

These does follow

337877 (there was a problem
w/ the stamper ~ an accidental roll back.)

[338580 - 623

RG 59
Entry Central Decimal Files (1945-49)
File 740.00119/7-1449
Box 3917

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/27

33108
Boyle
Zofler

JUL 14 1949

UNCLASSIFIED

No. 378

To the

Officer in Charge of the American Mission,
London.

The Secretary of State transmits for appropriate action the enclosed letter from Mr. O. R. Lehmann, The Union Society, 21, Polstead Road, Oxford, England concerning the restitution of books from the Offenbach Archival Depot in Germany.

If no objection is perceived, it is suggested that Mr. Lehmann be informed of the Department's confidence that a valid claim will be honored by the Jewish Cultural Reconstruction, Incorporated. For information with respect to the proper procedure, Mr. Lehmann should be advised to write directly to the president of the organization, Dr. Salo W. Baron, Columbia University, New York, New York.

Enclosure:

From Mr. Lehmann.

Anal.	<i>elt</i>
Rev.	
Cal.	
Dist.	

A copy of this report is being furnished to the [unclear]

CR
JUL 22 1949

JUL 23 15 P.M.

UNCLASSIFIED

CS/H

338580

740.00119 EM/7-1449

RG 59
Entry Central Decimal
File Files (1949-49)
740.00119/7-1449
Box 3017

DECLASSIFIED
Authority NND 760650
By BT NARA Date 6/27

DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE
OFFICE OF GENERAL
AND
AUSTRIAN INCOMING TELEGRAM

ACTION COPY

1949 JUL 26 AM 8 44

CORRECTED COPY
7-26-49, 1 a.m.
CORRECTIONS UNDERSCORED

GA
DEPARTMENT OF STATE

Control 8654

Rec'd July 23, 1949
2:24 p.m.

FROM: Vienna
TO: Secretary of State
NO: 901, July 22, 5 p.m.

Possible value of valid French restitution claims against Austria (DEPTEL 721, July 13, LEGTEL 827, July 8) not available, but following, supplied by RD and R, has bearing on subject (principal) source indicated in parentheses):

1. Agreement signed July 18 (French).
 2. Original French request was for 80,000,000 schillings (Austrian).
 3. Agreement covers also settlement certain Austrian claims against French such as building damage claim for 30,000,000 schillings (French).
 4. Following property of French origin not covered by agreement: electrical material and equipment at Manshofen, other electric materials still to be found, securities, art and cultural objects, other cultural property, rolling material and the material located in Soviet Zone at Moosbierbaum Oil Refinery but apart from these, all French restitution claims against Austria will be considered as satisfied. (Austrian).
 5. French restitutions from US Zone 80% complete; from Soviet and British Zones, 20% complete. (French).
 6. French restitution in American Zone completed \$7.6 million; pending valid claims, \$10,600; probably valid claims under investigation, \$387,500; others still open \$100,000.
- Will airmail agreement soonest available.

DOWLING

DO/B Correction

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

740.00119 EW/7-2249

740.00119 EW/7-2249
SECRET FILE
FILED
AUG 6 1949

338581

RG 59
Entry Central Decimal Files (1949-49)
File 740.00119 7-1449
Box 3917

DECLASSIFIED
Authority NND 760650
By BT NARA Date 6/27

DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE
OFFICE OF GERMAN
INCOMING TELEGRAM
AUSTRIAN AFFAIRS

ACTION COPY

15

SECRET

1949 JUL 25 AM 8 59

Control 8654

file cal

Action: GA
Info:
SS
E
G
H
EUR
L
OLI
CIA
AAN
DCL
ITP
OPD
DBR

DEPARTMENT OF STATE
July 23, 1949
2:24 p.m.

FROM: Vienna
TO: Secretary of State
NO: 901, July 22, 5 p.m.

Possible value of valid French restitution claims against Austria (DEPTEL 721, July 13, LECTEL 827, July 8) not available, but following, supplied by RD and R, has bearing on subject principal source (#) material and equipment at Ranshofen, other electric materials still to be found, securities, art and cultural objects, other cultural property, rolling material and the material located in Soviet zone at Moosbierbaum Oil Refinery but apart from these, all French restitution claims against Austria will be considered as satisfied. (Austria).

- 5. French restitution from US Zone 80% complete; from Soviet and British Zones, 20% complete. (French).
- 6. French restitution in American Zone completed, \$7.6 million; pending valid claims, \$10,600; probable valid claims under investigation, \$387,500; others still open, \$100,000.

Will airmail agreement soonest available.

MESSAGE UNSIGNED

Note: #Omission. Repetition has been requested.

MAM:JAM

SECRET

SECRET FILE

AUG 19 1949

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN. 6704

338582

7 W 740.00119 EW/7-2249

RG 59

Entry *Central Decimal File 1947-49*

File 740.00197-2149

Box 3917

DECLASSIFIED

Authority *AND 760050*

By *BT* NARA Date *6/27*

338583

~~DECLASSIFIED~~

SEP 8 1949

NO 136

*Declassified by authority of EOR
memo of 2-2-61 from LFE to RM
V. Rohye N. Gibson - AMB*

To the

Officer in Charge of the American Mission,

Budapest.

*Eht
119EW/7-2149*

The Secretary of State refers to the Legation's Despatch No. 574, enclosing copies of two notes from the Hungarian Foreign Office, Nos. 46.368/1949 and 46.369/1949 and the Legation's replies thereto.

The Department understands that the American military authorities in Germany and Austria either have already rejected or will shortly reject the restitution claims of the Hungarian Government in respect of the Manfred Weiss properties. It is believed that such action will be based on the consideration that the property in question was removed from Hungary prior to January 20, 1945 (see paragraph 2 of Article 30 of the Treaty of Peace with Hungary) and that this action had the consent of the owners. The Department also understands that the surviving members of the Manfred Weiss family have made a prima facie demonstration of ownership of these properties and that they have been or will be transferred to their attorney, Mr. Istvan De Koranyi, without prejudice to such determination of title as may subsequently be made pursuant to law.

The Department recommends that USPOLAD, Berlin and Legation, Vienna advise Legation Budapest of all relevant developments in this case and that upon completion of the action outlined in the foregoing the Legation simply advise the Hungarian Foreign Office that the Hungarian restitution claims in question have been denied for whatever reasons the respective military authorities may indicate.

It is, of course, true that the United States is under no legal obligation to effect the restitution of property from its zone in Austria to Hungary, and consequently there is no legal basis for a restitution claim by the Hungarian Government upon the United States in respect of the Manfred Weiss property located in Austria. The Department feels, however, that it is not proper to go into this matter in connection with the proposed reply to the Hungarian note No. 46.369/1949.

Copies to:

USPOLAD, Berlin
American Legation, Vienna.

Anal
Rev
Cat
Dist

Handwritten signatures and initials

740.00197-2149

Handwritten vertical text

SEP 12 1949

L/P
gma

SM

E/E

SE

RG 59
Entry Central Decimal Files (1949-49)
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND-760050
By BT NARA Date 6/27

33335

LEMUEL H. MATTHEWS
ATTORNEY AT LAW

One Montgomery Street, San Francisco 4
DOUGLAS 2-5045

July 21, 1949

AIR MAIL

Mr. Covey T. Oliver
Acting Chief
Division of Economic Property Policy
Department of State
Washington, D. C.

DIVISION OF ECONOMIC PROPERTY
POLICY

Reply drafted 8/2/49
JUL 25 1949 c70

DEPARTMENT OF STATE file

Dear Mr. Oliver:

I am writing this letter to you personally to call your attention to the articles by Mr. Nicholas Nyaradi appearing in the last three issues of the Saturday Evening Post in case you have not already seen them. I know it will be of interest to you as his discussion of the economic squeeze by the Soviet Union on the Satellites is extremely enlightening and for the further personal reason that Mr. Nyaradi mentions the Manfred Weiss Works in Hungary in a number of different places in the July 16th issue of the Saturday Evening Post.

Mr. Nyaradi discusses at length his visit to Moscow in 1947 and his resistance to the Soviet attempts to completely take over the Manfred Weiss plants in Hungary. Nyaradi further states:

"Within a year, the Russians had violated every clause of our agreement except the Potsdam debt reduction. Soviet-controlled enterprises in Hungary not only refused to pay their taxes, but also refused to open their books to government inspection. The Manfred Weiss Works, though still Hungarian in theory, might just as well be Russian. Its present Hungarian managers blindly follow every order issued by the communist Minister of Industry, Stephen Kossa, who himself takes orders from Gusimsk."

