

RG 36 (Copied 6/30/00)
Entry UD27: Files, 1934-52
File 644 Germany General
Box 27 Part I

644

DEC 13 1938

Mr. E. O. Spindler,
40 Worth Street,
New York, N. Y.

Germany

Sir:

The receipt is acknowledged of your letter of December 8, 1938, requesting advice in respect of the status of certain German knitting machines under the provisions of section 303 of the Tariff Act of 1930, the section under which countervailing duties are assessed, if purchased in Germany in part with blocked marks belonging to Non-Aryan persons living in that country and imported into the United States.

The details of the proposed transactions are not given in your letter but, as the proposition is understood by the Bureau, the German Government would permit certain Non-Aryan persons residing in Germany to buy from the German manufacturer a certain type of knitting machine for exportation to the United States, and to pay 60-70% of the purchase price from blocked accounts of the Non-Aryans and 30-40% in United States dollars. That part of the purchase price required by the German Government to be paid in United States dollars would be paid by an American firm, which firm would also pay the freight and the duty upon importation into the United States and would thereafter offer the machines for sale on the American market. The German Non-Aryans would be reimbursed by the American firm in United States currency at the rate of 3¢ for each blocked reichsmark invested in the enterprise.

The Bureau is not prepared to rule that a transaction such as that described above would not involve the payment or bestowal of a bounty or grant within the purview of section 303 of the tariff act. The meaning of your question numbered 3 is not clear to the Bureau.

Very truly yours,

(Signed) James H. Moyle

Commissioner of Customs.

ECC/bf 12-9-38

ECC HKS JAP FD

DEC 14 1938

342121

RG 36 (Copied) (6/30/00)
Entry UD27: Files, 1934-52
File 644 Germany General
Box 27 Part I

CABLE ADDRESS: EOSPIN, NEW YORK
A B C CODE, 5TH AND 6TH EDITION

685

TELEPHONE: BARCLAY 7-8102

E. O. SPINDLER
IMPORTER OF KNITTING MACHINES

40 WORTH STREET

ROOM 1336

NEW YORK, N. Y.

December 5, 1938

The Honorable Commissioner of Customs
Washington, D.C.

Dear Sir:

As the Sole Agent for several German Knitting Machine Builders, I have been importing this class of machinery for more than thirty years. At present, I am importing same under the U.S.A.-German Cotton Agreement by paying for them from the proceeds of sales of American Cotton to a firm in Germany. My profit on the sale of the cotton is 25%. In such transactions, the Reichsmark of 40¢ value costs me only 30¢.

Quite recently, I have been approached by several American firms, that have connections or relationship with Non-Aryans in Germany, and also directly by such refugees in and from Germany, to give them, by reason of my being the sole agent for the German firm, my consent to import a certain type called "high speed tricot machines", for which a good market and demand exists in the U.S.A. at present, on the following basis:

The refugees obtain from the German Government the permission to take with them machines and pay for them out of their Blocked Mark Funds and partly in United States Dollars. The percentage of the respective currencies is optional with the German Government and varies from 60 to 70% payable in Reichsmark (Blocked Funds) and, correspondingly, 40 to 30% payable in U.S. Dollars.

For example, a payment of 60% in Reichsmark and 40% in Dollars:
60% in blocked Reichsmark at 3¢ = 1.8¢
40% in U.S. Dollars, RM at 40¢ = 16¢
Cost of Reichsmark for machine purchase = 17.8¢, which compares to my cost of 30¢ under the Cotton Barter Arrangement for the same purpose.

The portion payable in U.S. Dollars will be furnished by the American firm, which also will pay the ocean freight and the duty on the machines. Afterwards, the machines would be sold in the open market.

While the Reichsmark, whether blocked Mark or register Mark or travelling Mark, etc., has the same value within Germany, their respective foreign exchange values differ. The foreign exchange value of the Blocked Mark, with which 60% of these machines is

342122

RG 36 (Copied) (6/30/00)
Entry UD27: Files, 1934-52
File 644 Germany General
Box 27 Part I

Hon. Commissioner of Customs

- 2 -

Dec. 5, 1938

to be paid, is only 3% as against 40% of the free Reichsmark.

Blocked Marks, as their name implies, can only be released for special purposes by sanction of the German Government. If the latter permits the release of such Blocked Marks for 60 -70% of payment of machinery for export to the United States, it renders, in my opinion, indirect assistance for such export sales.

Such an arrangement would be to the detriment of the established sole agents who have to buy and pay under the Cotton agreement. Irrespective of the manner of payment for the machines, whether through a combination of Blocked Marks and Dollar exchange or through the Cotton agreement, the duty on the machines would be the same as the Reichsmark Home Market Value and the Reichsmark Export Value are the same in both cases.

I would be obliged to you, therefore, for your reply to the following three questions:

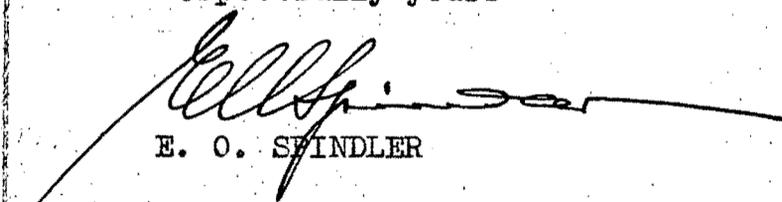
- 1) Would, under circumstances outlined above, such transactions be subject to countervailing duty?
- 2) If your answer to question (1) is in the negative, would it be possible for me, as sole agent for these machines, to assist the refugee by personally assuming all dollar payments (40% of purchase price, ocean freight, duty) without running the risk of having such importations subjected to countervailing duty?

It is to be remembered that the bulk of my importations will, nevertheless, be on the Cotton Agreement basis.

- 3) Would my position as sole agent be jeopardized, if I gave consent to such importations and the same would run into numerous transactions and large amounts, particularly if such machines should be sold in the open market?

As the inquiries I have now before me represent a sales value of over \$250,000.--, I would appreciate your early decision in this matter.

Respectfully yours


E. O. SPINDLER

EOS:HW

342123

RG 36 (6/29/00)
Entry 1: Office of the
File Foreign Funds Control
Strictly Confidential
Box 4 Letters

DECLASSIFIED
R.G. - 36 - E.O. 12938
By DMJ HARS, USA 6/29/00



OFFICE OF THE COMMISSIONER

ADDRESS REPLY TO
COMMISSIONER OF CUSTOMS

IN REPLY REFER TO

324.2

TREASURY DEPARTMENT

BUREAU OF CUSTOMS

WASHINGTON

June 12, 1940.

~~STRICTLY CONFIDENTIAL~~

BUREAU OF CUSTOMS
CIRCULAR LETTER

Re: Importations of securities.

TO COLLECTORS OF CUSTOMS AND OTHERS CONCERNED:

There is quoted herein General Ruling No. 5 under Section 5 (b) of the Act of October 6, 1917 (40 Stat. 411), as amended, Executive Order No. 8389 of April 10, 1940, as amended, and Regulations issued pursuant thereto, and under all other authority of law:

June 6, 1940.

"The sending, mailing, importing or otherwise bringing into the United States, on and after June 7, 1940, from any foreign country, of any securities or evidences thereof or the receiving or holding in the United States of any securities or evidences thereof so brought into the United States is prohibited, except on condition that such securities and evidences thereof be immediately delivered for examination to a Federal Reserve bank as fiscal agent of the United States. Such Federal Reserve bank, as fiscal agent of the United States, shall hold such securities and all evidences thereof until the Treasury Department is satisfied as to whether or not any of the countries named in Executive Order No. 8389, as amended, or any national thereof has at any time on or since the dates specified in such Order, as amended, had any interest of any nature whatsoever, direct or indirect, in such securities or evidences thereof. Proof as to whether or not any of such countries or any national thereof has had any such interest may be submitted to the Federal Reserve bank holding such securities or evidences thereof.

"Customs officers and postal employees are instructed to deliver any such securities or evidences thereof to a Federal Reserve bank. Any articles arriving from any foreign country

RG 36 (copy)
 Entry 1: Office of the
 Commissioner
 File Foreign Funds Control
 Strictly Confidential
 Box 4 Letters

DECLASSIFIED
 R.G. 36 - E.O. 12938
 By DMJ HARS, Date 6/29/00

324.2

- 2 -

on or after June 7, 1940, which in the opinion of customs officers or postal employees contain such securities or evidences thereof, shall be subjected to customs inspection in accordance with the Customs Regulations of 1937. If any article opened by an addressee or his agent in the presence or under the supervision of a customs officer or postal employee is found to contain such securities or evidences thereof, such securities or evidences thereof shall be surrendered forthwith to such customs officer or postal employee for delivery to a Federal Reserve bank, as above provided."

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

APPROVED: June 6, 1940.

(Signed) Franklin D. Roosevelt

Reference is made in the above connection to strictly confidential Bureau
 tial Bureau telegram of June 6, 1940, to collectors of customs. In
 conducting customs examinations of any character special attention
 is to be directed to the detection and segregation of all securities.
 All securities discovered are to be turned over to the nearest
 Federal Reserve bank (to the Governor of the territory or possession
 in appropriate cases) for disposition in accordance with instructions
 to be issued direct to those offices. Until further notice ship-
 ments and arrivals from Great Britain, France, Canada, Newfoundland
 and Bermuda and shipments which have been censored by the Govern-
 ments of any of such countries or their dominions, possessions or
 territories are not to be examined in this connection.

342125

RG 36 (6/29/00)
Entry 1: Commissioner
File Foreign Funds Control
Strictly Confidential
Box 4 Letters

DECLASSIFIED
R.G. - 36 - E.O. 12938
By DMJ HARRIS, Date 6/29/00

324.2

- 3 -

Special attention is invited to the fact that the term "Great Britain" as used above does not include any part of Ireland.

For the purpose of this instruction the term "securities" should be interpreted broadly and of course should include such things as stocks, bonds, debentures and coupons. Receipts for the securities will be furnished the addressee or consignee of the shipments by the receiving Federal Reserve bank or Governor's office, as the case may be, with copies to the forwarding customs office. An interim receipt should be given by the customs office in the case of securities discovered in passengers' baggage.

This circular and the Bureau's telegram referred to are to be treated as strictly confidential. The general ruling quoted above, however, is a public document and appears in the Federal Register of June 7, 1940.

(Signed) BASIL HARRIS

Commissioner of Customs.

342126

RG 36 (Copied 6/29/00)
 Entry 1: Office of the Commissioner
 File RE: Foreign Funds Control - Securities
 Box 4

Neutrality - Securities

June 13, 1940.

MR. CALHUN

W. R. JOHNSON:

In view of the exemptions allowed, the customs inspection of the baggage of foreign consular officers arriving in the United States has been very liberal. There has probably been similar liberality to a lesser extent in the examination of shipments imported for such officers otherwise than in baggage.

The statements in the third paragraph of the attached memorandum, so far as customs procedures are concerned, are supported by the customs regulations, particularly article 261(c), Customs Regulations of 1937. (See the whole of articles 261, 432, and 433.)

I understand that, in view of the questions of international policy involved, this memorandum will be submitted to the State Department for comment before adoption.

(Signed) W. R. Johnson

WBJ/mcd

RG	36 (Copied)
Entry	Office of the Commissioner
File	Foreign Funds Control RE: Securities
Box	4

MEMORANDUMRe: Enforcement of General Ruling No. 5.

In connection with the enforcement of the above general ruling, there has arisen the problem of detecting securities contained in sealed letters or packages addressed to consular representatives of foreign governments stationed in the United States and securities brought into the United States on the person or in the baggage of consular officers.

To meet that problem it is recommended that officials of the Post Office Department be instructed that when there is reason to believe sealed letters or packages addressed to consular representatives contain securities, such letters or packages should be held by the appropriate postal officials and the addressee required to open such packages or letters in the presence of the postal official, and that officials of the Bureau of Customs be instructed to search the baggage and person of consular officials for securities. Such procedure will mean that mail addressed to, as well as the baggage and person of, consular representatives, will be accorded the same treatment now accorded any other mail, baggage or person entering the United States under the same circumstances. If securities are found, they should be treated in accordance with the provisions of General Ruling No. 5.

There does not appear to be any legal objection to the suggested procedure. Several treaties with other nations defining consular rights have been examined and such rights do not appear to be infringed by the action recommended. Furthermore, the suggested procedure is not inconsistent with that which has been adopted by the Bureau of Customs and Post Office Department in their regulations relating to the ascertaining of dutiable or prohibited merchandise.

It should be noted that the action proposed in this memorandum does not destroy the confidential nature of correspondence between a consular officer and his government. Postal and Customs officials are not to read any consular correspondence. Their function is merely to witness the opening of sealed letters or packages addressed to consular officials and to search baggage and personal effects of consular officials to determine whether such means are being used to smuggle securities into this country in violation of our laws and regulations.

Obviously the problem at hand is of considerable importance in enforcing the regulations and rulings heretofore issued relative to imported securities. Accordingly, it is recommended that the above-suggested procedure be adopted.

June 13, 1940.

342128

RG	36 (Copies)
Entry	1: Office of the Commissioner
File	RE: Foreign Funds Control - Securities
Box	4

MEMORANDUM

In connection with General Ruling No. 5, there has arisen the problem of applying that ruling to securities contained in letters addressed to consular officials residing in the United States and to baggage and personal effects of consular officers coming into this country. To meet that problem, it is suggested that letters addressed to consular officers from their governments or individuals, if believed to contain securities, be held by appropriate postal authorities and that such authorities require the addressees to open the letters in their presence and that Customs officials be instructed to search the baggage and personal effects of consular officials for securities. If securities are found, they should be treated in accordance with the provisions of General Ruling No. 5.

It is clear that consular officers are not entitled to so-called diplomatic immunity unless, in the absence of the diplomatic officer representing their country, they are designated to carry out his functions during his absence and are recognized by the State Department as the diplomatic representatives of their governments. 1 Hyde, International Law (1922) sec. 464; Castry, International Law (1937) pp. 169, 170; In re Pais, (1909) 155 U.S. 405. See Aust v. Costa, (D.C. D. Mass. 1959) 23 F. Sup. 2d, 28. It is sometimes stated that correspondence between a consular officer and his government should be inviolable. Hyde, supra, sec. 463. However, there is no authority given for that statement. American courts do not appear to have

RG	36 (copy)
Entry	1: Office of the Commissioner
File	RE: Foreign Funds Control Securities etc.
Box	4

- 2 -

passed upon the so-called inviolability of such correspondence. Our Government has generally treated diplomatic officers as immune from Customs examination. However, it does not appear that they enjoy such immunity as a matter of international law. See Frease, Foreign Diplomats and the Exemption Laws, 30 Mich. L. Rev. 332, 337. That consular officers enjoy no such immunity is an fortiori case. Any privilege of free entry is based upon reciprocity. Hyde, SHANN, sec. 473.

The above suggestion as to letters and packages is supported by paragraph (a) of Article 560 of the Customs Regulations of 1937. That paragraph provides:

"(A.R.3c) Articles addressed to members and attaches of foreign embassies and legations and to consular (sic) and other representatives not heretofore mentioned, bearing the official seal of a foreign government or inclosed in its official envelope, and indicating from casual examination, without breaking the seal, that they contain only official communications or documents, shall be forwarded immediately to the addressee without customs examination. Sealed and unsealed articles addressed to 'consular and other representatives' referred to in this paragraph, when believed to contain dutiable merchandise, shall be subject to usual customs treatment"

Obviously, if sealed articles addressed to consular officers believed to contain dutiable merchandise can be subjected to the usual customs treatment, the same procedure could be followed to determine whether sealed articles addressed to consular officers contain securities.

342130

RG	36 (copied 6/27/00)
Entry 1:	Office of the Commissioner
File RE:	Foreign Funds Control Securities
Box	4

- 3 -

Also, paragraph (b) of Article 452 of the Customs Regulations of 1937 provides:

"Packages bearing the official seal of a foreign government with which the United States has diplomatic relations, accompanied by certificates under such seal to the effect that they contain only official communications or documents, may be admitted free of duty without customs examination."

It would appear from that section that if such packages, even though under the seal of a foreign government, were not accompanied by certificates under such seal to the effect that they contained only official communications or documents, they could be subjected to customs examination. Thus, it would appear that letters or packages under seal of a foreign government but without the official document certificate could be examined for securities. It is pointed out that the above-quoted paragraph of the Customs Regulations is not mandatory since the word "may" is used. Presumably, by the use of that word, the certificate of a foreign government is merely evidence of the official nature of documents, but is not conclusive.

There would appear to be nothing in the Customs Regulations that would prevent Customs officials searching the baggage and personal effects of consular officers. The applicable article of the Customs Regulations of 1937 would appear to be 452. That article, insofar as pertinent, provides:

"Baggage.—(a) Upon application to the Department of State and appropriate instructions from the Treasury Department in each instance, the privilege

342131

RG 36 (Copied
6/27/00)
Office of the
Entry 1: Commissioner
Foreign Funds Control
File Ref: Securities
Box 4

- 4 -

of admission free of duty without entry shall be extended to the baggage and effects of the following representatives of foreign governments, and their families, suites, and servants, provided the Governments which they represent grant reciprocal privileges to American officials of like grade accredited thereto or enroute to or from other countries to which accredited.

"(1) Ambassadors, ministers, and chargés d'affaires; and secretaries, and naval, military, and other attaches of embassies and legations, high commissioners, consular officers and trade representatives, accredited to this Government or en route to or from other countries to which accredited; and

"(2) Other high officials of foreign Governments and such distinguished foreign visitors as may be designated by the Department of State.

"(B) In the absence of special authorization therefor from the Department prior to the arrival of representatives of foreign governments enumerated in paragraph (a) (1), the privilege may be extended to their baggage and effects upon presentation of their credentials or other proof of their identity.

"(C) Foreign ambassadors, ministers, and charges d'affaires; and secretaries, and naval, military, and other attaches of foreign embassies and legations shall not be detained or interrogated, and their baggage and effects shall remain inviolate. Every proper means shall be afforded them to facilitate their passage through ports of the United States."

Paragraph (a) (1) of the above-quoted Regulations specifically names "consular officers" and makes provision for free entry of their baggage and effects. However, paragraph (a) does not mention consular officials. Obviously then, the baggage of a consular officer is not made inviolate by the Customs Regulations. Accordingly, under such Regulations it is possible to search the baggage and effects of a consular official to determine whether such baggage and effects contain

342132

RG	36 (Copied 6/29/00)
Entry	1: Office of the Commissioner
File	RE: Foreign Funds Control - Securities
Box	4

- 5 -

articles, the entry of which is prohibited. Mr. Davison of the Bureau of Customs advises that such is the normal procedure unless the State Department requests that a consular officer be allowed to pass without examination. Clearly then, baggage and effects of a consular official could be searched to determine whether securities were contained therein and no reason is known why such securities could not be treated in accordance with the provisions of General Ruling No. 5. Presumably, the State Department will not aid Germany and Italy by requesting that consular officials be spared examination. In the event that such a request is received, no reason is known why the Treasury would be bound to instruct Customs officials that such should be granted.

