

DECLASSIFIED

 Authority UND 968106  
 By VR NARA Date 01/10

RG

59

Entry

LOT 700516

File

SUBVERSIVE ACTIVITIES  
IN LATIN AMERICA

Box

23

page 23

Some consideration has already been given to certain German owned Argentine banks which act as depositories for funds under the control of the German Embassy. Of equal importance is the fact that these funds have assumed proportions entirely inconsistent with the amounts needed to support the legitimate activities of the Embassy.

Table III

Embassy Personnel 60/

<u>Country</u>	<u>1938</u>	<u>1941</u>	<u>Percent of Increase</u>
Germany	36	59	65.
United Kingdom	12	18	33.33
United States	9	13	<u>30.77</u>
			100.00

In the year 1938-39 the German Embassy made withdrawals from Argentine banks totaling 835,100 (m\$) which indirectly confirms the Argentine Government's estimate of the normal requirement of the Embassy; namely 850,000 (m\$) per annum. 61/ Nor does the increase in Embassy personnel explain the situation. In the first place this personnel increase was entirely unwarranted. In 1938 the Embassy roster included 36 individuals which was nearly double the combined personnel of the United States and British Embassies. By 1941 the Germans further consolidated their lead by increasing their staff 65 percent as contrasted with a combined raise of only 32 percent in the personnel of the United States and British Embassies. The Argentine Government further estimates that this increase in the German Embassy staff should only raise the estimated annual requirements of the Embassy some 20 to 30 percent or to approximately 1,100,000 pesos (m\$). 62/

60/ Vol II p. 50 Taborda Report61/ Vol II p. 36 Taborda Report62/ Ibid

207743

DECLASSIFIED

 Authority HND 968106  
 By VR NARA Date 01/10

RG

59

Entry

LOT 700516

File

SUBVERSIVE ACTIVITIES  
IN LATIN AMERICA

Box

23

Page 24

Table IV

Embassy Withdrawals from Argentine Banks 63/

June 1, 1938-June 30, 1941

Country	1938-39		1939-40		1940-41	
	Amount (m\$n)	Percent	Amount (m\$n)	Percent	Amount (m\$n)	Percent
Germany	835.100	43.41	3.397.600	86.15	5.983.100	71.92
Great Britain	1.189.800	54.05	587.400	12.40	1.829.400	21.99
United States	52.900	<u>2.54</u>	49.600	<u>1.55</u>	506.500	<u>6.09</u>
		<u>100.00</u>		<u>100.00</u>		<u>100.00</u>

Contrast the estimated maximum requirements of the German Embassy with the actual bank withdrawals of 5.983.100 (m\$n) in the year 1940-41. The above sum represents 71.92 percent of the combined total bank withdrawals of the United States, British and German Embassies.

63/ Banco Central de la Republica Argentina figures.

207744

DECLASSIFIED

Authority HND 968106

By VR NSARA DZ: 01/10

RG

59

Entry

LOT 702516

File

SUBVERSIVE ACTIVITIES  
IN LATIN AMERICA

Box

23

page 25

Table V

Embassy Deposits in Argentine Banks 64/

June 1, 1938 - June 30, 1941

<u>Country</u>	<u>Amount (m\$n)</u>	<u>Percent</u>
Germany	10,390,000	76.70
Great Britain	2,546,900	18.80
United States	609,300	4.5
		100.00

A similar situation is evident in regard to Embassy bank deposits of the big three where the Germans again lead with a total bank deposit figure of 10,390,000 pesos for the period of June 1, 1938 to June 30, 1941 or approximately 77 percent of the total bank deposits for the corresponding period.

## Argentine-German Trade

The Argentine-German trade for the war period also offers no explanation for the unprecedented expenditures of the German Embassy. The direct trade between the two countries for the year 1941 is 7,099,606 pesos (m\$n) or less than one percent of the combined trade of Argentina with the United States, Great Britain and Germany of the same year. Even taking into consideration the amount of German goods that entered Argentina indirectly through Japan, Spain, Portugal, Switzerland, France and other American countries, it is highly improbable that the total trade with Germany for 1941 exceeded 30,000,000 pesos (m\$n) or approximately 2 percent of the combined trade with the three mentioned countries. This seemingly rather inconsequential percentage represented by the German foreign trade with Argentina is sharply contrasted with the situation in 1938 when Germany held the dominating role with 22 percent of the total Argentine trade between the United States, Great Britain and Germany.

64/ Banco Central de la Republica Argentina figures.

