

Foreign Economic Administration

November 1, 1943

AMEMBASSY,

LONDON.

#6870

FROM STONE, FEA, FOR REEFLE.

Lisbon's cable of October 9, repeated to London states QUOTE The suggestion that Portuguese ships from Angola should be searched at an Allied control point was discussed by the Anglo-American Economic Committee, but they concluded that inasmuch as difficulties of carrying out searches would be incommensurate with the likelihood of success, this plan would not be practicable END QUOTE.

Foreign Economic Administration does not share this view. Advices from Loanda indicate that quantities of mica and some diamonds are being smuggled from Angola on Portuguese ships. In view of the critical Axis shortages for these commodities we feel that every effort should be made to deter this traffic.

Experience with the searching of Spanish vessels out of Latin America indicates that this procedure contributes substantially to a reduction in the smuggling traffic. The recent successful searches of the S. S. "Monte Albertia", "Cabo de Hornos", "Cabo de Buena Esperanza", and "Cabo Espartel", among others, are good cases in point. Even without advance information of the presence of contraband, searches have a salutary effect in rendering

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By BT
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smuggling operations more hazardous.

Since a vigorous blockade enforcement program in Latin America would reduce the flow of South American industrial diamonds to the Axis, our enemies should be expected to turn to other sources for this highly strategic commodity. The inadequate controls on the Angola-Portuguese route offer an excellent alternative source of supply. We therefore feel that the establishment of a control port to which Portuguese vessels in this trade be escorted should receive earnest consideration.

The foregoing information has been repeated to Lisbon for the information of our Legation there.

WTStone
Liaison:
OW-3-2 MJWasserman:eb
10/29/43

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By BT NARA Date 6/19

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Strictly Confidential

~~CONFIDENTIAL~~

REW

Memo re DIAMOND SMUGGLING.

At the suggestion of Vice Consul Charles Gilbert, the writer, Eugene J. Cronin, Foreign Service Auxiliary, has set forth below information he has obtained relative to operations of the Diamond Black Market.

The source of the information is strictly confidential and therefore no names appear in this memorandum. The informant has been engaged in diamond mining throughout the world and is thoroughly reliable and his information should be accurate.

The informant stated that there are two chief sources of diamonds which eventually reach Germany:

- 1) Belgian Congo to Angola, where it is augmented and then to Lisbon, Spain, and Nazi-occupied territories.
- 2) Brazil to Lisbon, Spain, and Nazi-occupied territories.

1) In the Belgian Congo, the natives who operated the final washings at the diamond pits would steal small quantities. These stones were collected by an organized group of traveling vendors who would barter their wares in exchange for diamonds. (These vendors are mostly Armenian-negroes.) The stones were in turn bought by the smugglers in the Congo and transported to Angola generally by sailors.

At Angola the augmented supplies were distributed amongst several sailors who would carry them to Lisbon, the center of the entire Black Market. From here they would be carried by various means to Spain and thence to Germany.

2) In Brazil the supply is more readily obtainable due to the higher intelligence of the natives working the pits. (In contrast the natives in Sierra Leone, Africa, will not realize the value of the stones for ten years to come as they have been operating only two years now.) The stones are collected by a group controlled by Spanish Jews from Brazil. They are sent to Lisbon by two methods:

- a) Sailors;
- b) Diplomatic channels.

When sailors are used small quantities are distributed amongst several to prevent any great loss in the event a smuggler is caught. When diplomatic channels are used much larger quantities are handled.

It is estimated that the supply of diamonds taken in Holland has been exhausted and Germany is totally dependent on the two above mentioned sources for future supplies.

Germany needs 200,000 carats per year under war-time production schedules. Angola's total output is approximately 5,000 carats per year and since only a small portion of this production reached the smugglers the greater part of the African supply must come from the Congo. In addition it is known that the chief course of supply for the Black Market is from Brazil.

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It was pointed out that the Brazilian traffic dropped off sharply immediately following a purported meeting between Ambassador Hayes and General Franco wherein the Ambassador told the General of several changes he (Hayes) expected him (Franco) to make. Since that time it is believed that the diplomatic channels have carried few if any diamonds.

The supply at the present represents a mere trickle of that several months ago.

The British have complete information on the whole system.

Respectfully submitted

Eugene J. Cronin
Eugene J. Cronin.

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By BT NARA Date 6/19

RG 811
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PARAPHRASE for Confidential Files A.M.B. COUN. C.A.

TELEGRAM RECEIVED

- 1 Sec. H.
- 2 Sec. H.
- 2 Sec. W.
- 2 Sec. C.
- 3 Sec. Cor.
- CONS.
- M. A.
- M. A.

From: **American Legation
TANGIER**

Date: **February 1, 10 p.m., 1943.**

No.: **Misc. 389 (180 to Dept.)**

Code: **Confidential**

Received: **February 2, 9 a.m., 1943.**

Paraphrase

Relative to industrial diamonds--See telegram from Dept. Dec. 18, No. 273, and Jan. 22 No. 34.

Information has been received by us that in the hands of Czech and Hungarian Jews in Spain are over four hundred thousand carats, having passed through Tangier; (reliable source of information). Whereabouts is not divulged but it is stated by informant that they can be brought to Tangier in small lots; upon assurance of commission (whereupon sale could be effected in Spain) whereabouts might be known. In order to by pass this intermediary, discovery of actual holders will be attempted by us. He asks 800 escudos per carat or exchange for cut gems, having 420 carats here. It is possible these are same as the ones refused by UKCC in December after sample's examination in London. No information was obtainable from Casablanca except that inquiry at that place was handled by David King, Vice Consul, who returned to the U.S. leaving no record of his investigations.

This telegram, repeated to Madrid, was sent to Department

CHELDS

Dec-typed-paraphrased GP

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X 631
2/5/43
C.C.C.

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TELEGRAM RECEIVED

Am. S.
RMA
Jrnl.
Hacking
WMB
Wilt
Baldwin
Horsey
Boyd
Smoyer
B. 1943
Braden

From: SECSTATE, WASHINGTON Date: December 11, midnight, 1943
No.: 2629
Code: OD STRICTLY CONFIDENTIAL Received: December 12, 9 p.m.

REW

From Department and FEA.

For your information recent careful investigation of smuggling of industrial diamonds to the Axis via Egypt Palestine Syria and Turkey has revealed a substantial clandestine traffic from African sources. Quantity variously estimated between one thousand and four thousand carats per month. Samples are now being analyzed to determine the exact source. One arrest has been made and a complete expose is expected.

This indicates that the smuggling of industrial diamonds from Africa is increasing and leads to supposition that other convenient routes are being or will be employed. For that reason we suggest a close watch be kept on traffic between West Africa and the Iberian peninsula as well as South American trade.

Sent to Madrid.

Repeated to Lisbon and London.

H U L L

Dec-typ: HB

Consul
M-A
N.A.
Oil
Special
Press

863.4
Memoranda

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By	BT NARA Date 6/19

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COPY

Diamond Watch

Mr. Goldenberger, Hotel Capitol, Madrid, is a refugee from Paris. He says he has not done any business since he is in Madrid. Before the war, he used to sell lots of jewelry to Spanish dealers. After a few days enquiry, he said that he will be able to buy and re-sell here any amount of industrial diamonds, i.e., 4,000 carats, at any price. He seems to have very close connections with the local Black Market.

Mr. Gaston Chritin, 5 Calle Palau, Barcelona, is a former "Tailleur" from Saint-Claude, France, and is established in Spain since many years. He runs a workshop to fitting diamonds into tools and knows very well classifying and using diamonds. He says he is getting diamonds from Brazil, through Lisboa and Tangiers. He knows the German buyer Urbaneck and another one named Becker, but he has not seen them since several months. He is quite prepared to take up and pay cash any amount of industrial diamonds at 250 pesetas a carat for Bort and up to 1.000 pesetas for other classes. He is certainly in a position to import them in France in a very discreet way.

Mr. Penaroya, 131 or 134 Calle de Mallorca, Barcelona, is rather mysterious about his dealings. He knows industrial diamonds less than Chritin but he has probably done business on a small scale with foreign buyers.

Mr. Hamparzunian, 54 Jose Antonio, Madrid, is a Syrian and a French subject. I have not seen him yet, but I presume he also knows about black market for diamonds in Madrid. (N.B. U.S.A. report resided in Antwerp and deals in polished diamonds)

Mr. Chritin told me that most of the diamonds he has received were brought to him by an Italian named Carelio, who is travelling between Lisboa, Tangiers and Barcelona. He has not come to Barcelona since several months. He used to live in Tangiers, where he is said to stay at the Hotel or Cafe de Roma. If he is not found there, his address is probably known at the "Bijouterie Brosse", Tangiers. He seems to be a rather interesting man to look after.

I also heard that a Spanish Officer, Lt. Felipe de Solmas, may have carried industrial diamonds with him when travelling from Tangiers. His last address in Madrid was at the Hotel Bristol.

I suggest Goldenberger, Chritin, Carelio and de Solmas to be kept under close supervision. It may be worth tempting them by the offer of a small quantity of industrial diamonds to be able to know how they dispose of it. There is very little doubt that as soon as they have the goods we shall see some German buyers in Madrid.

It may be worth mentioning that Chritin owns 400 grs. of Palladium that he is prepared to sell at 125 pesetas per gram.

2.11.43

Copy of Secret report from one of Satchell's men on the industrial diamond investigations.

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MEMORANDUM

Madrid, December 17, 1943

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Diamond Smuggling

Col. Ebright stated that Spaniards are buying chipped diamonds at 290 pesetas per karat from their friends and selling them to the German Embassy. This source is reliable and the matter is being followed up.

LVB/al

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 Authority NND 775042
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DIAM

MEMORANDUM TO ANGLO-AMERICAN SUB-COMMITTEE.

Strictly Confidential.

Subject: DIAMOND SMUGGLING

As of possible interest to the Committee, information has been received by the American Embassy to the effect that a substantial clandestine traffic in industrial diamonds to the Axis via Egypt, Palestine, Syria and Turkey from African sources has been going on, the volume being variously estimated between one and four thousands carats per month. This would seem to indicate that the smuggling of industrial diamonds from Africa is increasing. The State Department has again suggested that a close watch be kept on traffic between West Africa and the Iberian Peninsula as well as South American trade.

In this connection, the American Legation in Tangier has reported that 15 kilos or approximately 15,000 carats of industrial diamonds of Brazilian origin are available at that point for possible U. S. purchase. This was referred to Washington, London, and the United States Commercial Company in Madrid on December 6, by Tangier.