168984

When Mr. DeKoranyi and I originally agreed to represent the Weiss family in this matter in the latter part of 1946, we strongly urged before your Department and the War Department

DCR Unit
Anal. [Signature]
Rev. [Signature]
Cot. [Signature]
Dist. [Signature]

338584

462.00R

740.00119 EW/7-2149

740.00119 EW/7-2149

OSM

RG 59
 Entry Central Decimal
Files (1949-49)
 File 740.001197-2149
 Box 3917

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

Mr. Covey T. Oliver

-2-

July 21, 1949

the urgent danger of Soviet expropriation of the Manfred Weiss machineries in the event of their return to Hungary even though at that time Hungary was presumably an independent nation. Political developments since that time, together with the above quoted statements of Mr. Nyaradi who was acting on behalf of the Hungarian Government in attempting to obtain restitution of these particular machineries to Hungary, amply substantiate the contentions which we made.

Mr. DeKoranyi and I cannot help but feel some measure of satisfaction in having had our original contentions amply sustained by subsequent developments and in having initiated proceedings with the American authorities to prevent the return of the Manfred Weiss machineries where it would undoubtedly be operating at present for the benefit of our former allies.

Sincerely yours



LHM:rt

338585

RG 59
Entry Central Decimal Files (1949-49)
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/27

LEMUEL H. MATTHEWS
ATTORNEY AT LAW

AUG 4 1949
U.S. DEPARTMENT OF STATE

In reply refer to
OFD:EP

My dear Mr. Matthews:

Thank you very much for your letter of July 21, 1949, calling my attention to a series of articles written by Mr. Nyaradi. You will recall that the Department's position to the effect that restitution would not be made to Hungary of property which the Soviets would be expected to take on arrival as German assets was developed with such situations as that described by Mr. Nyaradi in mind.

Sincerely yours,

CTO

Covey T. Oliver
Acting Chief

Division of Economic Property Policy

Mr. Lemuel H. Matthews,
Attorney at Law,
1 Montgomery Street,
San Francisco 4, California.

OFD:EP:CTOliver:ddec
8-3-49

RECEIVED
AUG 4 1949

SESSION
DEPARTMENT OF STATE

Rev. _____
Out. _____
Dist. _____

740.00119 7-2149
740.00119 EW/7-2149
740.00119 EW/7-2149 49
OS/H

338586

RG 59
Entry *Central Decimal Files (1949-49)*
File 740.001197-2149
Box 3917

DECLASSIFIED
Authority *IND 760050*
By *BT* NARA Date *6/27*



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

Weiss
33458
[Signature]
[Signature]

AMERICAN LEGATION

Budapest, Hungary, July 21, 1949

DIVISION OF ECONOMIC PROPERTY
POLICY

Inst. 8/17/49
AUG 2 1949 *file*

No. 574

CONFIDENTIAL

DEPARTMENT OF STATE

SUBJECT: Restitution of Property

REC'D
AUG 1

ACTION
OFD

INFO
FR
DCR
EUR
L
GA
OLI
UNA

The American Legation at Budapest refers to its telegram No. 668 of May 9, 1949, its despatches Nos. 419 and 462 of May 31, 1949, and June 13, 1949, respectively, and the Department's A-194 of June 7, 1949, all concerning the restitution of property removed by force from Hungarian territory and has the honor to transmit copies of Verbal Notes Nos. 46.368/1949 and 46.369/1949 of the Hungarian Ministry for Foreign Affairs, both dated July 7, 1949. There are also transmitted copies of the Legation's Notes Nos. 489 and 490 to the Ministry for Foreign Affairs, acknowledging receipt of the Ministry's notes under reference and informing the Ministry that its notes have been forwarded to the appropriate United States military authorities.

The Department will observe that the Ministry for Foreign Affairs, in its note No. 46.368 "entertains the hope that the Government of the United States of America will take all necessary steps to have its competent authorities in Germany stop all unlawful procedures directed against (the property in question) and will order the (quickest possible) restitution of the property in question according to the stipulations of the Peace Treaty with Hungary", and that in its note No. 46.369 the Ministry "requests the Government of the United States of America to kindly give orders to the competent American authorities in Austria to surrender the goods in question". In both these notes, the Ministry seems to take the view that the mere fact that a claim for restitution has been made by the Hungarian Government is sufficient to establish the justness of the claim and that the United States authorities are without any legal basis in withholding the property concerned from the

claimant

CONFIDENTIAL

740.00119 EW/7-2149

338587

FAP

RG 59
 Entry Central Decimal
 File File (1945-49)
 Box 740.001197-2149
3917

DECLASSIFIED
 Authority NND 760052
 By BT NARA Date 6/27

American Legation, Budapest.

CONFIDENTIAL

-2-

claimant Hungarian Government.

This attitude of the Hungarian Government has prompted the Legation to contemplate the sending of a subsequent note to the Ministry for Foreign Affairs, calling the Ministry's attention to Paragraph 3 of Article 30 of the Treaty of Peace with Hungary, which states that "the restoration and restitution of Hungarian property in Germany shall be effected in accordance with measures which will be determined by the Powers in occupation of Germany". However, the Legation seeks the Department's concurrence in this step. It also seeks to determine the Department's interpretation of the word "Powers" as used in Paragraph 3 of Article 30. No good end would be served by calling to the attention of the Hungarian Government the terms of Paragraph 3 if that Government would be subsequently able to discover any sound basis for insisting that "Powers" refers to the Four Occupation Powers, acting in concert, and not to each power, acting independently in its own Zone of Occupation.

The Department will also observe that the Ministry's Note No. 46.369 has reference to goods removed to the United States Occupation Zone of Austria. (The phrase "located in the American occupation zone of Germany", appearing in the first sentence of the second paragraph of the note is believed to be an error, since elsewhere throughout the note the Ministry speaks of Austria). Article 30 of the Peace Treaty speaks only of Hungarian property removed by force "to Germany", and the Legation takes this to mean that the Treaty has no application to Hungarian property removed by force to Austria. Clarification of this point is requested from the Department.

The Legation takes the liberty of repeating the observation made in its despatch No. 462 of June 13, 1949, that the Hungarian Government's current concern with restitution may be motivated by a desire to effect a counterattack to our note of May 31 regarding Hungary's violation of Article 2 of the Peace Treaty and of suggesting the advisability of preparing as soon as practicable a comprehensive statement to the Hungarian Government of our position on the question of restitution.

Copies

CONFIDENTIAL

338588

RG 59
 Entry Central Decimal
Files (1949-49)
 File 740.001197-2149
 Box 3917

DECLASSIFIED
 Authority 11ND 760050
 By BT NARA Date 6/27

Despatch No. 574, July 21, 1949,
 American Legation, Budapest.

CONFIDENTIAL

-3-

Copies of the Hungarian notes under reference have been transmitted to the Office of the United States Political Adviser for Germany for forwarding to the appropriate United States military authorities in Germany.

Original parchment mat
 to the Department

cc: American Legation - Vienna

Enclosures: *W*

1. One copy of Note No. 46.368/1949
2. One copy of Note No. 46.369/1949
3. One copy of Note No. 489
4. One copy of Note No. 490

CGPetrov:rm

File No. 350

CONFIDENTIAL

338589

RG 59
 Entry Central Decimal Files (1947-49)
 File 740.00119 7-2149
 Box 3917

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/22

No. 46.368/1949

V e r b a l N o t e

The Hungarian Ministry for Foreign Affairs presents its compliments to the Legation of the United States of America and has the honor to communicate as follows:

As it is well known to the Government of the United States of America the German army removed by force goods of considerable value from Hungary to Germany during the last years of the war. Among the property removed machine tools and other goods of the Dunai Repülőgépgyár / Danube Aeroplane Factory/, the Magyar Waggon és Gépgyár / Hungarian Waggon and Machine Factory/, the Pestszentlőrinczi Ipartelepek r.t. /The Industrial Plants Ltd. of Pestszentlőrincz/, the Weiss Manfred and of other Hungarian enterprises are being stationed at Augsburg and environs, in the U.S.A. occupation zone of Germany. In 1946-47 the restitution of this property was claimed by the Hungarian Government through its official organ, the Hungarian Restitution Commission in Frankfurt and in Karlsruhe respectively.