207745

Table VI  
Argentine Foreign Trade 67/

Country	Year	Exports (m\$)	Imports (m\$)	Total (m\$)	Percent
United Kingdom	1938	459.494.913	260.198.217	719.693.130	52.61
United States	"	118.552.875	250.527.021	369.079.896	24.27
Germany	"	163.544.464	143.967.370	307.511.834	23.12
					100.00
United Kingdom	1939	564.692.009	248.274.123	812.966.132	56.11
United States	"	188.809.322	215.151.505	403.961.327	28.56
Germany	"	90.081.535	114.558.079	204.639.614	15.33
					100.00
United Kingdom	1940	544.557.320	213.425.010	757.982.330	56.34
United States	"	253.445.910	314.576.253	568.022.163	43.61
Germany	"	4.705	7.853.409	7.858.114	.05
					100.00
United States	1941	542.856.552	245.488.016	788.344.568	54.31
United Kingdom	"	476.590.545	148.940.716	625.531.261	45.64
Germany	"	3.242.138	3.857.468	7.099.606	.05
					100.00

67/ Anuario del Comercio Exterior de la Republica Argentina

DECLASSIFIED  
AUTHORITY: 480968106  
BY: [signature]  
ARBA Date: 01/10

RG 59  
Entry Lot 702516  
SUBVERSIVE ACTIVITIES  
IN LATIN AMERICA  
File  
Box 23

207746

DECLASSIFIED

Authority HND 968106  
By VR NARA Date 01/10

RG

59

Entry

LOT 700516

File

SUBVERSIVE ACTIVITIES  
IN LATIN AMERICA

Box

23

page 27

A caveat should be expressed against the drawing of hasty conclusions from these figures. The German economy in Argentina was and still is operating with a degree of efficiency largely because of its foresight in building up large inventories prior to and during the early stages of the war, and secondly from its ability to secure substitute materials from the United States and Great Britain. 68/

It has been established that late in 1941 the German Embassy was in the process of accumulating extraordinary sums of money. Nevertheless it has been exceedingly difficult to determine the ultimate destination and use of these funds other than by inference because of the tactics employed by the Embassy to discourage any such investigation. Payments of any size or significance are made by cash, bearer checks or through a chain of intermediates that effectively disguises the actual transaction. 69/

It remained for the Niebuhr incident to reveal the actual character of the German Embassy funds. Captain de Fregata Dietrich Niebuhr was Naval Attache at the German Embassy and paymaster of Axis agents in Argentina. During the last week in January 1942 Niebuhr is reported to have been paid 10,000,000 pesos by the Banco Germanico. 70/

The refusal of the German Government to waive Niebuhr's diplomatic immunity and his subsequent departure from the country are matters of common knowledge, although it is not so commonly known that the sources of financial and political assistance upon which Niebuhr depended still remain available to other and possibly yet undiscovered "Niebuhrs." 71/

68/ FSD #10137 5-13-43, Buenos Aires

69/ Taborda Report Vol II p. 35

70/ See Appendix C - Ref. Document #10

71/ Supra Footnote #68

207747

DECLASSIFIED

Authority 440968106

By VR NARA Date 01/10

RG 59

Entry LOT 700516

File SUBVERSIVE ACTIVITIES  
IN LATIN AMERICA

Box 23

CONCLUSIONS

DECLASSIFIED

Authority UND 968106  
By VR NARA Date 01/10

RG

59

Entry

LOT 700516

File

SUBVERSIVE ACTIVITIES  
IN LATIN AMERICA

Box

23

Page 28

## Conclusions

To summarize, the dangers involved in leaving large sums of money at the disposal of the German Embassy speak for themselves. While some restrictions have been imposed on these funds and their sources, such controls remain for the most part effective only on paper. Of equal, and perhaps greater danger, is the rather recent creation of an alternative source of funds for potential subversive activities of a magnitude that dwarfs all previously considered totals.

"....at the end of January last, the amount of money belonging to individuals or firms which was sent to Argentina from Brazil, Bolivia, Peru, Uruguay and Paraguay by Axis agents was of 638,000,000 pesos. This amount is deposited at the Banco de la Provincia de Buenos Aires, headed by the former Federal Senator, Sanchez Orondo, known Fascist sympathizer, who some years ago went to Italy and Germany and became a personal friend of Hitler and Mussolini. The balance sheets at the end of January show this amount received mostly during January." 72/

