as to convert into dollars Belgian franc bank deposits held by Americans.

At this point there was some discussion of the possibility of the controls of the United States being modified in such a way as to be ancillary to the controls to be set up by the Belgian Government. Mr. Ansiaux described the controls which the Belgian Government is envisaging and said that it was intended that the Belgian Government would impose immediately very strict and broad exchange controls which would require all Belgians to report their foreign exchange assets (as well as all their assets in Belgium) to the Belgian Government; and all foreign exchange transactions would be prohibited, except with the approval of the National Bank of Belgium which would manage the exchange controls. Later, it was envisaged, the five or six largest banks in Belgium would be allowed to act as foreign exchange dealers on behalf of the National Bank. Mr. Ansiaux indicated that the Belgian exchange controls would be used for monetary, financial, economic and political purposes, including within the political purposes the function of preventing trade with the enemy.

There was some discussion of the Treasury's issuing licenses comparable to the licenses issued in connection with Belgian Congo transactions. Such licenses would permit the assets of persons and institutions in Belgium to be transferred to the National Bank and would allow assets held by the National Bank to be freely disposed of. It was made clear to Mr. Gutt, however, that the Treasury representatives were merely expressing their views as to what course of action would be taken and were not attempting to commit the Treasury, either as to what extent our controls would be lifted or to continuing supplementary controls. With regard to Belgian business enterprises operating in the United States, it was indicated that one approach would be to give the Belgian Government a list of such enterprises and to issue general licenses to those enterprises recommended by the Belgian Government. With regard to Belgian citizens residing outside of Belgium, it was indicated that except with regard to persons against whom there was evidence of an unsatisfactory character, this Government would probably not be willing to require the approval of the Belgian Government before releasing, but at that point would treat the Belgian nationals residing in Mexico, for example, just as other nationals of Mexico.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

Baron de Gruba pressed for a written agreement by the Treasury on the points discussed. We pointed out that while we had been glad to indicate our views and the Treasury policy in such matters as we knew it, a written agreement, which must necessarily envisage a host of different hypothetical situations, would invariably contain all manner of conditions and stipulations. We also indicated that preparing such an agreement would be very time-consuming. Mr. Gutt seemed to be sympathetic with the Treasury's position.

(Signed) J. W. Pehle

cc: Messrs. Paul, White, E.M. Bernstein, Taylor, Luxford, DuBois, Lesser, Schmidt, Fox, Miss Kodel.

JWPehle:rg 12-11-43

311194

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

COPY

TREASURY DEPARTMENT
Inter Office Communication

Date December 20, 1943

TO Mr. Pehle

FROM Mr. White

/i/ HDW

I have read the report of the conference held in your office on December 10, 1943 with the representatives of the Belgian Government. I, as you know, am in complete accord with your views as expressed at that conference. However, I want to correct what appears to be a misunderstanding or misrepresentation of the expression of my views to Finance Minister Gutt as described by him to you according to your account. I am taking this way of calling it to your attention so the record shall be perfectly clear. In discussing this matter sometime ago with Mr. Gutt, and in other discussions with representatives of other Exiled Governments, I have always taken the position when the question was raised by them as to the unfreezing of their assets in this country that the funds were not frozen for monetary reasons in the sense that it was not that we lacked gold or foreign exchange resources or feared in any way any drain of such resources. Nor, after the war in the formulation of a decision as to the time of the unfreezing of those balances would monetary considerations play a role. In the postwar period we would be happy to see them withdraw their balances as rapidly as they could. There remained, however, political considerations and questions of claims and counterclaims which obviously no one was in a position to appraise at this time and which might delay or modify a complete unfreezing of funds in this country. I added that it was my judgment that friendly governments would have no trouble after the war to obtain needed portions of their dollar or gold balances here.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FFC Gen. correspondence
Box 915

FOREIGN FUNDS CONTROL

To:
(1) Mr. Sachs ..... (Room) ..... (Bldg.)
(2) ..... (Room) ..... (Bldg.)
(3) ..... (Room) ..... (Bldg.)

From: Jack Bennett ..... (Date)
..... (Room) ..... (Bldg.)

311196

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

Recd J.S.
SEP 15 1944

September 13, 1944

Memorandum of Conference at the Department of State on September 8, 1944

Present: For State Department, Livingston Merchant
For Treasury, Messrs. Bennett, Blake and O'Flaherty

Re: Responsibility and functions of FPC with respect to the use of blocked funds in the United States for stockpiling materials in the United States or in the Western Hemisphere.