R.E.W.

American Embassy,
 Madrid, December 22, 1943.

Copy to Naval Attaché.

Source: Washington's tele. 2629, December 11/43. (file 863.4 Diamonds)
 REW/am

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Authority NND 775042By BT NARA Date 6/19

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Diamond WatchFeb. 1 1943/ file 863.4 x 631

Tangier reports 400,000 carats have passed through there en route to Spain, where they remain in hands of Czech and Hungarian Jews. Price requested in Tangier for 420 carat sample, 800 escudos or exchange for cut gems.

Feb. 17 1943/file 863.4 x 631

Madrid reports to Washington that preliminary investigation does not show considerable stocks of industrial diamonds in Spain or Spanish possession. Jackson and Phillips, representing British principals, are most important dealers. At beginning of war this firm had about £ 800 of stocks which were returned to England. Imports since then have been small parcels of 200 to 300 lbs Sterling, from British sources. Spanish requirements are very limited, mainly carbon diamonds for drills. Some dust and waste used for grinding wheels.

Feb 24 1943/file 863.4 x 631

Madrid to Washington belief that illegal traffic exists between Brazil and Portugal. Offers in Portugal of 8 to 10 kilos of industrial diamonds, and four kilos. Price 750 pesetas per carat for industrial, and 700 pesetas per carat for clean waste and powder.

Mar. 19, 1943/file 863.4 x 631

Washington to Madrid report that industrial diamonds arrive in Portugal by diplomatic pouch and are smuggled to Nice through diplomatic channels in Spain.

Mar 22 1943/ file 863.4

Barrel reports Sr. Luis Arias, Sec. of Brazilian Ambassador involved in diamond traffic. Likewise Sr. Alejandro Dorado, of the Bloque Ibero-Americano with offices at the Brazilian Chamber of Commerce, Avenida Jose Antonio 27. Diamonds are probably moved from Portugal in personal luggage of high official of Brazilian Embassy. Reported to Washington Mar. 25.

Apr. 7 1943/ 711.2 cron. file.

Diamond merchants who got out of Germany and German occupied territory:

M. Instrater, formerly van Moppes representative, c/o Albert Silbermann, 53 Rue Jardiniere, Antwerp. Seen in Spain under another name in July 1942.

Fred Wertheimer, 62 Pelikanstrasse, Antwerp (Jewish)
 W. Goldzahler, 74 Vestingstrasse, " "
 Gaston Roegiest, 59 Vestingstrasse, " "
 Etablissement Crombecq, 110 Rue de la Province, Antwerp.
 Crombecq himself was in Barcelona in 1942, June.

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Diamond Watch

Apr 7 1943/ 711.2 cron file.

Spanish firms, wholesalers or dealers clandestinely:

Gamboa Hijos; Bilbao, Avenida de Urquijo 12, 2nd.
Luis de Gamboa, Spanish millionaire, reportedly pro-Ger.
Branches at Barcelona and Madrid managed by two sons.
Represents an unknown firm with branches in London and
Amsterdam. Unknown firm is the chief competitor of van
Moppes and Sons. Believed to hold a large quantity of
of stones "in trust".

Codes; Madrid, Calle Carretas (left hand side of street),

Lehr, Oscar; Barcelona, Avenida Generalissimo Franco 345.
Patriotic German but reportedly anti-Nazi. Report in
June 1942 holding 200 carats which here refused to sell to
Nazis.

Above three reportedly principal dealers in Spain. Center
of diamond activity still believed to be Hadajos, in a cafe
in a principal hotel.

Switzerland misc. info. Le Sentier, near the French frontier
is the most active industrial diamond town, where Gollay
Bushel et Cie. have a shop. They manufacture principally
containers for diamonds and other precious stones. Firm
reportedly very anti-German, but crooked. Gamboa, Bilbao
may be their agent. Swiss prices July 1942 100 SF (260 pesetas)
per carat, before the war price was 20SF.

June 29 1943 file 030 Arias, Luis Enrique

LEArias, Mexican, private sec. to Brazilian Ambassador,
pasaporte ordinario 1183 issued by Mex. For. Office Aug 18,
1939, born Toluca, Mexico Jan. 15, 1904. reported to Wash in
request for plane reservation Lisbon-Brazil. Obtained. and
on Oct. 6 requested Dept. to obtain return priority via
Miami and Natal.

Sep 17 1943 file 050.1 Pouch Reg. Dorf

Lisbon requests Madrid to Transmit to Barcelona letters:
written by one W. Dorf. to Raul Bosernitan, French
national of Russian origin, boarding house Av. Jose Antonio
674 2ndo la Barcelona, 43 years old, married, several
children, mechanic, on list for evacuation to French North
Africa. & M. Herman who seems to be intermediary between
M. Raul and Dorf. Dorf gives address c/o Prof Diesendruck
Rua ~~Caixa~~ Bernadin Ribeiro 63/1, Lisboa, and seems to be a casual
friend of Vice Consul Whitfield, Barcelona. --later gives
address as Pension Ritz Avenida Liberdade 240. Speaks of
small lots of industrial diamonds totaling 25 carats.
M. "Raul" replies from Pension Juliana Blanco tel. 25949
saying the mentioned diamonds have been sold, but seems to
know of more at price of 1,000 to 1,500 currency not stated,
and requests additional instructions. Supplementar letter
forwarded later in which price given as 500 pesetas per
carat for some 100 carats

Sep 29 1943 file 030 Arias

Dept. to Rio stating Aria would not be granted priority
direct from N. Y. to Lisbon but would via Natal, and
requesting Rio to report whether arrangements for search at
Belem had been made.

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Authority NND 775042By BT NARA Date 6/19RG 84Entry 3162File 863.4Box 27

Diamond Watch

Aug 26 1943 file 863.4 Germany Diamonds

Dept expects increase in smuggling, requests Spanish customs authorities be approached with suggestion of closer watch. Reports Monte and Cabo vessels believed involved in smuggling principally at Puerto Cabello, Lagunair, Montevedeo Rio and B. A. Spanish Authorities approached, and promised to issue a circular to all customs authorities but expected little results. Reply to Dept. Sept. 9.

Nov. 6. 1943 file 863.4 Ger Diamonds

Dept authorizes expenditures of \$12,000 of which our share is half, purchases to be made by Am. and Br. Embassies. Auth. to begin purchases at once if we Br. embassy and USCC agree. ~~Also sent~~ to London.

Dec. 11 1943 file 863.4 Diamonds

Dept reports traffic via Egypt Palestine Syria and Turkey from African sources at rate of 1 to 4 thousand carats per mo. Suggests that increased smuggling may be anticipated between W. Africa and Iberian penn. as well as from South America.

Nov 3 1943 file 711.2 commodity diamonds

Setchell has put man on Badajoz gang. Barrell reports Jap's buying in black market at rate of 1,000 weekly and have cleaned Portugal and now working in Spain. No details.

Dec. 6 1943 file 863.4

Tangier reports 15 kilos or about 15,000 carats of industrial diamonds of Brazilian origin available for purchase by U. S. Reported to Dept and Setchell.

Dec. 17 1943

Col Ebricht stated Spaniards buying chipped diamonds at 290 pesetas per karat and selling to German Embassy.

Dec. 10. 1943

London reports German stocks at 150,000 carats at outbreak of war, and taking these figures, present situation critical. Blackmarket prices in France as high as 3,000 francs per carat of boart.

R W

Feb 28/44 Col Ebricht reports that during Dec a group of 5 Japs were in Badajoz last reported in Barcelona.

335087

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 Authority NND 775042
 By BT NARA Date 6/19

RG 84
 Entry 3162
 File 863.4
 Box 27

Confidential

Madrid, August 16, 1943

Dear Brownie:

The Embassy has received a circular telegram dated August 13, 1943, from the Office of Economic Warfare describing the tentative conclusions of the Ministry of Economic Warfare with respect to German industrial diamond needs.

1. German consumption is estimated from 500,000 to 750,000 karats a year. It is considered that 500,000 karats is the absolute minimum on which Germany can operate.

2. German aggregate supplies and receipts from 1937 through June 1943 were 4,185,000 karats. The total consumption from 1937 through June 1943 was 3,800,000 karats, or possibly more. Germany's present position therefore is 385,000 karats or possibly less, which at the most, are minimum requirements for only eight months.

3. In as much as there is no satisfactory substitute for industrial diamonds, MEW believes that if the Germans failed to replenish stocks, a critical deficiency may develop.

4. It is not considered that important quantities are being smuggled to the Axis from Africa since African supplies are closely guarded. Smuggling via Portugal and Spain from South America is not entirely dependent upon black market operations and is presumably well organized. The most likely vehicle is the diplomatic pouch rather than neutral shipping.

5. MEW is of the opinion that the Axis will shortly face a critical deficiency in industrial diamonds. ^{annually} Some tens of thousands are believed to be diverted to the Axis from South America. Even relatively small amounts will be of high value.

Very truly yours,

Julian F. Harrington
 First Secretary of Embassy

Charles F. Brown, Esq.,
 U. S. Commercial Company,
 Madrid.

863.4 - Germany - Diamonds

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By BT NARA Date 6/19

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Telegram No. 9/10/43 CTO/jb

PARAPHRASE

CONF FILES

TELEGRAM RECEIVED

AMC
CCUN
1 Sec. H
2 Sec. H
2 Sec. W
2 Sec. C
Sec. Cor.
CONS
M. A.
N. A.
IN

From: Secstate

Date: August 26, 1943

No. 1526

Code: Confidential

Received August 27, 1943

With respect to circular telegram of August 13 which was a request of a WOP report estimating the industrial diamond supply presently available to the Germans as sufficient to last for a period of operations for eight months:

Because of the critical nature of Germany's position in this respect it must be assumed that she will intensify smuggling activities in every possible way. The means of replenishment open to her which is most feasible is from Venezuelan and Brazilian fields by way of neutral vessels, Spanish vessels chiefly.

There is reason to believe that the MONTE and GAGO vessels are being used for this purpose. Also that the South American ports involved are Puerto Cabello, Maracaibo, Montevideo, Rio and Buenos Aires.

From the above it follows that everything that can be contributed by the Spanish in the way of more rigid customs examinations and port control tightening will benefit us materially. Likewise, the Spanish may be benefited themselves by virtue of receiving extra revenue from customs.

You are authorized to approach the Spanish Gov't on this problem in very general terms if in your opinion it would be likely to prove productive. As to whether this approach should be jointly with the British or formally will have to be decided, in the light of the circumstances, by you.