The documents necessary to claim this property have been presented by the Hungarian Restitution Commission and all supplements were submitted whenever this Commission was invited to do so by the competent American authorities up to the time when the Commission was arbitrarily expelled. This was done with the reservation that the indication of the proprietors concerning the goods which by that time were not yet registered satisfactorily, and were administered in a complex without an exact distinction to the proprietors, was not definitive. The numbers of the claim sheets concerning the property registered with the American authorities in Germany are as follows:

2261, 2393, 2729, 4781, 5149, 5169, 5170, 5317, 5494, 6814,
 6815, 6816, 6817, 6818, 6819, 6967, 7182, 8369, 8370, 9426,
 10616, 10810, 10814, 10814, 10815, 10816,

5314, 6820, 7173, 7174, 7175, 7185, 7186, 7829, 10429, 10430,
 10431, 10432, 10433, 10434, 10435, 10436, 11021, 13069,
 13070, 13071, 13072, etc.

./.

To the

Legation of the United States of America

B u d a p e s t .

338590

RG 59
 Entry Central Decimal
Files (1949-49)
 File 740.001197-2149
 Box 3017

DECLASSIFIED
 Authority NND 760650
 By BT NARA Date 6/77

The Hungarian Government was informed that, entrusted by the members of the Weiss Manfred family living abroad and by other Hungarian nationals abroad, an American citizen named Stephen Korányi is conducting a procedure with the American authorities in Germany with the view to procure the goods in question. The Hungarian Government calls the attention of the Government of the United States of America to the fact that it considers all steps unlawful which tend to surrender the above mentioned goods to any other persons than their legal proprietors in Hungary which are the Dunai Repülőgépgyar, the Magyar Waggon és Gépgyar, the Pestszent-lorinczi Ipartelepek r.t., etc. It must be emphasized that there has been no connection of interest between these enterprises. Furthermore, the Hungarian Government calls the attention of the Government of the United States of America to the fact that this Government would be obliged to confer all responsibility to the Government of the United States of America for all damages springing from the withholding of the goods contrary to the stipulations of the Peace Treaty with Hungary or from their surrendering to unauthorized persons with a one-sided procedure as a result of the arbitrary expulsion of the Hungarian restitution organ.

The Hungarian Government entertains the hope that the Government of the United States of America will take all necessary steps to have its competent authorities in Germany stopped all unlawful procedures directed against these goods and will order the possibly quickest restitution of the property in question according to the stipulations of the Peace Treaty with Hungary.

The Hungarian Ministry for Foreign Affairs avails itself of this opportunity to renew to the Legation of the United States of America its highest consideration.

Budapest, July 7, 1949.

338591

RG 59
 Entry Central Decimal Files (1947-49)
 File 740.001197-2149
 Box 3917

DECLASSIFIED
 Authority WND 760050
 By BT NARA Date 6/77

No. 46.369/1949

Verbal Note

The Hungarian Ministry for Foreign Affairs presents its compliments to the Legation of the United States of America and has the honor to communicate as follows:

According to its decision reached in April last year, the Government of the United States of America has not surrendered to the Austrian Government the goods of the enterprise Weiss Manfred, located in the American occupation zone of Germany, for the purpose of restitution - as it was the case of the other Hungarian goods removed by force - but keeping them under further property control, it has reserved the right of decision concerning their restitution. Considering that these goods - the Hungarian property of which has never been contested - were removed by force or coercion from Hungary to Austria by the Germans, and referring to the decision of the Government of the United States of America concerning the restitution of the Hungarian goods removed by force - communicated to the Hungarian Government by the Mission of the United States of America in its Notes dated March 19, 1946 and June 5, 1946 - the Hungarian Government requests the Government of the United States of America to kindly order the immediate restitution of the property in question. The Hungarian Government is compelled to raise this question and to submit this request for the particular reason of being informed that the Swiss enterprise Agricultural and Industrial Development Ltd. had brought an action with the Civil Court of Seine-Paris to distrain and garnish the goods of the Weiss Manfred Acél es Fémüveí N.V. / the Weiss Manfred Steel and Metal Works National Enterprise/, the Weiss Manfred Elso Magyar Konzervgyar es Ercarugyar r.t. / the First Hungarian Tin and Metal Goods Factory Ltd. Weiss Manfred / removed to the American occupation zone of Austria and awaiting restitution there, in order to secure its assets indicated as

./.

To the

LEGATION OF THE UNITED STATES OF AMERICA

B u d a p e s t .

338592

RG 59
 Entry Central Decimal
 File File (1948-49)
 File 740.00119.7-2149
 Box 3917

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/77

-2-

amounting to 1.600.000 Swiss francs. A further reason for this step of the Hungarian Government is that according to the informations reaching the Hungarian Government, an alleged American major named Koranyi, entrusted by the members of the family Weiss Manfred, is conducting a procedure with the American authorities of Vienna aiming at the surrender of the goods in question to the members of the family Weiss Manfred. In connection with the above possessory suit lacking all legal ground and with the procedure of major Koranyi, the Hungarian Government refers to the Note no. 3.310/1948 dated on July 1, 1948 of the Legation of the Hungarian Republic in Washington sent to the State Department of the United States of America, and to the reply to this Note of the State Department of the United States of America dated on August 9, 1948. This Government wishes to call the attention of the Government of the United States of America to the further fact that the contract entered into on April 2, 1948 by the members of the Weiss Manfred family abroad and by the Weiss Manfred enterprises in Hungary is still in force except for its paragraphs 4., 5, and 7.

The Hungarian Government, pointing out once more that the withholding of the above and other removed Hungarian goods in Austria has no legal ground, requests the Government of the United States of America to kindly give orders to the competent American authorities in Austria to surrender the goods in question.

The Hungarian Ministry for Foreign Affairs avails itself of the opportunity to renew to the Legation of the United States of America in Budapest the assurance of its highest consideration.

Budapest, July 7, 1949.

338593

RG 59
 Entry Central Decimal
 Files (1949-49)
 File 740.00119.7-2149
 Box 3917

DECLASSIFIED
 Authority (U) ND 760050
 By BT NARA Date 6/27

July 21, 1949, BBudapest, Hungary.

No. 489

N O T E V E R B A L E

The Legation of the United States of America presents its compliments to the Hungarian Ministry for Foreign Affairs and has the honor to acknowledge receipt of the latter's Verbale Note No. 46.368/1949 of July 7, 1949, regarding the restitution of property removed by force from Hungarian territory and which is now said to be in the United States Occupation Zone of Germany.

A copy of the Ministry's note has been forwarded to the appropriate United States military authorities. The Ministry will be promptly notified upon receipt of a reply.

The Legation of the United States avails itself of this opportunity to renew to the Ministry for Foreign Affairs the assurances of its highest esteem and consideration.

Budapest, July 20, 1949.

To the

Ministry for Foreign Affairs,

Budapest.

338594

RG 59
Entry Central Decimal Files (1949-49)
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/27



DEPARTMENT OF THE ARMY
OFFICE, ASSISTANT SECRETARY
AUSTRIAN AFFAIRS
WASHINGTON, D.C.

1949 JUL 27 PM 12
DEPARTMENT OF STATE
File

1. [unclear]
2. [unclear]

State - Army
Comm.

22 July 1949

Mr. Robert Murphy
Acting Director,
German and Austrian Affairs
Department of State
Washington 25, D. C.

Dear Bob:

I enclose herewith a memorandum prepared by Colonel Jorgenson regarding industrial diamonds held by OMGUS.

Colonel Byroade thoroughly understands this question and the Army's position, which is stated in paragraph 7 of the attached memorandum.

The matter should be settled promptly. German economy needs these stones and we will have to appropriate dollars to buy others if we don't make them available.

We cabled OMGUS a week ago asking whether or not they had evidence in their files establishing the fact that these diamonds were looted. They replied they do not have such evidence so it is difficult for me to see why the matter should be held up any longer.

Sincerely yours,

Sheets

H. F. Sheets
Deputy for European Affairs

Attachment:
Memo Jorgenson/Sheets
dtd 21 July 49
re "Industrial Diamonds"

MAY 31 1950

FILED

740.00119 EW/7-2249

CS/H

X 018475

SECRET

338595

RG 59
 Entry Central Decimal Files (1945-49)
 File 740.00119 7-2149
 Box 3917

DECLASSIFIED

Authority NND 760050By BT NARA Date 6/27

IN REPLY REFER TO:

21 July 1949

MEMORANDUM FOR MR. H. F. SHEETS, DEPUTY FOR EUROPEAN AFFAIRS, OAS

SUBJECT: Industrial Diamonds Held By OMGUS

1. Final disposition of 198,000 carats of industrial diamonds in OMGUS' custody has been temporarily delayed at the request of Department of the Army. This delay was for purpose of examining their availability and importance to US strategic stockpile requirements. It has now been determined that the stones are not required or available for such stockpiling.
2. Department of State, in letter dated 3 June 1949, in essence requested that disposition of these stones be delayed to permit examination of the possibility of regarding the stones as non-monetary gold. In deference to State request, this delay has been continued.
3. In reply to inquiry from OASEU, OMGUS stated (CC 9193, 18 July) the stones did not constitute loot seized or obtained under duress from Nazi victims. These circumstances required in order for an item to be considered non-monetary gold (JCS directive, WX 85682, November 1946).
4. US decision was reached by State and Army in February 1949 that the diamonds are not subject to return to Belgium as external restitution.
5. Authority was granted OMGUS on 14 April (WX 87189) to sell the diamonds into the German economy. This action was recommended by OMGUS.
6. Present delay in disposing of the diamonds into the German economy pursuant to above authority does not in itself accomplish anything constructive. The diamonds are required in the peaceful German economy, and a substantial amount of similar diamonds will have to be purchased from outside sources if these stones are not available. The import of industrial diamonds is being held in abeyance pending decision from Washington respecting subject stones.
7. Recommend that Mr. Murphy seek a firm State Department position supporting Department of the Army view that these diamonds should be disposed of to the German economy without further delay.