Consular offices are established for convenience in trade and commerce. A consular officer internationally does not represent his nation, but because he is an agent of another government, he is entitled to respect and courtesy. Hyde, ALIA, sec. 465. However, the instant situation is one where convenience, respect, and courtesy do not require that Germany, and countries working with Germany, be allowed to send into this country securities comprehended by General Ruling No. 5 without such securities being subjected to the provisions of that General Ruling. That determination has been made by our Chief Executive in approving the General Ruling and by our Congress in giving the President, or an agency designated by him, the authority to make such a determination.

342133

RG	36 (Copied 6/27/00)
Entry	1: Office of the Commissioner
File	RE: Foreign Funds Control SECURITIES etc.
Box	4

- 8 -

It should be noted that the action proposed in this memorandum does not expose correspondence between a consular officer and his government. If such correspondence is inviolable (there appears to be no authority to support such a statement except the occasional assertion of text writers), the procedure suggested herein does not make it less inviolable. The requirement that letters, baggage, and personal effects believed to contain securities be opened in the presence of Postal or Customs officials, does not in any way destroy the confidential nature of such correspondence. The correspondence remains secret. It is not going to be read by Postal and Customs officials. Their function is merely to determine whether letters addressed to a consular officer and the person and baggage of a consular officer are means being used to smuggle securities into this country in violation of our laws and regulations.

An examination has been made of the provisions of several treaties defining rights of consular representatives of various other countries. Nothing has been found in such treaties that would prevent this Government from taking appropriate steps to detect securities attempted to be smuggled into this country on the person of a consular officer or in his mail or baggage. In this connection, it is interesting to note that Article XXVII of the Consular Treaty with Germany (44 Stat. 2152), after making provisions for free entry of furniture, equipment, and supplies intended for official use in consular offices and

342134

RG 36 (Copied)
Entry 1: Office of the
File RE: Securities Control
Box 4

- 7 -

for free entry of baggage and effects of families and suites (such as are nationals of the country represented by the consular official) of consular officials, specifically provides that no prohibited article may be brought by one contracting party into the territory of the other.

It is emphasized that if appropriate means are not devised to catch securities attempted to be sent into this country in consular mail and attempted to be brought into this country on the person or in the baggage of consular officers, such a leak will reduce the effectiveness of the security import regulations. Accordingly, since the above suggested procedure for detecting securities in consular mail, baggage and effects does not contravene any existing legal authority, it is recommended that it be adopted.

342135

RG	36 (6/27/00)
Entry	1: Office of the Commissioner
File	RE: Securities Foreign Funds Control
Box	4

**PROPOSED DRAFT OF LETTER FROM SECRETARY OF STATE
TO SECRETARY OF THE TREASURY**

My dear Mr. Secretary:

Reference is made to a conference held in this Department on July 9, 1940, among representatives of your Department, the Department of Justice and this Department relative to securities brought into the United States on the person of, in the baggage of, or in mail addressed to consular officials, in violation of General Ruling No. 3 issued in connection with Executive Order No. 9309, as amended.

It is the view of this Department that there are no legal objections under any treaty or domestic statute to subjecting the person of, the baggage of, or mail addressed to consular officials to the same treatment now accorded any other mail, baggage or person entering the United States under the same circumstances. However, this Department has no objection to subjecting the person of, the baggage of, or mail addressed to a consular official to such treatment with the exception indicated below:

It is felt that for reasons of policy sealed letters addressed to a consular official by his government, bearing the official seal of his government or enclosed in the official envelope of that government, official consular pouches, and packages addressed to a consular official, bearing the official seal of his government and accompanied by certificates under such seal to the effect that they contain only official communications or documents, should, for the

342136

RG	36 (Copied 6/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control RE: Securities
Box	4

- 2 -

present, be excepted from examination under General Ruling No. 5. If at any time in the future there should be any change in this Department's views in the premises, you will be advised accordingly.

This Department is advising each consulate in this country of the provisions of General Ruling No. 5 and is emphasizing that securities should not be brought into this country in mail, packages, or consular pouches, addressed to consular officials by their governments, or in any other manner in violation of General Ruling No. 5.

Secretary of State.

342137

RG 36 (Copied 6/29/00)
 Entry 1: Office of the Commissioner
 File Foreign Funds Control
 RE: Securities
 Box 4

Checked by Mr. Johnson and sent by SPECIAL MESSENGER to Mr. Cairns 5/31/1940.

Neutrality
crossed out

May 31, 1940

Secretary Morgenthau.

Ed. H. Foley, Jr., General Counsel.

Art. 369
 372
 358

Mail articles from foreign countries receive customs treatment in the United States at the post offices designated by the Post Office Department for the receipt of foreign mails. The mail pouches, which have been made up abroad or in transit, are opened by the postal employees in the presence of customs officers and all articles thought to contain merchandise or printed matter are turned over to the customs officers for examination and appropriate customs treatment. Such customs treatment is usually accorded in special rooms in the Post Office building.

366(a)
 366(b)
 371(c)

All unsealed mail, sealed mail endorsed "may be opened for customs inspection," and all articles mailed under the various postal conventions are immediately opened by the customs officers, examined, and treated in accordance with existing laws and regulations. When unsealed mail is believed to contain merchandise and is not endorsed "may be opened for customs inspection," the postmaster notifies the addressee to appear and open the envelope or parcel in the presence of postal and customs officers or furnish authority for someone else to so open it. After such sealed mail is opened, it is submitted to the customs officers for examination and appropriate treatment.

It will be seen from the above that the accompanying proposed General Ruling number 1 will not require any new procedure from a customs standpoint in order to assure that all mail is examined to determine whether it contains any securities or evidences thereof. It will, of course, require the opening of many envelopes which would ordinarily be passed because mere handling would satisfy the examining officers that they do not contain goods subject to duty assessment.

END-001/00 5/31/40

RG 36 (6/29/00)
Entry 1: Office of the
File Foreign Funds Control
Strictly Confidential
Box 4 Letters

DECLASSIFIED
R.G. - 36 - E.O. 12938
By DMJ TARS, USA 6/29/00



OFFICE OF THE COMMISSIONER
ADDRESS REPLY TO
COMMISSIONER OF CUSTOMS

TREASURY DEPARTMENT
BUREAU OF CUSTOMS
WASHINGTON

IN REPLY REFER TO
324.2

July 22, 1940.

~~STRICTLY CONFIDENTIAL~~

BUREAU OF CUSTOMS
CIRCULAR LETTER

Re: Importations of securities.

TO COLLECTORS OF CUSTOMS AND OTHERS CONCERNED:

Supplementing the Strictly Confidential Bureau of Customs Circular Letter of June 12 (324.2) relative to the above you are instructed as follows:

No examination under General Ruling No. 5 shall be made with respect to the following:

- (1) sealed letters addressed to a consular officer by his government or by a diplomatic officer or another consular officer of his government and bearing the official seal of his government;
- (2) official consular pouches; and
- (3) packages addressed to a consular officer bearing the official seal of his government and accompanied by certificates under such seal to the effect that they contain only official communications or documents.

Mail and packages not covered by the foregoing exceptions addressed to a foreign consular officer shall be examined for securities in the same manner as other mail and packages are examined for securities.

The examination for securities of the person and baggage of a foreign consular officer upon his arrival in the United States shall be the same as the customary procedure followed with respect to consular officers in ascertaining dutiable or prohibited merchandise.

W. R. Johnson
Commissioner of Customs.

DECLASSIFIED
E.O. 12958
A2 1/29/00

RG 36 (6/29/00)
Entry 1: Office of the
Commissioner
File Foreign Funds Control
Works of Art
Box 3

8/26/40

I discussed this at
a meeting of the Funds
Control & it was
decided to take no action
& not to answer this
letter from Rothschild

BQ

Dear Sir:

Reference is made to your letter of July 2, 1940, enclosing
a letter from Mr. Warner Prins pertaining to diamonds which may
have been confiscated in certain European countries and shipped
into the United States.

The Treasury Department has given careful and sympathetic
consideration to the questions raised in your letter and its
enclosure, but feels that for the time being there are no additional
steps which may appropriately be taken by the Department in this
connection.

Very truly yours,

J. P. Chamberlain

J. P. Chamberlain,
Assistant to the Secretary.

Mr. Meyer D. Rothschild, President,
American Jewelers Protective Association,
17 and 19 West 45th Street,
New York, New York.

ECA:rd - 8/21/40.

ka 937

RG 36 (C/29/00)
 Entry 1: Office of the
Commissioner
 File: Foreign Funds Control
Works of Art
 Box 3

August 21, 1940.

MEMORANDUM RE IMPORTATION OF LOOTED DIAMONDS AND ART TREASURES

Yesterday I conferred with Messrs. Cairns, Dwan and Chambers concerning possible action by Customs to prevent the importation ^{see also:} into the United States of diamonds and art treasures ~~confiscated by~~ ^{Republic of} the Germans. In addition to the material contained in the attached ^{Ambassador} file, the British have notified us of the possibility that diamonds may be "smuggled" in on clippers coming from Europe. Dwan has been reanalyzing this subject from the Customs point of view, and after careful consideration has determined, with Cairns' approval, that Customs can do nothing in the circumstances, except, of course, to take steps in connection with goods that are actually smuggled. Dwan and Chambers considered the possible application of the National Stolen Property Act to the articles in question, but are of the opinion that this Act does not apply to articles confiscated by an invader. Their conclusion in this respect appears to them to be fortified by the recent effort in the McCormick bill to amend the National Stolen Property Act so as to make it applicable to confiscated goods. (Incidentally, we are informed that upon the basis of the State Department testimony, this bill was tabled by the House Judiciary Committee.)

342141

RG	36 (6/29/00)
Entry	1: Commissioner
File	Foreign Funds Control Works of Art
Box	3

- 2 -

Cairns stated that the only way in which Customs could stop the entry of these articles would be by virtue of their entry being unlawful under some other law than Customs law. By a strained process of reasoning, it might be said that the entry is unlawful under Executive Order No. 8389, as amended. Section 9(f) prohibits any transaction for the purpose or which has the effect of evading or avoiding the foregoing prohibitions. Presumably, the diamonds are brought into the country for purposes of sale. (Any payment involved in any such sale would be a payment involving property in which a "national" had an interest on or since the respective dates.) Presumably, such payment would not be under license. Therefore, it might be said that the act of bringing the goods into the United States is presumptively a transaction for the purpose of avoiding the prohibitions of the Order. On this theory, however, the Executive Order would permit us to stop at Customs any goods or merchandise which might have been confiscated by the Germans.

It does not seem desirable at this time to attempt to strain the meaning of the Executive Order so as to include the transactions in question. In the first place, there seem to be sufficient fields which are clearly within the purview of the Executive Order which demand more attention and stricter enforcement before we attempt to extend its

342142

RG 36 (C/29/00)
Entry 1: Office of the
Commissioner
File: Foreign Funds Control
Works of Art
Box 3

- 3 -

scope. In the second place, we do not have sufficient information that the transactions in question constitute a really acute problem.

Therefore, a proposed noncommittal letter is submitted in response to the diamond inquiry.

It is not believed necessary to make any response to the art treasures inquiry (1) because of its age, and (2) Mr. de Saint Quentin is probably now in a concentration camp or worse.

LCA

342143

RG	36 (6/29/00)
Entry	Office of the Commissioner
File	Foreign Funds Control Works of Art
Box	3

810

July 19, 1940.

MEMORANDUM TO MR. JOHNSON
FROM MR. STEPHENS.

This section is unaware of any action which may be taken under the customs laws to comply with the request made in the attached communications that steps be taken to prevent the sale in the United States of works of art and diamond appropriated by the German authorities in invaded countries.

see also:
Republic of
Ambassador
U.S.

We could, of course, carefully investigate all affidavits as to ownership submitted pursuant to article 457 of the Customs Regulations of 1937 in connection with claims for free entry of artistic antiquities and make seizures if such affidavits are found to be false.

JMR
ML

RG	36 (6/29/00)
Entry	Office of the Commissioner
File	Foreign Funds Control - Works of Art
Box	3

OFFICE OF THE COMMISSIONER OF CUSTOMS

July 15, 1940.

MEMO TO W. R. JOHNSON,
 FROM SHIRLEY STEPHENS.

~~see also France, Republic of
 Ambassador - U.S.~~

The attached letters involve requests that steps be taken to prevent the sale in the United States of works of art and diamonds appropriated by the German authorities in invaded countries. In one of the attached communications it is stated that the Netherlands Government in exile has announced that it is claiming all rights to Netherlands properties on behalf of the individual owners. It may be that the Treasury Department will wish to take steps looking to the regulation of the sale of such property in somewhat the same manner that transactions in foreign exchange credits and securities were regulated.

Accordingly, it is believed that these cases should be referred for comment to the division of the General Counsel's office handling regulation of transactions in foreign credits.

M
AW
FD

RG 36 (6/29/00)
Entry 1: Commissioner
File Foreign Funds Control
Works of Art
Box 3

Cable Address:
Protective - New York

Telephone:
BRyant 9-9720

WAR

American Jewelers Protective Association
Incorporated
17 and 19 West 45th Street
New York

copy

833.6

July 2, 1940

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

RM

Sir:

Subject:- CONFISCATED DIAMONDS

We enclose herewith a letter just received from a member of our Association, which explains itself.

If the Treasury Department has given this matter any consideration, or does so in the future, we would be very glad to be informed as to any rulings, which we will communicate to Mr. Prins, as well as to the trade generally.

Very truly yours,

AMERICAN JEWELERS PROTECTIVE ASSN.

Meyer D. Rothschild
Meyer D. Rothschild
President

MDR
AWJ

Enc.

9

RECEIVED
JUL 5 1940
DIVISION OF ENFORCEMENT

*Acknowledged July 15 40
WJH*

342146

RG	36 (C/29/00)
Entry	Office of the Commissioner
File	Foreign Funds Control Works of Art
Box	3

TELEPHONE
CIRCLE 7-7393

CABLE ADDRESS
BORTZA NEW YORK

WARNER PRINS

10 ROCKEFELLER PLAZA

HOLLAND HOUSE

NEW YORK

July 1, 1940

Mr. Meyer D. Rothschild, President
American Jewelers Protective Association
17 West 45th Street
New York City

Dear Mr. Rothschild:

Pursuant to our telephone conversation of this morning, I gladly confirm that there are current rumors to the effect that diamond cutting has been taken up again in Amsterdam, Holland since the invasion by Germany.

It stands to reason that the rough material used by this industry must be largely, if not entirely, made up of stones which have been confiscated by the Germans from the original owners in Holland shortly after the invasion.

The Netherlands government in exile has announced from London that it is claiming all rights to Netherlands properties in Holland and is to be regarded as the lawful custodian on behalf of the original individual owners for the duration of the war.

I understand that the United States government is sympathetic to this view, and I believe that Washington will support any effort which would lead to the exclusion of such confiscated goods being marketed in the United States.

Knowing fully that every possible attempt has been made by Germany prior to the invasion of Holland to force its polished diamonds into foreign markets, I have every reason to believe that the German authorities will leave no stone unturned in their efforts to keep the United States as a substantial customer for polished diamonds from Amsterdam. I wonder whether the United States Customs have seen fit to take measures in order to prevent a possible influx of material such as described above. I feel confident

342147

RG 36 (6/27/00)
Entry 1: Office of the
Commissioner
File Foreign Funds Control
Works of Art
Box 3

Mr. Meyer D. Rothschild, p2

July 1, 1940

however that experts will find ways and means to deal properly with this problem.

Shipments of these diamonds may well be expected any time now, if one takes into consideration that the Germans must have found considerable material which was in the process of cutting, when they arrived in Amsterdam, and further because of the proven ability of the Netherlands' cutters to work with speed.

I have received no news regarding the situation in Antwerp, Belgium so far, but may assume that a similar condition will develop over there.

I remain, dear Mr. Rothschild, with my best respects

Very sincerely yours


J. Warner Prins

JWP:FH

342148

RG 36 (Copied 6/29/00)
Entry 1: Office of the
Commissioner
File Foreign Funds Control
Baroness Marie Ann
Box 4 Goldsmith
Rothschild



TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

HOUSTON, TEXAS

3067

CUSTOMS AGENCY SERVICE
SUPERVISING CUSTOMS AGENT
P. O. Box 4206

October 15, 1949

The Commissioner of Customs,
Division of Investigations and Patrol,
Treasury Department,
Washington, D.C.

Sir:

Customs Agents Simpson and Echols, while in Mexico City on the 14th, working on another matter, received information that the Baroness Marie Ann Goldsmith Rothschild expected to come to the United States, arriving by air at Brownsville on October 16, and would have with her jewelry of great value. As for some time we have had information indicating that refugees from Europe were bringing jewelry worth large fortunes into Mexico with the ultimate intention of disposing of this jewelry either in Mexico or in the United States, Agent Bruen was detailed to observe the arrival of Baroness Marie Ann Goldsmith Rothschild at Brownsville on October 16.

While I do not know that the Bureau believes further attention should be given to this jewelry, I quote in full a report dated October 17 received in this office this morning from Agent Bruen:

"The Baroness Marie Ann Goldsmith Rothschild arrived and did not have too much jewelry for a "lady of quality". The following, with no values or sizes - since there were no experts in the crowd - is the list:

- 1 gold ring
- 1 emerald ring
- 1 round diamond brooch
- 1 pearl brooch
- 2 pins with jade settings
- 2 diamond clips
- 1 necklace (diamond)
- 1 diamond brooch
- 1 diamond brooch
- 1 jade brooch
- 1 sapphire ring
- 1 ruby and pearl (culture) necklace
- 1 diamond bracelet
- 1 diamond ring
- 1 pearl necklace
- 1 3-strand pearl necklace

342149

RG 36 (Copied 6/29/00)
 Entry 1: Office of the
 File Foreign Funds Control
 Baroness Marie Ann
 Box 4 Goldsmith
 Rothschild

REPORT COMMISSIONER

"To me they looked old, mostly massive and ugly. All given to her by her parents, she said.

Also she had 5 paintings cut or removed from their frames for which she signed an affidavit as to length of ownership, etc.

Arriving on a six months visa she will stay at the Ambassador Hotel in New York City and then to Buenos Aires to live. She gave the brokerage firm of Brown Bros Harriman Co. of 59 Wall Str., N.Y.C. as her banking connections.

She spent four months in Mexico and has been in the U.S.A. about five times before this but never to stay for more than four weeks.

Her traveling companion is Ilian Pierre Joseph Alvarez de Toledo, a Spanish Marquis. He will stay at the Winham Hotel, 42 W. 58th Str., N.Y.C."

I am transmitting this letter in triplicate in order that if the Bureau sees fit they may forward it to New York.

Respectfully,

H.S. Croighton,
 Supervising Customs Agent.

HSC:L

342150

RG	36 (6/27/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control Shipment of Rough
Box	4 Diamonds...

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Nov. 18, 1940

TO Mr. Johnson
FROM Mr. Bernstein

EF

Re: Attached correspondence on shipment of rough diamonds to United States by way of "Yankee Clipper".

In view of the telegram of November 13, 1940, to the Collector of Customs at New York relative to the application of Executive Order No. 8389, as amended, to imports, I suggest that this case be given "routine customs procedure".

BB

Jagris
JAT

342151

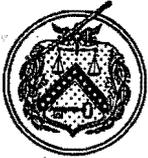
RG	36 (6/29/00)
Entry	Office of the
File	Commissioner
Box	Foreign Funds Control Shipment of Rough Diamonds...