HURJ

Rec/typ/pre/rig
File in Chron. & HSC Books and Conf Files
True reading in Confidential Book

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Steinway
Pratt

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AIRMAIL SENT

Amb. SWEBER
REHAG
JHH
Haer
W.W.L.
WILD
Bal Gwin
Horsey
Bord
Smy
Burns
Brangin

CONFIDENTIAL

EMBASSY OF THE UNITED STATES
OF AMERICA
DEC 21 1943
MADRID

AMBASSY
(See list below)
CIRCULAR

Dec. 10, 1943
7:20 p.m.

REW RHW

The following excerpt from the minutes of the November 3 meeting of the London Diamond Committee contains an estimate of the German diamond position from a new source, secured by the Ministry of Economic Affairs.

Irrespective of the value of the source, there appears to be sufficient substantiating evidence to indicate that current German stocks of industrial diamonds are seriously depleted. Hence it is now essential for the Germans to encourage smuggling by all means available to them.

Excerpt:

"The Committee were informed that a telegram had been received from H.M. Embassy, Lisbon, which contained an interesting report obtained from Monsieur Bastid, formerly of the So. Unex Co., in French Guiana. This report concerned Germany's diamond position and had been furnished at the request of the Committee. According to this telegram Bastid had stated that from the beginning of the war up to the end of 1943 the Germans had purchased or seized from Belgium, France and Holland about 750,000 carats of industrial diamonds, mostly through Urbaneck, their main buyer. Further, the diamonds from the Belgian Congo and Angola, which were in Casablanca at the time of the armistice, were claimed by the German authorities, and it was believed that 160,000 carats had been delivered to them before the end of 1942.

"He believed that at the outbreak of the war Germany had stocks of approximately 150,000 carats. . . . He pointed out that after taking these figures into consideration it would be seen that Germany's stocks were now very low and were likely to be exhausted in about four months. . . .

"The black market in France, had according to him, been rather active recently and prices were as high as 3,000 francs per carat for small quantities of board. . . .

EC
Consul
MFA
Smyth

863 4
Get money - Diamonds

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The chairman stated that Eastid's figure of 150,000 carats as representing German stock at the commencement of the war was probably quite correct. Our information showed little evidence of stockpiling . . . both his and our final estimate of the enemy's position showed that they must be dangerously short of industrial diamonds and it was unlikely that they had more than six months supply in hand at the moment. It was therefore now more necessary than ever to exercise the utmost vigilance in order to prevent smuggling, even on the smallest scale."

HULL

RG 84
 Entry 2453A
 File 711.3 - German Assets Spain
 Box 18

DECLASSIFIED
 Authority NND 775042
 By BT NARA Date 6/19

GERMAN ASSETS - SPAIN

CONFIDENTIAL

Delivered to Paris 12/11/47



Paris, December 11, 1947.

MEMORANDUM

The Embassy has the honor to refer to the claim of the Netherlands Government to certain diamonds which were found in Madrid in German hands.

Under the circumstances, the Department of State is prepared to accept the findings of the Dutch experts that the diamonds were originally removed from the Netherlands and favors their restitution to the Netherlands Government to the extent that adequate evidence is supplied in each case proving that the transaction underlying the removal of the stones to Germany was not of a normal commercial character, but in fact constituted looting. So far, it does not appear that sufficiently specific information on the nature of the transactions has been presented which would warrant a decision by the Three Trustee Powers on the restitutability of the stones.

It is therefore suggested that the British, French and American Embassies at The Hague invite the Netherlands Government to submit the necessary data for their consideration, and upon determination of the restitutability of the diamonds, the United States Embassy at Brussels will be requested to transfer the stones to the Netherlands Government. It is understood that the British Embassy at The Hague is being instructed to join those of France and the United States in the investigation of the Dutch claims.

This Embassy would appreciate receiving the views of the French Government on this subject in order that concerted action may be taken as soon as possible.

W.P. 711.3 - German assets, Spain

JR

335092

RG 200
 Entry Gen. KEV'S E.K.
 File Misc. PAPERS
 Box 2

DECLASSIFIED
 Authority 978024
 By AST NARA Date 6-15-00

HEADQUARTERS
 UNITED STATES FORCES IN AUSTRIA
 APO 777, U.S. ARMY

AG 383.7-ACA/V

17 October 1947

SUBJECT: Administration of United Nations Displaced Persons and Jewish Displaced Persons by the Preparatory Commission of the International Refugee Organization.

TO: Commanding General, Zone Command, Austria
 Commanding General, Vienna Area Command
 Commanding General, Land Upper Austria Area Command
 Commanding Officer, Land Salzburg Area Command

1. RESCISSIONS.

- a. Letter, this Headquarters, AG 091.711-PAACA, 13 December 1945, "Privileges of Soviet Liaison Officers in Displaced Persons Camps other Than Wholly Soviet".
- b. Letter, this Headquarters, AG 383.7-PAACA, 21 December 1945, "Determination and Reporting of Nationalities".
- c. Letter, this Headquarters, AG 383.7-PAACA/X, 9 February 1946, "Screening Out of Undesirable Elements Among Displaced Persons Now Listed as United Nations Nationals".
- d. Letter, this Headquarters, AG 383.7-PAACA/X, 26 February 1946, "Reclassification of Yugoslav and Polish Recovered Allied Military Personnel as Displaced Persons".
- e. Letter, this Headquarters, AG 430-PAACA/X, 26 April 1946, "Ration for United Nations Displaced Persons", as amended by letter, same file and subject, 19 June 1946.
- f. Letter, this Headquarters, AG 430-PAACA/X, 26 April 1946, "Requisition and Distribution of Red Cross Food Parcels to United Nations Displaced Persons and Persons of Similar Status".
- g. Letter, this Headquarters, AG 383.7-PAACA/X, 6 May 1946, "Reclassification of Baltic and Polish Prisoners of War and Disarmed Enemy Forces as Displaced Persons".
- h. Letter, this Headquarters, AG 200.2-ACA/X, 6 July 1946, "Certificates of Identity to Serve in Lieu of Passports for Stateless Persons".
- i. Letter, this Headquarters, AG 383.7-ACA/V, 22 July 1946, "Application of Austrian Labor Laws to Displaced Persons".

335093

RG

Entry

File

Box

200

Gen. KEYS ^{OFFICIAL} E.K.

Misc. PAPERS

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Authority 978024

By ADT NARA Date 6-15-00

h. Prov
and location of D
furnish such data

i. Operation of an inquiry and tracing service for Displaced Persons, including child search, to the extent authorized by the IRO, and the repatriation of unaccompanied children.

j. Letter, this Headquarters, AG 383.7-ACA/V, 22 July 1946, "Restriction on Rights to Displaced Persons Status".

k. Letter, this Headquarters, AG 014.32-ACA/V, 23 July 1946, "Repatriation or Emigration and Resettlement of Orphaned and Unaccompanied Children", as amended by letter, same file and subject, 23 May 1947.

l. Letter, this Headquarters, AG 383.7-ACA/V, 23 July 1946, "Disposition of Certain Western European, Czechoslovakian and Greek Displaced Persons".

m. Letter, this Headquarters, AG 383.7-ACA/V, 13 November 1946, "Polish Repatriation Program".

n. Letter, this Headquarters, AG 383.7-ACA/X, 27 December 1946, "Memorandum on Intergovernmental Committee on Refugees".

o. Letter, this Headquarters, AG 383.7-ACA/V, 29 January 1947, "Discontinuance of Care for Certain Displaced Persons".

2. REFERENCES.

a. Letter, this Headquarters, AG 383.7-PAACA/X, 26 February 1946, "Suppression of Military Activity among Yugoslav Displaced Persons", as amended by letter, same file and subject, 6 April 1946.

b. Letter, this Headquarters, AG 383.7-PAACA/V, 3 May 1946, "Displaced Persons Care for Claimants to U.S. Citizenship".

c. Letter ("CONFIDENTIAL"), this Headquarters, AG 211-ACA, 21 June 1946, "Foreign Liaison Personnel".

d. Letter, this Headquarters, AG 200.2, 21 August 1946, "Issue of Identification Cards to Displaced Persons".

e. Letter, this Headquarters, AG 383.7-ACA/V, 31 August 1946, "Charge for Food and Lodging Furnished Displaced Persons", as amended by letters, same file and subject, 24 March 1947, and 29 April 1947.

f. Letter, this Headquarters, AG 383.7-ACA/X, 27 September 1946, "Requests for Reuniting Families of United Nations and Ex-Enemy Displaced Persons".

g. Letter, this Headquarters, AG 383.7-ACA/V, 9 January 1947, "Repatriation of Soviet Citizens from U.S. Zone, Austria and U.S. Vienna Area".

h. Letter, this Headquarters, AG 400.22-ACA, 28 June 1947, "Transfer of Property from UNRRA to PC, IRO" (Limited Distribution).

Letter, this Headquarters
"Repatriation of Soviet Citizens
Area"

Letter, this Headquarters
"Transfer of Property from UNRRA"

Ltr, Hq USFA, AG 383.7-ACA/V, 17 Oct 47, "Administration of UN DP's and Jewish DP's by PreCom IRO"

i. Letter, this Headquarters, AG 400-GDS, 26 September 1947, "Procedure for Reimbursement by PC, IRO for Supplies and Services Furnished from Army Supply Sources".

j. Intelligence Directive No. 8 ("CONFIDENTIAL"), Revised, this Headquarters, 10 October 1947, "Foreign Liaison Personnel".

3. PURPOSE.

The purpose of these instructions is to outline the responsibilities of the International Refugee Organization or its Preparatory Commission, both herein referred to as IRO, in the administration, maintenance, care, repatriation, and resettlement of United Nations Displaced Persons including Jewish Refugees in the U.S. Zone, Austria and the U.S. Vienna Area, pursuant to the agreement concluded between the Commanding General USFA and IRO, a copy of which is forwarded herewith for your information and guidance.