As far as can be determined, no satisfactory explanation has ever been made concerning the activities of the Banco de la Provincia de Buenos Aires. A cursory examination of the dispatches involved would seem to indicate that the conversations between the Embassy and Prebisch and other Banco Central officials concerning this admittedly delicate subject had often been carried out along lines that subordinated results to protocol. 73/ It is interesting to note the effect a firm hand had temporarily on the situation which is perhaps guided less by factual presentations than by the predetermined unwillingness of the Argentine government to act. After the excellent Boston speech on October 8, 1942 of Under Secretary of State Sumner Welles many Axis firms, in anticipation of the storm which never came, began to entrench their position by the destruction of incriminating documents and laying plans for the curtailment of operations. 74/ What would have happened if the Welles speech had been backed by concrete measures in the Argentine is of course a matter for conjecture. However, since this occasion these Axis firms have resumed their operations, secure and contemptuous in the knowledge of the ineffectiveness of the Allied counter measures. 75/

72/ Appendix C, Ref. Doc. 10

73/ FSD #316 - 5-14-43 - Buenos Aires, FSD #2433 - 12-2-42 - Buenos Aires.

74/ FSD #7223 - 11-4-42 - Buenos Aires.

75/ Supra footnote 73.

207749

DECLASSIFIED

Authority MND 968106  
By VR NARA Date 01/10

RG

59

Entry

LOT 700516

File

SUBVERSIVE ACTIVITIES  
IN LATIN AMERICA

Box

23

Page 29

In conclusion it is respectfully submitted that:

1-No fair evaluation of the situation is possible from the sources of information currently available to the agency.

a-Most of the sources of information are organized to present the commercial rather than the subversive angle. For this reason a maximum of effort represents a minimum of results.

b-Conventional methods of investigation are inadequate to deal with a situation that requires the application of continuous highly specialized "on the spot" techniques. This situation arises largely from the fact that the Axis, from its experience in the last war, has been quite successful in developing methods to anticipate the attempts to control and eliminate the activities of their firms.

2-The subjective elements in International Law unfortunately allow little uniformity in the definitions of the terms "espionage" and "sabotage". The expansive interpretations of the above terms by an "active" belligerent necessarily vary from the restrictive definitions applied by a neutral. This is a matter of particular significance since it is presumed that the accompanying cases may be offered for the consideration of the Argentine Government, a self defined "neutral".

3-In the pharmaceutical and dyestuff fields it is comparatively easy to establish the participation of Axis controlled firms in organized programs of "economic" espionage and sabotage. However, it is much more difficult to identify such firms with direct acts of "military" espionage and sabotage since the German High Command generally operates through small groups of carefully selected and well trained "specialists". Nevertheless, the highly important role that these Axis firms play in supplying such German "specialists" with financial and political assistance makes them equally important "silent partners" 76/ in their nefarious activities. Consequently, the elimination or the careful supervision of these "silent partners" so prevalent in Argentina, would constitute perhaps the most direct and effective method of wiping out this dangerous network of Axis espionage and sabotage in Latin America. 77/

76/ FSD #10137 5-13-43, B.A.

77/ N.Y. Times 5-26-43, p. 9 col 1 - Reference document 11

207750

DECLASSIFIED

Authority UND 968106  
By VR NARA Date 01/10

RG

59

Entry LOT 700516File SUBVERSIVE ACTIVITIES  
IN LATIN AMERICABox 23

COPY WT: VMK

Bureau of Latin American Research  
1714 Rhode Island Avenue, N.W.  
Telephone: Republic 4482.

## ARGENTINA

## Current Developments.

The influx of Axis money and agents into Argentina from other Latin American republics which has been reported by our domestic press is also called to our attention by our usual sources of information, which report to us from Buenos Aires under the date of February 9, as follows:

"I have learned from very reliable sources that at the end of January last, the amount of money belonging to individuals or firms which was sent to Argentina from Brazil, Bolivia, Peru, Uruguay and Paraguay by Axis agents, was of 638,000,000 pesos. This amount is deposited at the Banco de la Provincia de Buenos Aires, headed by former Federal Senator Sanchez Orondo, known fascist sympathizer, who some years ago went to Italy and Germany and became a personal friend of Hitler and Mussolini. The balance sheets at the end of January, show this amount received mostly during January.

"There is also a widespread belief that Axis propagandists have found refuge here. Deputy Solari, secretary of the House Committee Investigating anti-Argentine activity, has officially asked the Department of Immigration to furnish his Committee with a list of all German, Japanese and Italian nationals who have entered Argentina in the last two months. The list was not yet ready, up to this morning, so I cannot give you any definite information. I know, however, that Captain Mario Longhini, Inspector of the Fascist Party for Uruguay (see my report from Uruguay addressed to Prof. Max Ascoli) is now in Buenos Aires.

