

DECLASSIFIED

Authority NND 968103
By NR NARA Date 2/28RG 131

Entry FFC General

File Gen Lic #42802A

Box 165

Secretary Morgenthau

February 6, 1942

E. H. Foley, Jr.

As you know, general licenses issued under the freezing order have had the effect of freeing the accounts of all blocked nationals who have resided in the United States at all times on and since June 17, 1940, except persons singled out for specific blocking.

We have given further consideration to the refugee problem and we feel that we should now proceed to release from the restrictions of the Executive Order blocked nationals who are at present in the United States, regardless of the date of their arrival in this country. The regulation of the financial affairs of such persons requires a disproportionate amount of effort on the part of Foreign Funds Control in relation to the results achieved. Only a small group of persons within the United States will attempt to carry on transactions inimical to our war effort. We will exclude from the proposed general license by specific designation prior to the issuance of the license persons now known by us to need strict supervision. After the issuance of such license we will continue to exclude on an individual basis persons coming to our attention who require strict supervision.

This action on our part will serve to underline the sympathy and fairness with which this Government is treating refugees, and will form part of a broader program to enlist the enthusiasm of persons in conquered nations for the Allied cause. For example, an effective story can be worked up for use on foreign language broadcasts to other countries.

If you are in agreement with this program, it will be appreciated if you will so indicate below.

(initialed) E.H.F., Jr.

I approve:

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury

February 7, 1942. ELT:cwh 2-4-42

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By WDP NARA Date 4/21/00

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Entry FCC Gen Corr

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Box 226

(C O P Y)

In reply refer to
Lc/B

April 1, 1947

My dear Mr. Attorney General:

I have delayed answering your letter of February 28, 1947 with respect to the possibility of return of property in the United States which has been vested as belonging to Italian nationals, until further consideration could be given in the Department to the possibility of an overall financial settlement between the United States and Italy.

As you know, the Government of the United States has, in the course of negotiation of the Treaty of Peace with Italy, indicated that it would, in principle, return property in the United States vested from or blocked in the name of Italian nationals. It is strongly believed that such a return, applying both to the property vested by the Office of Alien Property and the property blocked by the Treasury Department, is in the interest of the United States. The stake of the United States in a stable and democratic Italian economy is considerable. The statements made at Paris in connection with negotiation of the treaty were, partially at least, responsible for our ability to work out a treaty which overall would contribute toward permitting Italy to function in a normal manner and to revive its economy. Even apart from the statements to which I have referred, the interest of the United States will be served by the contribution toward Italian stability which would be made by the return of the vested property and the release of the blocking controls.

It is within this general framework that this matter has been discussed with officials of the Department of Justice. I understand that the proposal to return the property has your consent and that you will support such legislation as may be necessary to implement this policy, subject of course to the matters mentioned in your letter under reference.

The Honorable
Tom Clark,
Attorney General.

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Box 226

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Your letter of February 28 makes several points with respect to possible legislation opening the way for return of Italian property. I should like to deal with these seriatim:

1. It is suggested that "any instrument providing for the return of Italian property should contain express provisions for protection of such rights as may have been acquired from the United States during its period of ownership of the assets."

The Department is in entire agreement with respect to this proposal and has in fact, during the course of such informal conversations on this matter as have been had with Italian officials, emphasized that rights acquired validly during the period of ownership of these properties by the United States Government would have to be protected.

2. It is suggested that the Treaty of Peace, to the extent relied upon, should be interpreted in a manner consistent with such protection of rights validly acquired during the period of United States ownership of these properties.

I do not believe that the provisions of the Treaty of Peace are inconsistent with such protection, but a further study of this matter is being made in the Department. You may wish to have members of your staff discuss this further with Departmental officials.

3. It is suggested that return should be made subject to the satisfaction of claims and charges recognized by the Congress in the enactment of Public Law 671, 79th Congress.

The Department entirely agrees with this suggestion.

4. It is suggested that there would be an "apparent inequity" if unequalled return were made to nationals of Italy whereas return to nationals of previously enemy-occupied countries, pursuant to Section 32 of the Trading-with-the-Enemy Act, as amended, is made in such a manner as to minimize the possibility of a return to a collaborator.