4. GENERAL PROVISIONS.

a. Effective 12 September 1947, the Preparatory Commission of the International Refugee Organization agreed to assume as soon as practicable responsibility for the maintenance, care, repatriation (except for involuntary repatriation), resettlement, legal and political protection of Displaced Persons who are found eligible therefor by IRO under the provisions of the IRO Constitution.

b. The United States Forces in Austria will turn over to the IRO as rapidly as practical the above responsibilities for Displaced Persons as set forth in the attached agreement. It is desired that every assistance be extended within the terms of the USFA - IRO agreement to IRO in the execution of its mission. To avoid confusion, it is desired that directives and instructions issued by the Commanding General, Zone Command, Austria and the Commanding General, Vienna Area Command affecting IRO Displaced Persons operations be coordinated with the appropriate echelon of IRO. Conflicts which cannot be settled on the spot will be referred to this Headquarters for decision.

c. IRO may at any time cease to be responsible for the care of any person found to be ineligible through IRO screening, and will notify the appropriate Military Commander of the action taken. These persons may, at the discretion of the Commanding General, Zone Command, Austria or the Commanding General, Vienna Area Command, be reclassified as Displaced Persons not under IRO mandate and transferred to the administration of the Austrian Government.

d. The IRO may at any time assume responsibility for additional persons found eligible for IRO care as determined by IRO. This provision does not, however, authorize IRO or any affiliated agency to transfer Displaced Persons into the U.S. Zone, Austria or the U.S. Vienna Area without the approval of this Headquarters.

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5. REPATRIATION MISSIONS.

IRO will arrange appropriate contacts with Displaced Persons for Repatriation Missions. However, administration, accreditation and control of Repatriation Missions is a USFA responsibility. In addition, delivery of lists of Displaced Persons to interested missions is prohibited.

6. DISPLACED PERSONS NOT UNDER IRO MANDATE.

a. Persons not under the mandate of the IRO who arrived in the U.S. Zone, Austria or the U.S. Vienna Area after 1 November 1945 will not be authorized Displaced Persons status by the U.S. Forces in Austria, except as follows:

- (1) Those accepted for emigration to the United States.
- (2) Those living with members of their immediate families who are registered as Displaced Persons.

b. Displaced Persons not under the mandate of the IRO as well as those under IRO mandate are subject to the provisions of all Austrian labor laws.

7. REPORTS.

After the completion of the full turn-over to IRO of responsibilities listed in paragraph 4a, above, Displaced Persons under IRO mandate will be dropped from statistical reports for this Headquarters.

BY COMMAND OF LIEUTENANT GENERAL KEYES:

Incl
Agreement between CG USFA and IRO,
dated 12 September 1947

Howard V. Judson
HOWARD V. JUDSON
Major (SGD)
Asst. Adj. General

Telephone: VIENNA B-48130

DISTRIBUTION:

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CGAD,
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Agreement Between

THE COMMANDING GENERAL, UNITED STATES FORCES IN AUSTRIA
and
THE INTERNATIONAL REFUGEE ORGANIZATION

Section I

1. PREAMBLE

In view of and subject to

a. the responsibilities of the International Refugee Organization in regard to Displaced Persons and Refugees as set forth in its Constitution and

b. the supreme authority of the Commanding General, U.S. Forces in Austria and the U.S. High Commissioner for Austria as the occupation authority and his responsibility for the maintenance of law, order, security and economy of U.S. Zone, Austria, as defined below.

c. The following agreement is made between the Commanding General, U.S. Forces in Austria (hereinafter referred to as the CG, USAFA) or the commander of such other U.S. occupation force as may succeed the U.S. Forces in Austria, and the Executive Secretary of the Preparatory Commission of the International Refugee Organization (hereinafter referred to as IRO) with respect to the operations of the International Refugee Organization in the U.S. Zone, Austria and U.S. Vienna Area (hereinafter referred to as the U.S. Zone).

2. PURPOSE

The object of this agreement is

a. to define the responsibilities of the CG USAFA and IRO in the maintenance, care, administration, repatriation, and resettlement of Displaced Persons and Refugees.

b. To prescribe the responsibilities with respect to administrative and logistical support to be furnished IRO by the CG, USAFA in U.S. Zone.

3. DISPLACED PERSONS TO WHOM THIS AGREEMENT RELATES

a. The Displaced Persons and Refugees covered by this agreement (hereinafter referred to as Displaced Persons) are defined in the Constitution of IRO adopted by the General Assembly of the United Nations, dated 15 December 1946.

b. It is agreed that as soon as practicable after 1 July 1947, the IRO will assume responsibility for all persons determined to be United Nations Displaced Persons in instructions heretofore issued by the CG USAFA provided:

(1) The IRO may, at any time after the date this agreement becomes effective, cease to have responsibility for the care of any person found by it to be ineligible under the provisions of the IRO Constitution, notifying the CG, USAFA of the action taken.

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By Lt NARA DEB 6-15-00

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(2) The IFO may, at any time assume responsibility for any other individual in the U.S. Zone found eligible under the IFO Constitution. This provision does not, however, authorize the IFO or any affiliated agency to transfer Displaced Persons into the U.S. Zone without prior approval of the CG, USFA.

4. GENERAL PROVISIONS

a. The IFO will carry out its activities as required and authorized by its constitution, in respect to all Displaced Persons whether or not they are in assembly centers. The IFO will comply with applicable military regulations, Military Government laws, and general laws of the Austrian Federal Government.

b. The IFO will establish a central office for Displaced Persons operations at Vienna, and will establish appropriate subordinate offices in each Military Area.

c. Central and subordinate offices so designated will maintain close liaison with the CG, USFA, CG Zone Command, Austria, and Commanding Officer of each Military Area, as appropriate through Staff and Liaison Officers designated by the CG, USFA in matters affecting administration of IFO personnel and Displaced Persons.

d. References in this agreement to IFO and IFO personnel will include voluntary agencies and the personnel thereof, when such agencies are engaged in Displaced Persons operations, repatriation missions, and resettlement missions, unless the context indicates otherwise. (A current list of the organizations and missions for which IFO accepts responsibility for coordination, supervision, and servicing under this contract, and which shall be permitted to continue operations after 1 July, subject to security clearance of personnel thereof, will be provided by IFO to CG, USFA from time to time).

e. The term "IFO" as used in this agreement shall include the Preparatory Commission for IFO, except in Section VI.

Section II

RESPONSIBILITIES OF IFO

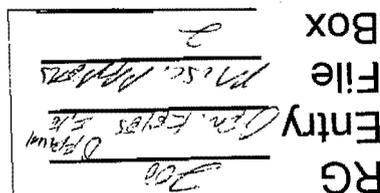
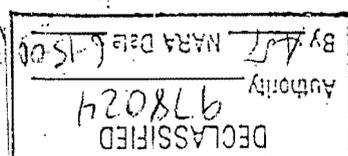
5. The IFO assumes operational responsibility for functions relating to the care, maintenance, screening, repatriation and resettlement of Displaced Persons and Refugees in the U.S. Zone, subject to the supreme authority and responsibility of the CG, USFA, as cited in Section I, paragraph 1.b., above, including, but not limited to, the following functions:

a. Administrative control of such personnel as IFO may find it necessary to maintain. Such personnel shall be subject to security clearance by CG, USFA.

b. The administration of assembly centers, camps, hospitals, and other aggregations of Displaced Persons (hereinafter referred to as assembly centers) including but not limited to the following functions:

(1) The provision of administrative supply, welfare and medical staff.

(2) Determining eligibility for admission to and exclusion from assembly centers.



(3) Allocation and distribution of Displaced Persons within and between assembly centers, except that Displaced Persons will not be transferred by IFO individually or in groups into the U.S. Zone without prior approval of the CG, USFA, and will not be distributed or allocated within or between assembly centers in such a manner as to require additional facilities in such centers without prior approval of CG, USFA.

(4) Assistance to CG, USFA in maintenance of order and discipline among persons within assembly centers and appointment and supervision of watchmen, fire fighting squads, and internal police, subject to paragraph 6.b., below.

c. The coordination, supervision, and servicing of all voluntary agencies or other national or international societies engaged in work among Displaced Persons, including the personnel thereof, and the distribution of the material resources of these agencies, as provided in agreements to be reached between the IFO and the agencies concerned. The IFO will request CG, USFA to permit entry of persons of these agencies into the U.S. Zone, subject to security restrictions prescribed in paragraph 6.h., below, and will make recommendations to CG, USFA, concerning the numbers of their personnel required in U.S. Zone. All authorities previously issued to these agencies will be reviewed by the CG, USFA and IFO within 90 days from the date this agreement becomes effective.

d. Arranging for appropriate contacts with Displaced Persons by military or civilian officials of foreign Governments authorized by CG, USFA to perform activities in respect to voluntary repatriation or resettlement of Displaced Persons, subject to security restrictions and authorizations prescribed in paragraph 6.h., below.

e. Coordination of employment of Displaced Persons, including employment in the Austrian economy, with the aim of assuring maximum utilization of all employable Displaced Persons in useful work. With the exception of those Displaced Persons whose registration and referral for work may be limited in accordance with policies determined by the IFO, all Displaced Persons as defined in paragraph 3.a., above, will be subject to the provisions of the Austrian labor laws and regulations, applicable to alien and citizen residents, governing labor registration and control, wages, conditions of employment, and social security. Arrangements will be made in cooperation with the CG, USFA, and consistent with Austrian laws and regulations, to protect the interests of Displaced Persons as to provision of work and to prevent in every practical way any discrimination against Displaced Persons who are employed in the Austrian economy. This provision will not be construed to deny any Displaced Person the opportunity for repatriation or resettlement when such possibility exists.

f. The procedure in effect in U.S. Zone on 1 July 1947, covering repayment by Displaced Persons employed in the Austrian economy, direct to the Austrian Land Government for food and lodging furnished in Displaced Persons camps will be continued in force, provided that IFO will be reimbursed for such contributions it may make to their food and lodging. This policy may be modified by mutual agreement between the IFO and the CG, USFA, at any time.

g. Obtain clearance for the movement by rail of Displaced Persons from CG, USFA, when such movements originate or terminate within the U.S. Zone.

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h. Provide the CG, USFA with statistical data on names, numbers, and location of Displaced Persons as requested but IFO is obligated to furnish such data only to the extent that it is compiled for IFO.

i. Operation of an inquiry and tracing service for Displaced Persons, including child search, to the extent authorized by the IFO, and the repatriation of unaccompanied children.

j. When any of the activities contemplated in Section III, below, place an added burden of personnel on the CG, USFA, the IFO agrees to make available within IFO resources to the CG, USFA, such personnel as may be required for these activities.