This conference with Merchant was arranged after I had discussed with him by telephone the problems which are now facing the Treasury Department in undertaking to licence blocked funds to be used for stockpiling purposes. Merchant was referred to the earlier exchange of letters between the Departments of State and Treasury on the subject of stockpiling through the use of blocked funds, and he was referred to the still unanswered letter which Treasury wrote to State on May 1, 1943, in which we suggested the possibility of having the State Department notify the four neutrals of Europe that their general licenses were not to be used for stockpiling purposes, so that FPC would then be able to scrutinize, and if necessary, to control the stockpiling of these governments through the use of their dollar resources. It was explained to Mr. Merchant that FPC is currently receiving applications on behalf of European neutrals for licenses to acquire products to be stockpiled both in the United States and in Latin America, and that we are being requested by FEA not to issue certain of the desired licenses.

It was brought out in our discussion that, by reason of the existence of the neutral general licenses, it was not necessary that these neutrals procure specific licenses for all stockpiling transactions. For this reason it was stated that FPC felt hesitant to undertake to prohibit stockpiling through a curtailment of transactions which only by chance came to our attention, while innumerable similar transactions were being effected outside our ken and control; that, moreover, FPC felt that if it were being looked to as an instrument of control, it would be necessary that its power to control be increased through an amendment of the neutral general licenses.

Mr. Merchant said that in advance of our meeting he had explored the subject within the Department, particularly with those charged with economic planning and that it was the Department's view that FPC should not be asked to assume the responsibility for the control of stockpiling by the blocked countries either within the United States or within Latin America. It was the Department's view rather, according to Mr. Merchant, that such controls either were being exercised or ought to be exercised by other agencies of the Government more directly responsible. For example, it was felt that WPB could and ought to exercise the control over the sales of

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

strategic materials within the United States to foreign governments, so that even though a transaction might be authorized by FPC when FPC had no objection to the underlying financial operation, the WPB could nevertheless prohibit the transaction if it were counter to this Government's plans based upon the over-all supply and allocation of strategic materials, whether during the war or in the post-war period.

So far as the problem extended itself to purchases in Latin America of strategic materials, Mr. Merchant said that it was the State Department's view that our own procurement agencies, along with UNRRA and the Combined Food Boards, had so contracted with the Latin American governments and the sources of supply within those governments that neutral interests would find it most difficult to arrange for immediate or post-war purchases of any considerable quantity of strategic materials. State feels moreover that with the control of shipping in the post-war world firmly in allied hands, the neutrals would not expect to reap any great advantage by early stockpiling of materials with the expectation that thereby an advantage would be gained over other nations in the importation of scarce materials in the post-war era.

Particular consideration was given to the fact that FEA had suggested to Treasury that approval not be extended to proposed purchases by the Swiss of coffee in Brazil for the reason that such purchases for stockpiling purposes would tend to aggravate the price difficulties which this Government is now having with Brazil and might thereby upset the ceiling prices within the United States on coffee. Merchant was of the opinion that in this field also Treasury should not undertake to exercise a control over the purchase unless there were objections to the transactions on financial grounds.

Consideration was given to the question of the control of stockpiling operations by the allied occupied countries, and cognizance was taken of the fact that Norway and the Netherlands had agreed to clear their purchases in this field with the Department of State. It was the view of the Department of State as expressed by Mr. Merchant that the UNRRA and the Combined Food Board controls would not be benefited by the imposition of additional financial controls exercised by FPC, since these governments were required to screen their requirements through UNRRA and the Combined Food Board.

Specific mention was made of the fact that over a period of days there were considerable discussions in FEA and in the Department of State over whether the Norwegians should be permitted to stockpile nearly $2,000,000 worth of rye in Argentina, even though the sanction of UNRRA and the Combined Food Board had already been given to the purchases. Merchant stated that although it was with some reluctance that the Norwegians were ultimately permitted to effect this purchase, he felt

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

that the difficulty lay not so much in the system of control as in the fact that presumably the State Department representative and other representatives on the Combined Food Board had not concentrated on the political aspects of the problem when allocating this large purchase to Argentina at a time when this Government was attempting to reduce transactions of that nature with Argentina as much as possible.

Jack Bennett

cc: Schmidt, DuBois, Glasser, Swarts, Blake, O'Flaherty, Day, J.C.Jones Robinson, Alk, Moskovits and Sachs.