I believe that further consideration should be given to this matter. With a policy of not favoring or benefitting in any way persons who have collaborated with the enemy, the Department is of course in hearty agreement. It appears to the Department, however, that there are a number of complexities inherent in any attempt to implement this principle by retention of property by the United States, and that these difficulties, present in the situation of former enemy-occupied countries, are intensified in the case of a formerly enemy country like Italy. It may be pointed out that Public Law 322, 79th Congress, which

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amended the Trading with the Enemy Act in such a manner as to permit returns of vested property, provided no standards for the determination of whether the previous owner was a collaborator. Moreover, there is no policy expressed in Section 12, as it presently exists, with respect to future disposition of property retained on the ground that the former owner was a collaborator. It may be, however, that the Congress will enact legislation providing for the return of such property to the governments having jurisdiction over such persons.

In the case of a former enemy country, the problem of determination of a charge of collaboration is extremely difficult, since every national of such a country was an enemy. The placing of entire reliance on certification by the Italian Government may merely transfer the burden of making determinations in a field with no known standards to Italy. A possible answer to this question may be to rely on whether charges of collaboration have been preferred in Italy. Thus, the Department would have no objection to a program under which the Italian Government would certify that no proceedings for collaboration have been brought against the former owner, or that such proceedings, if begun, have not resulted in a conviction. Such a procedure may be a practicable method of achieving an administratively sound return program.

You may wish to have members of your staff discuss this matter with Mr. Seymour J. Rubin of the Department. In this connection, it may be useful to explore correlation of techniques with respect to vested and blocked properties, and to bring Treasury officials into the discussions.

I am sending a copy of this letter to the Secretary of the Treasury.

Sincerely yours,

Dean Johnson

Acting Secretary

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Box 226

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAY 28 1947

TO : Secretary Snyder
John S. Richards

FROM : John S. Richards
Director, Foreign Funds Control

As you know Acting Secretary of State Acheson in a letter dated April 15, 1947, informed Senator Vandenberg that it will be the policy of the United States to release Italian property in the United States which is blocked or has been vested. We in cooperation with the State Department are presently negotiating with a delegation from Italy headed by Mr. Lombardo concerning, among other things, the unblocking of Italian assets. It appears that these negotiations will result in an agreement that Italian assets will be released under a certification procedure similar to that under which French, Dutch, and other western European assets are released. At the same time the State Department is negotiating with the Italian Delegation concerning the satisfaction of certain claims by the United States and its nationals against Italy which are not covered by the Treaty of Peace. The arrangements for the release of blocked Italian property will not become effective until the State Department has obtained satisfactory arrangements from Italy concerning these claims.

This Department has ample authority under the Trading with the enemy Act to release blocked Italian property. In view of the declaration of war by the Congress against Italy, however, representatives of this Department have from time to time advised members of Congress that the Congress will be kept informed of our plans concerning the disposition of Italian assets. The attached letters for your signature have been prepared for the purpose of advising the Chairmen of the Congressional Committees on Foreign Relations of our plans for the release of Italian property. Our Chief Counsel, Mr. Elting Arnold, is of the opinion, and I concur, that these letters constitute a sufficient notice to the Congress of our intentions.

You may be interested to know that out of a total of some \$60,000,000 worth of Italian assets approximately \$15,000,000 have been vested by the Office of Alien Property of the Department of Justice. These vested Italian assets will be returned to the Italian owners only after the Congress has specifically granted authority to the Department of Justice covering their return. As a result the return of vested Italian property will undoubtedly be considerably delayed. This variation between the release of the blocked Italian property and the return of the vested Italian property is due to the fact that the Attorney General takes the position that, once title to property is vested in this Government, the return of the property can take place only pursuant to additional authority from the Congress.

John S. Richards

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By WDP NARA Date 4/21/00

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Entry FFCG-en-Corr
File Defrost Ity Assets
Box 226

FOREIGN FUNDS CONTROL

May 28, 1947.

Miss Kelly:

Would you please arrange to have
this file returned to me after the
letters are signed and dispatched.

J. S. Richards

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Authority NND 968103

By WDP NARA Date 4/21/00

RG 131

Entry FFCGennCorr

File Defrost Ity Assets

Box 226

MAY 28 1947

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 Director, Foreign Funds Control

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JOHN S. RICHARDS

JSRichards:ltn 5/27/47

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Box 326

THE SECRETARY OF THE TREASURY
WASHINGTON

29

MAY 28 1947

My dear Senator Vandenberg:

In April 15, 1947, the Acting Secretary of State wrote to you with regard to the Treaty of Peace with Italy stating, among other things, that United States policy is firmly directed toward the release by this Government of Italian property controlled by it, whether blocked or vested.