Section III

RESPONSIBILITIES OF THE CG, USFA

6. To the extent that availability permits, the CG, USFA is responsible for:

a. Provision for staff and liaison personnel with IFO.

b. The enforcement of law, order, and security within assembly centers, to the extent deemed necessary by the CG, USFA and where measures initiated by IFO, pursuant to paragraph 5.b. (4) above, are considered inadequate, including protective measures against riot, pilferage, disorder, illegal transactions in goods or money, or violation of Military Government Law, ordinances and regulations. In the execution of this responsibility within assembly centers, the appropriate local Military authority will, when practicable, consult with the appropriate IFO Representative, before Displaced Persons in those centers are subject to search, arrest or detention by Military authorities or Austrian police. At the request of IFO, the CG, USFA will assist in removing from IFO assembly centers such persons as IFO may determine to be ineligible for IFO assistance, and whom IFO cannot cause to be removed through the use of the camp police. Those persons who refuse to leave or who return without authority after expulsion will be subject to punishment according to Military Government Law.

c. In view of the responsibility assumed by the Austrian Government to provide, and determined by CG, USFA, for the maintenance of Displaced Persons as set forth in the Control Agreement of 28 June 1946, taking appropriate measures with the Austrian Government to provide, at no cost to IFO or to the United States, essential supplies and services to IFO, including, but not limited to, the following:

(1) Coal, for cooking and firewood, for heating; for Displaced Persons living in assembly centers, on same basis as supplied for Austrian civilians.

(2) PCL for movement of Displaced Persons and movement of supplies where rail transportation is not available.

(3) Raw materials, equipment, farming and industrial facilities for work and rehabilitation projects, but only to extent these are reasonably available, and without prejudice to the Austrian economy.

(4) Subsistence for Displaced Persons in assembly centers at a level and composition identical to the Austrian consumer in like status, through the Austrian food distribution system, without prejudice to arrangements to be made between CG, USFA and IFO with respect to supplementary contributions by IFO to the Austrian food distribution system for the support of Displaced Persons.

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(5) Necessary hospital and health services and equipment that cannot be supplied by Displaced Persons, at a level equal to but not higher than that of the local Austrian population.

(6) Utilities, water, light, gas and repairs thereto, in assembly centers, as well as maintenance and repairs of buildings in assembly centers.

(7) Adequate camps, housing, buildings for assembly centers for Displaced Persons, and as far as practical, the buildings now so used. Pending completion of other arrangements, the evacuation of such accommodations will not be required except after reasonable notice, and after provision of suitable alternate accommodations.

(8) Make available to IRO, subject to recall for repatriation or restitution, if applicable, all stocks of supplies, equipment, and motor vehicles, which have been provided from the Austrian economy or from Enemy War Material, and which are in assembly centers or specifically allocated for Displaced Persons on the date this agreement becomes effective. Such property will be made available to IRO by turning the same over to the Austrian Government on Quantitative Receipt earmarked for use by IRO.

(9) Telephone, postal, or other communication facilities within Austria.

(10) Rail transportation for movement of Displaced Persons, supplies, equipment, and IRO personnel on official business.

(11) One main warehouse in addition to warehouses in assembly centers.

(12) Garage and maintenance facilities for motor vehicles, and such spare parts as may be produced in Austria.

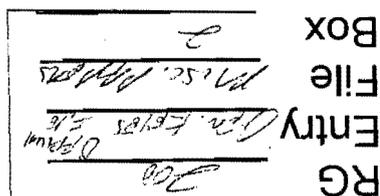
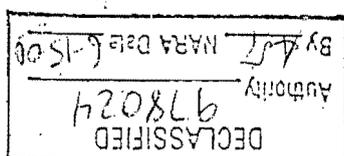
(13) Suitable office accommodations for IRO and maintenance thereof.

(14) Payment of persons employed by IRO or who work in assembly centers or elsewhere, through the appropriate Austrian Pay Officer, subject to ceilings as to numbers, rates of pay, etc., to be established.

d. The CG, USFA will urge the Austrian Government to provide suitable living accommodations for IRO personnel and for their families, for which IRO or IRO personnel will pay the Austrian Government in schillings in accordance with arrangements to be agreed.

e. Issue to IRO on Memorandum Receipt such non-expendable U.S. Army property as may be available, to continue the operation of assembly centers or which at present is used in the support of Displaced Persons and is mutually agreed upon as being essential to continued operations.

f. Authorizing the issue by IRO of identification papers to organized groups of Displaced Persons being resettled, and permitting the movement out of the U.S. Zone of Displaced Persons being repatriated or resettled by IRO, after clearance as provided in paragraph 5.g., above.



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g. Furnish such access to military files and records and assistance of intelligence personnel in determining eligibility of Displaced Persons for care as is practicable, provided military security is not involved.

h. (1) The CG, USFA will permit the personnel of voluntary agencies requested by IFO for work among Displaced Persons to enter the U.S. Zone, in reasonable numbers, and without expense to the United States, subject to security restrictions prescribed by the CG, USFA.

(2) Subject to security and availability of facilities, the CG, USFA will authorize the entry and continued presence of personnel of military or civilian repatriation and resettlement missions of various governments in the U.S. Zone.

7. IRO personnel including personnel of agencies operating under the control of IFO as contemplated in paragraph 5.a. and 5.c. above, will be subject to Military Government law and courts for offenses committed by them in the U.S. Zone. IRO and IFO personnel shall have the immunities and privileges of civilian United Nations nationals employed by the U.S., until such time as it is determined what privileges and immunities are to be enjoyed by IFO personnel pursuant to the agreement contemplated by Article 13, Section 3, of the IRO Constitution.

8. Displaced Persons eligible for IFO assistance will have the same legal status and be subject to same courts as United Nations nationals who have no official relation with U.S. Forces in Austria, or subject to any more favorable status as may be prescribed in directives of CG, USFA.

9. IRO is recognized as the appropriate authority responsible for legal and political protection of Displaced Persons.

Section IV

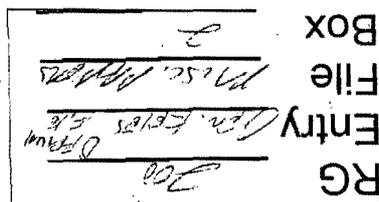
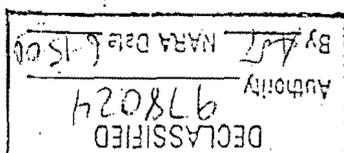
STATUS OF IRO AND IFO PERSONNEL AND RESPONSIBILITIES OF THE CG, USFA FOR PROVISION OF FACILITIES FOR IRO AND IFO PERSONNEL

10. The CG, USFA will furnish the personal services (listed in paragraph b. below) to IFO personnel stationed in the U.S. Zone in accordance with current directives and subject to availability of facilities and supplies and the conditions outlined in paragraph a. below.

a. Prior to the 5th of each month, a Statement of Account for the personal services reimbursable under this agreement furnished to IRO personnel during the preceding month will be forwarded to the appropriate IFO Headquarters by the area sales officer. This statement will be paid in U.S. Military Payment Certificates or U.S. dollars by the individual concerned, not later than the 20th of the month. Any statements for which payment has not been received by the 25th of each month will be reported to Headquarters, USFA as a delinquent account. Pending settlement of any delinquent account, all personal services listed in paragraph b. below, will be discontinued. If conditions warrant, the right of the individual to personal services may be reinstated. Any settlement that has not been paid by the 25th of the month will become an obligation of IRO, and will be included in quarterly statements to IFO, under the provisions of paragraph 11. a. below.

b. CG, USFA will furnish subject to availability, following personal services to IFO personnel:

(1) Telephone, telegraph, postal, and other communication facilities.



personnel

- (2) Access to messes operated by U.S. Army in any case where it is not practicable for IPO to provide messing facilities.
- (3) Access to Army Exchange Service facilities.
- (4) Military rail transportation.
- (5) Medical and dental facilities.

c. The CG, USFA will also authorize the entry of and provide, subject to availability, rations, rail transportation, medical facilities, and recreational facilities for the families of IPO personnel who are U.S. citizens, on the same basis, and subject to the same restrictions as those applicable to the families of civilian employees of the U.S. Forces in Austria.

11. The CG, USFA will furnish the services listed in paragraph b. below, to IPO in accordance with current directives of Headquarters, USFA, and subject to availability of facilities and supplies and the conditions outlined in paragraph a. below.

a. Statements of Account will be prepared quarterly by area sales offices and will be forwarded to the appropriate IPO Headquarters in Austria prior to the 5th day of the month succeeding the quarter. This statement will be paid in U.S. Military Payment Certificates, or such other medium of exchange as may be prescribed under current USFA directives, by the 20th day of the month succeeding the quarter. Any statement that has not been paid by the 25th day of the month succeeding the quarter will be reported to Headquarters, USFA as a delinquent account.

b. Services to be furnished IPO:

- (1) Rations in bulk to IPO units or Headquarters.
- (2) Such communication facilities, not available from Austrian sources, as may be determined by mutual agreement between the CG, USFA and IPO as the minimum essential to IPO operations.
- (3) Rail transportation for the movement of Displaced Persons and IPO personnel on official business within the U.S. Zone and to the extent not available from Austrian sources for the movement of supplies and equipment when requested by IPO.

12. The CG, USFA will furnish additional essential supplies and services as may be available and as requested by IPO subject to advance or reimbursement in U.S. dollars. The War Department will procure at the request of IPO such additional supplies and services as may not be available.

Section V

FINANCE

13. a. The CG, USFA will provide Military Payment Certificates, or such other medium of exchange as may be substituted, in exchange for dollar instruments when requested for amounts representing salaries and expenses for authorized personnel of IPO and IPO sponsored agencies employed in the U.S. Zone and in IPO Central Headquarters only.

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By Lt NARA Date 6-15-00

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 Authority 978024
 By ASJ NARA Date 6-15-00

b. (1) Advances or reimbursement will be made for expenditures from appropriated funds for supplies and services in support of IFO in accordance with this agreement.

(2) Financial arrangements will be made between the U.S. Government through the Department of State and IFO Headquarters or its designated representative, except for cash payments by IFO personnel or units for personal supplies and services as provided in paragraphs 10f and 11., above.

c. (1) Both the CG, USFA and IFO will maintain proper accounting records with respect to all supplies and services furnished to IFO in accordance with this agreement.

(2) The exact form of accounting records and the method of calculating the price and additional charges shall be agreed between the IFO and the CG, USFA, subject to approval by the War Department.

d. IFO agrees to guarantee that neither the U.S. Government nor the CG, USFA will be financially responsible for risk, injury or death occurring to IFO employees or any claim arising against the IFO, its employees, or agents, except to the extent military authorities may be liable under existing regulations.

Section VI

This agreement becomes effective on the 12th day of September 1947, and shall remain in force for a period of 3 months, or until such earlier date as it may be superseded by agreement between CG, USFA and the IFO.