311199

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

PRELIMINARY DRAFT OF POST-WAR FOREIGN FUNDS CONTROL PROBLEMS WITH RESPECT TO THE NEUTRAL EUROPEAN COUNTRIES (PORTUGAL, SPAIN, SWEDEN, SWITZERLAND, ANDORRA, AND LIECHTENSTEIN).

I. Blocked Property in the United States at End of War.

A. COMPLETE BLOCKING OF NEUTRAL ASSETS IN THE UNITED STATES BY REVOCATION OF NEUTRAL GENERAL LICENSES.

Should the neutral general licenses be revoked and the blocked assets of the neutral countries immobilized as a means of compelling the neutral governments to take certain steps in the post-war program?

1. Possible action which might be requested of neutrals:

   (a) That they assist in locating and turning over to the United States all looted United States currency and American securities in the neutral countries;

   (b) That they block all funds or property held in the neutral countries by or for the benefit of Axis leaders (including securities, etc., held by neutral banks for account of Axis leaders in South America or other areas), and make such funds or property available to the United Nations in settling post-war claims against the Axis or its nationals;

      (i) Desirability of having State get a list now of accounts and property held in neutral countries by Nazi or Fascist leaders or persons holding for their benefit;

   (c) That they release claims of title and ownership of their nationals to properties purchased in occupied or enemy countries during the war where proof shows that such properties were purchased from the Axis as a part of looted property.

2. Problems as the legal justification for requesting neutral countries to take such action:

   (a) Investigation of law of neutral countries as to obligation of persons who have obtained property through fraud, duress or expropriation to return the same to the rightful owners;

   (b) Justification on international law and treaty basis.

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

3. If restitution is required from neutral transferees of looted property should restitution be in specie or in value of the property received:

   (a) In case of restitution in specie must the party making restitution be reimbursed for amount he paid for property;

   (b) If restitution is on value basis, should rate of exchange value be taken as of date of seizure, or date of restitution.

4. Should neutral countries be required to compel their nationals (corporations and individuals) to register all property they have acquired for account of Axis countries or nationals since the outbreak of the war or some earlier date.

5. Question whether neutral countries should be advised now or at cessation of hostilities that such measures are to be taken. Compare the President's warning to neutral countries not to offer Axis leaders asylum.

B. PROCEDURE FOR ESTABLISHING CLAIMS TO DEPOSITS AND SECURITIES IN GENERAL ACCOUNTS OF NEUTRAL BANKING INSTITUTIONS.

Assuming a plan for general immobilization of neutral assets is not adopted or is adopted only in part, under what circumstances should securities and dollar deposits in general accounts of neutral banking institutions with American banks be released?

1. Possible methods for examining claims:

   (a) Ordinary licensing procedure;

   (b) Special claims committee made up of representatives of various United States Government agencies;

   (c) A mixed claims committee composed of representatives of this Government and the neutral country.

2. Type of proof to be required in establishing ownership of rubric accounts and claims to deposits and securities in general deposit accounts:

   (a) Where claimant is a national of the neutral country - whether required to establish satisfactory chain of title prior to

      (i) June 14, 1941, or
      (ii) April 8, 1940, or
      (iii) some earlier date because of notorious cloaking arrangements even prior to outbreak of war in 1939;

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

(b) Where claimant is a national of enemy or enemy occupied country - tracing satisfactory ownership prior to (1) freezing of country of which he is a national or (2) April 8, 1940;

(c) Where claimant is a national of a Latin American country or some other neutral country - problem of duress transfers;

(d) Where claimant is a United States citizen;

(e) Problem of examining original records of neutral banks in neutral countries to obtain evidence of original entries and transfers - should plans be made to have Foreign Funds representatives attached to the embassies in neutral countries to assist in establishing authenticity of claims.

3. What procedure should be established to enable claimants abroad to file their claims? Should European claims registration facilities be established?

C. BLOCKED BUSINESS ENTERPRISES HAVING NEUTRAL COUNTRY NATIONALS AS RECORD OWNERS OF CONTROLLING STOCK.

Should controls be maintained over blocked business enterprises in the United States having nominal neutral ownership.

1. Should such enterprises be released from control only after investigation of each separate enterprise showing actual ownership as well as nominal ownership is in neutral hands.