In accordance with this policy the Treasury Department has now entered into discussions with representatives of the Italian Government looking toward the release in the near future of Italian property blocked under Executive Order No. 8389, as amended. The discussions are taking place in close coordination with broader negotiations being carried out by the Department of State on the subjects referred to in its letter. It is contemplated that the arrangements for unblocking Italian property will take the form of a certification procedure and a letter of assurances basically similar to those already established for the formerly enemy-occupied countries of Europe. Under this program the Italian Government will investigate the ownership of all blocked assets in this country held in the names of persons in Italy and will issue certifications under General License No. 95 of this Department unblocking those assets actually owned by Italian nationals or nationals of other countries who are eligible under the license, while any property in which there is a German or Japanese interest will be reported to this Department for appropriate disposition. The proposed arrangements also include safeguards for the protection of interests of United States nationals along the lines mentioned in the State Department letter.

If you have any questions on this matter representatives of this Department will be glad to meet with you on your convenience.

A similar letter is being sent to the Chairman of the Committee on Foreign Affairs of the House of Representatives.

Sincerely yours,

(Signed) JOHN W. SNYDER

Secretary of the Treasury

Honorable Arthur H. Vandenberg
Chairman, Committee on Foreign
Relations
United States Senate

EARNOLD:VJ
5-27-47

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Authority NND 968103
By WOP NARA Date 4/21/00RG 131
Entry FFCGencorr
File Defrost Ity Assets
Box 226THE SECRETARY OF THE TREASURY
WASHINGTON

25

MAY 28 1947

My dear Mr. Paton:

On April 13, 1947, the Acting Secretary of State wrote to Senator Vandenberg with regard to the Treaty of Peace with Italy stating, among other things, that United States policy is firmly directed toward the release by this Government of Italian property controlled by it, whether blocked or vested. I enclose a copy of the letter which you will no doubt recall was made public by Senator Vandenberg.

In accordance with the policy expressed in the letter the Treasury Department has now entered into discussions with representatives of the Italian Government looking toward the release in the near future of Italian property blocked under Executive Order No. 3389, as amended. The discussions are taking place in close coordination with broader negotiations being carried out by the Department of State on the subjects referred to in its letter. It is contemplated that the arrangements for unblocking Italian property will take the form of a certification procedure and a letter of assurances basically similar to those already established for the formerly enemy-occupied countries of Europe. Under this program the Italian Government will investigate the ownership of all blocked assets in this country held in the names of persons in Italy and will issue certifications under General License No. 95 of this Department unblocking those assets actually owned by Italian nationals or nationals of other countries who are eligible under the license, while any property in which there is a German or Japanese interest will be reported to this Department for appropriate disposition. The proposed arrangements also include safeguards for the protection of interests of United States nationals along the lines mentioned in the State Department letter.

If you have any questions on this matter representatives of this Department will be glad to meet with you at your convenience.

A similar letter is being sent to Senator Vandenberg as Chairman of the Committee on Foreign Relations.

Sincerely yours,

(Signed) JOHN W. SMYDER

Secretary of the Treasury

Honorable Charles A. Paton
Chairman, Committee on
Foreign Affairs
House of Representatives

EARnold:VJ
5-27-47E.O. J.S.R. p1
RS

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Authority NND 968103
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Entry FFCG-en corr
File Defrost Ity Assets
Box 226

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JAN 15 1948

To : Mr. Stanley Metzger
 Assistant to the Legal Adviser
 Department of State

From: John S. Richards JOHN S. RICHARDS
 Director

Please send the following cable to Rome for Embassy and Tesca
 from Department and Treasury:

Delay in instituting certification procedure is disturbing.
 Ref urtel 4211, Dec 30, 1947 and Deptel 2636, Dec 12, 1947.
 Request you suggest to Italian Government that certification
 machinery should be established without further delay in order
 that requests for certification may be received and investi-
 gations of ownership of property may be undertaken as provided
 for in letter of assurances. Actual issuance of certifications
 could be withheld, if necessary, pending agreement within
 Italian Government regarding disposition of assets found to be
 eligible for certification. Moreover, urge Italian Government
 to resolve question of disposition as rapidly as possible, re-
 ferring to fact that, as indicated in Secretary Snyder's letter
 to Lombardo of Aug 14, 1947, it will shortly be necessary for
 us to take measures against blocked property standing in names
 of persons in Italy which has not been certified in order to
 terminate the blocking controls. Secretary Snyder, on behalf
 of MAC, indicated to the Congress that this government should not
 assist ERP countries in gaining control of the assets in the
 U.S. without their resident citizens' knowledge except requiring
 European countries as a general rule to liquidate such assets in the U.S.
 as a condition for receiving aid from this government, but
 also indicated that we would not object if such countries did
 decide to liquidate such property to pay for imports. He also
 indicated that he would later advise the Congress about a
 program for dealing with the blocked private assets of ERP
 countries. For your information, this program is likely to
 be one which will assist such countries in locating blocked
 assets here of their resident citizens, leaving to those
 countries the decision as to ultimate disposition.

cc: Willis and S. Pollack

RW:Williams:JSR:Richards:VJ
1-15-48

EJ

Mailed from Richard office 1/15/48

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Cleared with Southard
1/15/48. JSR.