Rec'd from W.R.J. Nov. 13, 1940, with request to take up with B.B.

IN REPLY REFER TO:

O'K:ks

RAD



TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

NEW YORK, N. Y.

OFFICE OF THE COLLECTOR

DISTRICT NO. 10

ADDRESS ALL COMMUNICATIONS FOR THIS OFFICE TO THE COLLECTOR OF CUSTOMS NEW YORK, N. Y.

November 9, 1940.

[Handwritten initials]

Honorable W. R. Johnson,
Commissioner of Customs,
Treasury Department,
Washington, D. C.

Dear Mr. Johnson:

Pursuant to your telephone request of this

morning there is inclosed herewith a copy of a memorandum relative to the shipment of rough diamonds via air mail which arrived in the United States aboard the "YANKEE CLIPPER" addressed to Carl Gutwirth, 576 Fifth Avenue, New York City.

Sincerely,

[Handwritten signature]
G. W. O'Keefe,
Assistant Collector.

Inc.

RG 36 (copy)
 Office of the
 Entry 1: Commissioner
 File: Foreign Funds Control
 Shipment of Rough
 Box 4 Diamonds...

EPR/CH

EJL

November 9, 1940

MEMORANDUM FOR MR. O'KEEFE:

Reference is made to a shipment of rough diamonds via air mail which arrived in the United States aboard the "YANKEE CLIPPER" addressed to Carl Gutwirth, 578 Fifth Avenue, New York City, to whom a Notification to Consignee of a Mail Importation on customs Form 5509 was sent on November 4, 1940.

In connection with this importation we wish to report the following facts:

No. 19924 of Sept. 20, 1940, London, England
 A blue form consular invoice showing Carl Gutwirth as purchaser and H. Couzys, of London, England, as seller, accompanied the shipment. Upon arrival of the goods customs Form 5509 was sent to Mr. Gutwirth informing him that since the value of the shipment was over \$100 it would be necessary to make a formal customs entry at the port of New York. Mr. Gutwirth on receipt of this notification endorsed on the back thereof the following statement:

"The merchandises covered by this mail receipt was send to me by my brother in law Mr S Van Amerongen at the time he was forced to flee from Antwerp when invaded by the Germans. It is his merchandises and I have no interest in it whatever."

Mr. Gutwirth was supplied apparently at the same time he received the notification to make formal entry with a questionnaire from the United States Appraiser requesting the details of the transaction. This questionnaire was not filled out inasmuch as it has questions which Mr. Gutwirth evidently did not consider applicable to the actual situation but it was signed by Mr. S. V. Amerongen, who stated on the

342153

RG 36 (5911-1)
Office of the

Entry 1: Commissioner

File Foreign Funds Co-1-11Box Shipped St. Louis
4 Diamonds

- 2 -

back "While diamonds were taken from Antwerp at the time of the German invasion taken to London and then shipped to New York for my account."

This importation gives rise to two questions. Firstly, whether there is any restriction in connection with the President's Executive Order #13888, and, secondly, whether any steps should be taken in connection with the possibility that the importation is in violation of section 192 of the Tariff Act of 1930. In order to decide in what manner we should proceed with respect to this importation it is necessary first to discover further facts in connection with this shipment.

If Mr. Amersongen is in fact the owner of the diamonds as he purports to be, it is essential to discover whether or not he is a "national" of one of the countries affected by the President's Executive Order #13888. If it is disclosed that he is such a national, it must be noted that there is nothing in the Executive Order to prevent nationals from consigning goods to this country or receiving goods consigned to them from abroad. However, in connection with the making of importations various documents are dealt with by the importer or his agents which probably come within the definition of "evidence of ownership of property" as this term is used in the Executive Order. Since dealings in "evidence of ownership of property" in which nationals of an affected country have an interest are prohibited except under license, it may be necessary for Mr. Amersongen to obtain one or more licenses in connection with the proposed importation by him.

This office feels that neither the consular invoice nor the notification to the consignee can properly be regarded as documents "evidencing ownership" of the property being imported. However, we feel that either the addressed portion of the wrapper of the imported package or the label attached to the package showing the name of the addressee is sufficiently analogous to a straight bill of lading to be treated as such. Consequently, we feel that if a straight bill of lading consigning merchandise owned by a national of one of the affected countries would require a license before it could be dealt with, a similar license would be required in connection with the wrapper or label of a package similarly owned sent by mail.

342154

RG 36 (C/29/00)
Entry 1: Commissioner
File Foreign Funds Control
Shipment of Rough
Box 4 Diamonds

- 5 -

It would appear from the facts before us now that the consular invoice is completely false inasmuch as it shows a seller and a purchaser of diamonds whereas the person who purports to be the seller is in fact the shipper and the person who purports to be the purchaser is in fact merely the agent of the owner of the merchandise.

Since the facts were fully disclosed as soon as it was possible to do so, it is questionable whether proceedings under the provisions of section 592 of the Tariff Act should be instituted. However, at the present time there seems to be sufficient doubt in connection with the present transaction to warrant detention of the merchandise temporarily pending a decision as to all the issues which are presented.

1/s/ B. M. Zittschuler
Solicitor

342155

RG	36 (C/29/00)
Entry	Office of the Commissioner
File	Foreign Funds Control Shipment of Rough
Box	4 Diamonds...

November 19, 1940.

MR. GASTON

W. R. JOHNSON:

The attached memoranda received from O'Keefe at New York contain some matters of interest.

(Signed) W. R. Johnson

WEJ-esb

342156

RG	36 (copy)
Entry	Office of the
File	Commissioner
Box	Foreign Funds Control
	Shipment of Rough
	4 Diamonds...

November 19, 1940.

The Collector of Customs,

New York, N. Y.

Sir:

Reference is made to your letter of November 9, 1940 (O'K:ks), and its enclosed memoranda regarding a shipment of diamonds addressed to Carl Gutwirth, 576 Fifth Avenue, New York City.

It is assumed that this matter will be handled in accordance with the Acting Secretary's telegram addressed to you under date of November 13, 1940, regarding "freezing controls" and will therefore be subjected to "routine customs procedure".

Very truly yours,

(Signed) W. R. Johnson

Commissioner of Customs.

WRJ-esb

342157

RG	36 (copied 6/27/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control - Joseph Leibman
Box	4

Securite

[Handwritten signature]

December 3, 1940.

MEMORANDUM FOR THE FILES:

Re: Conference with Mr. Joseph Leibman and his attorney, Mr. Bader.

This noon Mr. Leibman, his son and his attorney, Mr. Bader, discussed with us the matter of releasing some \$90,000 worth of unset precious stones presently in Customs custody at New York. (See our instructions to the Collector of Customs regarding the withholding of release of such stones pending the receipt of a license).

Mr. Bader, together with Mr. Leibman, first discussed the question as to whether Leibman was a "national" within the meaning of the Order. Discussion developed that on June 17, Mr. Leibman was in Paris; that he was a refugee from Russia on a League of Nations passport and for the last 20 years had been spending his time between Paris, Antwerp, and London, apparently having residence homes in each city. Specifically, Leibman advised that he had not been in London since the outbreak of war (September 30, 1939), that since that date he had spent most of his time in Paris, occasionally flying to Antwerp to transact business. He stated that he left France on July 25 for Spain. I pointed out to Mr. Bader the provision in the Executive Order defining the term "national" and advised that on the basis of the information furnished, it would appear that Mr. Leibman was a national of France.

Mr. Bader advised that an application had been filed with the New York Federal (Norman Davis) on November 25, 1940, in which permission to release the stones to Mr. Leibman was requested and an affidavit was attached to such application for the purpose of establishing that Leibman was not a national.

Mr. Leibman and his attorney apparently accepted the fact that the former was a national of France and discussed at some length what measures might be taken in order that Leibman could liquidate his holdings. It appears that he is interested in selling such stones in the New York market prior to the Christmas holidays and was anxious to get an outright release thereof. One of the propositions suggested by Leibman was that he arrange with some New York bank to deposit collateral in the form of bonds or a bank guarantee with us in the amount of approximately \$30,000 to guarantee that he abided by the terms of a blanket

342158

RG 36 (Copied 6/29/00)
Entry 1: Office of the
File Foreign Funds Control
Joseph Leibman
Box 4

U S
CUSTOMS

NOV 22 1940

egs

COLLECTOR OF CUSTOMS

NEW YORK, NEW YORK

RELET NOVEMBER 18, 1940 (FILE:RFR/SR). WITH RESPECT TO
LIEBHAN MERCHANDISE REFERRED TO YOU ARE INSTRUCTED THAT APPLICATION
FOR THE RELEASE THEREOF FROM CUSTOMS CUSTODY MAY BE RECEIVED AND
ACTED UPON BY YOU ONLY WHEN ACCOMPANIED BY A LICENSE ISSUED UNDER
EXECUTIVE ORDER NO. 8989, AS AMENDED, AUTHORIZING SUCH ACTION.
PERSONS FILING ANY SUCH APPLICATION (SUCH AS CUSTOMS FORM 7505)
SHOULD BE SO ADVISED AND INFORMED THAT THEY MAY APPLY TO THE
FEDERAL RESERVE BANK OF NEW YORK FOR A LICENSE.

YOUR ACTION IN WITHHOLDING DELIVERY, PENDING ADVICE, IN
THIS AND SIMILAR CASES APPROVED.

(Signed) Frank Dow

ACTING COMMISSIONER OF CUSTOMS

146

Afford - 11/20/40.

[Handwritten signatures]

RG 36 (copied 6/29/00)
Entry 1: Office of the
File Foreign Funds Control
Joseph Liebman
Box 4

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE November 19, 1940.

TO MR. BERNSTEIN
FROM W. R. JOHNSON:

Attached is a letter from the Assistant Collector at New York, dated November 18, referring to a telegram of November 13 from the Acting Secretary of the Treasury regarding the handling of importations in which any of the foreign countries designated in Executive Order No. 8389, as amended, or a national thereof, has an interest, and reporting, in accordance therewith, the arrival of a Mr. Joseph Liebman at Norfolk, Virginia, on September 11, 1940, with a package containing jewelry with an entered value of \$100,838.

Will you please prepare a reply?

W. R. Johnson

342161

RG 36 (Copied 6/29/00)
Entry 1: Office of the Commissioner
File Foreign Funds Control - Joseph Liebman
Box 4

IN REPLY REFER TO: ✓



TREASURY DEPARTMENT

EFR/SH

UNITED STATES CUSTOMS SERVICE

NEW YORK, N. Y.

OFFICE OF THE COLLECTOR
DISTRICT NO. 10
ADDRESS ALL COMMUNICATIONS FOR THIS OFFICE
TO THE COLLECTOR OF CUSTOMS
NEW YORK, N. Y.

NOV 18 1940

The Commissioner of Customs,
Treasury Department,
Washington, D. C.

Sir:

no record

Reference is made to a telegram dated November 13, 1940 from the Acting Secretary of the Treasury (File 9/192) relating to customs procedure in connection with the handling of importations into the United States in which any of the foreign countries designated in Executive Order No. 8389, as amended, or a national thereof, has an interest. The telegram referred to requested this office to notify the Treasury Department of any importation, in which such a national has any interest, originating in continental Europe of a value of \$50,000 or more.

not Cust file
merch

In accordance with the terms of this telegram we wish to report as follows:

Mr. Joseph Liebman arrived in this country at the port of Norfolk, Virginia, on September 11, 1940 aboard the Portuguese SS QUANZA, having sailed from Lisbon, Portugal. He brought with him one package containing jewelry, which was included in his baggage declaration No. 724615. This jewelry was entered at the port of Norfolk on In-transit Entry #75 and was sent to New York via the Railway Express Agency. At the port of New York Warehouse Entry No. 78504 was made by Mr. Liebman and the entered value shown was \$100,838. No consular invoice accompanied the shipment but a pro forma invoice was procured, a copy of which is enclosed.

1/

In accordance with the importer's request, the merchandise was taken to the Appraiser's Stores where it was manipulated. The precious stones were removed from their mountings and the platinum settings were reduced to scrap. The Examiner has made his return and found that the merchandise consists of 1524.75 carats of cut diamonds, 1849.70 carats of colored precious stones, and 2935.13 pennyweights of scrap platinum.

RG 36 (copied 6/29/00)
 Entry 1: Office of the
 Commissioner
 File Foreign Funds Control
 Joseph Liebman
 Box 4

- 2 -

Mr. Liebman appears to have been a dealer in jewelry and precious stones. He maintained an office in Paris, France. For a period in excess of the ten years last past he resided at No. 31 Boulevard de la Saussaye, Paris, France.

Mr. Liebman never adopted French citizenship despite his long residence in that country but remained a citizen of Russia, the country of his birth.

It appears that just before the fall of Paris Mr. Liebman took his stock of jewelry and fled South, stopping for short periods of time in various portions of unoccupied France. He ultimately left that country and proceeded via Spain to Portugal from which country he then took passage to the United States. Mr. Liebman's present address in this country is the Hotel St. Moritz, New York City.

Although Mr. Liebman was never a citizen of France, it is clear that he comes within the definition of a national of France as set forth in the President's Executive Order No. 8389, having remained a resident of that country after June 17, 1940.

Public Store
 7505
 The merchandise at the present time is in the Appraiser's Stores in New York City. No shipping documents are outstanding and the only evidence of ownership of which we are aware which might come within the terms of the restrictions imposed by the President's proclamation and the regulations set forth thereunder is a warehouse withdrawal permit which Mr. Liebman is at the present time trying to have passed.

Pending receipt of instructions from your office we are not allowing release of the merchandise which Mr. Liebman now desires to withdraw. We request that you instruct us by telegram whether or not the withdrawal should be allowed or whether any license is required prior to withdrawal.

We likewise request that you inform us whether or not we should in the future withhold delivery of imported merchandise pending advice from you when the circumstances are such as to require our reporting its arrival to you under the terms of the telegram of November 13, 1940.

Respectfully,

G. W. O'Keefe
 G. W. O'KEEFE,
 Assistant Collector.

Enclosure: 1/

342163

RG 36 (copied 6/29/00)
 Entry 1: Office of the
 File Foreign Funds Control
 Joseph Liebman
 Box 4

Paris, France - May 8, 1940

From- Joseph Liebman
 To- Joseph Liebman

11 diamond rings	\$1400
9 emerald rings	1120
15 sapphire rings	2450
11 ruby rings	1250
1 aquamarine ring	210
1 pearl ring	210
1 citrin ring	98
9 diamond clips	1500
11 " brooches	1500
2 bracelets brooches	280
7 barrettes	1400
3 brooches	350
6 clips	2310
20 brooches	7000
9 bracelets	4900
8 "	4900
12 "	5950
7 brooches	5500
Broken goods	2100
11 pairs cuffs	1050
1 gold bracelet	840
10 p. clips small	1680
1 necklace rubies, diamonds	1400
1 " " cab.	4900
1 pair pearls	280
1 " " black and white	420
1 sautoir & aquam.	700
1 " & smethyst	2100
1 double clip	350
1 platinum watch	280
4 brooches	1400
2 clips & 1 gondola	420
2 bracelets	4200
15 emeralds 57 c.	2720
3 rubies	70
3 diamond and ruby rings	500
3 sapphire and diamond rings	700
1 emerald and diamond ring	500
1 diamond ring	500
1 diamond necklace	5000
1 diamond and emerald necklace	5000
1 diamond clip	900
1 pair diamond ear-rings	200
1 diamond and emerald brooch	900
4 diamond bracelets	11000
2 brooches	1150
1 pair pearl ear-rings	140
1 diamond and sapphire necklace	4000

\$100838



RG	36 (copied 6/27/00)
Entry	Office of the Commissioner
File	Foreign Funds Control Osiar Ganz
Box	4

CUSTOMS

CUSTOMS

DEC 9 1940

COLLECTOR OF CUSTOMS

NEW YORK, NEW YORK

RELET DECEMBER 3, 1940 (FILE NYA/SH C.E. 77278AA). WITH RESPECT TO OSIAS GANZ MERCHANDISE REFERRED TO, YOU ARE INSTRUCTED THAT THE DOCUMENTS NECESSARY TO OBTAIN THE RELEASE THEREOF FROM CUSTOMS CUSTODY MAY BE RECEIVED AND ACTED UPON BY YOU ONLY WHEN ACCOMPANIED BY A LICENSE ISSUED UNDER EXECUTIVE ORDER NO. 6309, AS AMENDED, AUTHORIZING SUCH ACTION. GANZ, OR HIS AGENTS, SHOULD BE SO ADVISED AND INFORMED THAT HE MAY APPLY TO THE FEDERAL RESERVE BANK OF NEW YORK FOR A LICENSE. EXISTING INSTRUCTIONS SHOULD CONTINUE TO BE FOLLOWED WITH RESPECT TO FUTURE CASES.

(Signed) Johnson

COMMISSIONER OF CUSTOMS.

AFL:ard - 12/5/40.

RG	36 (Copied 6/27/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control - Osias Ganz
Box	4

December 5, 1940.

MEMORANDUM FOR THE FILES:

Re: Applicability of Executive Order No. 8389 to Goods Imported into the United States as Baggage and in Appraiser's Stores.

The Osias Ganz case referred to the Treasury Department by the Collector of Customs at New York raises the question as to the applicability of the Executive Order to goods presently situated in appraiser's stores which were brought into the United States as baggage. I spoke to Mr. Davison (Customs) regarding the procedure followed. He stated that upon bringing the goods into the United States as baggage, the passenger upon leaving the vessel files his baggage declaration and entry (Form 6063). If the goods is of such character as to require further examination as to the duty to be charged thereon, e.g., diamonds, the passenger is furnished with a copy of "Inspectors Certificate of Baggage Retained in Customs Custody" (Form 6051). Such form is the passenger's receipt for the fact that Customs retained his goods ~~for~~ ^{for} further determination respecting the duty payable thereon. The certificate states that certain packages imported by X have been sent to public store. At the bottom of such receipt, there is a notice to passengers which among other things states: "This certificate must be presented to the Deputy Collector at the Customhouse to secure the necessary shipping permits" and that "This is merely a receipt showing Customs custody at this port." Subsequently, the passenger will appear at the main Customhouse, exhibit his receipt on Form 6051 and make a consumption entry (Form 7501). Under customs law the person bringing baggage into the United States is conclusively presumed for customs purposes to be the owner thereof and the person entitled to clear it through customs. The passenger fills out the necessary data on the consumption entry form and signs his name thereto. If the Entry Clerk is satisfied that the person executing such entry is in fact the party who brought the baggage into the United States, e.g., he presents the baggage receipt on Form 6051, he accepts the entry making appropriate notations thereon and from that point on in all customs procedure respecting such goods, the person making the entry is presumed for customs purposes to be the owner thereof, and is the only one entitled to deal with respect to it. A copy of the consumption entry is then furnished to the cashier who collects the estimated duty (estimated by the passenger to be payable) and a permit on Form 7501a is issued to the passenger. Such permit upon being properly approved by the appraiser, etc., as to the accuracy of the duty payable, then entitles the passenger to obtain the goods from appraiser's stores. ~~This~~ It is significant that in cases of this character ownership and the right to be dealt with by

342166

RG	36 (copied 6/27/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control Osias Ganz
Box	4

customs respecting such goods is originally predicated upon possession of the baggage, which possession is evidenced by Form 6051, which in turn is ultimately evidenced by 7501 and from then on through customs procedure the person's right to deal with the goods is predicated upon the fact that he was the person who made the entry.