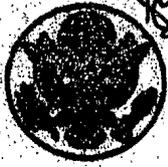
Arthur L. Jorgenson
 ARTHUR L. JORGENSEN
 Lt. Colonel, GSC

SECRET

338596

RG 59
Entry Central Decimal
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/27



DIVISION OF ECONOMIC PROPERTY
POLICY
AUG 17 1949
DEPARTMENT OF STATE

RESTRICTED

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN LEGATION
Bern, July 27, 1949

No. 351

REC'D
AUG 11

ACTION
OFD

INFO
DCR
EUR
GA
L
UNA/R

Subject: REPRESENTATIVES OF JEWISH COMMITTEES EXPRESS CONCERN OVER
CLAUSE IN RECENT SWISS-POLISH AGREEMENT WHEREBY "HEIRLESS
ASSETS" IN SWITZERLAND ARE TO BE TURNED OVER TO POLAND
RATHER THAN TO JEWISH COMMITTEES AS WAS RECOMMENDED BY
SIGNATORIES TO FIVE POWER CONFERENCE OF JUNE 1946.

The American Minister in Bern has the honor to report that
Mr. Seymour J. Rubin of the American Jewish Committee * has recently
sought the Legation's advice with respect to the matter of so-called
"heirless assets" in Switzerland, in regard to which an agreement
apparently was reached at the Five Power Conference, on Reparation
for Non-Repatriables, in Paris on June 14, 1946. According to the
text of the letter (see enclosure no. 1) ** addressed by the Govern-
ment of France as representative of the Five Power Conference, to
Switzerland and to other neutral countries, it was agreed by the
Five Powers to request that 95 percent of all such "heirless funds"
be made available directly and jointly to the American Jewish
Distribution Committee and the Jewish Agency of Palestine for the
rehabilitation and resettlement of Jewish victims of German action.

It appears that on July 8, of this year, Mr. Jacobson of the
Joint Distribution Committee and Mr. Isenbergh and Mr. Seymour J.
Rubin of the American Jewish Committee called on Federal Councillor
Von Steiger, head of the Swiss Ministry of Justice, to lay before
him the arguments in favour of Switzerland's acting in accordance
with the recommendations submitted by the French Government on be-
half of all the signatories to the Five Power Agreement. It appears
that two theories might reasonably be followed with respect to
"heirless assets". One, known as the "territorial theory", holds that
such "heirless assets" should escheat to the Government of the country
where the assets are situated, in this case Switzerland. Under the
other theory such assets would in general escheat to the Government
of the country of which the original owner of the assets was a
national. Mr. Rubin and his associates argued that Switzerland should
follow the "territorial theory", whereby title to the assets would
be hers. She would then be free to follow the recommendations of the
Five Power Agreement and turn such assets over for the purposes
mentioned. Mr. Rubin reported that the Swiss representatives at the
meeting on July 8, 1949 seemed sympathetic to this suggestion.

Subsequently ...

* Paris Office, 30, Rue La Boetie.

** The original letter presumably was in French. In the absence of a
copy of the original text, the Legation cannot vouch for the accuracy
of the English text enclosed herewith, which it received in a letter
from Mr. Rubin.

800.515
3840.48
Refugees
867m. 401b

3125

33714
DEF
EP

740.00119 EW/7-2749

FILED
SEP 27 1949

FAP

338597

RG 59
 Entry Central Decimal Files (1949-49)
 File 740.001197-2149
 Box 3917

DECLASSIFIED
 Authority UND 760050
 By BT NARA Date 6/27

RESTRICTED

Despatch no. 351 July 27, Bern -2-

Subsequently, however, Mr. Rubin learned from Swiss banking circles that the recent agreement (June 25, 1949) between Switzerland and Poland concerning compensation to be paid by Poland for nationalized Swiss properties contained a provision, whereby "heirless assets" in Switzerland which had originally belonged to Polish nationals, would be gathered together and credited to an account at the Swiss National Bank to which Poland would have title. "Heirless assets" were defined, according to this source, as all Polish bank accounts which had been inactive for five years. Mr. Rubin therefore came to the Legation to inquire if there was any truth to this information.

The text of the agreement between Switzerland and Poland concerning nationalized Swiss properties which was signed on June 25, 1949 was not published until July 22, 1949. The published version however contained no reference to this question of "heirless assets". An officer of the Legation therefore inquired of the competent official in the Division of Commerce and was told that the information contained in the previous paragraph, to the effect that the Swiss Polish agreement contained a provision whereby "heirless assets" would be turned over to the Polish Government, was correct. The provision in question, for some reason, was omitted from the published text. The official in the Division of Commerce attempted to minimize the importance of this provision, pointing out that the funds involved amounted to an extreme maximum of "only two million francs". He added that the agreement with Poland further stipulated that if in any case the true owner or his heir should ever appear, the Polish Government would be obliged to refund the money which she had received to the rightful owner.

In a telephone conversation which the Legation subsequently had with Mr. Isenbergh, Mr. Isenbergh stated that the estimate of two million francs made by the Swiss official might very well be correct, as his committee had no information or other basis on which to make an independent estimate. However, he pointed out that in abandoning the "territorial theory" in their negotiations with Poland, the Swiss may well have established a precedent which would in the future oblige them to renounce title to all "heirless assets" in Switzerland whenever the original owner had been a national of another country. The establishment of such a precedent would mean that the Joint Jewish Distribution Committee and the Jewish Agency would for ever lose the opportunity of receiving not only the two million francs of "heirless assets" formerly belonging to Polish victims of German atrocities, but also to the proceeds of "heirless assets" formerly belonging to nationals of countries other than Poland.

Mr. Isenbergh indicated that the two Jewish Committees will probably request another interview with Federal Councillor Von Steiger, in order to determine exactly how the situation stands at present. Since the U.S. Government was a party to the Five Power Agreement, it is not improbable that the two Jewish Committees may request the Legation to make some representation together with the other signatory parties to the Swiss Government. The Legation will, of course, take no formal action in the matter until it receives instructions from the Department. However, even in the absence of definite instructions, the Legation would appreciate receiving the Department's views on the matter.

Enclosure: *all*
 1. A letter

File no. 312
 JMB/aw *Raw*

338598

RG 59
Entry Central Decimal Files 1949-49
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760650
By BT NARA Date 6/27

RESTRICTED

1949

Enclosure no. 1 of despatch no. 351 dated July 27 from the American Legation, Bern, entitled: "Representatives of Jewish Committees express concern over clause in recent Swiss-Polish agreement whereby "heirless assets" in Switzerland are to be turned over to Poland rather than to Jewish Committees as was recommended by signatories to Five Power Conference of June 1946."

LETTER TO NEUTRAL POWERS RE "HEIRLESS FUNDS"

(text submitted to the Legation by Mr. Seymour J. Rubin in a letter dated July 20, 1949.)