(a) Should the control be concerned with all blocked business enterprises, or should the smaller ones be generally licensed? If we do generally license some, what should be the basis:

(i) The capitalization or gross income;
(ii) The amount owing to foreign nationals;
(iii) The proportion of foreign interest in the firm by virtue of ownership of the stock, etc.

2. With respect to enterprises subjected to control should accounts receivable from and accounts payable to blocked nationals be treated as though the enterprise were an unblocked domestic corporation:

(a) Effect of nationality of blocked debtor or creditor;

(b) Information as to how and when the account receivable or payable arose;

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

(c) Should all amounts payable to blocked nationals be segregated by payment into blocked accounts in domestic banks in order to assure treatment of such amounts on same basis as other similar blocked assets;

(i) Consideration must be given to the effect such segregation might have on domestic operations of the enterprise.

3. What should be done about business enterprises that have been blocked on an Ad Hoc basis because of representation of foreign nationals where there is no specific foreign interest in the enterprise:

D. CHECKS, DRAFTS, AND ACCEPTANCES.

What disposition is to be made of checks, drafts and acceptances drawn on blocked accounts prior to cessation of hostilities?

1. Checks, drafts, and acceptances drawn by neutral banks and nationals prior to freezing which were not paid at freezing because some Axis national had an interest therein:

(a) Whether to be treated as part of the property of the Axis country whose national has an interest in the instrument;

2. Checks, drafts, and acceptances drawn by neutral banks and nationals prior to freezing of which the holder was a national of one of the enemy occupied countries and has had the instrument looted:

(a) Procedure for establishing claims in such cases (see procedure with respect to establishing claims to deposits and securities above).

3. Checks, drafts and acceptances drawn on neutral accounts after freezing (General Ruling No. 12):

(a) By neutrals in favor of own neutrals;

(b) By neutrals in favor of enemies;

(i) Problem of payments for looted assets;

(c) By neutrals in favor of nationals of enemy-occupied countries;

(d) By neutrals in favor of persons in Latin America and other neutral countries;

(i) Problem of transfers of looted assets;

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

(e) By enemy occupied nationals;

(i) Duress;

(f) By enemy nationals;

(i) Concealment of assets.

E. DISPOSITION OF UNLICENSED TRANSFERS OF NEUTRAL BLOCKED PROPERTY EFFECTED AFTER FREEZING (GENERAL RULING NO. 12).

1. Possible effect of parties to the transaction upon determining propriety of transfers:

(a) From neutral national to neutral national;

(b) From enemy-occupied national to neutral national and vice versa;

(c) From enemy national to neutral national and vice versa;

(d) From enemy-occupied national to enemy national and vice versa;

(e) From enemy national to enemy national and vice versa;

(f) From any of the foregoing to nationals in Latin America or other neutral countries.

2. Method for handling claims (see procedure for establishing claims to deposits and securities above).

3. Should General Ruling No. 12 be maintained in force as to post-war transfers of assets blocked at close of hostilities?

(a) Withdrawal would permit effecting of transfers prohibited by the General Ruling during the war.

F. CLAIMS OF OCCUPIED UNITED NATIONS COUNTRIES AGAINST NEUTRAL COUNTRIES.

Should any effort be made to compel neutral countries to meet claims of governments of the other United Nations such as the Netherlands for deposits, etc., with the neutral countries which the Axis may have appropriated?

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

G. PROPERTY WHICH IT MAY BE POSSIBLE TO UNBLOCK.

1. Estates and trusts in which the sole blocked interest is that of a national of a neutral country.

2. Insurance policies in which the sole blocked interest is that of a national of a neutral country.

3. Amounts such as royalties due neutral creditors by American commercial debtors;

   (a) Proof creditor is real beneficial owner of claim.

H. CONDITIONING ANY RELAXATION OF CONTROLS ON RECIPROCAL ACTION BY THE NEUTRAL COUNTRIES.

All neutral countries except Spain have larger balances of blocked assets in the United States than the United States has in such neutral countries.

II. Post-War Transactions Between the United States and Neutral Countries not Involving Blocked Property in the United States at Cessation of Hostilities.

A. TRANSFERS TO THE UNITED STATES FROM NEUTRAL COUNTRIES OF CURRENCY AND SECURITIES.

Should currency and securities transmitted to the United States from Neutral countries be subjected to General Ruling No. 5 controls in order to prevent post-war transfers of looted property?