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Authority NND 968103
By WDP NARA Date 4/21/00RG 131
Entry FFCG-on Carr
File Defrost Ity Assets
Box 226

September 29, 1948

Signor Vencanzo Vogliolo
 Commercial Counselor
 Italian Embassy
 1601 Fuller Street
 Washington, D. C.

There is enclosed herewith a copy of a Department of Justice press release concerning the transfer of jurisdiction over blocked property, as of midnight, September 20, 1948, from the Treasury Department to the Department of Justice. You will note that this Office has been charged with responsibility for administering controls over blocked property.

You are further advised that for administrative reasons this Office is extending until December 31, 1948, the period within which to complete the processing of applications for certification filed on or prior to June 1, 1948. It is understood, of course, that any certifications by your Government during this extension period will be issued in accordance with outstanding agreements and instructions. In particular this Office wishes to emphasize the residence requirements which must be met before certifications can be issued. We also wish to point out that applications for certification involving assets requiring cross-certifications cannot be acted upon unless the applications for such cross-certifications were filed with the appropriate foreign government on or before June 1, 1948. It is understood that in those cases where cross-certification by another foreign government is involved, your Government, during the extension period, will take adequate measures to ascertain that the application for cross-certification was duly filed. It is further understood that the certifying agency of your Government will not act upon any application filed with it for cross-certification where such application was not filed on or prior to June 1, 1948.

Resident citizens of Italy and citizens of other so-called recipient countries residing in Italy who have failed to take advantage of Treasury General License No. 95 and who may wish to secure the unblocking of their property in the United States should be advised to file applications therefor on an appropriate form in duplicate directly with the Federal Reserve Bank of New York. For the time being, Treasury Form TFE-1 may be used for this purpose. In general, it will be the practice of this Office to refer such applications to your Government to obtain a statement with respect to whether the application is the

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beneficial owner of the property and whether there is or has been at any time since the effective date of Executive Order No. 8389, as amended, any enemy interest in such property. It is expected that your Government will not issue such a statement in circumstances other than those in which it would have been appropriate for the certifying agency of your Government to have issued a certification if application for such certification had been made on or prior to June 1, 1948. To expedite the procedure, you may advise any applicant that he may request from your Government the statement respecting non-enemy interest and beneficial ownership prior to submitting his application. Such a statement, if issued, should be attached to the application when it is submitted to the Federal Reserve Bank of New York.

Citizens of non-recipient countries residing in Italy, who may desire the unblocking of their property in the United States should also be advised to file an application therefor in duplicate on an appropriate form directly with the Federal Reserve Bank of New York, which will advise the applicants of any further requirements which may have to be met.

Sincerely yours,

David L. Bazelon
Assistant Attorney General
Director, Office of Alien Property

Enclosure

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Authority NND 968103
By WDP NARA Date 4/21/00

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Entry FFCG-en corr

File Defrost Ity Assets

Box 226

FOREIGN FUNDS CONTROL

April 9, 1947

Mrs. M. Schwartz - District NB Bldg.

This should be added to the file on Italian defrosting. Item 3 on page 2 of the letter may pose some difficulties for us since the release of the blocked assets would be handled under a procedure which would not so directly benefit American claimants against the property involved. The same is true of item 4 unless we have a certification procedure and include the same requirement as proposed by State concerning the release of vested property.

J. S. Richards

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Authority NND 968103
By WDP NARA Date 4/21/00

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Entry FCC Gen Corr
File Defrost Ity Assets
Box 226

(C O P Y)

DEPARTMENT OF STATE
WashingtonIn reply refer to
Le/E

April 3, 1947

My dear Mr. Secretary:

I enclose herewith a copy of a letter which I have sent to the Attorney General, and which I believe to be self-explanatory.

Sincerely yours,

(Signed) Dean Johnson

Acting Secretary

Enclosure:

Copy of letter to Attorney General

The Honorable
John W. Sawyer,
Secretary of the Treasury

cc: Schmidt, Karmark, Pollack, Arnold, Hunning, Schwartz, and Monroe

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