Accordingly, it might be said that the execution of the consumption entry is not necessarily evidence of ownership until it has been approved by the Entry Clerk who must satisfy himself as to the right to make the entry. Thereafter, however, for customs purposes, such entry is an evidence of ownership.

This raises the question as to whether a document which is treated as an evidence of ownership by one customs officer in his relations with another is an evidence of ownership within the meaning of the Order. Of course, to take an affirmative position on this point might be supported by the proposition that certainly for certain purposes the baggage receipt Form 6051 and the consumption permit Form 7501a might possibly fortify our position, particularly if we did not base our conclusion that the transaction required a license upon 7501 exclusively, but rather upon all the documents involved and should the matter be raised in court, we would defend our position on the grounds of each document.

RR

RG	36 (Copied 6/27/00)
Entry	Office of the Commissioner
File	Foreign Funds Control - Oslas Ganz
Box	4

IN REPLY REFER TO:



TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

EFR/SH
C.E.#727844

NEW YORK, N. Y.

OFFICE OF THE COLLECTOR
DISTRICT NO. 10
ADDRESS ALL COMMUNICATIONS FOR THIS OFFICE
TO THE COLLECTOR OF CUSTOMS
NEW YORK, N. Y.

DEC 31 1940

The Honorable,
The Secretary of the Treasury,
Washington, D. C.

Sir:

Reference is made to your telegram dated November 13, 1940 relating to Executive Order No. 8389, as amended, in connection with the handling of importations into the United States of merchandise in which any of the foreign countries or nationals designated in the said Order have any interest.

Pursuant to the instructions contained in the above-mentioned telegram we wish to report that Mr. Oslas Ganz, of #20 West 72nd Street, New York, New York, is at the present time endeavoring to make a consumption entry (#727844) of \$106,231 worth of cut and rough diamonds imported by him from continental Europe.

The facts in connection with this matter are as follows:

Mr. Ganz is a citizen of Belgium and resided in the city of Antwerp until May 10, 1940. On that date, and immediately prior to the German occupation of Belgium, Mr. Ganz fled south passing through France and Spain, ultimately going to Portugal, from which country he took ship arriving at the port of New York on November 25, 1940. Mr. Ganz was a diamond merchant and on leaving Antwerp he collected and took with him diamonds which constituted his stock in trade. These diamonds, which are the goods Mr. Ganz is now trying to enter, were brought over as passenger's baggage on Baggage Declaration No. 926003 on the Portuguese SS GUINE. The diamonds in question were accompanied by consular invoice #492, of November 4, 1940,

RECEIVED
NEW YORK CUSTOMS CONTROL

Assistant Collector

RG	36 (copied)
Entry	Office of the Commissioner
File	Foreign Funds Control Osiias Ganz
Box	4

- 2 -

consulted at Oporto, Portugal. This invoice, which is a white form consignment invoice, describes the diamonds the following way:

	<u>Carat</u>	<u>Total value</u>
1410 carats of polished diamonds	\$ 50.00	\$ 70,500
404 carats of semi-polished diamonds	20.00	8,080
1032 carats of rough diamonds	18.00	18,576
605 carats of rough diamonds	15.00	9,075

Total invoice value, - \$106,231.

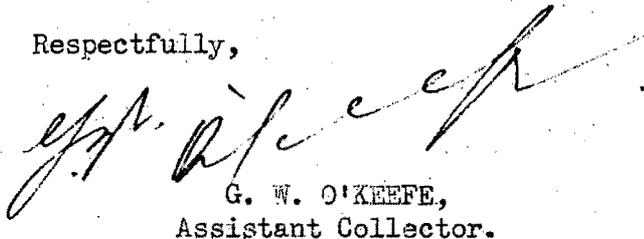
Mr. Ganz has stated that no person other than himself has any interest in the merchandise which he has imported.

The diamonds at present are in the Appraiser's Stores in New York City. No shipping documents are outstanding inasmuch as the merchandise was imported as baggage and no bill-of-lading was ever issued to cover it. The only document in connection with this importation which can be regarded as evidence of ownership within the meaning of the President's Executive Order No. 8389, as amended, is the incompleated consumption entry which Mr. Ganz made out and signed, which indicates that Mr. Ganz is the true owner of the diamonds.

We are withholding permission for Mr. Ganz to complete his entry until such time as we are otherwise instructed by you. We respectfully request, therefore, a telegraphic reply to this letter.

We request to be informed whether in future shipments of this type we should advise the interested parties to apply to the Federal Reserve Bank in New York City for a license covering the importation in advance of receiving a reply from you based on our report. If you determine that it is desirable to so advise importers and if the importers are successful in obtaining licenses before we have received your instructions in connection with the shipments, would we be justified in allowing the importers to engage in the transaction authorized by the license in advance of receiving further instructions from you?

Respectfully,



G. W. O'KEEFE,
Assistant Collector.

342169

RG 36 (copied 6/29/00)
Entry 1: Office of the
File Foreign Funds Control
Letter of May 19,
Box 4 1941

FOREIGN FUNDS CONTROL

65 Maiden Lane
New York, REctor 2-5710

May 19, 1941.

CHRY
TO: Mr. Fehle

FROM: Mr. Kay

Reference is made to my memorandum of May 12th regarding the question of information to be furnished by the National City Bank of New York to various government agencies.

I had a discussion on this question today with Mr. Starling Bunnell, assistant vice-president, and Mr. Russell T. Jacobs, assistant cashier. Both gentlemen wished to assure me that it was the bank's desire to be of as much assistance as possible in any matters relating to blocked funds, but that the bank believed it should have something in its files in the form of a written request which could be produced at some later time if a client made a complaint as to the bank's action in furnishing information. It was stated that it is the practice of the New York agency of the Federal Bureau of Investigation to furnish a letter of request in each individual case, and the bank would like to see the same practice followed by Foreign Funds Control.

Enclosed is a draft of a letter which has been modeled after that now furnished to the bank by the F.B.I. The wording is practically unchanged except for the phrase which cites the Executive Order. This was inserted at my suggestion, since I am of the opinion, as expressed in my earlier memorandum, that the position of the Treasury Department is different from that of other government agencies, in that the basic Executive Order specifically requires production of books and records in respect of any transactions which fall within the purview of the order. If you perceive no objection thereto, I believe it would be well to furnish the National City Bank, as well as other banks, with such a written request, the understanding being, however, that the representatives of this office would then be given reasonable access to the files and accounts concerned.

Mr. Bunnell and Mr. Jacobs also raised the point as to who would be competent to sign the enclosed letter. In order to simplify and expedite the investigative procedure, it is believed that the letters should be issued and signed by this office, and

342170

RG 36 (copied 6/29/00)
Entry 1: Office of the
File Foreign Funds Control
Letter of May 19
Box 4 1941

- 2 -

that if any special authority is required for this it should be delegated to me by the Treasury Department in writing. However, I am of the opinion that no special authorization is required in view of the fact that this office has already been delegated to conduct investigations under the Executive Orders, although nothing in writing has been issued to this effect.

The work which we are doing requires frequent visits to all of the larger New York banks and it is believed that it is to our advantage, as well as to theirs, to regularize so far as possible the procedure to be followed. For this reason I recommend acceptance of the proposal which the National City Bank has offered.

ERWIN G. MAY,
Treasury Attache.

342171

RG 36 (copied 6/27/00)
Entry 1: Office of the
Commissioner
File Foreign Funds Control
Letter of May 19
Box 4 1941

UNITED STATES TREASURY DEPARTMENT

May 19, 1941.

In connection with an official investigation being conducted by this Department under the provisions of Section 5 of Executive Order 6560 dated January 15, 1934, as amended, it is requested that you make available to Mr. a duly qualified representative of this Department, information regarding the following named account which is said to be maintained at your office:

Accounts

You may be assured that any information obtained in this connection will not be used in any court action prior to the serving of a subpoena duces tecum on your bank.

It is requested also that you refrain from notifying your client of the above request.

Thanking you for your cooperation in this matter,

I am

Very truly yours,

ERWIN G. MAY,
Treasury Attache.

342172

RG	36 (copy)
Entry 1:	Office of the Commissioner
File #	Foreign Funds Control Pioneer Import Corp.
Box	4

May 5, 1941.

Messrs. Gaston, White, Cochran, Wiley, Fehle and Johnson

Mr. Bernstein

Attached is a memorandum from the Customs Service relative to the Pioneer Import Corporation case. I suggest that the memorandum be studied with a view toward an early conference in Mr. Gaston's office.

Attach.

EB:rd - 5/5/41.

342173

RG	36 (Copies)
Entry	1: Office of the
File	Foreign Funds Control
Box	Pioneer Import Corp.
	4

In Reply Refer to 12-2 C
O
P
Y

TREASURY DEPARTMENT

Customs Agency Service
Supervising Customs Agency
F. O. Box 135
Church Street Annex

United States Customs Service

New York, N. Y.

May 2, 1941.

The Commissioner of Customs,
Division of Investigations and Patrol,
Treasury Department,
Washington, D. C.

Sir:

Receipt is acknowledged of three Bureau communications dated April 29, 1941, file 312, relative to the investigation now being conducted at this port of certain importations of the Pioneer Import Corporation, New York, N. Y.

Pursuant to the Bureau's request that it be currently informed as to the developments made in this case, please be advised that Mr. Duflois of the General Counsel's office in the Treasury Department arrived in New York on April 30, 1941, and conferred with Assistant U. S. Attorney Bruno Schachner and the undersigned.

During the course of this conference it was agreed that if this office would furnish Mr. Duflois with certain memoranda outlining the evidence now in our possession in regard to the possible claims of the Government under the provisions of Presidential Proclamation No. 8405, his office would conduct the necessary research to determine what proof is necessary for the successful prosecution of the case.

Accordingly, there are transmitted herewith four memoranda, in triplicate, and it is respectfully requested that copies of them be furnished to the General Counsel's Office as expeditiously as possible as Assistant U. S. Attorney Schachner is anxious to

RG	36 (Copies 6/29/00)
Entry	1: Office of the
File	Foreign Funds Control Pioneer Import Corp.
Box	4

In reply refer to 100-11

12-2

- 2 -

receive a reply since some apprehension is entertained that Mr. Werner Von Glum, president of the Pioneer Import Corporation, may attempt to flee the country.

Action on the Government's case against ERIL KLAUSCHAU and GOTTFRIED BREUER has been suspended pending the development of the case here under discussion.

In regard to the cost of a search of cables, the various cable companies in this city will be interviewed and estimates obtained, which will be forwarded to the Bureau at the earliest possible date.

Respectfully,
MALCOLM GIBBY,
Customs Agent.

Respectfully forwarded:
APPROVED.

E. J. FINCK
Customs Agent.

Supervising Customs Agent.

Inclosures
4 memoranda, in triplicate

HD:SEA

342175

RG 36 (Copies) (6/29/00)
 Entry Office of the
Commissioner
 File Foreign Funds Control
Pioneer Import Corp.
 Box 4

O
P
Y

In Reply Refer to 12-2

TREASURY DEPARTMENT

United States Customs Service

Customs Agency Service
 Supervising Customs Agent
 P. O. Box 135
 Church Street Annex

New York, N. Y.

May 2, 1941.

MEMORANDUM

Re: Pioneer Import Corporation's trans-
 action in regard to diamonds intended
 for Schamroth Sons.

The files of the Pioneer Import Corporation
 contain cablegrams, the translations of which are as
 follows:

CABLE No. 246 from IMICO dated 12/14/40
 RE ANTWERP DIAMONDS YOU CONTACT SCHAMROTH
 SONS, 590 FIFTH AVENUE, OLD CUSTOMER OF
 VERHOVEN, ANTWERP STOP INFORM HIM OF
 POSSIBILITY OF RECEIVING THROUGH GUARANTY
 TRUST COMPANY OF NEW YORK FOR ACCOUNT OF
 IMICO DEKANA STOP MERCHANDISE AVAILABLE
 TOTALLING \$28,427 INCLUDING 2% COMMISSION
 FOR YOU STOP 11% OF VALUE OF MERCHANDISE
 EQUALLING \$3,174 FOR MAILING CHARGES, IN-
 SURANCE PREMIUM, ETC. TO BE PREPAID TO ABOVE
 PLACE AGAINST DOCUMENTS STOP MERCHANDISE
 TO BE MAILED DIRECTLY UPON CABLE ADVICE
 BANK CHARGES TO BE CLAIMED TO CUSTOMER,
 CABLE

To which the Pioneer Import Corporation replied
 in Cable No. 261 dated December 16, 1940:

YOUR 246 WE HAVE PAID \$3,174 PERSONALLY
 EVEN EARLIER ALL AVAILABLE DIAMONDS TO
 PIONEER IMPORT CORPORATION NOT TO SCHAMROTH
 WE DEMAND YOU DISCONTINUE ANY OTHER PRO-
 CEURE WE WILL GIVE FIRST CALL ON DIAMONDS
 TO SCHAMROTH

342176

RG	36 (Copied 6/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control Pioneer Import Corp.
Box	4

12-2

- 2 -

The sum mentioned in the above was deposited in the Guaranty Trust Company, as stated. This transaction appeared to have been canceled in accordance with the cablegram from IMCO No. 258 dated January 23, 1941:

**YOUR 261 \$3,174 WE TRANSFERRED MER-
CHANDISE ACCOUNT BECAUSE NO DIAMOND
PREMIUM**

It does not appear from the evidence seen that Schenroth Sons were ever contacted by the Pioneer Import Corporation in connection with this transaction.

This office is also in receipt of a letter from the Pioneer Import Corporation dated January 28, 1941, the pertinent portion of which is quoted below:

"Before it became apparent that importation of Belgian and Dutch diamonds would be subject to the Presidential freezing order, we had discussed certain transactions with our purchasing agents abroad. We had gone so far as to make a payment of \$3,174 for insurance premium."

Respectfully,

MALCOLM GIBBY,
Customs Agent.

EG:504

342177

RG 36 (6/29/00)
 Entry 1: Office of the
 File Foreign Funds Control
 Pioneer Import Corp.
 Box 4

In Reply Refer To 12-2

C
O
P
Y

TREASURY DEPARTMENT

United States Customs Service

Customs Agency Service
 Supervising Customs Agent
 P. O. Box 135
 Church Street Annex

New York, N. Y.

May 2, 1941.

MEMORANDUM

Re: Transaction between the Pioneer Import Corporation and L. Osterreicher.

The files of the Pioneer Import Corporation contain the following Memorandum Order dated November 29, 1940:

L. Osterreicher, Inc.,
 82 Canal Street, New York, N. Y. - Canal 6-9638

Out India China Rubies (Amin & Co.) (meaning diamonds)
 Single-cut Melange 50 to 200 per carat - Value \$2,000
 Our Order 2563 dated November 29, 1940.
 Guinea-Prinet O.F. 293 - 100%
 (O.F. standing for Guinea-Prinet and 293 meaning Osterreicher, while 100% means no blocked funds to be used)

The files also contain a copy of a cablegram addressed to one Gluck, 219 Haves Street, Brooklyn, N. Y., which translated reads as follows:

SHIPPING POSSIBILITIES GIVEN YOU PAY \$247.30
 TO GUARANTEE TRUST COMPANY FOR THE BRUNNEN-
 KREDIT GESELLSCHAFT AS A GUARANTEE FOR INSURED
 \$2,000 SHIPMENT BANK CABLE NOTIFY YOUR
 EXPENSE ACKNOWLEDGE GUINEA BERLIN
 FRINET

Investigation discloses that Frinet is the wife of one, Abraham Rubin, 219 Haves St.; that on the day the cablegram was sent she was residing in Antwerp; that previous to the receipt of this cablegram she had written to her husband stating that Jacobowitz, a Belgian diamond dealer, was sending merchandise.

342178

RG	36 (Copies 6/29/00)
Entry 1:	Office of the Commissioner
File	Foreign Funds Control - Pioneer Import Corp.
Box	4

12-2

- 2 -

When Mr. Rubin received the cablegram he enlisted the assistance of the wife of his partner, L. Osterreicher, who proceeded to the German Consul and made inquiries concerning the meaning of the cablegram. She was referred to the agent of the Reichs-Kredit in this country, who, in turn, referred her to the Pioneer Import Corporation.

Thereupon, Osterreicher and Rubin called at the offices of the Pioneer Import Corporation where they were told that they could obtain Belgian diamonds through that concern by depositing 10% of the total value of the shipment. This they declined to do.

However, as a result of this interview the Pioneer Import Corporation deposited with the Guaranty Trust Company the required amount of \$247.20 on November 29, 1940. This transaction is again said to have been called off by Pioneer's cablegram of January 24, 1941.

Respectfully,

MALCOLM ORRIS,
Customs Agent.

HS:SOA

342179

RG 36 (Copies)
 Office of the
 Entry 1: Commissioner
 File Foreign Funds Control
 Pioneer Import Corp.
 Box 4

In Reply Refer To 12-2

C O P Y

Customs Agency Service
 Supervising Customs Agency
 P. O. Box 135
 Church Street Annex

TREASURY DEPARTMENT
 United States Customs Service

New York, N. Y.

May 2, 1941.

MEMORANDUM

Re: Transaction between the Pioneer
 Import Corporation and Ephraim
 Granovsky in regard to diamonds.

The Pioneer Import Corporation possesses a file entitled "Diamonds - Granovsky" which contains a letter in a foreign language dated Antwerp, August 21, 1940, from H. Huybrechts, Diamant Hl. Inkonstrat 28, Bergerhout, Pelikanstraat 72, Antwerpen, regarding diamonds valued at Pcs. 86,000 and apparently held by the Cointoir Diamontaire.

The file also contains Memorandum 87604 dated August 30, 1940, addressed to Bill Beck (vice president of the Pioneer Import Corporation) as follows:

"Please hand enclosed letter to the addressee. It should be a nice business as it is scheduled to run through. We hope that Granovsky will pay the equivalent of Blg. Pcs. 86,000 in dollars to you so that we can pay Huybrechts. It will be important to have Granovsky's reports on the market and its requirements. Mr. Arbits (the German Pruefstelle or apparently its director, Dr. Weising) and Harave (Mr. Gremer, the German governmental official in charge of the exportation of diamonds from Belgium) are with us in this business."

Upon being interviewed Mr. Granovsky stated that the letter from Huybrechts was forwarded to him in

342180

RG 36 (6/29/00)
 Entry 1: Office of the
 File Pioneer Foreign Funds Control
 Pioneer Import Corp.
 Box 4

12-2

- 2 -

a letter from the Pioneer Import Corporation; that a member of this firm called him on the telephone and made an appointment for him to come to the offices of that concern; that he had been interviewed by a man who answers to the description of Mr. Von Gleam, who asked him if he wanted the merchandise, to which he replied that he did not wish to do anything contrary to the laws of this country; and, that to this Mr. Von Gleam replied that there was nothing illegal about the transaction.