1. The Paris Conference on Reparation stipulated in Article 8 of the Final Act that: "In recognition of the fact that large numbers of persons have suffered heavily at the hands of the Nazis and now stand in dire need of aid to promote their rehabilitation but will be unable to claim the assistance of any Government receiving reparation from Germany, the Governments of the United States of America, France, the United Kingdom, Czechoslovakia and Yugoslavia, in consultation with the Inter-Governmental Committee on Refugees, shall as soon as possible work out in common agreement a plan for the assistance of these non-repatriable victims of German action."
2. During the Five Power Conference on Reparation for Non-Repatriables just concluded in Paris, the designated countries in consultation with the Inter-Governmental Committee on Refugees have worked out a plan and signed an Agreement dated the 14th of June, copy of which is attached. The Paris Conference on Reparation, cognizant of the serious plight of the non-repatriable victims of German action, provided that "A share of reparation consisting of all the non-monetary gold found by Allied Armed Forces in Germany and in addition a sum not exceeding 25 million dollars shall be allocated for the rehabilitation and resettlement of non-repatriable victims of German action."
3. The Paris Conference on Reparation, aware of the Nazi policy of racial extermination took note of the existence of considerable assets in neutral countries belonging to the victims of German action who died without heirs.
4. Although it is recognized that "heirless funds" are not strictly a reparation matter since many individuals who died without heirs were not German nationals, the Paris Conference on Reparation nevertheless charged the Five Power Conference for Non-Repatriables to request the neutral countries to make such assets available for the rehabilitation and resettlement of non-repatriable victims of German action. The "heirless funds" having arisen out of a violation of every canon of morality and international law, it appeared proper to the Paris Conference on Reparation that the neutral countries be requested to make these funds available to help succor non-repatriable victims of German action who, of all the victims of Hitlerite aggression, were most in need of the assistance of sympathetic governments.
5. In accordance..

RESTRICTED

338599

RG

59

Entry

Central Decimal
File (1949-49)

File

740.00119 7-2149

Box

3917

DECLASSIFIED

Authority NND 760050

By BT NARA Date 6/27

2E6 33100

RESTRICTED

Enclosure no. 1, despatch no. 351, Berne, July 27, 1949

-2-

5. In accordance with the obligations placed upon it by the Paris Conference on Reparation, the French Government in the name of all the signatory powers to the Paris Conference on Reparation, formally requests the neutral Powers to make available for the rehabilitation and resettlement of non-repatriable victims of German action all assets in their countries of victims of German action who died without heirs, in accordance with the following general plan:

A. To take all necessary action as quickly as possible to identify, collect and liquidate all "heirless funds." The Five Power Conference on Reparation for Non-Repatriables recognizes that serious legal, administrative and fiscal obstacles may stand in the way of expeditious action, but it requests the neutral Powers to take all necessary steps including special legislation to accomplish the stated action. Since "heirless funds" arose out of a condition unique in international affairs, this request for an exceptional solution is justified.

B. Because the overwhelming part of the "heirless funds" were the property of Jewish victims of German action including regimes under Nazi influence the above mentioned Agreement of the 14th of June stipulated that ninety-five percent of the proceeds should be made available directly and jointly to the American Jewish Joint Distribution Committee and the Jewish Agency of Palestine, organizations best fitted to use these funds for the rehabilitation and resettlement of Jewish victims of German action as soon as the Director of the Inter-Governmental Committee on Refugees or the Director General of the successor organization certifies that the designated organizations have presented practicable programs for rehabilitation and resettlement in terms of the above mentioned Agreement. It further stipulated that five percent of the proceeds which it presumes to be a liberal estimate of that portion of "heirless funds" belonging to non-Jewish victims of German action be made available to the Inter-Governmental Committee on Refugees for the rehabilitation and resettlement of non-Jewish victims of German action, including regimes under Nazi influence.

C. The Signatories to the above mentioned Agreement have designated the Governments of the United States, France, and the United Kingdom to act on their behalf on all further aspects of this problem in any future negotiations with the neutral countries.

6. In making the foregoing request, the French Government confidently relies on the sense of justice and morality of the neutral Powers to act energetically and sympathetically with respect to the identification, collection, liquidation and distribution of "heirless funds" and thereby to associate themselves with the Powers signatory to the Paris Conference on Reparation in assisting the Non-Repatriable victims of German action to rehabilitate themselves and to find new and permanent homes.

RESTRICTED

338600

RG 59
Entry Central Decimal Files 1949-49
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760650
By BT NARA Date 6/27

30714

SEP 21 1949

RESTRICTED

No. 146

740.00119 FW / 7-2749
440.48 Refuges
467 m. 4016

To the

Officer in Charge of the American Mission,
Bern.

The Secretary of State refers to the Legation's despatch no. 351 dated July 27, 1949 regarding the concern which certain representatives of Jewish committees have expressed over a clause in a recent Swiss-Polish agreement whereby heirless assets in Switzerland are to be turned over to Poland, rather than to Jewish committees.

Since the agreement of June 25, 1949 between Switzerland and Poland seems to have been concluded, representations on the part of the U.S. Government regarding it appear to be useless. However, since such an agreement could be considered as a precedent to point the way for future agreements which Switzerland might conclude bilaterally with other Governments, the Department believes that appropriate officers of the Legation should concert with their British and French colleagues at Bern in a joint approach to the Swiss Government concerning this matter. The joint approach should be based upon the letter which was addressed to the Swiss Government by the French Government and which was enclosure No. 1 to the referenced despatch. It may be that the Embassy of France at Bern will wish to spearhead any approach to the Swiss Government on this matter, as it has in the past.

It is suggested that the approach to the Swiss Government support the "territorial theory" regarding heirless assets, and that specific interests of the Jewish organizations from a humanitarian point of view be again brought to the attention of the appropriate Swiss authorities. It is suggested also that attention of the Swiss authorities be called to the letter of May 25, 1946, signed by Minister Stucki at the time of the Swiss-Allied Accord, which states that the Swiss Government would examine sympathetically the question of seeking means to put heirless assets at the disposal of the three Allied Governments for the purpose of relief and rehabilitation of Nazi victims.

OFD:EP:EMAdams:hc

EmA

9/2/49 L/E GAE
DCR: EUR: ERM
A true copy of the signed original
Rev
Cat

338601

740.00119 EM/7-2749

740.00119 EM/7-2749

SEP 20 1949 P.M.

RG 59
Entry Central Decimal Files (1949-49)
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/27

DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

OFFICE OF GERMAN AND AUSTRIAN AFFAIRS
DEPARTMENT OF STATE
INCOMING TELEGRAM

ACTION COPY

1949 JUL 28 AM 8 46
SECRET
fw

Control 10049

Rec'd July 27, 1949
1:50 p.m.

15

Action: GA
Info:
SS
R
G
EUR
OLI
CIA
DCR

GA
DEPARTMENT OF STATE

FROM: Bern
TO: Secretary of State
NO: 1186, July 27, Noon

According information unknown reliability, Austrian Government was attempting as of July 7 to sell large quantity jewels and precious stones stolen from Jews under Nazi regime. Further details unknown to legation.

Repeated Vienna 38.

HUGHES

WMH:HJC

XR
634
515
654
6331

740.00119 EW/7-2749

SECRET

LE
SECRET FILE

AUG 1 1949

PLSD

6901

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

338602

RG 59
Entry Central Decimal Files (1949-49)
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/27

ACTION
is assigned to
GA

OFFICE OF GERMAN
AND
AUSTRIAN AFFAIRS
WASHINGTON, D.C.

1949 AUG 1 PM 3 59
File - Reply drafted to
12/14/49 GA A.F. Kefer
DEPARTMENT OF STATE

DCIR

The Chargé d'Affaires ad interim of Austria

1949 JUL 29 PM 3 25
RECORDS BRANCH
presents his compliments to the Honorable the
Secretary of State and has the honor to draw his
attention to the following facts:

33465

A number of applications for the return of
certain securities to Austria which had forcibly
been taken into Germany were made to the Austrian
Restitution Commission in the U. S. Zone of Germany.
The RD & R and Finance Divisions of the United
States Forces in Austria repeatedly announced the
restitution of these securities. However, with the
exception of the Rothschild securities, no action
has been taken so far.

XR
863.515

The restitution of these securities, which are
DIVISION OF ECONOMIC PROPERTY
POLICY mainly of

FILED
DEC 29 1949

AUG 2 1949

The Honorable
DEPARTMENT OF STATE

The Secretary of State

Washington, D. C.

FOR - EUR Unit
m. m.
338603

183454

AUG 2 1949

RG 59
Entry Central Decimal
FILES (1947-49)
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/77

-2-

mainly of Austrian origin, is very urgent since the owners of these securities cannot vote at stock holder meetings and are hampered in pursuing their interests. Furthermore, because of capital increases, certain securities ought to be exchanged for new stock.

In view of the above the Chargé d'Affaires ad interim of Austria would be very grateful for any assistance which the Honorable the Secretary of State can give toward the restitution of these securities.

Washington, D. C., July 28, 1949

Ref. No. 5478

338604

RG 59
Entry Central Decimal
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760050
By B.T. NARA Date 6/27



UNITED STATES POLITICAL ADVISER
OFFICE OF GERMAN
FOR GERMANY
SECRETARY AUSTRIAN AFFAIRS
Office of the Economic
and Social
Berlin, July 28, 1949.