1. Should proof of ownership of such currency and securities be required under a procedure similar to that employed in establishing ownership of securities and currency already on deposit in General Ruling No. 5 and No. 6 accounts?

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-09

RG 151
Entry
File FPC Gen. correspondence
Box 915

2. Question whether all United States currency and government obligations and all securities of American corporations held in neutral countries should be called in for reissue upon proper proof of title of alleged owners. (Problem is a general one and not limited to neutral countries.):

   (a) Possibility of keeping General Ruling No. 5A in effect and permitting exportation of any gold seal currency to compel redemption of outstanding currency.

3. Problem of bullion and currency transfers to the United States by neutral countries for government account (requirement of showing that such currency has not been acquired from looted sources).

4. Should jewelry, precious stones and metals imported be subject to the controls imposed for currency and securities?

B. REMITTANCES TO THE UNITED STATES.

Are controls to be maintained over remittances from neutral countries?

1. Should living expense remittances be limited in amount and commercial and investment remittances scrutinized. Otherwise credits may be freely transferred to this country arising from sales of looted property in neutral countries.

2. Should restrictions be imposed on remittance of dividends or profits from American subsidiaries which during the war manufactured products for the Axis:

   (a) Should the missions be asked to furnish a list of such companies?

3. Are neutral remitting banks to be permitted to use existing blocked balances or are new funds to be required:

   (a) Should remitter's balance with the neutral bank be required to have accrued after termination of hostilities?

C. REMITTANCES FROM THE UNITED STATES.

Are controls to be maintained over remittances to neutral countries?

1. Should any amount limitations be imposed on living expense remittances? Problem otherwise of no restrictions against free repatriation from the United States of looted funds now concealed here?

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 915

2. Should any limitations be placed upon business and commercial remittances:

   (a) By established American enterprises;

   (b) By individuals;

      (i) Problem of repatriation of looted property;
      (ii) Preventing Americans from investing in looted property in neutral countries.

3. In addition to controlling remittances, should exports of currency be controlled by continuation in effect of General Ruling No. 5A.

   (a) Should limitations be imposed on repatriation of refugee capital to Europe?

D. EXPORTS FROM THE UNITED STATES.

Is there a necessity for controls over exports to neutral countries?

1. If the defeated countries are to be prevented from stockpiling strategic materials in the post-war program, indirect exports to such countries through neutral countries will require regulation.

2. Problem of watching purchases for export to neutral countries as means of realizing upon credits arising from disposition of looted property.

3. Should payment for exports to neutrals be permitted out of existing frozen balances or should new funds be required?

E. PATENTS, TRADEMARKS, AND COPYRIGHTS ISSUED BY NEUTRAL COUNTRIES.

Should all restrictions be removed with respect to acquisition by persons in the United States of patents, trademarks, and copyrights in neutral countries?

1. Should payment be permitted of past due Government taxes and fees on patents, trademarks and copyrights which could not be paid during the war because there was some enemy interest therein. Should the filing of patent applications, trademarks, and copyrights which could not be filed during the war because of enemy interests therein be permitted?

2. Is any licensing control to be maintained over assignment of neutral patents, trademarks or copyrights by American owners?

3. Is any effort to be made to limit cartels by control of patents?

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED
Authority NND968103
By JW NARA Date 1-5-00

RG 131
Entry
File FPC Gen. correspondence
Box 95

F. SPECIAL POST-WAR BLACK LIST FOR PERSONS IN NEUTRAL COUNTRIES HOLDING LOOTED ASSETS FOR AXIS LEADERS.

Should a post-war black list be established in order to prohibit transactions with nationals in neutral countries who hold looted assets for the benefit of Axis leaders?

III. Special Problems.

A. SURVEY OF GENERAL AIMS AND OBJECTIONS OF THE POST-WAR PROGRAM FOR NEUTRAL COUNTRIES.

B. SPECIAL LEGAL CONSIDERATIONS.

1. Treaties and political commitments of the United States.

2. International law precedents where applicable to particular phases of program.

3. Freezing control measures of the neutral countries as effecting the program.

C. EFFECT OF A NEUTRAL COUNTRY COMING INTO THE WAR ON THE SIDE OF THE ALLIES.

1. To what extent are the French North African techniques applicable?

D. ORGANIZATION OF COMMITTEES TO STUDY PROBLEM.

1. Inter-Departmental.

2. Joint committees composed of representatives of this government and the neutral governments to make suggestions or recommendations.