Mr. Granovsky stated that the man told him that the merchandise was coming from Belgium via Berlin for the reason that "the money from Belgium is frozen, and if it is going to come from Berlin he can send the money to the owner from the merchandise, Mr. Huybrechts."

He further stated that he was told that the merchandise is Belgian and unquestionably would be merchandise which was cut in Belgium because he, Granovsky, had received merchandise from Huybrechts before and he knew the type of merchandise which he manufactured.

This transaction is represented by Mr. Von Gleam as having been canceled by his cablegram to his purchasing agent dated January 24, 1941, in which he stated, "BELGIAN AND DUTCH MERCHANDISE AFFECTED BY FREEZING ORDERS".

Respectfully,

MALCOLM GERRY,
 Customs Agent.

HO:GAA

342181

RG 36 (Copied)
 Entry 1: Office of the
 Commissioner
 File Foreign Funds Control
 Pioneer Import Corp.
 Box 4

COPY

In reply refer to 12-2

Customs Agency Service
 Supervising Customs Agent
 P.O. Box 135
 Church Street Annex

TREASURY DEPARTMENT
 United States Customs Service

New York, N.Y.

May 2, 1941.

Re: Pioneer Import Corporation's transaction
 in regard to a shipment of diamonds
 originally intended for Simon Fuchs Co.

The files of the Pioneer Import Corporation contain cablegrams, the translations of which read as follows:

Cable No. 248 from IMCO dated 12/19/40
 YOU CONTACT FUCHS COMPANY, 580 FIFTH AVENUE, WHO HAS OFFER FROM
 JACOBOWITZ LONDON ON A LOT OF GERMAN DIAMONDS TOTALLING
 APPROXIMATELY \$63,250 stop ALREADY CABLED TO FUCHS COMPANY
 DECEMBER 3rd AND 12th stop MERCHANDISE AVAILABLE SAME CONDI-
 TIONS AS OUR 246 DECISION URGENTLY NEEDED OTHERWISE CHANGE LOST
 ANALYZE CABLE REPLY.

Cable No. 263 from PIONEER dated 12/19/40
 PROCEED 246 RE FUCHS SHIP PIONEER IMPORT CORPORATION FIRST
 QUALITY INSPECTION PRIVILEGE RESERVED WE WILL PAY INSURANCE
 PREMIUM \$6,000 SPEED IMPORTANT

Cable No. 269 from IMCO dated 2/19/41
 SECOND DIAMOND SHIPMENT YOU CAN ADD 3% TO COMPENSATE FOR YOUR
 LOSS FIRST DIAMONDS stop BUT WE MUST HAVE TOTAL \$46,000 NET
 stop PLEASE PAY \$8,000 INSURANCE PREMIUM ENKA stop our
 246 YOUR 263 (JACOBOWITZ LONDON) MERCHANDISE READY PLEASE PAY
 INSURANCE PREMIUM ENKA \$6,000 WE MUST HAVE TOTAL \$44,000 NET

Cable No. 293 from PIONEER dated 2/26/41
 TREASURY DEPARTMENT DENIES RECOGNITION SEIZURE CONTEMPLATED stop
 HOLD PENDING DIAMOND SHIPMENTS APPLY FEBRUARY 16th INSURANCE
 PAYMENTS OF \$14,000 TO MERCHANDISE ACCOUNT CABLE CONFIRM

Cable No. 374 from IMCO dated 2/27/41
 DIAMONDS PREPOSTEROUS DO YOU WANT WE CONTACT CONSUL AGAIN TO
 FURNISH FURTHER CERTIFICATE OF ORIGIN PROOF stop CAN NOT APPLY
 DOLLAR PAYMENT FEBRUARY 16th DIFFERENTIALLY \$,000 APPLIES JANUARY
 SHIPMENT \$,000 APPLIES THIRD DIAMOND SHIPMENT

342182

RG 36 (Exp. 6/27/00)
 Entry 1: Office of the
 File Foreign Funds Control
 Pioneer Import Corp.
 Box 4

The two cables of December 3rd and December 12th referred to in DECO's cable No. 248 of December 18, 1940, were received by Simon Fuchs Company in addition to two letters from Jacobowitz Londerer indicating that these diamonds were actually Belgian.

In this connection this office is also in possession of a statement made by Mr. Von Glenn relative to this transaction. Cable No. 248 was read to him and he was asked whether he had talked to Mr. Fuchs concerning it, to which he replied that he had. In response to the question as to what Mr. Fuchs said on the subject, he replied that Mr. Fuchs felt there were too many risks involved in importing diamonds under the present circumstances and that he would not be prepared to make any deposits in advance or even pay insurance premiums in advance and that he would prefer to not purchase any diamonds at all unless he could purchase them f.o.b. New York, duty paid. Also, that Mr. Fuchs claimed that he did not know Jacobowitz long enough and had not the slightest idea whether the merchandise was desirable or not.

In a supplemental list of cables exchanged between the Pioneer Import Corporation and DECO submitted to this office by Mr. Von Glenn, appears the following cable No. 302 from PIONEER dated March 11, 1941:

**HAVE YOU OBSERVED 99A 592 TARIFF ACT REGARDING DIAMONDS LONDERER
 ISSUE NEW INVOICE IF HOLLAND BELGIAN**

To which DECO replied in their cable No. 283 dated March 15, 1941:

**LONDERER ALL GERMAN CERTIFICATE OF ORIGIN AND GUY PROOF BE
 ROUTE stop NOVAK DIAMONDS PROFFERLE NO PERMIT TO REID &
 VIENNA TRADING ELSEWHERE**

This shipment, described by the Pioneer Import Corporation as diamond shipment No. 3, has not arrived but Berlin Consular Invoice No. 144 certified on February 17, 1941, was taken out to cover. This invoice, on the purchase form, bears the notation "Made in Germany" and shows the International Mortgage Handels Gesellschaft s.b.H., as the seller, the Pioneer Import Corporation as the purchaser and the Diamond Kenter as the supplier.

The merchandise described therein consists of 711.21 carats diamonds said to have been purchased for \$63,659.90, which is the exact caratage and approximately the same amount of money as set forth in the letters to Simon Fuchs Company from Jacobowitz Londerer of Antwerp.

Respectfully,

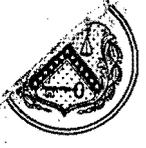
MALCOLM GERRY
 Customs Agent.

EG:WIA

342183

RG 36 (6/29/00)
Entry 1: Office of the
File Pioneer Import Corp.
Box 4

IN REPLY REFER TO:



TREASURY DEPARTMENT
UNITED STATES CUSTOMS SERVICE
NEW YORK, N. Y.

O'Keefe

OFFICE OF THE COLLECTOR
DISTRICT NO. 10
ADDRESS ALL COMMUNICATIONS FOR THIS OFFICE
TO THE COLLECTOR OF CUSTOMS
NEW YORK, N. Y.

January 31, 1941.

CONFIDENTIAL

Mr. Frank Dow,
Assistant Commissioner of Customs,
Treasury Department,
Washington, D.C.

Dear Mr. Dow:

For your information in connection with your telephone call this afternoon, I am enclosing herewith copy of letter of January 28th, addressed to the Supervising Customs Agent requesting that office to make an inquiry into the origin of diamonds worth more than \$50,000.00 imported by the Pioneer Import Corporation.

If we receive any further information in connection with this shipment, I shall be pleased to forward it to you.

Respectfully,

G. W. O'Keefe,
Assistant Collector.

Encls

342184

RG 36 (Copies)
 Office of the
 Entry 1: Commissioner
 Foreign Funds Control
 File # Order Import Corp
 Box 4

EXH. 20

Supervising Customs Agent,
 90 Church Street,
 New York, N. Y.

Sirs:

Do wish to call your attention to the provisions of the President's Executive Order No. 8559, as amended. This order is interpreted in a telegram from the Secretary of the Treasury addressed to this office under date of November 15, 1940, imposing restrictions of certain licensing requirements on importations in which certain nations, among them Belgium and Holland, and the nationals thereof, have had any interest on or since certain definite dates set forth in the proclamation.

Your attention is called to an importation of more than \$50,000.00 worth of diamonds which was made by the Pioneer Import Corporation. The diamonds in question entered this country by registered mail via San Francisco and had come from Germany through Siberia and Japan. The shipment is covered by blue form consular invoice No. 858, consigned December 5, 1940 in Berlin, Germany. The consular invoice shows the Pioneer Import Corporation as purchaser and indicates that the seller is the International Mortgage Handels-gesellschaft (Imco-Handel). The invoice further indicates that the seller received the goods from the supplier who is shown to be Hans Kuntze of Berlin, Germany.

The diamonds imported are of various weights and sizes. A small proportion of the diamonds are of the type known as 'single cuts' and are of small size. It is believed probable that these diamonds were in fact cut in Germany. The bulk of the shipment, however, consists of a type of stone which, according to the best of our information, was commonly cut in either Belgium or Holland.

JAN 28 1941

342185

RG	36 (C/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control Pioneer Import Corp.
Box	4

EX-120

- 2 -

Mr. Warner von Gless, the president of the Pioneer Import Company, stated that to the best of his knowledge and belief all the diamonds are of German origin, but he was unable to substantiate his contention by any conclusive evidence.

The importer has been told that he will be allowed to enter the merchandise, but the release will be delayed pending the determination of whether or not this importation falls within the restrictions of the President's Executive Order No. 8383. Mr. von Gless informed us that he intends to make a warehouse entry of the merchandise and to await our decision on this matter and that he will endeavor to present proof as to the country of origin of the diamonds.

We request that your office conduct an investigation into this matter with a view to determining the country of origin of the imported merchandise and to finding out, if possible, whether or not the diamonds imported were removed from Belgium or Holland at a time subsequent to May 10, 1940. We should also like to be informed, if possible, whether any national of Belgium or Holland has had any interest in these diamonds since the above mentioned date.

Respectfully,

D. F. O'Keefe,
Assistant Collector.

342186

RG	36 (copied 6/27/00)
Entry	Office of the Commissioner
File	Foreign Funds Control - Diamonds in British Diplomatic Pouch
Box	12

OFFICE OF THE CHIEF COUNSEL OF CUSTOMS

FEB 18 1942

TO: Mr. W. R. Johnson *WRJ*

FROM: Mr. Chambers

Re: Diamonds of A. van Moppes.

On February 16, 1942, a package addressed to the Netherlands Legation at Washington was opened at the Georgetown customhouse by Dr. H. N. Boon, Second Secretary of the Netherlands Legation, in the presence of Deputy Collector Shafer, Mr. Nathanson of the appraiser's office in New York, Agent Finck, Mr. Seibel of Foreign Funds Control, and myself. The package contained diplomatic correspondence for the Netherlands Legation and officials connected therewith, and Dr. Boon was permitted to take this correspondence.

The package also contained a small parcel which Dr. Boon opened in our presence. The parcel contained a quantity of diamonds and certain documents. Dr. Boon, on behalf of the Netherlands Legation, disclaimed any interest in the parcel and agreed that it should be left with the customs authorities for eventual disposition.

After examination of the diamonds, Mr. Nathanson estimated their foreign value as \$50,568.20. There is attached hereto a statement prepared by Mr. Nathanson containing his informal appraisal of the diamonds, as well as photostatic copies of the parcel containing them and the documents found therein.

Copies of Mr. Nathanson's figures and of the photostats have been furnished to Mr. Seibel, who indicated that Foreign Funds Control will notify us in due course whether they will grant a license so that the diamonds may be exported.

The diamonds and documents contained in the same parcel are being retained in the custody of the deputy collector in Georgetown.

R.C.

RG	36 (copied 6/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control Diamonds in British Diplomatic
Box	2 Pouch

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE FEB 8 1942

TO Mr. W. R. Johnson
FROM Mr. J. W. Pehle

I refer to your memoranda of October 16, October 30, and November 3, 1941, to Assistant Secretary Gaston relative to a package of diamonds valued at \$240,000 brought from Lisbon, Portugal, by one De Vries to be delivered to one Arnold van Moppes, care of Julian Goldschmidt, 2 West 46th Street, New York City.

The State Department was requested to refer this matter to the United States Embassies in Rio de Janeiro and Buenos Aires in order that van Moppes might be interviewed and information with respect to the diamonds in question received from him. I am enclosing for your information a copy of a despatch dated January 7, 1942, from the American Embassy in Rio de Janeiro.

In the enclosure to the Embassy's despatch, which is a letter from the British Embassy in Rio, it is stated in the second paragraph that when the diamonds left the Dutch Legation in France they were valued at from \$60,000 to \$70,000. Presumably, these are the diamonds brought to New York from Lisbon by De Vries. In view of the discrepancy between the two figures given for the value of the diamonds in question, we should appreciate being advised if these diamonds have been appraised by the Bureau of Customs. If not, it is suggested that this appraisal be carried out immediately.



342188

RG 36 (copied 6/27/00)
 Entry 1: Office of the Commissioner
 File Foreign Funds Control
 Diamonds in British Diplomatic Pouch
 Box 2

DECLASSIFIED
 R.G. - 36 - E.O. 12938
 BY DMJ HARS, DATE 6/29/00

COPY

In reply refer to
 PR 611.56251/4

DEPARTMENT OF STATE
 WASHINGTON

December 17, 1941

CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and acknowledges the receipt of a letter dated November 25, 1941 signed by Mr. Foley, Acting Secretary of the Treasury, relative to a parcel sent by the Netherlands Legation at Lisbon, Portugal, to the Netherlands Legation at Washington, which is now being held by the United States Bureau of Customs.

The Secretary of State has communicated with the American diplomatic representatives at Rio de Janeiro and Buenos Aires requesting that an effort be made to ascertain the whereabouts of Mr. Arnold van Moppes and to interview him with a view to ascertaining the origin of the diamonds, the location of the diamonds since May 1940 and what disposition Mr. van Moppes would make of these diamonds if they were delivered to him.

As soon as a reply is received the Secretary of State will communicate with the Treasury Department.

342189

RG 36 (Copied 6/29/00)
Entry 1: Office of the
Commissioner
File Foreign Funds Control
Diamonds in British Diplomatic
Box 2 Pouch

DECLASSIFIED
R.G. - 36 - E.O. 12938
By DMJ NARS, Date 6/29/00

COPY

Rio de Janeiro, Brazil, January 7, 1942.

No. 6205

Subject: Shipment of Diamonds by Arnold van Moppes.

CONFIDENTIAL

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

Referring to the Department's Confidential Instruction No. 1907 of December 17, 1941, I have the honor to enclose copy of a report dated January 5, 1942, by the British Embassy, in regard to Mr. Arnold van Moppes' diamond shipments.

Mr. van Moppes and other members of his family are closely associated with the British Diamond Syndicate and, therefore, are subjected to close supervision by the Economic Warfare Section of the British Embassy. The information contained in the enclosure was made available to the British Embassy prior to the inquiry by this office. While the British Embassy has nothing against this individual, he has characterized by the Commercial Secretary as being rather "slick", and cases have come to the attention of this Embassy in the past in which information given by diamond dealers to the British Embassy has proved to be incorrect.

This Embassy will continue its investigation of Mr. van Moppes and should additional information become available, it will be immediately forwarded.

Respectfully yours,
For the Ambassador:

John F. Simmons,
Counselor of Embassy.

RG	36 (Copied 6/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control - Diamonds in British Diplomatic
Box	2 Pouch

COPY

Enclosure to Despatch No. 6205
of January 7, 1942, from American
Embassy, Rio de Janeiro, Brazil.

No. 8

Commercial Secretariat,
British Embassy,
Rio de Janeiro.

January 5th, 1942.

Dear Mr. White,

At your request I give you below such information as is in my possession regarding the cut diamonds belonging to Mr. Arnold Van Moppes.

Arnold van Moppes and his son Herman were in business in Antwerp as diamond manufacturers until the invasion of Belgium, when they left, passing through France, Spain and Portugal, and arriving in Rio de Janeiro early in 1941. They took with them their stock of cut diamonds, amounting to 1,031.39 carats, and in addition 33.50 carats of semi-finished diamonds. According to Arnold van Moppes' statement he divided the diamonds into two lots when he was in France and entrusted 387.32 carats, including the semi-finished stones, worth in all 60 to 70,000 Dollars, to the Dutch Legation in France, which had then moved to Toulouse. The remainder, namely 377.57 carats, valued at U\$S 52,902.45, he took with him to Lisbon whence he intended to send them to W. Streep of 789 West End Ave., New York. He obtained a certificate of origin for this purpose from H. M. Consul-General in Lisbon, but, since the Clipper was delayed and had not left by the time van Moppes sailed for Rio de Janeiro by ss. "SERPA PINTO", he brought the diamonds with him under the seal of H.M. Consul-General at Lisbon, accompanied by the certificate of origin which is at present in my possession.

Part of these diamonds are still in the possession of Mr. van Moppes in Rio de Janeiro and some have been sold to other persons and exported to New York.

The diamonds which were entrusted to the Netherlands' Legation at Toulouse were, according to Mr. van Moppes, passed on to the Netherlands' Consul at Perpignan, who apparently retained them for several months. On June 7th 1941 he telegraphed to Mr. van Moppes that he had forwarded the packet to Lisbon, and on June 11th 1941 the Netherlands' Legation at Lisbon confirmed having received the parcel. On June 23rd the Legation reported that they were awaiting an opportunity to dispatch this parcel, and on September 20th 1941 they telegraphed that they had dispatched the parcel the day before. I have seen the originals of all these telegrams, which are in Mr. van Moppes' possession.

The last telegram did not state the destination of the parcel, and Mr. van Moppes said he did not know whether it had gone to Washington, New York or Curacao.

H. M. Consul-General at Lisbon has told us that the Netherlands Legation there confirmed that a quantity of diamonds, value unknown, had been dispatched some time ago on behalf of Mr. van Moppes, and that he was subsequently informed that they had been sent to the Netherlands Legation in Washington.

Mr. van Moppes and his son, who are Dutch subjects, are reported to be keen businessmen, and many of their competitors have stated that before the war, notwithstanding the boycott of Germany organized by the Jews in the Antwerp diamond trade, they used to get diamonds cut and polished in Germany. The very fine quality of the diamonds brought out by them from Belgium is quoted as evidence of this. They themselves admit that they used to have goods manufactured in Germany until 1936 or 1937, but they maintain that the diamonds now in their possession were polished in Belgium or Holland. This matter was carefully examined by H.M. Consul-General in Lisbon before he granted a certificate of origin, and I have since had enquiries made in London where the van Moppes' are known. As a result of these enquiries I have no reason to suppose that the diamonds now in Mr. van Moppes' possession or sent on his behalf to the U.S.A. are of enemy origin.

342191

RG	36 (copied 6/27/00)
Entry 1:	Office of the Commissioner
File	Foreign Funds Control Diamonds in British Diplomatic Pouch
Box	2

- 2 -

Mr. Arnold van Moppes is, I understand, a distant cousin of Mr. M. L. Van Moppes, a leading British diamond merchant, who is now in New York. I understand that the latter has not a very high opinion of his cousin.