ACTION
is assigned to

GA

OFFICIAL COPY
Return to DC/R Files
when ACTION is com-
PLETED
DEPARTMENT OF STATE

RESTRICTED

No. 891

Subject: German External Assets: Participation of
Muenchener Rueckversicherungs-Gesellschaft,
Munich, in "Czechoslovakia" Lidova pojistovna,
Prague.

Go
DGR
OLI

No action
necessary
Next Aug 5
DCR

The Acting Political Adviser to the United States
High Commissioner for Germany has the honor to transmit
herewith a report dated July 15, 1949, entitled
"Muenchener Rueckversicherungs-Gesellschaft, Munich -
Participation in 'Czechoslovakia' Lidova pojistovna, Prague,"
prepared by the Property Group of the Office of the
Economics Adviser, OMCUS, at the request of the Inter-Allied
Reparation Agency at Brussels.

Enclosure: *act*

As stated (single copy).

Original and 2 copies to the Department
Copies to: GAP--Mr. Trivers
GAE--Mr. Reinstein
American Embassy, Brussels

501.81

WAKelsey/lms

740.00119 EW/7-2849

RECEIVED
DEPARTMENT OF STATE

JUL 31 3 PM 2 31

DC/R
RECORDS BRANCH

RESTRICTED

338605

AUG 1 1949

FILED

MB

7306

RG 59
 Entry Central Decimal
 File 740.00119 7-2149
 Box 3917

DECLASSIFIED
 Authority NND 760650
 By BT NARA Date 6/27

3111000
 No. 881

the Economics Adviser
 APO 807
 Bad Nauheim, Germany

15 July 1949

SUBJECT: Muenchener Rueckversicherungs-Gesellschaft,
 Munich - Participation in "Czechoslovakia"
 Lidova pojistovna, Prague

TO : Office of Political Affairs
 Attention: Mr. James W. Gantenbein

The Inter-Allied Reparation Agency, Brussels, in a letter to this Office, dated 23 February 1949, requested that the extent, and the date and manner of acquisition, of Munich Re's participation in "Czechoslovakia" Lidova pojistovna, Prague, be determined by an investigation in Germany. In this connection, IARA pointed out that while the German firm's MGAX(1) declaration of foreign assets showed a participation of only Kc. 1,607,900, a report prepared by the French element of Military Government indicated that Munich Re's interest in the Czechoslovakian firm amounted to Kc. 2,207,900.

Investigation revealed that Munich Re's interest in the Czechoslovakian firm, on 16 March 1945, amounted to Kc. 2,207,900 as indicated in the French report. On that date, however, Munich Re sold par value Kc. 600,000 shares of "Czechoslovakia" to that firm. Munich Re's participation was thus correctly listed in the MGAX(1) declaration, as is shown in the following table:

Effective date of purchase	Actual date of purchase	par value of shares Kc	Purchase or sales price Kc
1 Jan 1939	17 April 1939	1,000,000	1,200,000
9 Oct 1940	9 Oct 1940	51,700	62,040
4 Nov 1941	4 Nov 1941	1,000,000	1,210,000
17 July 1942	17 July 1942	156,200	187,440
<u>Eff. date of sale</u>	<u>Actual date of sale</u>	<u>2,207,900</u>	<u>2,660,080</u>
16 Mar 1945	16 Mar 1945	600,000	- *)
		<u>Kc. 1,607,900</u>	<u>Kc. 2,660,080</u>

*) No money was paid by "Czechoslovakia".

RESTRICTED

338606

RG 59
Entry Central Decimal Files 1945-49
File 740.00119 7-2149
Box 3917

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/27

The Secretary of State presents his compliments to the Honorable the Minister of Austria and has the honor to refer to the Legation's note number 5478 of July 28 concerning the restitution of securities from the American Zone of Germany to Austria.

It has been confirmed to the Department that there has been a delay in the restitution of securities from the American Zone of Germany. It would appear that this delay, which is sincerely regretted by all authorities concerned, has been due to the special problems encountered in Western Germany in the development of a comprehensive program for the disposition of all securities held under Allied control. The Department has now been informed that the restitution of securities is expected to commence again on or about January 15.

Department of State,

Washington, December 28, 1949

DEC 28 1949
R.S.R.
Rev.
Dist.

740.00119 EW/7-2849

DEC 28 1949 P.M.

GER:GEA:AFK:fer:am:fm 12/14/49

A true copy of the original
333607

740.00119 EW/7-2849

740.00119 EW/7-2849

CS/H

RG 59
 Entry Lot # 62A115
 File GERMANY - SWEDISH ACCORD
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

MEMORANDUM

Problems raised by the Swedish Accord
 on German external assets

I. Terms of the Agreement.

Out of the proceeds of the liquidation of the German assets in Sweden, Sweden agrees to provide 150 million kronor to finance purchases - in Sweden or in any other market - to assist in preventing disease and unrest in Germany.

Further, the Swedish Government will provide 75 million kronor to be made available to Allied countries, the sum to be used for reduction of credits granted to these countries by Sweden.

An additional 50 million kronor is made available to the Intergovernmental Committee on Refugees.

Thus, of an estimated total of 378 million kronor of German assets in Sweden, 275 million are made available to the Allies.

II. Broad problems raised by the Accord.

It is believed that IARA can adjust the quota shares of the claimant nations in such a way as to exhaust the 150 million kronor contribution for Germany among the U.S., the U.K., and France. This should result in 63 million kronor each for the U.S. and the U.K. and 24 million kronor for France. Whether there are special difficulties in IARA's allocating these sums in that way must be investigated.

The broadest problem raised concerns the use of these funds by the U.S. Essentially, the issue is whether the 63 million kronor are to be used as a supplement to the War Department's appropriation for imports for the German civilian economy or whether this sum replaces an equivalent dollar amount appropriated by Congress.

Further, what obligation does the U.S. Government have with respect to the account held with the Treasury representing proceeds from the liquidations of reparations assets? If the 63 million kronor are used for imports into Germany and replace an equivalent amount appropriated by Congress, can the War Department debit its appropriation and transfer

this amount

338608

RG 59
 Entry Lot # 62115
 File GERMAN - SWEDISH ACCOUNT
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/77

- 2 -

this amount to the reparations account? Does the Treasury account, irrespective of whether the War Department is or is not docked, have to be increased by this 63 million kronor? It has been suggested that the War Department cannot use this money as a supplement to its appropriation, it cannot debit its appropriation and transfer the money to the Treasury account, the Treasury account must be increased by the 63 million kronor, and that this can be accomplished out of the proceeds of German exports. This raises the question of whether this charge on German exports is on a par with, or stands above or below, other charges on German exports (resulting from U.S. imports under the "disease and unrest formula). If it stands on a par, it will be necessary to pro rate the proceeds of German exports as between the two main claimants on German exports. Clearly, the determination of the priority position of the Treasury account is an important issue.

III. Questions of facts.

Can this money be used anywhere, including the U.S., at any time? It is believed that Sweden will make these funds available for use any place. It will be necessary to inquire of the Swedes as to how soon the funds will be available, with the position taken that we need and want them immediately. If the Swedes should express a preference for use of this money in Sweden or countries other than the United States, are there imports that OMGUS can use under the disease and unrest formula that are available in these countries? Most of OMGUS' imports are for food and petroleum. It is possible that little of these funds could be used outside of the United States. If this is so, a strong line will have to be taken with the Swedes that these funds should be available wherever OMGUS wishes to use them. It is not anticipated, in view of a memorandum between the United States and Swedish negotiators, that Sweden will insist on the use of this money in Sweden. If they should, however, and OMGUS advises that needed imports can be purchased only in the United States, some round-about procedure may have to be developed. It is possible, for instance, that OMGUS could purchase commodities from a United States firm which would be willing to accept Swedish kronor in payment.

EA:JJacobson:ar
 9-11-46

338609

RG 59
 Entry Lot # 620115
 File GERMAN SWISS ACCOUNT
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

file - Swiss Accord
Murray

CONFIDENTIAL

GERMAN ASSETS IN SWITZERLAND

STATEMENT OF THE PROBLEM

1. To consider U.S. policy regarding compensation to German owners of Swiss assets under the Swiss-Allied Accord and to consider the position to be taken by the United States Delegation at the forthcoming quadripartite conference concerning German assets in Switzerland.