"More disturbing than this influx, I believe, is the role now being played by the Spanish legations and consulates which have taken over Axis interests in many countries. As to German activities still being openly displayed in Argentina, be it sufficient to learn that the last week of January the Banco Germanico, Avenida 25 de Mayo, 145, paid to Capitan de Fregata Dietrich Niebuhr, German Naval Attache, the sum of 10,000,000 pesos. The captain is known in informed circles as the paymaster of Axis agents operating here.

"Another indication of how the wind is blowing is given by the fact that Aviation General Angel Maria Zuloaga, who was suspended from active duty at the time of the attempted aviation mutiny of last October, and known as a strong Axis sympathizer, has been put in charge of the Personnel Bureau of the Ministry of War.

"The Government has created a special department in the Ministry of Interior with the avowed purpose of combating anti-democratic activity. In charge of it they have put Inspector Castells, who distinguished himself in the past by notifying the German Embassy every time the Parliamentary Committee was planning a raid on any German establishment. Everybody in Buenos Aires knows that.

DECLASSIFIED

Authority NND 968106By VR LNSARA Date 01/10

RG

59Entry LOT 70D 516File SUBVERSIVE ACTIVITIES  
IN LATIN AMERICABox 23 207752

2.

"The Mattino d'Italia and the "Pampero" continue their brazen attacks against the United States and all democratic countries. "Pampero" has launched a campaign against the Free French and the Free Italy organizations, accusing them of being communist nets (an out and out lie) and of conducting anti-Argentine activity. The police are still forbidding even the meetings of the seven-man executive Committee of Italia Libre."

DECLASSIFIED	
Authority	NAND978026
By	KP NARA Date 10/9/91

RG	59
Entry	69A7584
File	Gov. Defense Policy
Box	4

New File: Gold Defense Policy.

Secretary Snyder

Mr. Martin

Export, Blocking, and Gold Controls against Russia

Facts

As you know, the Commerce Department has proposed that all exports to Russia and her satellites be placed under specific license and, in substance, that all licenses be denied, except for a group of commodities, to be placed on a so-called "negative list", which are found to be clearly unimportant to the Russian war effort. Since this list would include cotton and tobacco, our two chief exports to Russia at present, the total value of our exports to Russia would not be greatly reduced. This matter will come before the NSC at an early meeting, apparently on Wednesday, January 31.

At the same time, as you are also aware, the State Department has undertaken a study of the desirability of tightening commercial and financial controls against Russia and her satellites. In the present draft of the report on this study it is recommended that the Commerce Department should subject all exports to Russia and her satellites to specific licensing to obtain better information but that the proposal of Commerce for a negative list should not be adopted, though State does propose that the so-called positive list should be gradually extended.

State's draft report also recommends that the United States should explore possible measures to suppress Soviet bloc gold sales. The discussion portion of the report, as originally supplied to this Department, contended that it would be possible to achieve some results in this field through international agreement on supporting the objectives of the International Monetary Fund.

Recommendation

Having in mind the views which you have expressed to me on these problems, I recommend that the following position be taken at the forthcoming NSC meeting:

- (1) That a decision on the Commerce proposal should be deferred until the report on the State Department study is laid before the Council.
- (2) If this view is not supported by other members of the Council, that the proposed recommendation in the State Department report on the Commerce proposal be accepted with the proviso that the action should contain the following statement respecting blocking controls;

DECLASSIFIED

Authority NND 978026  
By EP NARA Date 10/9/99RG 59  
Entry 69A 7584  
File Gov. Defense Policy  
Box 7

- 2 -

"With respect to blocking controls, the REC Committee should determine the point at which export controls have become so restrictive and other economic and political relations so curtailed that blocking of the dollars and dollar transactions of the USSR and satellites would be appropriate. If this Government decides that export controls should be operated in such a way as to constitute in essence a trade embargo, the Committee should give very serious consideration to the imposition of blocking controls unless there are clear policy reasons for withholding such action."

- (3) If the question of gold is brought up, that the Council should adopt the following action:

"With respect to gold, it is recommended that the Treasury continue to study this subject with a view to evaluating measures of international collaboration which might prove fruitful in reducing the demand for gold in the premium or other markets in which the Russian gold finds ready sale, to be applied at such time as the decision is made to undertake financial controls of this character."