/s/ W. Hallam Tuck
 /t/ W. HALLAM TUCK
 Executive Secretary

For the Preparatory Commission
 International Refugee Organization

/s/ J. D. Balmer
 /t/ J. D. BALMER
 Brigadier General, USA
 Deputy Commissioner

For the Commanding General
 United States Forces in Austria

Reproduced by Headquarters, United States Forces in Austria - 10 October 1947.

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PLEASE NOTE DATE

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HOLD FOR RELEASE
UNTIL 7:00 P.M. EST
SATURDAY, DECEMBER 10, 1949

NO. 547-49

RE 6700 Ext. 71252

ARMY RELEASES GREENSTEIN REPORT
ON JEWISH AFFAIRS IN GERMANY AND AUSTRIA

Secretary of the Army Gordon Gray today released the report of Harry Greenstein, Adviser on Jewish Affairs to the United States Occupation authorities in Germany and Austria from February to October 1949. Mr. Greenstein served as Adviser in Germany to General Lucius D. Clay, General Thomas T. Handy, and U. S. High Commissioner John J. McCloy, and in Austria to General Geoffrey Keyes.

Mr. Greenstein has returned to the United States to resume his position as Executive Director, respectively, of the Jewish Charities and the Jewish Welfare Fund of Baltimore, Maryland. He has been succeeded by Major Abraham S. Hyman, who will serve as Acting Adviser to Mr. McCloy and General Keyes.

Secretary Gray, in releasing Mr. Greenstein's report, stated:

"During the period of Mr. Greenstein's service with our occupation forces overseas, most satisfying progress has been made in reducing the Jewish displaced person populations in the United States Zones of Germany and Austria. I note with pleasure that while some 40,000 Jewish displaced persons remain in the United States Zones, this represents a great reduction from a high of more than 200,000 in 1947. In helping us work toward a solution of this problem, Mr. Greenstein has made a most substantial contribution to our occupation mission."

The full text of Mr. Greenstein's report to the Secretary of the Army follows:

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HEADQUARTERS
EUROPEAN COMMAND
Office of the Adviser on Jewish Affairs
APO 403, U. S. Army

November 1, 1949

SUBJECT: Report of Mr. Harry Greenstein, Adviser on Jewish Affairs to the US Commands, Germany and Austria.

TO : Honorable Gordon Gray, Secretary,
Department of the Army,
Washington, D. C.

In this report I shall (a) indicate the progress which has been made in the solution of the Jewish DP problem during the period of 1 January to 15 October 1949, (b) refer to specific problems which have been handled during this period and (c) present my observations on a number of issues which still merit the interest and attention of the US authorities in Germany and Austria.

My tour of duty extended from 15 February to 31 October 1949. I am including the period between 1 January and 15 February because my predecessor, Dr. William Haber, who vacated the post of Adviser on 15 January 1949, reported to you for the period up to 31 December 1948.

A. Solution of the DP Problem.

The mass resettlement of the Jewish DPs, which started with the emergence of the State of Israel and with the implementation of the U.S. DP Act, continued throughout the period covered by this report. Between 1 January 1949 and 15 October 1949, 54,700 were resettled from Germany and 12,500 from Austria. Of these 40,300 migrated to Israel, 23,500 to the United States and 3,400 to all other countries. It is estimated that as of 15 October 1949 there were 33,000 Jewish DPs in the U.S. Zone, Germany and 10,000 in the U. S. Zone, Austria. These estimates on the residual Jewish DP population include approximately 18,000 out of camp Jewish DPs in the U.S. Zone, Germany and 3,000 in the U. S. Zone, Austria.

The progress in the solution of the Jewish DP problem, measured in terms of resettlement, has been a source of great satisfaction to every one who has worked with this problem. Every person resettled represents a human being reclaimed from a life which, at best, was little more than an aimless existence. Some DPs will have problems of adjustment in Israel, in the United States and in other countries where they have been resettled. However, my observation of their absorption in and acclimatization to Israel and the United States convinces me that the effort expended

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on their behalf represents an investment which has already paid incalculable dividends in terms of the present and future well being of these people. I am also confident that these DPs will make a real contribution to the countries of their resettlement.

B. Handling of Specific Problems

1. Camp Consolidation

On 1 January 1949 there were 48 Jewish DP camps in the U. S. Zone, Germany and 13 in the U. S. Zone, Austria. By 15 October these had shrunk to 10 and 7 respectively. It is my judgment that as the population of existing camps decreases through future resettlement, further consolidation will be possible, even before the IRO phases out.

The consolidation of the Jewish DP camps was achieved in record time and with a minimum of inconvenience to the Jewish DPs, as a direct result of the active cooperation between the Army authorities, the IRO, the DP leadership and the representatives of the voluntary agencies working with the Jewish DPs. It is to the credit of the Army and the IRO that they permitted the initiative in this field to be taken by those who worked exclusively with the Jewish DPs and that they progressively abided by their recommendations.

The camp consolidation program, revised only as conditions warranted, took into account the comforts of the people, sought to keep to a minimum the number of moves for each family, and synchronized the camp closings with the existing resettlement opportunities for the people involved in the moves. As the camps in the U. S. Zone, Germany, closed, the inhabitants were segregated into four categories: the medical hard core, the U.S.-bound, the Israel-bound and those who, having indicated no practical settlement choice, were labeled as the "undecided". The people moved into the camps housing exclusively those of their own category. This was done in the interest of efficiency in the future handling of the problems unique to each group.

A personal inspection of nearly all the existing Jewish DP installations in the U. S. Zone, Germany, and of some of the camps in the U. S. Zone, Austria, convinced me that gauged by accepted standards for refugee care, the Jewish DPs are adequately housed.

2. Removal of Personal Belongings:

One source of irritation to the Jewish DPs was the restriction on the removal of their personal belongings to their ultimate place of resettlement. Until 27 July 1949 the DPs were permitted to take to the countries of destination only household goods and small hand tools which craftsmen might use in self-employment. The removal of any other property required special licenses which Military Government was reluctant to grant. The DPs resented these restrictions since they felt that having lost, been deprived and robbed of nearly all of their property, they should be permitted to remove everything that they legitimately acquired in Germany, which, in turn, they needed to become self-sustaining.

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After a thorough study of the problem, The European Command liberalized these regulations. In a directive dated 27 July 1949 displaced persons being re-settled in group movements may take with them all property provided they are able to prove that they acquired the property legally with funds legitimately acquired. This directive has had, and in my opinion, will continue to have a salutary effect on the resettlement of the Jewish DPs. The regulations should be given most liberal interpretation to permit the DPs who have been enterprising, to take with them material goods they need in recreating their lives in the countries where they re-settle.

2. General Claims Law:

Another issue which was satisfactorily resolved within the past nine months is the General Claims Law. Under this law the Laender comprising the U.S. Zone, Germany, have undertaken to compensate those who under National Socialism suffered the loss of liberty through incarceration in concentration camps and ghettos, those who sustained injury to person or damage to property, and the dependents of those who were killed at the instigation of an agency of the Third Reich. It was in harmony with the American concept of justice that General Clay refused to put his stamp of approval on a draft of this law which excluded in-camp DPs from the class of beneficiaries, and it is to the everlasting credit of Mr. McCloy, the U.S. High Commissioner, that he did not permit a revised draft of the law to be referred to the west German State, where more than likely, it would have been indefinitely shelved. The law which Mr. McCloy approved on 4 August 1949 meant not only that the victims of National Socialism would, in some degree, be compensated for their losses but what is perhaps equally important, is the moral principle involved in having the present German government accept responsibility for the crimes committed by its predecessor. No regeneration of the German people is, in my opinion, possible until the Germans acknowledge this responsibility and until they take steps to disavow the entire complex of the Nazi regime.

4. Disposition of Non-identifiable Cultural Property:

The U. S. authorities played an important role in effecting the reclamation of a vast collection of Jewish cultural material which the Nazis had looted in Germany and in the countries they overran. The Nazis had planned to use this Judaica, by distorting it, to prove that their policy, calling for the total extinction of the Jewish people, was justified. Under U. S. Military Government jurisdiction, the Archival Depot at Offenbach spent several years in assorting this material and in segregating the identifiable from the unidentifiable property. On 15 February 1949 all of this cultural property, not identifiable as to source and ownership, was turned over to the Jewish Cultural Reconstruction, Inc., as Trustee for the Jewish people, under an agreement which charged this organization with the distribution of the property to "such public or quasi-public religious, cultural and educational institutions as it sees fit to be used in the interest of perpetuating Jewish art and culture". This property, consisting of about 130,000 items included books, Torah scrolls, synagogue paraphernalia, ritual objects and Jewish paintings and furnishings. Subsequent to this agreement, a staff of experts, representing Jewish Cultural Reconstruction, was permitted to enter the U. S. Zone, where it allocated and shipped the material to Jewish libraries and communities throughout the world.

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The assistance given by the U. S. Military Government authorities in assembling and preserving this property and in helping effect this distribution represents an achievement of which the U. S. Army of Occupation can well be proud.

5. Control of Occupation Authorities Over DPs:

For the past several years, the German authorities had been advocating the extension of their police jurisdiction over the DP camps. The principal argument they employed was that the extraterritoriality enjoyed by the DPs in the camps put them beyond the reach of the German police and encouraged general lawlessness in the occupation zone. The U. S. authorities were not persuaded by this argument. They realized that the introduction of German police on a law enforcement mission in DP camps would only invite open defiance and resistance and, in general, ineffective police action. As a result of this and other considerations, the U. S. authorities were sound in taking the initiative in reserving to the High Commission control over DPs under the Occupation Statute. This control reserved to the occupation authorities should be retained at least until the terminal date of the IRO program.

C. Observations on and Recommendations with Reference to Specific Issues

1. Restitution:

One of the aims of the U. S. Occupation in Germany was to see that the persons deprived of their property as a result of National Socialist persecution should either have their property or be compensated therefore. It has also been the avowed U. S. policy that heirless and unclaimed property, subject to internal restitution, should be turned over to an appropriate successor organization. These statements of policy were enunciated in a directive of the U. S. State, War and Navy Departments, dated 15 July 1947.

Pursuant to these principles the U. S. Military Government in Germany promulgated Military Government Law No. 59, after all efforts to have the German Laender adopt such legislation had failed. Military Government also designated the Jewish Restitution Successor Organization (JRSO) as the agency to succeed to all heirless and unclaimed property, subject to restitution. Law No. 59 was everywhere applauded as a model restitution law. It was closely followed by the British authorities in the restitution laws which they recently adopted in their zone of occupation and by the Kommandatura in the restitution law applicable to the three western sectors of Berlin.