FACTS AND DISCUSSION BEARING ON THE PROBLEM:

2. See Appendix A.

PROPOSED SOLUTIONS REGARDING COMPENSATION TO GERMAN OWNERS OF ASSETS LIQUIDATED IN SWITZERLAND:

3. It is proposed that:

The Department should give serious consideration to the following recommendations agreed to by the technical experts of the French, British and United States Governments at the Economic Security Conference at London during March, 1949:

A. As an initial position the Three Powers will confirm to the Swiss that recording of title to compensation will take place in Germany immediately upon information being received of the amount realized by liquidation of an asset in Switzerland. They will further assure the Swiss Government that there will be enacted in Germany legislation providing for compensation to holders of assets liquidated in Switzerland.

B. If the Swiss will not proceed on the basis of A alone, the Three Powers may, in addition, propose the following:

1. Upon the liquidation of each asset in Switzerland the Swiss Government will forward to the recorded title holder in Germany a statement

certifying

338610

RG 59
 Entry 207#620115
 File GERMAN - SWISS ACCOUNT
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

- 2 -

certifying to the liquidation of the asset and the realized value thereof in Swiss francs.

B. Compensation in Deutschmarks at the agreed rate of exchange to the holder of certified statements will be the responsibility of the German authorities. If requested, the Three Powers may assure the Swiss Government that they will ensure that in no case will there be any discrimination against German holders of Swiss assets as compared with German holders of external assets in other countries.

C. If the Swiss will not accept B, the Three Powers may propose that a guarantee will be given that the authorities in Germany shall enable the individual German to draw, in cash, a certain percentage of the total value of his compensation within a stated time, to be determined by the negotiators, from the date of liquidation of the asset in Switzerland.

D. If the Swiss will not accept either A, B, or C, the Three Powers will undertake to require that the present German authorities will make funds available to provide a first partial payment of compensation promptly upon liquidation of the respective asset in Switzerland.

In addition to the above four recommendations, it is now proposed that the Department should tentatively consider suggesting to the British and French an additional alternative solution, to be offered to the Swiss prior to Recommendation C above, along the following lines:

1. The German Government would create a special Deutschmark account for each German recipient of a Swiss

certificate

338611

RG 59
 Entry Lot # 62115
 File GERMAN - SWEDISH ACCOUNT
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

- 3 -

certificate, stating his property has been liquidated. The Deutschmark value would equal full liquidation value of his property in Switzerland. Withdrawals from special accounts would be prohibited until authorized by the German Government. This technique would permit the German Government to decide:

- a. Whether special accounts should accrue to the German state and not the individuals;
- b. Whether compensation through permitted withdrawals should be limited to compensation generally provided in German legislation to holders of external assets;
- c. Some other settlement.

2. Compensation in blocked funds would avoid discrimination among Germans, avoid immediate payment, and provide fiction of compensation in an attempt to satisfy the Swiss.

DISCUSSION OF SOLUTION

A. The steps detailed above form a series of retreating positions designed to obviate, if possible, the need to make immediate payment of compensation in Germany. It is hoped that the Swiss may be willing to proceed to liquidation of German assets upon the assurances provided in Recommendations A and B above. However, previous conversations with the Government of Switzerland have indicated that the Swiss are likely to reject both A and B as insufficient to fulfill the requirements of the Swiss Government that just compensation be made to all owners of property (regardless of countries in which they reside) when property is expropriated. Neither A nor B fix compensation in point of time, and it is believed that the Swiss will require, as a condition precedent to liquidation, that time and amount of compensation be defined. For that reason, Recommendation C was developed by the technical experts. It

*This does not
 fix amount but is
 90% of compensation*

will be

338612

RG 59
 Entry Lot # 620115
 File GERMANY - SWEDISH ACCOUNT
 Box 25

DECLASSIFIED
 Authority WND 760050
 By BT NARA Date 6/77

- 4 -

will be observed that this is designed to give time for the establishment of a German Government which, in turn, would be able to constitute a fund and conditions under which compensation might be paid. It is again obvious that C might also be inadequate in point of time of payment as far as the Swiss are concerned, and for that reason Recommendation D as a last resort was developed. It was the opinion of the experts most closely associated with the Swiss Government of Bern that Recommendation D will be considered by the Swiss as the only practical solution to the problem. Recommendation D requires that some funds shall be made available immediately by the present authorities in Germany.

Recommendations C and D present two major problems to the Department:

1. The possibility of discriminatory legislation for the benefit of Germans who own assets in Switzerland as against other Germans who suffered losses resulting from the War.
2. The difficulty of obtaining funds for reimbursement to Germans, and the possibility of inflation arising from their distribution.

It is the belief of the experts who provided the recommendations that immediate implementation of Recommendation D would result in a liability on the German Government for the payment of about 10 million Deutschmarks to German owners of assets liquidated in Switzerland. In return, some 100 million to 125 million Swiss francs would be immediately available to LARA

and the

338613

RG 59
 Entry Lot # 620115
 File GERMAN SWISS ACCORD
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

Inrelevant towards German transfer to US benefit.

- 5 -

and the Swiss Government from assets already liquidated by the Swiss Government under the Accord, and which are presently held in blocked accounts. The sum of 10 million Deutschmarks does not appear to be an unbearable burden on the German Treasury, nor could there be danger of inflationary threat from this small amount. In contrast, there would be a very real benefit accruing to the United States and to the Member Governments of the IARA by the release of the francs presently blocked.

In view of the two objections (discriminatory legislation and possibility of inflation) to C and D, the alternative recommendation described above has been suggested to provide compensation in blocked funds in Germany.

no doc!
 The compensation in blocked funds would avoid discrimination as between Germans, avoid immediate payment (and thus the possibility of inflation) and would provide a fiction of full compensation.

The disadvantages to the last recommendation are also clear:

1. It is questionable whether the Swiss will accept a fiction of compensation. If they will not, and if Recommendations C and D are refused, it is the opinion of the experts that the conference may fail and benefits accruing to the U.S. and Allied Powers under the Accord may be lost. Furthermore, it should be remembered that the Swiss Government told the press on April 14, 1949 that if the conference fails, the Swiss Government will request presentation of all the issues in dispute to an Arbitral Tribunal for decision. Such legal action may result in a liability greatly in excess of that contemplated in Recommendation D.

338614

RG 59
Entry Lot # 620115
File GERMANY - SWEDISH ACCORD
Box 25

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/27

APPENDIX A

FACTS AND DISCUSSION BEARING ON THE PROBLEM:

A. Facts.

1. Pertinent Provisions of the Swiss-Allied Accord:

- a. The Swiss-Allied Accord signed May 25, 1946 states in Section I paragraph 2: "The Germans affected by this measure shall be indemnified in German money for the property which has been liquidated in Switzerland pursuant to this Accord. In each such case an identical rate of exchange shall be applied."
- b. Paragraph 3 in the same section states: "Switzerland will, out of funds available to it in Germany, furnish one-half of the German money necessary for this purpose."
- c. Section I, paragraph C of the Annex to the Accord states: "The Compensation Office will notify to the Joint Commission, for transmission to the competent authorities in Germany, the amount realized by the liquidation in each case of German property with particulars of the names and addresses of the German owners of that property. The competent authorities in Germany will take the necessary measures in order that there will be recorded the title of the German owners of the property liquidated to receive the counter value thereof in German money, calculated at a uniform rate of exchange. An amount equal to one-half of the total of the indemnities accruing to the German owners

will be

338615

RG 59
 Entry Lot # 620115
 File GERMAN SWISS ACCORD
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

- 7 -

"will be debited to the credit existing in the name of the Swiss Government at the 'Verrechnungskasse' in Berlin. Nothing in this arrangement shall hereafter be invoked by one or the other party to this Accord as a precedent for the settlement of any Swiss claim upon Germany nor shall it be alleged that the Allied Government thereby recognized any right on the part of Switzerland to dispose of the credit above mentioned."

2. Basic Swiss Attitude Regarding Implementation of the Accord:

The Government of Switzerland stated in an aide-memoire to the United States Government dated November 25, 1946 that the Swiss Government would not proceed with the liquidation of German assets in Switzerland under the Accord until an agreement had been reached regarding:

- a. The question of the rate of exchange between the German Reichsmark and the Swiss franc, and
- b. The method of receipt by German owners of just compensation for property liquidated in Switzerland. The Government of Switzerland stated that the Swiss Delegation had made this request clear during the original negotiations on the Swiss-Allied Accord. Furthermore, the Government of Switzerland in the note of November 25, 1946 expressed concern over the possibility of its account in the Verrechnungskasse in Berlin being eliminated by an Allied manipulation of German currency.
- c. According to the notes in the Department's

files

338616

RG 59
 Entry Lot # 62115
 File GERMANY - SWEDISH ACCORD
 Box 25

DECLASSIFIED
 Authority UND 760050
 By BT NARA Date 6/27

- 8 -

files concerning negotiations during 1946 with the Swiss Government, the Three Allies stated on March 22, 1949 that it was implicit in the Swiss proposals that there were no constitutional difficulties involved in the Swiss liquidation of German assets which could not be overcome if compensation in Reichsmarks were paid to German owners. Although the files are not clear regarding the additional negotiation procedure, it is apparent that Swiss insistence upon a clause for compensation to Germans resulted in the paragraphs of the Accord stated in A above.