Yours sincerely,

(s) W. S. Laver

342192

RG	36 (Copied 6/27/00)
Entry	Office of the Commissioner
File	Foreign Funds Control Diamonds in British Diplomatic
Box	2 Pouch

COPY

DEPARTMENT OF STATE
WASHINGTON

PR 611.56251/10

JANUARY 23, 1942

CONFIDENTIAL

My dear Mr. Secretary:

Reference is made to Mr. Foley's letter of November 22, 1941 enclosing a copy of a memorandum from the Netherlands Legation at Washington relative to a parcel said to contain diamonds valued at approximately \$250,000 now being held by the United States Bureau of Customs, and suggesting that the matter be referred to the United States Embassies at Rio de Janeiro and Buenos Aires in an endeavor to obtain an interview with Mr. van Moppes, alleged owner of the diamonds.

The Department of State is now in receipt of a confidential despatch from the American Embassy at Rio de Janeiro, a copy of which is enclosed, which transmits a communication from the British Embassy in regard to Mr. van Moppes.

Sincerely yours,

For the Secretary of State:

/s/ A. A. BERLE, JR.

Assistant Secretary

Enclosure:

From Rio de Janeiro
January 7, 1942.

The Honorable,

Henry Morgenthau, Jr.,

Secretary of the Treasury.

342193

RG 36 (copied 6/29/00)
 Entry 1: Office of the Commissioner
 File Foreign Funds Control - Diamonds in British Diplomatic Pouch
 Box 2

February 17, 1942.

<u>No. of Parcels</u>	<u>Weight in Carats</u>	<u>Value per Carat</u>	<u>Total Value</u>	<u>Rate</u>
1	132.78	110.00	14,605.80	10%
1	100.00 <i>(192.76)</i>	165.00	16,500.00	10%
1	10.90	30.00	327.00	10%
1	(8.90 (8 stones) (1.60)	200.00 25.00	1,780.00 42.00	10% 30%
1	30.82	110.00	3,390.20	10%
1	5.35 (21 stones)	125.00	668.75	10%
1	(.85 (.92 (2 stones)	125.00 20.00	106.25 18.40	10% Free
1	34.00	110.00	3,740.00	10%
1	46.10	200.00	9,220.00	10%
1	17.10	8.00	136.80	30%
1	11.00	3.00	33.00	10%
11	400.40		850,568.20	
			<u>Foreign Value</u>	

RG	36 (copied 6/29/00)
Entry	Office of the Commissioner
File	Foreign Funds Control Diamonds in British Diplomatic Pouch
Box	2

November 3, 1941.

TO: ASSISTANT SECRETARY GASTON

FROM: W. R. JOHNSON.

Baren van Bostelaer, Minister Counselor of the Netherlands Legation, called me by telephone this morning to say that he has received cabled advice from Lisbon confirming the fact that there are diamonds in the package addressed to the Netherlands Legation which we are now holding at the local customhouse. He obtained no information as to the value of the shipment.

He stated further that he has been conferring with Mr. Pehle with favorable indications that forwarding the package to Curacao will be permitted, but final decision has not been given. When this is settled he will communicate again with me to arrange for the opening of the package at such time as may be mutually convenient. Unless you advise to the contrary, I shall have our diamond expert and a customs agent from New York present at the opening to obtain any possible information, even though the package is to be sent on to Curacao.

(Signed) W. R. Johnson

(Copy to Mr. Pehle.)

WRJ-esb

342195

RG 36 (Copied)
 Office of the
 Entry 1: Commissioner
 Foreign Funds Control
 File Diamonds, British Diplomatic
 Pouch
 Box 2

October 30, 1941.

TO: ASSISTANT SECRETARY GASTON
 FROM: W. R. JOHNSON.

At ten o'clock this morning the Minister Counselor of the Netherlands Legation, accompanied by Mr. Woodard, of the Protocol Division, State Department, called at my office regarding the package supposed to contain diamonds now held at our local customs house.

Baron van Boetselaer indicated clearly that he believes the package contains diamonds, although his knowledge is not positive. He indicated that three similar shipments have previously been brought into the Netherlands Legation by diplomatic pouch. Two of these were subjected to regular customs clearance at New York, and the third was forwarded to Curacao without submission to customs. I requested further information concerning these three shipments, which he promised to give me.

The Netherlands Minister, Dr. London, is objecting to any opening of the package in the presence of customs officers, apparently on the ground that this would establish a bad precedent in matter of diplomatic immunity. I expressed the view, which Mr. Woodard apparently concurred, that if the package does contain merchandise any possible diplomatic immunity was automatically waived when the merchandise was put under seal or otherwise placed in diplomatic channels. Van Boetselaer asked whether opening of the package could be avoided by forwarding it directly to Curacao. I stated that it could not be so forwarded without clearance with Foreign Funds Control and that, in my opinion, such clearance would undoubtedly require opening of the package.

Upon their departure both gentlemen were apparently extremely satisfied with our handling of the matter. Van Boetselaer will discuss it further with his Minister, and I expect to hear soon from him that a representative of the Netherlands Legation will open the package in the presence of our officers. I asked for 24-hour notice in order that our diamond expert from New York may be present.

There will probably be some discussion between the Legation and our Foreign Funds Control people before I hear further.

(Signed) W. R. Johnson

(Copy to Mr. Peale.)

Johnson

RG	36 (Copied 6/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control Diamonds in British Diplomatic
Box	2 Pouch

BUREAU COPY

IN REPLY REFER TO: 4-155



TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

CUSTOMS AGENCY SERVICE
SUPERVISING CUSTOMS AGENT
P. O. BOX 135
CHURCH STREET ANNEX

NEW YORK, N. Y.

October 28, 1941.

AAJ

MEMORANDUM FOR THE SUPERVISING CUSTOMS AGENT

On October 27, 1941, Mr. Haitze De Vries, who was relieved of a package at Bermuda by the British government while a passenger on the S.S. EXCAMBION arriving at New York on September 29, 1941, which package was believed to contain diamonds, was interviewed by Customs Agent Smassanow and the undersigned at the office of the Dutch Purchasing Commission where he is now employed at 10 Rockefeller Plaza.

We approached De Vries with the idea that we were endeavoring to obtain information as to how the diamond industry in Holland was being controlled by German authorities after the occupation of the low countries, he having been advised that we were informed that he left Holland as recently as August, 1941.

He had no information to offer other than that which was known to us prior to the interview. We asked him whether or not he brought any diamonds from Holland when he came to the United States and he replied that he had not and that the German authorities would not allow him to bring out his wife's personal jewelry.

The conversation continued as to general conditions in Holland prior to his departure, whereupon he was casually asked whether he was not relieved of a package while at Bermuda. He immediately replied, "Sure I was. It was a strange coincidence. Everyone's baggage on the ship was searched but mine, and the British authorities must have known I was coming as they asked me if I was carrying a package for the Dutch Legation at Washington, whereupon I replied I was."

342197

RG	36 (copied 6/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control - Diamonds in British Diplomatic Pouch
Box	2

4-155

He proceeded to explain how he acquired the package, stating that a few days prior to his departure from Lisbon the Dutch authorities at that port asked him to come to their office, which he did. They showed him a stack of correspondence measuring about 3" to 4" in height and asked him if he would mind taking it to America and delivering it to the Dutch Legation in Washington. He consented to do this and on the morning of the sailing of the EXCAMBION, they called him again and delivered the package to him.

When we asked him how the package was addressed he stated that it was addressed to the Dutch Legation at Washington, with official seals. He added that he could feel that the package was loose and limp and he did not believe that it contained merchandise but only correspondence, indicating the size of the package at this stage of the conversation to be only 1" thick and the size of a long envelope.

In endeavoring to check on the information in our possession to the effect that the package was addressed to a Mr. A. Van Mooppes, we advised Mr. De Vries that we are also endeavoring to learn something about a man named Arnold or Aaron Van Mooppes who was at the present time in South America attempting to come to the United States. De Vries said he did not know him but that he had known a man in Holland named L. Van Mooppes who died about three years ago.

He then questioned us as to how we knew that the British had relieved him of a package at Bermuda and we advised him that there was some talk about it among the members of the crew and passengers of the EXCAMBION when it arrived and he replied, "No doubt there was, because all of the passengers seemed to think it strange that I was the only one whose baggage was not searched and knew that they had taken a package from me."

He repeated that when he arrived in Bermuda, the British must have had some information that he had in his possession a package from the Dutch government in Lisbon, because they came right up to him and questioned him, advising him that he was without authority to carry the package because of the fact that he did not have

RG	36 (Copied 6/27/00)
Entry 1:	Office of the Commissioner
File	Foreign Funds Control - Diamonds in British Diplomatic Pouch
Box	2

CONFIDENTIAL

4-155

- 3 -

diplomatic status. It then occurred to him that the Dutch government at Lisbon should have given him some letter or document to show that he had authority to carry the package. He further stated that the package was eventually delivered to the Dutch Legation in Washington, although this is only an assumption, as the British authorities promised him that this would be done.

Mr. Suur, a clerk in the office of the Dutch Consulate at 10 Rockefeller Plaza was also interviewed. We approached him with the idea that we were endeavoring to obtain the address of Mr. Arnold or Aaron Van Mooppes, a diamond dealer who is at present somewhere in South America. He consulted his files and advised that the Dutch Legation in Washington had communicated with the Consulate on or about October 8, 1941, asking him to obtain the correct address of Aaron Van Mooppes in Buenos Aires in order that he might be billed for the sum of \$16.00 for cable expenses and the sending of a package to Van Mooppes at Buenos Aires on or about August 12th.

At that time he was referred by the Dutch Legation to Julius Goldschmidt, 2 West 46th Street, this city, indicating that he might be found there. On October 8th Mr. Suur visited Mr. Goldschmidt and was advised by him that the last correspondence Goldschmidt had had with Van Mooppes was in June, 1941, at which time the address of Van Mooppes was Rua Barao De Ipanema 8, Copacabana, Rio de Janeiro, Brazil.

Mr. Suur stated that he advised the Dutch Legation at Washington that Van Mooppes was not in the United States; informed them of his last address as of June, 1941; and, suggested to the Legation that the Dutch Consulate at Rio de Janeiro be contacted looking toward the collection of the \$16.00.

Mr. Suur intimated that the package referred to must have been diamonds as Mr. Van Mooppes is a diamond dealer. This information, we presumed, he obtained from the correspondence in his files, which we did not see.

Respectfully,

W. G. Finck
W. G. FINCK,
Customs Agent.

WJP:SGA

342199

RG	36 (copied 6/29/00)
Entry	Office of the Commissioner
File	Foreign Funds Control Diamonds in British Diplomatic
Box	2 Pouch

TRANSLATION

Herman B. Van Noppes
Avenida Rio Branco 114
5° Andar (Office)

Private Avenida Copacabana 1418
Appt. 1101 (Residence)

Rio, October 7, 1941.

Dearest Willy:

The office has just reported that your telegram in reply to ours has been received. As you see, we have now an office and a house address indicated above. We have now a grinding shop of 14 mills and one saw mill of 20 machines plus a saw mill of 6 pieces. Everything spick and span. I hope that our telegram was clear and that meanwhile you have placed the order with Lam and perhaps also gotten something besides. Have you spoken already with Stier. I have also sent him a telegram. You may try to speak to Glass of the "Lloyd Brasileiro". You may send part in small parcels by air mail. We shall receive it then more promptly. Finally, take care that we receive it as soon as possible. If you have accomplished something send me a cable, then I'll have the money paid out to Montezinos.

Your letter with further information has been received. We shall advise directly whether it is possible to send the goods without receiving the money directly. In any case I would wait another month until I receive my license to be able to do things officially. You will hear about it in any case. As to the marketability of our goods, I am not afraid that here too we can sell everything directly and for the moment we can work with very limited capital. Half of our goods here is under ~~order~~ by order of the British and the other half is fortunately on the way from Lisbon to New York but first to India before we can get it. This has been taken care of for us by the Dutch Legation in Lisbon. In any case, it is in good hands, and is worth much for me to have nothing to do for once in my affairs.

For the rest, let us make everything excellent. This week I'll write you myself a note.

Now, Willy, I wish you the best. Be more careful in affairs and do not trust too much in good friends who would rather see you hang. This I know myself only too well.

Heartiest greetings,

Do everything possible for the saws and do not look for money.

The address of the gentleman they gave you has been promoted to commander of the "Imediato Yeas Silva".

Translated by Dr. Schwarz,
Bureau of the Mint.

342200

RG	36	(Copied 6/29/00)
Entry	1:	Office of the Commissioner
File		Foreign Funds Control Diamonds in British Diplomatic Pouch
Box	2	

OFFICE OF THE COMMISSIONER OF CUSTOMS

October 25, 1941.

Mr. Johnson:

Mr. Rose telephoned the following letter
which was signed by Mr. Gaston:

"The Deputy Collector of Customs,
Washington, D. C.

"Sir:

"Reference is made to Department letter
of October 20, 1941, authorizing you to admit
free of duty one package containing official
documents brought to the United States by
British diplomatic courier addressed to and
for the personal use of the Netherlands Lega-
tion at Washington.

In view of information received that
merchandise is contained in this parcel, re-
lease should be made only if the package is
opened in the presence of customs officers
and found to contain nothing but official
documents."

ca

342201

RG	36 (copied 6/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control - Diamonds in British Diplomatic Pouch
Box	2

October 16, 1941.

TO: ASSISTANT SECRETARY GASTON

FROM: W. R. JOHNSON.

Re: Diamonds in British diplomatic pouch.

On October 8, 1941, information was received by me from the office of the Supervising Customs Agent at New York that one De Vries, a Dutch citizen and formerly clerk in an American consular office, arrived in New York on the S/S HIGAMBION on September 29, 1941. This man had carried a package of diamonds valued at \$240,000 from Lisbon for delivery to the Netherlands Legation in Washington. The diamonds were the property of one Arnold Van Hooppes and were to be delivered to him by the Netherlands Legation in care of Julian Goldschmidt, 2 West 46th Street, New York City.

It appears that Van Hooppes is now in Rio de Janeiro, Brazil, that he left Antwerp just before the German invasion, that he took a stock of diamonds with him to Brazil where he has been for the past six months, that he may have received a previous package through the Netherlands Legation in Washington, that the diamonds under present discussion had been in Paris since July and probably came out of occupied territory, and that prior to the war Van Hooppes was black-listed in Antwerp for dealing in German cut stones.

At Bermuda the British authorities advised De Vries that he could not carry the diamonds to the Netherlands Legation because he had no diplomatic status but that they would do it for him.

I contacted Mr. Summerscale, of the British Embassy, advised him of my information that the diamonds, apparently subject to duty, were on their way to the Embassy, and asked to be furnished with any information that could be developed.

On October 11 I received further advice from New York that the diamonds were on their way from Bermuda in the custody of one Lieutenant Kenneth George Butcher, a British courier. I communicated this advice to Mr. Summerscale. Mr. Summerscale advised me that the Embassy had cabled to Bermuda for any information there available concerning the matter. This information has apparently not been received to date.

RG	36 (copied 6/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control - Diamonds in British Diplomatic
Box	2 Pouch

-2-

On October 15 Mr. Summerscale advised me by telephone that a package appearing to be the one in which I was interested had been received and was in the hands of Mr. Hayter, First Secretary of the Embassy. I telephoned to Mr. Hayter who stated that in view of all the circumstances he desired to deliver the package to our customs authorities, and that when this had been done he would notify the Netherlands Legation of his action. He sent two men to the Embassy who took delivery of, and receipted for, a package weighing about two pounds, in an envelope addressed to the Netherlands Legation in Washington, apparently from the Netherlands Legation at Lisbon.

Today our deputy collector in charge of the local customhouse, who has the package, advised me that he had received a telephone call from an unidentified representative of the Netherlands Legation who stated that the package was believed to contain only official papers, and who asked what steps should be taken to obtain it. He was advised that regular entry could be made or a request for courtesies could be submitted to the Department of State.

Full information of this matter has been communicated to Mr. Fehle and, in accordance with his advice, our deputy collector has been told that the importation is subject to freezing control.

(Signed) W. R. Johnson

WRJ-esb

copy to Mr. Fehle 11-13-41

342203

RG	36 (Copied 6/29/00)
Entry	Office of the Commissioner
File	Foreign Funds Control - Diamonds in British Diplomatic Pouch
Box	2

OFFICE OF THE DEPUTY COMMISSIONER OF CUSTOMS
INVESTIGATIVE UNIT

October 16, 1941 9209

FD

TO COMMISSIONER JOHNSON

FROM DEPUTY COMMISSIONER GORMAN:

Further with reference to the diamonds consigned to the Dutch Legation, now in the possession of the Collector of Customs at Georgetown, - the following is the gist of a conversation had with Customs Agent Finck, of New York over the telephone this morning:

It is the belief of the New York customs agents that another package of diamonds arrived in this country prior to the arrival of the package now in the Georgetown Custom House. As stated to you in my memorandum of October 8, last, on that day Mr. Goldschmidt called Agent Finck on the telephone and told the latter that a representative of the Dutch Government, a Mr. Suur, had inquired of Goldschmidt concerning the package that he, Goldschmidt, might be receiving for Van Mooppes; that Suur also requested to be informed as to the present address of Van Mooppes in Rio de Janeiro; and that when Goldschmidt questioned Suur as to why he wanted the address of Van Mooppes Goldschmidt replied that he desired to advise Van Mooppes of certain monies that had been expended for cable charges and expense money for shipping a package from New York to Curacao, Dutch Guiana. In view of the foregoing Finck asked to be instructed whether he should inquire of the Dutch Consul at New York whether a previous package of diamonds had been received in New York for delivery to Van Mooppes.

Finck also wanted to be advised whether he should interview De Vries, Dutch citizen and former clerk at the American Consulate at Amsterdam, who carried the instant package of diamonds that was intercepted by the British authorities at Bermuda, as to the origin of the diamonds in question. De Vries upon arrival at New York stated that he was going to 2304 Melrose Avenue, Roanoke, Va. Finck pointed out that if there is a large quantity of single-cut diamonds with the Collector at Georgetown there is a strong possibility that they were cut in Ider Oderstein, Germany; that if his information to the effect that the diamonds had been in occupied France for quite a while is correct there is a possibility that the German Government has an interest in them.

Mr. Finck's information from the diamond trade is to the effect that if the instant stones run anywhere from 30 to 40 to the carat there is likelihood that they were not cut in Holland or Belgium but in Germany, for the reason that Germany has specialized in cutting

342204

RG	36	(Copied C/29/00)
Entry	1:	Office of the Commissioner
File		Foreign Funds Control Diamonds in British Diplomatic
Box	2	Pouch

small stones, and that any diamond expert could easily detect the difference between German and Holland cut stones.

I told Finck that he should take no further action in the matter pending disposition of the diamonds now in customs custody at Georgetown, and that he would be fully instructed in the premises later on.

RG	36	(copied 6/29/00)
Entry 1:	Office of the Commissioner	
File	Foreign Funds Control Diamonds in British Diplomatic Pouch	
Box	2	

OFFICE OF THE DEPUTY COMMISSIONER OF CUSTOMS
INVESTIGATIVE UNIT

October 11, 1941

TO COMMISSIONER JOHNSON

FROM DEPUTY COMMISSIONER GORMAN:

With respect to my memorandum to you of October 8, 1941, relative to the alleged importation of a valuable shipment of diamonds destined for the Dutch Legation, I have just received a telephone message from Agent Finck of New York to the effect that the diamonds in question are on their way to New York by the next Clipper from Bermuda in charge of a diplomatic British courier, ^{Agent} Kenneth George Butcher.