3. Should conferences be held with groups such as the Foreign Bondholders Protective Association, National Foreign Trade Council and Investment Bankers Association?

REPRODUCED AT THE NATIONAL ARCHIVES

RG 260
Entry FEN
File #[redacted]900.10
Box 394

A11

File 900.10

The Foreign Exchange Depository

Finance Division

Office of Military Government for Germany (U.S.)

Note: This paper is prepared solely for the information of the U.S. business Executives visiting the Foreign Exchange Depository on 27 April 1947.

311209

REPRODUCED AT THE NATIONAL ARCHIVES

RG 260
Entry FEM
File #[redacted]200.10
Box 394

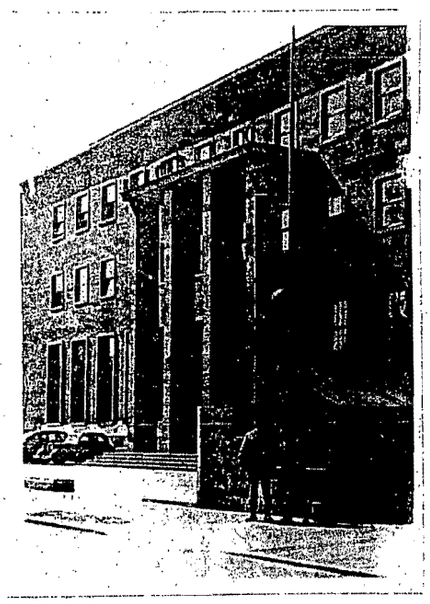
Foreign Exchange Depository

Finance Division

Office of Military Government for Germany (U.S.)

Functions and Personnel

The Foreign Exchange Depository, headed by Colonel William G. Brey, US Army, is a branch of the Finance Division, OMGUS, the Director of which is Mr. Theodore H. Ball in Berlin.



Reichsbank Building
Frankfurt

Located in the Reichsbank Building in Frankfurt/Main its functions fall into two categories:

A. Depository Section

1. Custody, inventory and accounting for valuables uncovered in Germany by Allied Forces.

2. Custody of assets delivered in U.S. Zone under Military Government Law No. 53.

3. Investigation of ownership and claims pertaining to assets held.

B. Currency Section

1. Custody, issue, retirement and accounting for Allied Military marks.

2. Accounting for Military Government Court Fines.

The staff includes U.S. Army Security Officers, U.S. accounting and banking specialists, Allied jewel experts and German clerical assistants.

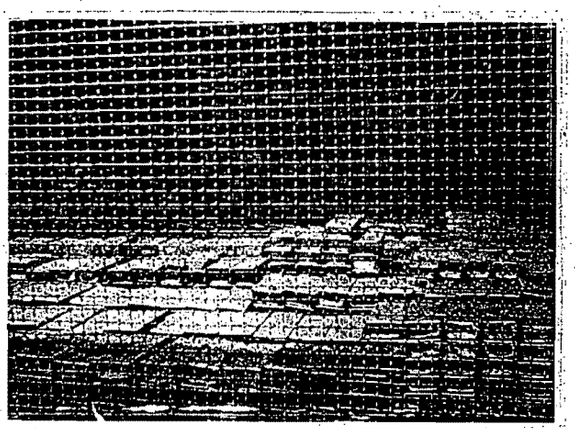
311200

REPRODUCED AT THE NATIONAL ARCHIVES

RG 260
Entry FRC
File #[redacted]200.10
Box 394

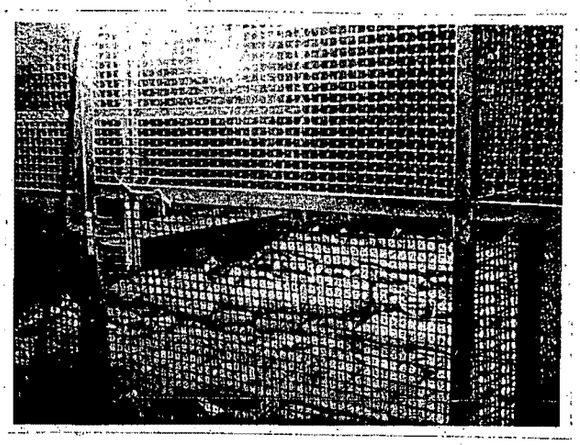
A. Depository Section

The first shipment of valuables arrived in April 1945 and constituted an enormous hoard of gold bullion, currencies, and several hundred containers of S.S. loot.