The Swiss Government has never deviated from the position stated in the above-referenced aide-memoire during the 2-1/2 years of negotiation which have followed.

3. Basic United States and Allied Attitude Regarding Implementation of the Accord:

In reply to the Swiss aide-memoire of May 25, 1946, the Government of the United States stated in an aide-memoire of December 19, 1946:

"With reference to the possible replacement of the Reichsmark by another currency, it may be stated that the views of the Occupying Powers have not been sufficiently formulated to warrant discussion at the present time of the possible effects of action of this sort on balances at the Verrechnungskasse. This Government assures you, however, that of its part it will not support action which would have the effect of increasing Swiss obligations under the Accord.

338617

RG 59
 Entry Lot # 620115
 File GERMAN SWISS - SWEDISH ACCORD
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

- 9 -

the accord. Additionally, the United States is making known its views in this regard to the other Occupying Powers, initially to the other two which are parties to the Accord.

"The view of the United States Government, as has been stated, and is well-known to the Swiss Government, is that the determination of the Reichsmark equivalent of German assets liquidated in Switzerland under the terms of the Accord is not an essential requisite to the undertaking of such liquidations. However, it is appreciated that a conversion factor between the Swiss franc and the German monetary unit may be of assistance to the Swiss Government in its maintenance of appropriate accounting records. The Swiss Government will, therefore, be interested to know that this Government is actively seeking agreement on a conversion factor which will be applicable, inter alia, to the liquidation of German assets. In view of this development and of the likelihood that action will not be long delayed, the expectation is reiterated that the Swiss Government will begin the liquidation of German assets in Switzerland promptly."

The United States Government and the other Two Allied Signatories to the Accord have clung to this original position during the last 2-1/2 years of negotiation with Switzerland in an attempt to obtain implementation of the Accord.

4. Political Atmosphere Affecting Swiss Position.

The Government of Switzerland was eager to observe

in all

338618

RG 59
 Entry Lot # 620115
 File GERMANY - SWISS ACCORD
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

- 10 -

in all respects its complete neutrality. Nevertheless, the fact that it accepted an invitation from the Three Allies to consider at quadripartite negotiations the question of German assets in Switzerland indicated Swiss desire to rationalize its theory of neutrality with the Allies and cooperate in some degree with Allied policy following the war. Publication of the Accord, however, aroused strong adverse comment generally by the Swiss press, which stated that the Swiss Government had "been dictated to at Washington" by the "Three Conquerors", and that Swiss neutrality had been grossly violated. Some officials of the Swiss Government have repeated this charge.

Since the signing of the Accord, the Swiss position vis-a-vis Germany has undergone a change as a result of the change in the Allied attitude toward Germany. At the time of the signing of the Accord the Swiss Government was not concerned about a future powerful Germany, but at the present time it is worried lest a powerful Northern neighbor arise to a position capable of indicating its resentment to Switzerland for implementation of the Accord. Therefore, Switzerland is at the present time "bending over backward" to be sure that German interests are protected to the fullest extent possible before agreeing to their liquidation. The Government of Switzerland repeatedly states that in Switzerland private property is inviolable and there will be no expropriation of German assets until just compensation is provided for German owners thereof. 338619

If the Accord fails on this point, the question

RG 54
 Entry 207#62115
 File GERMANY - SWEDISH ACCORD
 Box 25

DECLASSIFIED
 Authority UND 760050
 By BT NARA Date 6/27

338620

- 11 -

arises whether Switzerland will feel triumphant on the above analysis, or will be embarrassed as the result of failure to live up to an international agreement. The latter possibility probably would be lessened by Swiss statements that the Allies are the violators of the Accord for failure to provide a system of compensation.

B. Discussion.

The Government of Switzerland has been approached repeatedly by the Three Allied Signatories to the Accord since December 19, 1948 in an effort to obtain agreement leading to implementation of the Accord. Additional irritants developed in the meantime which the Swiss Compensation Office claimed as adequate reason for failure to liquidate German property in Switzerland, but the failure of the Three Allied Governments to establish a rate of exchange and to provide for a system of compensation to Germans in Germany have led all other Swiss contentions.

In the meantime, since certain property was deteriorating, or for certain other reasons which the Swiss felt were adequate, they proceeded with liquidation of German assets which total in value approximately 100,000,000 Swiss francs, and the proceeds have been placed in blocked accounts. Switzerland is prepared to turn 50% of this amount over to the IARA at Brussels in accordance with the provisions of the Accord as soon as an exchange rate and a system of compensation are established by the Three Allied Governments.

Since the entire matter of implementation seemed to be stalemated, the Government of Switzerland, in a note of July 6, 1948, suggested that all matters which had developed into the irritating issues between the Three Allied Governments and the Swiss Government on the Accord problems should be submitted

RG 59
 Entry Lot # 67115
 File GERMANY - SWEDISH ACCORD
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

- 18 -

disagreement) for decision. The Governments of France and Great Britain were eager to accept this method of settlement of the problem, but the Government of the United States felt that certain of the issues could not properly be submitted to arbitral decision. Among these was a third and also important factor which has thus far been claimed by the Swiss as a reason for non-implementation--the problem of intercustodial claims. The Government of the United States therefore presented a note to the British and French Governments outlining its position regarding each of the items which had prevented the implementation of the Accord, and suggested that the Three Allied Governments agree to arbitration of certain issues and refuse to agree to arbitration of others.

It appears that the Government of Switzerland became informed of the United States position. The Swiss Minister at Washington on December 30 1948 suggested that a quadripartite meeting be held for the purpose of discussing all problems in an attempt to avoid arbitration under the accord.

In order to facilitate the establishment of a unified Allied position vis-a-vis the Swiss at the anticipated quadripartite conference a meeting of experts of the Allied Powers was held at London on March 14, 1949. These experts drew up a series of recommendations to meet the Swiss contentions, and it was the opinion of the experts that their recommendations must be accepted in toto if the quadripartite conference was to have reasonable chance of achieving success and result in implementation of the Swiss Accord.

Discussion of the recommendations in the Department revealed two points of difficulty regarding the problem of compensation to Germans in Germany. These are:

a. The fact

338621

RG 59
 Entry 201#620115
 File GERMAN PROPERTY - SWEDISH ACCORD
 Box 25

DECLASSIFIED
 Authority NND 760050
 By BT NARA Date 6/27

- 13 -

- a. The fact that compensation to German owners of Swiss assets may result in discriminatory legislation for the benefit of a restricted class of Germans who fortunately owned assets in Switzerland;
- b. The problem of actual compensation--that is--the delivery of money to German owners. In the latter point of difficulty, finding the funds for delivery, and the possibility of inflation have been discussed as deterrent in the acceptance of Parts C and D of Recommendations. (See Proposed Solution covering document)

Particular attention is drawn to Recommendation D. The experts are of the opinion that agreement to deliver 19 million Deutschmarks to German owners of property will result in release by the Swiss Government of 50 million Swiss francs to the IARA, and 50 million Swiss francs to the Swiss treasury. It should be furthermore pointed out that 19 million Deutschmarks will not cause inflation in Germany, and is not a sum which should be difficult to obtain through taxation and/or other means.

C. Prognosis if Quadripartite Conference Fails.

1. If the quadripartite conference fails to achieve agreement by the Swiss Government to liquidation of German assets under the present Accord, three courses of action are possible:

- a. The United States Government can disclaim any further responsibility under the Accord and report the failure of the agreement to the Inter-Allied Reparation Agency at Brussels.

RG 59
Entry 201#620115
File GENERAL - SWEDISH ACCORD
Box 25

DECLASSIFIED
Authority NND 760050
By BT NARA Date 6/27

- b. An attempt may be made at renegotiation of a new Accord.
- c. The Government of Switzerland may cling to the original Accord, and sue the Government of the United States in an international law court for failure to perform its agreement under the Swiss Accord. The latter possibility should be considered seriously, since both the Governments of France and Great Britain have indicated that they will not disclaim responsibility under the Accord and report its failure to the Inter-Allied Reparation Agency even though the United States should so act, and since the Swiss Government has already proposed arbitration of this issue on which the Allied responsibility is clear.

338623