There is a Clipper due this afternoon, one tomorrow, and another on Monday. The package will evidently be delivered to the British Embassy at Washington. The name of the man who carried the diamonds from Lisbon to Bermuda, where they were taken possession of by the British authorities, is one Haitze De Vries, who, upon his arrival at New York on the ESCAMBION on September 29, last, told the Deputy Surveyor who questioned him that he was not in the diamond business but was a clerk in the American Consulate (presumably in Holland) and that he was going to 2304 Melrose Avenue, Roanoke, Va., in company with his wife and children. This was the carrier of the diamonds whom the British authorities at Bermuda informed that he would not be able to bring the shipment into this country without examination by reason of the fact that he lacked diplomatic privileges.

Lewis' office has informed Greg O'Keefe fully in the premises.

342206

RG	36 (copied 6/29/00)
Entry	1: Office of the Commissioner
File	Foreign Funds Control Diamonds in British Diplomatic Pouch
Box	2

OFFICE OF THE DEPUTY COMMISSIONER OF CUSTOMS
INVESTIGATIVE UNIT

October 8, 1941

TO MR. JOHNSON

FROM MR. GORMAN:

Supervising Agent Lewis telephoned me the following this morning:

"We have received information from a confidential source to the effect that a package of diamonds valued at \$240,000 was carried by a passenger, a Dutch citizen, De Vries aboard the S/S ~~E~~CAMBION which arrived at New York on September 29, 1941, for delivery to the Dutch Legation in Washington.

"This package was addressed to Arnold Van Mooppes, C/o Julian Goldschmidt, #2 West 46th Street, New York City. When the ~~E~~CAMBION arrived at Bermuda the package was disclosed to the British authorities who advised the passenger that he had no authority to deliver it to the Dutch Legation as he (the carrier) had no diplomatic status. The British took possession of the package and delivered it to their Embassy in Washington for subsequent delivery to the Dutch Legation.

"Last night Customs Agent Finck questioned Mr. Goldschmidt as to whether he had received the package for Mr. Van Mooppes. He (Goldschmidt) stated he had not received the package and was not expecting anything from or for him. Goldschmidt further advised Agent Finck that Van Mooppes is at present at Rio de Janiero, Brazil; that he had left Antwerp on May 10, 1940, just before the German invasion and had taken his stock of diamonds to Rio de Janiero where he has been for the past six months. This morning (October 8, 1941), Goldschmidt telephoned Agent Finck and stated that a representative of the Dutch Government here (New York), a Mr. Suur, had called him (Goldschmidt) and requested the address of Van Mooppes in order that he (Suur) might address a letter to him advising him of certain monies that had been expended for cable charges and expense money for the shipment of a package from New York to Curacao.

*Mr. Dent - War Trade Dept.
at K.G.
A. Butcher*

342207

RG	36	(copied 6/29/00)
Entry 1:	Office of the Commissioner	
File	Foreign Funds Control Diamonds in British Diplomatic	
Box	2	Pouch

-2-

"We have reliable information that this package of diamonds has been in Paris since July and there is a strong indication that the stones recently came out of the occupied territory.

"Prior to the war Van Mooppes was blacklisted in Antwerp for dealing in German cut stones."

In view of the diplomatic angle of the case Lewis suggested that it be taken up with either the British or Dutch embassies in Washington before further investigation was made by his office.



342208

RG 82 (Copied) (6/2/1942)
Entry 1: Central 507
File 027 (Alien Property)
Box 45

May 8, 1942

Chairman Hoopes
W. S. Szymozak

Alien Property Custodian and
the Federal Reserve System

After careful consideration of the question of whether the Alien Property Custodian might take over the freezing powers from the Treasury and administer them through the Board and the Federal Reserve Banks, I have come to the conclusion that this procedure would not be feasible or, if feasible, would not be appropriate.

With regard to the question of whether it would be possible for the Alien Property Custodian to take over the freezing powers, the mass of Executive Orders and delegations of authority which delimit the spheres of the Treasury's Foreign Funds Control and the Alien Property Custodian, respectively, seem to admit a technical argument that the A.P.C. could in effect take over most, if not all, of the Treasury functions. These functions are performed, generally speaking, with respect to foreign property in the United States which the A.P.C. is authorized to vest in himself. Thus, if the A.P.C. exercised his vesting powers very broadly, the Treasury's functions would largely lapse for want of subject matter. In practice, however, it is expected that the A.P.C. will limit his vesting orders to the property in this country belonging to the Axis powers and their allies or perhaps to only business enterprises and patents controlled by such countries. The few vesting orders which have been announced so far have been confined to the latter field. In any case, very few transactions have been permitted by the Treasury in the frozen assets of the Axis countries and their allies, except that the operation of business enterprises in the United States controlled by such countries has in some cases been allowed to proceed under the close supervision of the Treasury. The most active blocked assets have been those of the enemy-occupied countries, and it seems likely that these assets will not be taken over by the Alien Property Custodian and will continue to constitute the principal concern of the Treasury Foreign Funds Control. Reading between the lines of the Executive Orders on this subject leaves the clear impression that a continuing role of this nature was envisaged for the Treasury.

In any case, even if a theoretical argument could be made out to the effect that the Alien Property Custodian has power to take over all the foreign property in which the Treasury is

FILE COPY

342209

RG 82 (Copies)
Entry 1: Central Subject
File 1913-54
File 028 Alien Property
Custodian (1917)
Box 45

Chairman Eooles

-2-

interested, it would still seem impolitic for the Board to encourage such a procedure. We would be encouraging it if we undertook negotiations with the A.P.C. with a view to offering him the services which the Federal Reserve Banks have hitherto been performing as fiscal agents of the Treasury. The Treasury naturally feels that it has a vested interest in this picture, since it has been operating Foreign Funds Control for more than two years, and it would no doubt resent an unreasonable encroachment upon its activities in this sphere.

One line of cooperation with the Alien Property Custodian which the Board might consider is offering the services of the Federal Reserve Banks in administering the filing of claims on property which is vested by the A.P.C. On March 25 the A.P.C. issued regulations for the filing of such claims which provide that they shall be prepared on a special form and sent direct to the office of the Alien Property Custodian in Washington. The regulations further establish a Vested Property Claims Committee which is empowered to hold hearings on the claims and to submit its findings and recommendations to the A.P.C., who renders the final decision. These claims must relate directly to the vested property, and since the amount of property actually vested by the A.P.C. thus far has been rather limited, the A.P.C.'s office has probably not been overburdened with claims. If the A.P.C. extends his vesting orders over a much wider sphere, however, it might be appropriate for the filing of claims to be decentralized in the Federal Reserve Banks, who would be able to assist in the technical problems of preparing the claims. Presumably the foreign property control divisions in the Federal Reserve Banks could offer expert knowledge in this field.

JBA:vrk

FILE COPY

342210

RG	36 (copied 6/29/00)
Entry 1:	Office of the Commissioner
File	No Title
Box	2

June 17, 1942

Mr. Fahle

Mr. May

During the past several weeks a great deal has been done to reorganize the procedure in the Enforcement Division for the handling of investigative requests. From what I have seen of the changes I am convinced that they will result in a much more efficient and expeditious handling of cases than heretofore. I should like to urge now that equal consideration be given to creating order in the investigative field where, at the present time, the uncoordinated and overlapping activities of numerous groups are creating chaotic conditions.

From my own limited knowledge I believe there are at present no less than six separate persons or groups of persons engaged in carrying on investigative work of one kind or another for Foreign Funds Control. Briefly described, these groups are as follows:

1. Shardon's Group

Presently engaged in the investigation of a German-American newspaper at Taylor, Texas. I understand that a group of eight men, including one Foreign Funds Control Investigator, two FBI Investigators, two members of the General Counsel's Office and three guards, recently left for Texas, to conduct this investigation.

2. Klaus' Group

Mr. Ostrow, an assistant to Mr. Klaus, has been making extensive investigations in Chicago and New York regarding various German American newspapers, bonds, etc. In a current investigation of the A.V. Publishing Company the investigative field office in New York discovered that the records of the organization had been seized some weeks earlier by Mr. Ostrow.

3. Special Studies Group

This group, which falls under the Enforcement Division, is currently engaged in the following investigations:

342211

RG	36 (copied 6/29/00)
Entry	1: Office of the Commissioner
File	No Title
Box	2

- 2 -

(a) Patentre case (Seibel and Kerkes).
Investigation of this case by the Field Office at New York was ordered suspended.

(b) Eastern Provinces Administration, Limited (Kerkes).
After the New York office had already made extensive investigation it appears that further investigation is now being conducted by Mr. Kerkes. Both this and the Patentre case are vaguely referred to as a special study of the "French Problem".

(c) Paul Schwarzkopf, Pioneer Petach, etc.
Special investigation now being made by Mr. Quint.

(d) Swiss banks in New York.
This investigation was discussed in conference at Washington with the understanding that the Field Investigative Staff was to participate in it. Only today, while in New York, I learned that the investigation was started on June 10 or 11 with a squad of eight.

4. Lawler's Group.

This group has been engaged in New York for a number of weeks in an investigation of Sterling Products, Inc.

5. Mr. Edman.

Now in California and apparently engaged in some sort of investigative work, the exact nature of which is not known.

6. Field Investigative Staff.

Now handling a residue consisting largely of minor violations and insignificant inquiries based on censorship despatches.

I cannot vouch for the accuracy or completeness of the above list as it has been pieced together from such bits of information as reach me from time to time.

I am sure that excellent reasons can be advanced for the diverse investigative procedures which are followed today. I can easily understand the advantages to be gained in any one case by having an investigation made by a specialist or a group of specialists from Washington who have made a thorough study of a case and who enjoy the full confidence of their superiors. However, there comes a time when such highly individualized procedure becomes

342212

RG	36 (Copied 6/29/00)
Entry	1: Office of the Commissioner
File	No Title
Box	2

a threat to the overall effort and when the brilliant accomplishment of any one task is relatively less important than the successful functioning of an organization as a whole. Today the major investigative tasks in Foreign Funds Control are assigned to individuals rather than to an organization which presumably has been established for that purpose. It is scarcely necessary to point out the damaging effect of this procedure on the morale of field investigators many of whom accepted appointments with Foreign Funds Control from purely patriotic motives. They feel that they are being used only for investigative work of a routine character, and if they are asked to participate in a major case at all, then only in a subordinate capacity.

The investigative field today is highly competitive. With numerous governmental agencies engaged in tracking down every conceivable type of information there is bound to be competition and a certain amount of overlapping. We cannot entirely eliminate this but we can reduce duplication of effort through cooperation with other agencies, and this is being done. Our immediate problem, however, is one of internal competition and overlapping, and here we are definitely able to make an improvement. I should like, therefore, to urge your consideration of corrective measures which will assure to this organization the full benefits to be derived from the very considerable energy which is being expended today on investigative work. There is an abundance of talent in Foreign Funds Control; the problem is merely one of directing and coordinating its activities in the investigative field.

To achieve this coordination it is necessary, in my opinion, to centralize all investigative work which is done on behalf of, or under the guise of, Foreign Funds Control under the supervision of a senior officer who enjoys the full confidence not only of yourself but also of the General Counsel. This supervisory officer should have an intimate knowledge of both the enforcement and investigative functions and should be closely informed as to all policy matters relating to Foreign Funds Control. The following specific recommendations are offered:

1. Centralization of all investigative work of whatever nature, of whatever origin and by whomever to be done, under the general supervision of the Assistant Director (Enforcement);
2. Integration of the present Field Investigative Staff into the Enforcement Division, as a separate section thereof;

RG	36
Entry 1:	Office of the Commissioner
File	No Title
Box	2

- 4 -

3. Broadening the scope of activity of the Special Committee which was recently established in the Enforcement Division for the purpose of reviewing investigative requests, so that this committee will have authority to pass on all proposed investigations, whether originating in the Compliance Review Section, the Special Studies Group or the General Counsel's Office.

E. G. M.

RG	36 (copied 6/29/00)
Entry	1. Office of the Commissioner
File	No Title
Box	2

WN 2-2278

August 11, 1942

Mr. Pehle

Mr. May

RE: Leon and Flora Stafford, et al

On the afternoon of August 10, 1942, you asked me to join in an investigation which had been started by Customs agents at Baltimore, Maryland, regarding a currency importation in the amount of \$6,000 which had been declared at that port on arrival of the Portuguese steamer S. THOME. Following your telephone conversation with Mr. Frederick H. Proctor, Supervising Customs Agent at Baltimore, I arranged to meet with a Mr. Charles Grey of the Office of Strategic Services, Washington, D. C., and with representatives of the Federal Bureau of Investigation who had been invited by the Customs agents to collaborate in this investigation.

On the evening of August 10-11, 1942, I met with the following, in room 917-13, Mayflower Hotel, Washington, D. C.:

Mr. Charles Grey, Office of Strategic Services, Washington.
 Captain Bravo, master of the S. THOME, Lisbon, Portugal,
 Mr. Arthur J. Marchessault, Special Agent, F.B.I., Baltimore,
 Mr. Leslie J. Kunz, Special Agent, F.B.I., Baltimore.

Information concerning the transaction in question was obtained from the foregoing and from certain documents which had been delivered to Mr. Grey by Captain Bravo.

Captain Bravo is a Portuguese citizen and has made numerous trips to the United States as master of the S. THOME. His part in this transaction is said to have been done with the complete knowledge and approval of Mr. Ray Ollivera, Financial Attache to the American Legation in Lisbon, who sent a detailed explanatory memorandum thereof to the Office of Strategic Services.

Mr. Grey boarded the S. THOME upon its arrival at Baltimore on the morning of August 10, 1942, and was handed a sealed brown manila envelope by Captain Bravo, presumably by prearrangement between Mr. Ollivera and the Office of Strategic Services. This envelope contained \$6,000 in Federal Reserve Bank notes (60 notes of \$100 each) with serial numbers as shown in the annexed list; several private letters which persons in Lisbon had entrusted to Captain Bravo for delivery in the United States, including one relating to the disposition of the currency; and Mr. Ollivera's memorandum with numerous related exhibits.

342215

RG	36 (copied 6/27/00)
Entry	Office of the Commissioner
File	No Title
Box	2

-2-

Captain Bravo received the \$6000 from a DR. PHILLIPE SPITZER of Lisbon, with the comment that \$1000 belonged to Spitzer while \$5000 belonged to "someone else" whose identity Spitzer did not reveal. The transfer of funds occurred on July 27, one day prior to the sailing of the S. THOME, when Bravo and Spitzer were alone in a room of the steamship company's offices in Lisbon. Spitzer requested Bravo to get a receipt for delivery of the funds in the United States, upon the surrender of which in Lisbon he (Bravo) would be paid a commission of four escudos per dollar. In giving Bravo the currency, Spitzer also gave him a handwritten letter, in French, signed "Petti" and addressed to LOUIS SCOMBERG, 369 Lexington Avenue, New York, to whom Bravo was to deliver the funds. This letter, written on July 24, 1942, directed Scomberg to deposit the funds against receipt with the Guaranty Trust Company of New York in the name of LEON and FLORA STAFFORD.

At this point in the investigation it is not yet clear to whom the \$6000 actually belonged. However, Spitzer is a close friend of one DR. LUDWIG (Luis or Lajos) HOFFENREICH of the Hotel Avenida in Lisbon, a Hungarian refugee presently awaiting an American immigration visa. From his own conversations with Hoffenreich Captain Bravo knows that the former is acting as a broker or agent for persons wishing to transmit funds or valuables to the United States, or even letters. Bravo says that Hoffenreich has offered him propositions in the past to carry large sums of currency to the United States, all of which Bravo refused to do. Hoffenreich is also believed to have considered, or actually engaged in, the smuggling of Swiss watch movements to the United States. While Hoffenreich apparently is prepared to act as agent or broker for anyone interested in transferring wealth to the United States, Captain Bravo believes that he may be especially active on behalf of one ROSENBERG, a former Rumanian banker who is now interned as a refugee at Caldas da Rainha (about 60 miles from Lisbon) where he is awaiting an immigration visa for the United States. Rosenberg is reported to have about \$250,000 in currency which he wants transferred to the United States.

If Rosenberg is one possible source of the funds brought in by Captain Bravo, another is in the person of a MARTIN SAIN of Lisbon whom Mr. Ollivera seems to regard as a principal in this case. Sain is a Rumanian Jew who became a naturalized citizen of Portugal through the personal decree of Dr. Oliveira de Salazar. He is president of the SACAR OIL COMPANY, is strongly pro-Nazi, and could easily be suspected of lending his assistance to the transfer of looted funds from occupied countries to the United States. Sain's daughter is none other than Flora Stafford to whose joint account in New York the \$6000 are to be deposited. A son, ARISTIDE SAIN, is in Lisbon but would like to come to the United States if a visa were obtainable. He is said to be an associate of JACQUES WOLFGANG, a former Paris jeweler who fled to Lisbon and who has proved himself a reliable informant in diamond smuggling matters.

342216

RG	36 (copied 6/29/00)
Entry	1: Office of the Commissioner
File	No Title
Box	2

-3-

The \$6000 here in question represent a trial shipment to test Captain Bravo's dependability as a carrier. Should the venture succeed there should follow other, much larger currency consignments in which it is believed that Hoffenreich, Rosenberg and Sain will all have an interest. For this reason it is believed advisable to permit Captain Bravo to carry out the instructions which he received from Spitzer, that is, to deliver the money and the letter to Scomberg at New York. Having thus demonstrated his reliability, Bravo should then be in a position to negotiate in Lisbon for a really large sum for his next westbound voyage. Perhaps new names and bank accounts will be mentioned.

Late this afternoon Mr. Grey informed me that the F.B.I. had arrived at the conclusion that there appear to be no subversive aspects to the present or contemplated transactions. While the F.B.I. is withdrawing from the case it is nevertheless making a routine check of the New York names mentioned herein. Mr. Grey is accompanying Captain Bravo to New York tonight, to remain with him until Bravo has made delivery of the \$6000. An investigator from the Investigative Unit, Foreign Funds Control, New York, will meet Mr. Grey on August 12 to render any assistance he may need. Mr. Grey will notify me as soon as the transfer of funds from Bravo to Scomberg has been completed.

It is believed that our investigation at this time should be limited to making discreet inquiry regarding Scomberg and the Staffords, including an examination of the latter's account with the Guaranty Trust Company. We should be especially careful not to arouse suspicions which might disturb any arrangements made between Mr. Ollivera and Captain Bravo for the future importation of a really large currency consignment.

As of further interest to this case it might be added that Captain Bravo at first maintained that the instant transaction is the first in which he has acted as a currency carrier. Later on he admitted that he had brought in \$3000 on a previous voyage but with the full knowledge of Mr. Ollivera. This was substantiated by an exhibit to the latter's memorandum, consisting of a photostat copy of a receipt for \$2500 issued on June 23, 1942, to CASTELLO LOPEZ of Lisbon by COLUMBIA PICTURES, 729 Seventh Avenue, New York. This receipt was signed by Mr. J. C. Hutchinson of Columbia Pictures and was marked "on account".