In the U. S. Zone there is general satisfaction with the implementation of the law to date. Private claimants are making progress in getting back their property and the JRSO, which has filed over 160,000 claims, is optimistic about its ability to reduce to possession a substantial part of the heirless and unclaimed property.

The restitution law is an exceedingly unpopular one with the German people. This is evident in the fact that the German leaders were unwilling to risk their political futures by sponsoring a law of this character. It is easy to rationalize the wrongful acquisition of property. The Germans are and will continue to be reluctant to surrender to the rightful owners the property which was confiscated

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uring the Nazi regime. It is, therefore, not surprising to learn that in Germany today protective organizations are emerging with the avowed aim to mobilize sentiment against the restitution law, and to resist the return of property to the lawful claimants. One device to which the Germans may resort is to protract the ultimate decision of restitution cases by multiple appeal in the courts, including the U.S. Court of Appeals. More than likely the protective organizations will agitate for the abolition of the appeal to an American tribunal and for the determination of the restitution cases exclusively by the Germany judicial authorities.

Nothing must be permitted to take place which will in any way weaken the restitution law. It is impossible to restore the lives of the millions who were murdered under the Nazi regime. It is, however, possible in some measure to effect a restitution of property of which the dead and the handful of survivors were robbed. Specifically, the spirit of Law 59 must be carried out. The power to render the final decision in restitution cases must rest with an American tribunal and the U. S. authorities must be vigilant that the restitution cases which reach the courts are expeditiously handled.

The restitution program in Austria bears even closer surveillance than the program in Germany. It is regrettable that a nation which presumes to have been liberated from the Nazi grip has to this date not seen fit to legislate the return of confiscated leasehold interests nor to provide for the disposition of heirless and unclaimed property subject to restitution. The reason generally assigned for this delay has been the desire of the major political parties to win the support of the half million lesser implicated Austrian Nazis who, by virtue of having been granted an amnesty in June 1948, were rendered eligible to vote in the October elections. These elections, held on 9 October 1949, gave the League of Independent voters 16 representatives in the Austrian House of Deputies. Not only is the general growth of reaction in Austria a great likelihood but it is fairly certain that there will be organized resistance against the adoption of future restitution laws and that efforts will be made to sabotage the restitution laws which Austria has already adopted, notably the Third Restitution Law.

To the extent that the U. S. government can influence Austrian internal policy, it must not permit anything to happen which would destroy whatever good has been accomplished in Austria in the field of restitution. The U. S. government should also make it clear to the Austrians that elementary justice and decency require the immediate adoption of laws which would return to the rightful owners confiscated leasehold interests and which would provide for the disposition of heirless and unclaimed property as it is under MG Law 59 in the U.S. Zone, Germany.

One final word about the problem of restitution. It is anticipated that if the restitution laws are effectively implemented, the former owners or surviving heirs and the JRSO, as the owner of heirless and unclaimed property, will acquire substantial holdings in Germany and Austria. Nearly all of the surviving owners have migrated to other countries and the funds acquired by JRSO or by any other Jewish successor organization which may in the future be appointed, must be employed in the resettlement and rehabilitation of people who are living in Israel and in other countries. It is of the utmost importance that methods be found to permit the proceeds in the form of either goods or currency to be transferred to such areas where the surviving owners live or where the funds are needed in resettlement and rehabilitation of the victims of Nazism. - 6 - MORE

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2. Equalization of Burdens:

On 8 August 1949 the Bizonal Economic Council approved a law applicable to the U.S. and British Zones, Germany, entitled the "Ordinance to Alleviate Social Harshness". This is the first in a series of contemplated measures to equalize war burdens in Germany. The ordinance imposes a tax on all property owners with the proviso that United Nations nationals who had that status on 8 May 1945 are exempt from the tax.

It was my opinion that if any exemption is allowed, it should extend to all people who were persecuted by the Germans and at least to those who were United Nations nationals on the date the ordinance was adopted. However, it was felt that because of the difficulty of determining who might qualify as a persecutee, the problem of administration would be hopelessly complicated if persecutees were exempted. Moreover, it was pointed out that the ordinance was only an emergency measure and that when the major problem of the equalization of war burdens was treated at a later date the matter could again be reviewed.

I am of the firm opinion that in any future legislation in this field, those who are United Nations nationals on the effective date of the laws should be exempt from its burdens. The moral argument in favor of those who were either expelled or were forced to leave Germany is not subject to dispute. On the one hand they are restored to the property of which they were deprived by duress, and on the other hand they are asked to contribute to a common pool which will be used specifically to satisfy the claims of their former persecutors. In many countries, including the United States, the refugees and expellees could either not acquire citizenship during the war or insufficient time had elapsed to render them eligible under the naturalization laws. These victims of Nazi persecution should not be penalized for a condition over which they had no control. They should be spared the indignity of having to pay for the losses sustained by the people who, in the main, actively or passively supported a regime whose avowed aim it was to exterminate those who had escaped, wherever they would be found.

3. The Medical Hard Core:

Up to a few days before I gave up my office, the most difficult remaining problem with regard to the Jewish DPs in the U.S. Zones of occupation involved those who fell within the medical hard core category. These are the tubercular, the chronically ill, the invalid and the aged. Because of their physical condition they had been ineligible to immigrate to any country. Every effort was being made to rehabilitate this group so as to render them eligible for immigration. Fortunately, the negotiations which had been in progress between the Israeli Government and the International Refugee Organization looking to the resettlement of this group in Israel were successfully concluded. I am glad to report that agreement has been reached between the Israeli Government and IRO on the basis of which it will now be possible to resettle the entire group in Israel. Announcing this agreement, Mr. John Donald Kingsley, Director General of the International Refugee Organization stated: "Israel, almost alone among the nations, consistently has based its immigration policies entirely upon humanitarian considerations. No Jewish refugee ever has been found to be too sick, too poor, too help-

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for admission and a warm welcome by Israel." The happy result of this arrangement should relieve the occupation authorities and the IRO of what would have been a potentially difficult residual problem.

4. Anti-Semitism

During my tour of duty I found relatively little in Germany of what might be termed overt forms of anti-Semitism. In an occupied country, where basic attitudes are necessarily repressed, this fact is no gauge of the intensity of the anti-Semitism that still exists. No one can work in Germany for even a brief period without being conscious of the deep, underlying hatred and hostility against the Jews. It will take years, perhaps generations, before the virulent form of anti-Semitism will have spent itself.

All competent observers agree that militant nationalism in one form or another has been on the rise in Germany since early 1948. There is a reason to believe that with the creation of the Federal Republic of Germany, it will, in all likelihood, increase. This nationalism which expressed itself without restraint in the speeches of the political candidates of all parties in the recent German elections, is a danger signal which no one can afford to ignore. It is true that the Bonn constitution is democratic in concept and provides for many safeguards for the protection of the basic rights of man. However, constitutions are not self-executing. From the standpoint of the future what counts is the spirit in which Germany will be governed.

It is highly significant that in the recent elections no party, competing for the votes of the German electorate, found it politically expedient to denounce Hitlerism and its vicious anti-Jewish complex. The generation which grew up during Hitler's regime has been schooled in the leader principle and unless there is decisive rejection of Hitlerism by those elected to high public office, the German masses will continue to nurture the hatreds planted in them by their former leaders.

Chancellor Adenauer and President Heuss took a step in the right direction when, in extending New Year's greetings to the Jews of Western Germany and in inviting them to take part in the intellectual, social and political reconstruction of Germany, they said, "The Jews will not forget - the loyal Germans must not - but together we must overcome our evil inheritance." While these sentiments will be appreciated by people with democratic instincts, wherever they may reside, they will remain hollow words unless the new German Republic takes positive steps to combat anti-Semitism and to disassociate itself from its "evil inheritance" by a concrete program of action.

On the basis of my observations and work in Germany, I have formed the following conclusions:

1. It is imperative that the occupying powers recognize in anti-Semitism the rejection of the democratic principle and as the unmistakable sign of the resurgence of German nationalism in its most vicious form.

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2. It is imperative that those entrusted with authority in Germany be ever vigilant against any manifestations of anti-Semitism and that they deal with it in vigorous and militant fashion.

3. It is imperative that the powers reserved by the authorities in the Occupation Statute be so exercised as to guide the press and other media of communication in bringing about a genuine regeneration of the German people.

4. From a long range point of view it is of the utmost importance to develop a positive, democratic program which will reach into the governmental circles, into the church, the family, the schools and into the daily lives of the German people.

There is no single cure for anti-Semitism. This is true of any country where the disease thrives. It is doubly true of Germany, where, sanctioned by law and dinned into the ears of the old and the young, it had become a national fetish whose validity few people questioned, and fewer had the courage to challenge. It will take at least as much time and effort to destroy the virus of hate as it took the Nazis to implant it in the hearts of the German people. It will be a long and uphill fight to which all the liberal and enlightened elements, in and out of Germany, will have to apply themselves if any perceptible dent is to be made in meeting this problem.

D. Summary

What has been achieved on behalf of the Jewish displaced persons is the result of the magnificent team work between the Army, the IRO and the Jewish Voluntary Agencies. The Army's contribution to this cause constitutes, in my judgment, one of the most inspiring chapters of our occupation history. Both in Germany and Austria, the U.S. Army has been and is regarded by the Jewish DPs as their guaranty that as long as they are required to remain in these countries, their physical security will be assured and their moral rights respected.

The Army, the IRO and the Jewish Voluntary Agencies have shared in an outstanding job in the care, rehabilitation and resettlement of the Jewish DPs. There was no precedent for the huge relief and welfare program in which the three groups participated and it is a tribute to their humanitarianism and resourcefulness that the DPs are emerging from their experience in a good state of health and in a frame of mind that promises their successful readjustment to normal life in the countries where they resettle.

There are problems to which I have referred which still require the close attention of the U. S. authorities in Germany and Austria. I have discussed each of these problems with Mr. McCloy and with General Keyes, as they relate to their respective areas of jurisdiction. I am confident that they will continue to exert their influence in the just solution of these problems.

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I cannot leave my post without expressing my profound appreciation for the understanding which General Clay, Mr. McCloy, General Keyes, General Huebner and their staffs brought to each problem affecting Jewish DPs which I presented to them. They have written a chapter in social statesmanship of which the United States can be proud and which the Jewish displaced persons, as beneficiaries of their combined effort, will never forget.