--- Gold Bullion.

This cache was discovered by the U.S. Army in the Merkers salt mine where it had been deposited, for safety from air raid attacks, by the Reichsbank Berlin.



--- Bags of Gold Coin.

Before the end of 1945 many additional shipments arrived from various parts of Germany, filling spacious

311202

REPRODUCED AT THE NATIONAL ARCHIVES

RG 260
Entry FRC
File #[redacted]200.10
Box 394

vaults with a heterogeneous mass of assets, the sorting, inventorying, recording and investigation of which has been under way for many months. It is estimated that the values represented are well in excess of 500 million dollars.

--- Sealed Bullion Cages.

The ultimate disposition of these assets is governed by various rules as to restitution and reparation and by special directives issued by higher headquarters. Restitutions involving tons of gold and silver bullion have already been accomplished.

--- Containers of Currency from many Lands.

Large quantities of unidentifiable jewelry and other personal effects stripped from victims of Nazi brutality are also held in the Depository.

311202

REPRODUCED AT THE NATIONAL ARCHIVES
RG 260
Entry FRC
File [redacted]900.10
Box 394

An interesting disposition as to gold bullion and coin was devised at the Paris Reparation Conference in December 1945. Analogous to the "General Average" concept in maritime law it involves the creation of a so-called "Gold Pot" which will be divided among the claimant countries in proportion to their losses of gold to Germany.

B. Currency Section

The Currency Section of the Foreign Exchange Depository is the highest official Allied Currency Office in the American Zone of Germany. As such it is responsible and concerned with Allied Military mark matters of any nature. It is charged with the custodianship of and has in reserve over eight billion Allied Military marks.

--- Mark Currency Reserve.

It maintains accounts with the Land Central Banks of each Land, having balances at present aggregating over three billion marks. Its functions include Advances of Allied Military marks to U.S. Armed Forces and Representatives of Allied Governments, redemption of mutilated, counterfeit or altered Allied Military marks, processing of payments to over two million German ex-Prisoners of War, reimbursement of U.S. Disbursing Officers for M.G. Expenditures. It is the Depository for MG Court Collections, such as fines and forfeitures, and it is responsible for the preparation of reports forwarded to the U.S. Treasury, War and Navy Departments. It participates in the formation of policy governing currency matters. Maintains liaison with the British Currency Section.

311213

REPRODUCED AT THE NATIONAL ARCHIVES
RG 260
Entry FEN
File [redacted]900.10
Box 394

Tab 1 - History

Foreign Exchange Depository

1. The objectives of the Foreign Exchange Depository are as follows :

a. to receive, to continue the custody, to complete the inventory, to dispose and to account for the assets uncovered in Germany by Allied Forces.

b. to receive and to dispose of assets delivered in U.S. Zone under Military Government Law No. 53.

c. to identify, to continue to investigate ownership and claims pertaining to assets held, and to dispose of assets.

d. to maintain custody, to issue, to retire, and to account for Allied Military Marks of U.S.Forces.

2. The FED was started in May 1945 with $ 500,000,000 in gol silver, currencies, securities, and other assets captured from the Germans or turned in under Law 53. Since July 1946 when the inventory was commenced many items have been returned principally: gold, silver, and other safekeeping items to Hungary $ 36,000,000; diamonds to the Netherlands $ 2,250,000; items of loot from concentration camps to International Refugee Organization $ 1,000,000 Final inventory should be completed by April 1948.

3. At the present time the inventory of assets continues. Steps are being taken to gather in mescellaneous deposits made in the Zone by army and Military Government officers. The deposition of assets has become of increasing importance as additional claims are constantly being received. The operation of the Currency Section is being curtailed, the principal remaining functions being the payment of PW's and the custodianship of AMM.

4. The present plans of the FED fall into two parts :

a. The Depository desires to complete the inventory of assets on hand, to receive from the Reichsbank the various categories of assets under Law 53, to collect miscellaneous deposits, and to dispose of all assets.

b. The Currency Section desires to complete the payment of PW's, to assist in the issuance of new currencies, to retire all AMM's and to prepare a final accounting, to dispose of the Mark currency reserve, to settle all book accounting, and in general to complete the operations of the Currency Section.

Submitted to Fin Div. 22 Sept 47 for special report from 01/2/45 to date
Prepared Greene-Jakes

311214