Mr. Grey has promised to supply me with a full set of the documents contained in the manila envelope brought from Lisbon by Captain Bravo. When these are received a supplemental memorandum will be written as to any new points of interest.

CC: Mr. Kennedy,
New York City.

342217

RG	36 (copied 6/29/00)
Entry	1: Office of the Commissioner
File	No Title
Box	2

Indexed Names:

- Stafford, Leon and Flora, New York.
- "THOME, S" (Steamer) Lisbon.
- Bravo, Captain (s/s "S. THOME")Lisbon.
- Spitzer, Dr. Phillipe, Lisbon.
- Scomber, Louis, New York.
- Hoffenreich, Ludwig (or Luis or Lajos) Lisbon.
- Rosenberg (Rumanian Banker) Lisbon.
- Sain, Martin, Lisbon.
- Sacra, Oil Company, Lisbon.
- Sain, Aristide, Lisbon.
- Wolfgang, Jacques, Lisbon
- Columbia Pictures, New York.
- Lopez, Castello, Lisbon.

RG 36 (copied 6/27/00)
 Entry 1: Office of the
Commissioner
 File No Title
 Box 2

FEDERAL RESERVE BANK NOTES

Delivered by
 CAPT. BRAVO. S/S "S. THOME" 8-10-42

SERIES 1928

B00 515 104A

SERIES 1928A

B00 124 424A

B01 117 733A

B01 244 805A

B01 274 063A

B01 356 862A

B01 435 657A

SERIES 1928A

B01 825 501A

B01 868 771A

B02 028 245A

B02 064 911A

B02 064 912A

B02 261 551A

J00 254 411A

SERIES 1934

B01 431 0928

B01 441 130A

B01 739 225A

B01 739 224A

B01 616 190

B01 595 361A

B01 530 005A

B01 505 726A

B01 494 007A

B01 774 531A

B01 774 532A

B01 774 533A

B01 774 534A

B01 774 501A

B01 774 530A

B01 774 529A

B01 774 528A

B01 116 263A

B01 290 218A

B01 274 063A

B01 274 064A

B00 608 118A

SERIES 1934

B00 080 529A

B00 124 424A

B00 861 632A

B01 739 226A

B01 017 834A

B01 033 939A

E10 156 541A

B00 565 42A

B00 590 43A

B01 059 051A

B01 091 635A

B01 399 486A

B01 121 807A

B01 352 331A

B01 396 130A

B01 399 487A

B02 277 199A

B02 277 200A

B01 441 859A

B01 441 858A

B01 441 857A

B01 043 360A

342219

RG 36 (6/29/00)
 Entry 1: Commissioner
 File '42 Foreign Funds Control
 Box 2

IN REPLY REFER TO

741.03



TREASURY DEPARTMENT

BUREAU OF CUSTOMS

WASHINGTON

October 29, 1942

Foreign Funds

BUREAU OF CUSTOMS
 CIRCULAR LETTER

TO COLLECTORS OF CUSTOMS AND OTHERS CONCERNED:

It has been represented to the Bureau that customs officers at certain ports are not strictly enforcing the securities and currency control provisions of General Ruling No. 5, as amended, and General Ruling No. 14, issued by the Secretary of the Treasury pursuant to Executive Order 8389 dated April 10, 1940.

The effective control of securities and currency entering this country and of United States currency in unauthorized denominations arriving from, or intended to be taken or sent to, Mexico is of utmost importance to the war effort. You are instructed to bring this fact to the attention of the officers in your district concerned and to impress upon them the necessity for strict enforcement of securities and currency control requirements.

W. R. Johnson
 Commissioner of Customs.



342220

RG	36 (6/29/00)
Entry	1: Office of the
File	Foreign Funds Control
Box	42
	2

9/24/42

FOREIGN FUNDS CONTROL
2020120
Salaries and Expenses

Foreign Exchange Control 1943 - Ailet.1-b

TO COLLECTOR OF CUSTOMS:
(See list attached)

THE FOLLOWING PROCEDURE SHOULD BE OBSERVED WITH RESPECT TO PERSONS ARRIVING IN OR DEPARTING FROM THE UNITED STATES WHERE SUCH PERSONS HAVE MADE FALSE DECLARATIONS CONCERNING CURRENCY IN THEIR POSSESSION AND AFFECTED BY GENERAL ORDER NO. 5, OR GENERAL ORDER NO. 14.

1. THE CURRENCY CONCERNED SHALL BE TAKEN UP AND FURNISHED TO THE APPROPRIATE FEDERAL RESERVE BANK, IN ACCORDANCE WITH THE INSTRUCTIONS OF MAY 19, 1942.
2. A COMPLETE REPORT OF THE FACTS SHALL BE SUBMITTED TO THE BUREAU OF CUSTOMS, INCLUDING NAME, ADDRESS AND CITIZENSHIP OF THE PERSON, AMOUNT AND DENOMINATIONS OF CURRENCY DECLARED, AMOUNT AND DENOMINATIONS OF PROHIBITED CURRENCY FOUND IN HIS POSSESSION, RECEIPT NUMBER, AND ANY OTHER RELEVANT FACTS; A CARBON COPY OF REPORT SHALL BE SENT TO FOREIGN FUNDS CONTROL, TREASURY DEPARTMENT, ATTENTION LAWRENCE S. LEESER.
3. THE PERSON INVOLVED SHALL BE ALLOWED TO PROCEED AFTER SURRENDERING THE PROHIBITED CURRENCY UNLESS THE VALUE OF SUCH CURRENCY IS IN EXCESS OF \$5000 AND IT APPEARS THAT THERE HAS BEEN WILFUL INTENTION TO VIOLATE REGULATIONS. IN THE LATTER CASE THE PERSON CONCERNED SHALL BE DETAINED UNDER THE AUTHORITY OF SECTION 5(b) OF THE TRADING WITH THE ENEMY ACT, AS AMENDED, AND YOU SHALL TELETYPE NO. WA 162 OR TELEPHONE LAWRENCE S. LEESER OR THEODORE BALL, TREASURY DEPARTMENT, FOR INSTRUCTIONS AS TO ACTION TO BE TAKEN WITH RESPECT TO THE PERSON INVOLVED.

SECRETARY OF THE TREASURY.

MTGoode:EFrains:psl 9/24/42

RG 82 (copied 6/27/00)
Entry 1: Central Subject
File 1913-54
Comptroller
011.2 - of the Comptroller
Box 38 (1927-54)

REC'D IN FILES SECTION
JAN 19 1944
011.2

GENERAL ACCOUNTING OFFICE
Washington 25

Accounting and
Bookkeeping Division

December 31, 1943

ACCOUNTS AND PROCEDURES LETTER NO. 7307

SUBJECT: Amendment of title of receipt account "3900 Forfeiture of Unclaimed Funds."

In order to provide an account in which to deposit unidentified personal funds and proceeds from the sale of abandoned personal property, pursuant to General Regulations No. 84-Revised and in accordance with an arrangement with the Treasury Department, the title of the following receipt account is amended as shown:

<u>Symbol</u>	<u>Old Title</u>	<u>Symbol</u>	<u>New Title</u>
3900	Forfeiture of Unclaimed Funds	3900	Forfeiture of Unclaimed Funds and Abandoned Personal Property

LINDSAY C. WARREN

Comptroller General
of the United States

By: J. D. Denit
Chief, Accounting and
Bookkeeping Division.

Hiley
okh

RG	82-4 (6/17/46)
Entry	FILE
File	Alien Property Custodian (APC)
Box	45

NEW VILLES SECTION
 SEP 13 1946

September 13, 1946.

Office of Alien Property Custodian,
 National Press Building,
 Washington, D. C.

Gentlemen:

We are enclosing a letter from Mr. Erich Hausdorf, Ottawa, Canada, and photostats which Mr. Hausdorf sent with his letter. This communication is referred to you since it seems probable that Mr. Hausdorf's request for the return of his "vested patents and applications" is a matter within the province of your office. We have not informed Mr. Hausdorf that his letter is being referred to you.

Very truly yours,

S. E. Carpenter,
 Secretary.

Enclosures

JK:am
 JK

FILE COPY

Lu JOP

342223

REPRODUCED AT THE NATIONAL ARCHIVES

RG 82 (67/100)
Entry /
File
Box

ERICH HAUSDORF

Ottawa Canada,
321 Chapel Street,
September 10th, 1946

Federal Reserve Bank
Washington

Re: Vested U.S. Patents..... Erich Hausdorf, born July 5th, 1887 in
----- Trebnitz (Silesia) as a
German citizen.

Dear Sirs:-

I ask you to give back to me the vested patents and appli-
cations for the following reasons:

Being of Jewish faith and upon refusing to transfer my
property in favour of an "arian", I was taken in 1938 to the concen-
tration camp of Buchenwald, from where I was released only after
consenting to said transfer and with the obligation to leave Germany
immediately. (encl.)

Since November 1938 till the German invasion in France 1940,
I was special adviser to the French War Ministry in Paris. (encl.)

Since 1941 I was living in Ciudad Trujillo, Dominican Re-
public and I left this country in June 1946 with the family of my
son-in-law, Mr. Julio A. Ricart V., who is appointed Consul General
of the Dominican Republic in Ottawa.

Yours very truly,

Erich Hausdorf

Erich Hausdorf.

Encl.: Discharge paper of the concentration camp of Buchenwald,
Certification of the French War Ministry.

Please to return these documents.
=====

Registered.

342224

RG 82 (6/2/700)
Entry 1 Control 501
File 1913-54
Box 027 (custodian)

MINISTÈRE
DE LA DÉFENSE NATIONALE
ET DE LA GUERRE

DIRECTION
du
MATÉRIEL DE TRANSMISSIONS

SECTION D'ÉTUDES
du
MATÉRIEL DE TRANSMISSIONS

51bis, Bd. de Latour-Maubourg
PARIS (7)

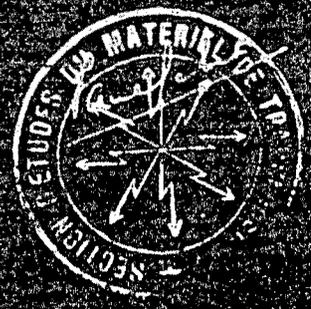
Téléphone : SÉCUR 02.80 à 02.83

N°s 1/5/LT.....

Le Chef de Bataillon LABAT, Chef de la Section d'Études du Matériel de Transmissions, certifie que la collaboration de Monsieur Erich HAUSDORF avec les services de la Section d'Études du Matériel de Transmissions a été admise en accord avec l'Etat-Major de l'Armée (2ème Bureau). Des propositions ultérieures pour poursuivre les études commencées, approuvées par le Général Commandant Supérieur des Troupes et Services de Transmissions, dans sa transmission 3559 en date du 8 Juin 1939, n'ont soulevé de la part du Ministre aucune objection.

PARIS, le 6 Décembre 1939

Le Chef de Bataillon LABAT,
Chef de la Section d'Études
du Matériel de Transmissions:



RG 82 (Copied 7/15/90)
Entry International Subject Files 1907-1972
File Germany - Finance - General (1945-51)
Box 132

*Germany - sp at
Switz - sp at*

Please return to
International Information Cen

509/1112
FEDERAL RESERVE BANK
OF NEW YORK

RESEARCH MEMORANDUM
NOT FOR PUBLICATION

To Mr. Knoke
From Frank Schott
Foreign Research Division

Date August 27, 1951

Subject: The Status of German Assets in Switzerland

FEB 28 1952
File

Copies To Messrs: Sproul, Rounds, Williams, Roelse, Rouse, Sanford, N. P. Davis, Lang, Rozell, Rosa, Bloomfield, Garvy, Wallich, Athern, Rushmore, Klopstock, Carr, Webber, and Von Klemperer, and Miss Burnett.

Hinson
...

Renewed controversy has arisen between Switzerland, Germany, and the Western Allies concerning the disposition of German assets in Switzerland. This memorandum summarizes the history of the case and the present points of view of the interested parties.

1. The Washington Agreement of 1946

The basis of discussion concerning German assets in Switzerland has been, since its conclusion, the Washington Agreement of 1946. In this agreement it was provided that assets in Switzerland of German citizens resident in Germany were to be liquidated by the Swiss authorities. Half of the proceeds of the liquidation were to be put at the disposition of the Allies for reparation purposes; the other half was to be retained by Switzerland for the compensation of Swiss citizens who had lost property in Germany during the war. The German Government, when such a government had been established, was to compensate German nationals in German money for their requisitioned holdings, and Switzerland agreed to furnish one half of the necessary funds from outstanding Swiss claims under wartime clearing agreements with Germany.

FOR FILES
Eather G. Crews

1/ Other provisions of the Washington Agreement related to the restitution of gold taken by Germany from countries occupied during the war and deposited in Switzerland, the deblocking of Swiss assets in the United States, and the removal from the Allied black lists of Swiss firms doing business with German nationals. These provisions are not dealt with in this memorandum since they are of no significance for the present negotiations.

NOT FOR PUBLICATION

RG	82	(Copies 7/5/00)
Entry	International Sub-Files, 1907-1970	
File	Germany - Finance -	
Box	132	Germany (1945-5)

2

2. From the Washington Agreement to the Swiss Offer of April 1951

Shortly after the conclusion of the Washington Agreement major differences as to its interpretation and execution arose between Switzerland and the Allies. Basic among the issues were the rate of exchange applicable for compensation of the German owners of assets in Switzerland, and the disposition of assets of companies of mixed German-Swiss ownership situated in Allied countries.

On the exchange rate question the position taken by the Allies was that by virtue of their assumption of authority in Germany the rate was a matter to be determined by them. The Swiss position was that the provision of the agreement relating to "fair compensation" of German nationals would make unacceptable any rate that would give only token compensation to the owners.^{1/}

As to the assets of companies partially owned by Germans, the Allied viewpoint was that such companies were subject to confiscation by virtue of the enemy-property laws of the individual countries. The Swiss, on the other hand, contended that these companies fell under the provisions of the Washington Agreement, that consequently only the German-held part should be liquidated, and that the proceeds of liquidation transactions should go into the common pool where a 50-50 division of proceeds between the Allies and Switzerland was to be the rule.

These conflicts proved to be incapable of a mutually satisfactory solution during the period from May 1946 until March 1951. In the meantime, however, agreement on several other issues was reached, and various concrete

^{1/} There were two major reasons for the Swiss attitude: first the Swiss desired to preserve their reputation for careful protection of private property; secondly they hoped to get a better settlement from the future German Government on Swiss clearing-agreement balances accumulated in Germany during the war in return for safeguarding the German interest in the assets question.

342228

RG	82	(Copies 7/13/00)
Entry	International Subject Files, 1907-1972	
File	Germany - Finance - General (1945-51)	
Box	132	

3

steps were taken by Switzerland, the net effect of which was to reduce considerably both the number of people affected by the Washington Agreement and the amount of German assets subject to disposition by the Swiss authorities.

Originally, when Switzerland in 1945 decreed the registration of all German assets that might be subject to liquidation, their total value was officially estimated at one billion Swiss francs. Exemption by the Washington Agreement of Germans nonresident in Germany--primarily Germans living in Switzerland--reduced this figure by one half, so that assets subject to the terms of the agreement amounted to roughly 500 million francs in 1946. Subsequently, other groups were freed by mutual consent from obligations under the agreement. The most important of these groups were Swiss nationals and persons of dual Swiss-German nationality living in Germany, Austrian citizens, and Germans whose claims in Switzerland amounted to not more than 10,000 Swiss francs each. Official Swiss estimates at present put the value of the assets awaiting disposition at 360 million francs, and the number of German owners at 3,000-4,000.

Since 1947 the Swiss authorities have sold those German assets which were liable to depreciation, pending the final outcome of negotiations, and in 1948 the Swiss upon Allied request advanced 20 million francs out of the Allied share of the proceeds of the sales to the International Refugee Organization.

3. The Swiss Offer of April 1951 to the West German Government

Negotiations entered their most recent phase with a Swiss-Allied meeting in Berne in March 1951. In addition to the solution of several problems regarding residence and nationality, agreement was finally reached on a Swiss-German exchange rate for purposes of the Washington Agreement. The

342229

RG	82	(Copies)	(7/13/50)
Entry	International Subject Files, 1907-1970		
File	Germany - Finance - General (1945-5)		
Box	132		

rate was fixed at 100 Swiss francs per 95.88 Deutsche marks--the rate that is applicable in the current trade agreement between Germany and Switzerland.^{1/}

Before the provisions of the Washington Agreement could be finally carried out, however, the reestablishment of a West German Government raised a new set of problems. It was recognized by both the Allies and Switzerland in the March 1951 negotiations that any further steps would require the consent of that government.^{2/} Accordingly, in April 1951 the Swiss with Allied approval made an offer to the West German Government, the main terms of which can be summarized as follows:

- (1) Germany was to receive 25 per cent of the proceeds of the liquidation, or roughly 90 million francs in Swiss currency, for conversion into marks and payment to the owners of the assets. This part of the offer would have made foreign exchange available to Germany and would have reduced Allied-Swiss claims on the assets by an equivalent amount. The Allies and Switzerland were to share the loss on a 50-50 basis.
- (2) The West German Government was to raise in cash the mark equivalent of another 25 per cent of the assets for payment to the owners.
- (3) For the remaining 50 per cent of the debt, the owners were to be compensated by the German Government in the form of long-term debt certificates. Unofficial estimates put the present value of such certificates, should they be issued, at from 20 to 30 per cent of their nominal value.

This proposal was rejected by the West German Government on June 28, after lengthy deliberations. One reason for the German attitude was resistance

^{1/} The problem of companies of mixed German-Swiss ownership with assets located in Allied countries, commonly referred to as the "sequestration conflict", was not taken up at the Berne meeting of March 1951. Accordingly, it must be presumed that a tentative agreement reached in 1949 still represents the latest attempt at a solution. This tentative arrangement provides for bilateral negotiations on each individual case between Switzerland and the Allied authorities in the countries of location of the assets.

^{2/} The West German Government served notice of its attitude toward the question by submitting a note to the Allied High Commission soon after the conclusion of the Berne meeting, in which it demanded an end to further liquidation of assets, the repeal of the law by which the Allies had assumed possession of such assets, and permission for direct negotiations between Western Germany and other countries where German nationals held assets.

RG 82 (Copied 7/5/50)
Entry International Subject
Files, 1907-1978
File Germany - Finance -
General (1945-51)
Box 132

5

in principle to the liquidation of Germany's external assets. In addition, the West German Government denied any justification for special treatment of German citizens who happened to have assets in Switzerland, when the possessions of Germans in a great number of other countries simply were confiscated.

Here the matter now stands so far as official negotiations are concerned. It is true that a German counterproposal, supported by owners of a considerable part of the assets, has been advanced, under which German claims would be reduced 25 per cent, the Swiss would make a cash settlement with the Allies, and the remaining funds would be released for disposition by the owners. However, this plan does not seem likely to meet with Swiss approval. Only 90 million Swiss francs would become available for division between the Allies and Switzerland, while the Allied share of the assets amounts alone to 180 million francs under the Washington Agreement, or 135 million francs under the Swiss plan of April 1951. Very little could be done under this plan for Swiss nationals who lost property in Germany owing to wartime events. All in all, there seems little prospect for a settlement in the near future.

342231