/S/ Harry Greenstein
HARRY GREENSTEIN
Adviser on Jewish Affairs

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FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

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864.1884a/4-351

TO: Department of State

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REC'D
Apr 16

FROM: BUDAPEST 685 April 3, 1951

1 Enclosure

REF:

SUBJECT: THE AMERICAN JOINT DISTRIBUTION COMMITTEE AS A SOURCE OF DOLLARS FOR HUNGARY

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There is enclosed for the Department and other interested agencies a memorandum of a conversation which took place on April 2, 1951 between the American Minister and Mr. Charles H. Jordan, a United States citizen representing the American Joint Distribution Committee in Budapest. Mr. Jordan, who is about to return to the United States, has been conducting an investigation of the way in which AJDC funds are administered in Hungary.

Mr. Jordan said that he is in general satisfied that the money supplied by his organization from the United States is going to direct relief of individuals who would otherwise be completely helpless. He did discover that some small amounts had apparently been diverted into various Party and Government channels but he felt that these were of minor importance. Dollar remittances from the United States are now running at a rate of approximately \$240,000 a month, Mr. Jordan observed, but in his opinion this could be reduced to \$100-\$150,000 without too seriously affecting the work of the organization, especially if a more satisfactory rate of exchange could be obtained. Various discussions have been carried on with Hungarian officials concerning the matter of the exchange rate and Mr. Jordan noted that during talks with Zoltan VAS, Communist President of the Hungarian State Plan Office, Vas told him that if the AJDC would arrange to bring copper into the country he could get "as many forints as he liked". Mr. Jordan added that during a later conversation with the Israeli Charge d'Affaires in Budapest he was advised that Rakosi had made a similar statement in connection with a discussion about emigration to Israel.

Hungary's dollar earnings from exports to the United States averaged approximately \$149,000 per month during the first nine months of 1950, according to statistics compiled by the United States Department of Commerce, while imports of goods from the United States were carried on at a monthly rate of \$360,000. Mr. Jordan's remarks, indicating that Hungary's dollar earnings through remittances by the AJDC

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were at least 60% greater than the earnings gained through export of Hungarian goods, help to explain how this otherwise adverse balance of trade was maintained. Moreover, since the AJDC probably remitted more in 1950 than it does today, and was but one of Hungary's "invisible" sources of dollars, the trade balance may in fact have been substantially in Hungary's favor. It seems reasonable to suppose that the surplus dollars were used elsewhere in the world to obtain the goods which the United States refuses to license for export to the Soviet orbit. Copper, apparently, has been hard to get, a surmise originally supported by the curious offer made to the British in connection with the Sanders case (LEGDES 553, February 2, 1951, page 14), and now strengthened by the comment of Vas and Rakosi reported by Mr. Jordan. Still, it would seem to be in the interest of American trade policy if this easy source of dollars for Hungary could be reduced. Understandably, neither the United States Government nor the AJDC has been willing to sacrifice the welfare and possibly the lives of the Jewish community in Hungary as a tactic of political warfare, but certainly there could be no objection if Mr. Jordan should be proved correct in his belief that the work of his organization can be carried on for less dollars.

Michael P. Davis

Enclosure: 

Memorandum of Conversation between
the American Minister and Mr. Charles H.
Jordan.

CC: AMLEGATION, Vienna (PR)

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Enclosure to Despatch 685
 from AMLEGATION, Budapest,
 4/3/51

MEMORANDUM OF CONVERSATION

April 2, 1951

Mr. Jordan of the JDC came in this morning to say good-bye. He has received an exit and re-entry visa and plans to leave for New York tomorrow or the day after. He is very much undecided as to whether he will return.

Jordan said that one of the principal objects of his coming to Hungary was to make an investigation of the way in which JDC funds are administered and to determine whether the money actually goes for the purposes for which it is intended. He finds that this is substantially true. He has discovered a certain amount of minor chiseling which he describes as not personal enrichment of individuals but diversion by slick manipulation of rather small amounts into various party and Government channels. He has also observed that on several occasions the Government has permitted the use of JDC funds - both accumulated forint reserves and new dollar remittances - for the rehabilitation and re-equipment of Jewish charitable institutions such as a hospital and several old folks' homes and then has requisitioned the building after it was completed and equipped. He does not object too strenuously to this either as he realizes that it is inevitable and that eventually all property will be nationalized anyway. He believes that it is the long range intention of the Government to remove all such Jewish hospitals and old folks' homes (and presumably similar non-Jewish institutions) from Budapest and more or less bury them in the country. He has therefore advised the local Jewish community to spend no more money on real estate rehabilitation or equipment in Budapest.

By and large, however, he finds that the money supplied from the United States is going to direct relief of individuals who otherwise would be completely helpless, this relief being in the form of food primarily and secondly but importantly, clothing, followed by medicines, etc.

The relief roll continues in the neighborhood of 30,000. He feels that for the next few years it will increase rather than decrease because while under the rules of the organization direct relief is not furnished to persons under 60 there are many thousands who are now destitute who will become 60 within the next few years and thus become eligible. The only way to effect any substantial reduction in the relief roll, as he sees it, would be large scale emigration to Israel. The old folks

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are in no condition to emigrate and the Government will not facilitate the emigration of young people. Mr. Jordan believes that about 10,000 would emigrate tomorrow if it were possible.

The accumulated forint reserves have been drawn on recently at the rate of about 1,200,000 forints a month, roughly half of which has gone into buildings and furnishings and the rest for relief. This fund is approaching exhaustion and Mr. Jordan is very much concerned with what will then happen as he does not look with favor on sending more dollars, at least unless a better rate of exchange can be obtained.

Dollar remittances are still running at the rate of approximately \$240,000 per month and through an arrangement with the Government the National Bank has recently been exchanging these dollars at the rate of 15 forints (he said that at one time the rate was 20 to 1). Because of a prospective deficit this month (April) Jordan was seeking an additional 600,000 forints to supplement withdrawals from the forint fund. He offered to put up \$20,000 if the Bank or the Government would make the 600,000 available, thus using the rate of 30 to 1, and Dr. Stockler negotiated this matter with Zoltan Vas and a compromise was reached whereby the Government provided forints at the rate of 25 to 1.

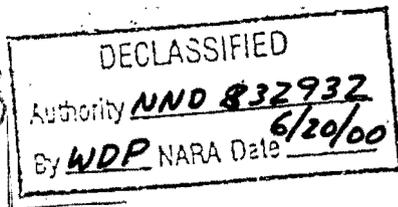
During discussions of this question of the rate of exchange Jordan told Vas that, as he knew, the JDC had for a while imported coffee instead of dollars and had thereby obtained the equivalent of a rate of 20 to 1. However, JDC was not in the import-export business and did not want to continue this arrangement. Jordan proposed that dollars were more useful to the Hungarian government than coffee and therefore urged that the Government provide a more favorable rate for JDC dollars with which the Government could then import coffee or anything else it wished. To this Vas replied that if Mr. Jordan would arrange to bring copper into the country he could get "as many forints as he liked". An interesting sidelight on this is that a few days later Mr. Bentsur, the Israeli Charge d'Affaires told Jordan that during a conversation he, Bentsur, had had with Rakosi about emigration to Israel, Rakosi had made a similar statement.

Mr. Jordan told Vas that he would report the conversation to his superiors when he gets to New York but was unable to make any comment himself. To me Jordan said he would report the conversation but he had no intention, and he was sure the JDC would have none, of trying to work out any such copper deal.

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 from AMLEGATION, Budapest,
 4/3/51

Mr. Jordan feels that dollar remittances must continue or the persons now depending on JDC relief will literally starve to death. But he is very unhappy about the amount of dollar exchange thus being made available to the Hungarian Government. He believes firmly that the only reason the JDC is permitted to continue its activities is the desperate need of the Government for dollars and he believes that the dollar amount could be reduced substantially to somewhere between \$100,000 - \$150,000 a month. His reasoning is that the Government is so anxious for the dollars that if the JDC reduces its remittances the Government would provide a more favorable rate of exchange in order to permit the activity to continue at its present level in forints. But he added, "I would not want to be around when that happens". He has discussed this matter with Dr. Stockler, whom, incidentally, he does not trust, and Stockler expressed a fear that if the dollar amount is reduced the Government will shut down the whole operation. Jordan sees this danger but believes that \$150,000 a month would still be sufficiently attractive to the Government to forestall such action.

Mr. Jordan asked for my views. I replied that I understood his reluctance to be here if and when the JDC substantially reduces its dollar remittances and cited the Vogeler case. I added that, as he knew, the question of cutting off remittances had been raised at the time of Mr. Jacobson's arrest but that neither the JDC nor the American Government had been willing to sacrifice the welfare and possibly the lives of the Jewish community in Hungary as a tactic of political warfare. I thought that there was little danger of remittances being blocked although I was quite sure both the JDC and the Government would be happy if he should be proved correct in his belief that the work can be carried on for less dollars.

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Office Memorandum • UNITED STATES GOVERNMENT

TO :UNA/R - Mr. Dawson

FROM :UNA/R - J. A. Linehan, Jr.

SUBJECT: Summary of a Memorandum of Conversation between the American Minister to Hungary and Mr. Charles H. Jordan, a U. S. citizen representing the American Joint Distribution Committee in Budapest, on April 2, 1951.

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Source: Despatch 685 from Budapest dated April 3, 1951

The problem is the question of the support of the Jewish community in Hungary. AJDC now maintains 30,000 people on its relief roll. The 30,000 figure does not show the true situation since only persons over the age of 60 are eligible for direct relief. Mr. Jordan feels that this figure will increase in the next few years because of the thousands of people close to the 60 age who are now destitute. The solution to the problem is emigration to Israel, a solution which is blocked for the old because of their poor condition for emigration and for the young because of the Government's refusal to facilitate their emigration. 10,000 would emigrate immediately if possible, according to Mr. Jordan.

The question remains of AJDC support of these people. This involves AJDC dollar remittances now running to \$240,000 per month and the rate of exchange now 15 forints to one dollar (at one time 20 to 1). Mr. Jordan feels that these funds, except for minor chiselling, are serving the Jewish community in Hungary and must be continued or the people will starve to death. He believes that the current rate of remittances to Hungary can be reduced to \$100,000 - \$150,000 per month, in which case the Hungarian Government will probably provide a more favorable rate of exchange because of its anxiety for dollars. This, however, is a ticklish point since the Hungarian Government's "support" of AJDC activities seems to rest on its desire for dollars.

The American Minister, Mr. Davis, told Mr. Jordan that he felt that there was little danger of the remittances being blocked although he felt that both AJDC and the Government would be happy if the work could be carried on with less dollars.

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