#### Discussion

It does not seem appropriate for the Treasury Department to express any strong opinion on whether imposition of specific licensing procedures on trade with Russia and her satellites is essential to proper control of such trade. With regard to the restrictiveness with which such specific licensing requirements are administered, however, it would appear that there is a great deal to be said for the position of State that absolute embargo or a very marked curtailment of trade would at this time be highly troublesome in regard to the complex problems of east-west trade, including the serious question of relationships with our allies. Moreover, in the absence of a genuine and wide-spread international effort to impose financial restrictions on Russia, blocking by the United States would be of relatively little operational significance. Although we could freeze the small balances now held here and could deprive Russia of some foreign exchange accruals by cutting off the Russian market for certain items, such as furs, which probably cannot be sold elsewhere, Russia's other foreign exchange availabilities from gold and other exports are so large that she could still continue to deal readily in markets other than those of the United States. On the other hand, if it should in

207754

DECLASSIFIED

Authority NNID 978026  
By KP NARA Date 10/9/99RG 59  
Entry 69A 7584  
File Gold Defense Policy  
Box 4

- 3 -

fact ultimately be decided to institute a virtual embargo on exports to the Russian bloc it might be difficult to justify a failure to impose parallel blocking controls. It is for these reasons that the proposal contained in recommendation (2) is advanced.

With regard to gold, we are extremely skeptical that anything effective can be achieved through multilateral action based to any considerable extent on such grounds as International Monetary Fund objectives. It was difficult enough to obtain support for these objectives when black market prices for gold were relatively low. With the increased world tension and the consequent rise in black market prices the problem of enforcing financial policy objectives with respect to gold will undoubtedly become much harder to deal with. Accordingly, we consider that nothing very fruitful can be achieved in the field of gold without a genuine international decision to adopt strong economic sanctions against Russia. It is believed that at the present time no more should be done than to keep the problem under study.

EArnold:VJ:efs

1/29/51

207755

DECLASSIFIED  
Authority NAID 978026  
By KD NARA Date 10/17/91

RG 59  
Entry 69A 7584  
File Gold: Defense Policy  
Box 4

With respect to blocking controls, the NSC Committee should determine the point at which export controls have become so restrictive and other economic and political relations so curtailed that blocking of the dollars and dollar transactions of the USSR and satellites would be appropriate. If this Government decides that export controls should be operated in such a way as to constitute in essence a trade embargo, the Committee should give very serious consideration to the imposition of blocking controls unless there are clear policy reasons for withholding such action.

With respect to gold, it is recommended that the Treasury continue to study this subject with a view to evaluating measures of international collaboration which might prove fruitful in reducing the ability of the Russian bloc to utilize gold, to be applied at such time as the decision is made to undertake financial controls of this character.

Arnold:WJ:efs

1/29/51

DECLASSIFIED

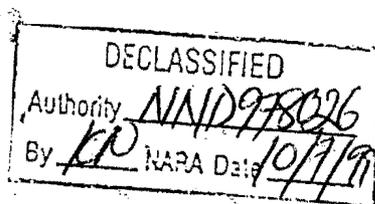
Authority NNID 978026  
By EP NARA Date 10/1/99RG 59  
Entry 69A 7584  
File Gold: Defense Policy  
Box 4*Gold: Defense Policy*

With respect to blocking controls, the NSC Committee should determine the point at which export controls have become so restrictive and other economic and political relations so curtailed that blocking of the dollars and dollar transactions of the USSR and satellites would be appropriate. If this Government decides that export controls should be operated in such a way as to constitute in essence a trade embargo, the Committee should give very serious consideration to the imposition of blocking controls unless there are clear policy reasons for withholding such action.

With respect to gold, it is recommended that the Treasury continue to study this subject with a view to evaluating measures of international collaboration which might prove fruitful in reducing the demand for gold in the premium or other markets in which the Russian gold finds ready sale, to be applied at such time as the decision is made to undertake financial controls of this character.

EArnold:vj  
1/29/51

207757



RG	59
Entry	69A 7584
File	Gold: Defense Policy
Box	4

Col: Defense Policy.

D-25 a

SECRET

Denying the Soviet bloc use of its gold. Gold is one of the Soviet bloc's most important potential resources in commanding goods and services in the West. Conservative estimates put the gold reserves of the Soviet bloc and its satellites at \$2.8 to \$3.3 billions; annual gold production is estimated at \$160 to \$250 million. Almost all of these reserves are probably in the USSR.

Gold has an acceptability even greater than that of dollars in many areas of the world, notably the Middle and Far East. Its source is difficult to trace. It can be used in cash transactions, avoiding official surveillance. It makes an ideal form of payment for underground activities.

The USSR is reported to be making a considerable effort to establish and maintain channels for the sale of gold in Western Europe. Satellite airlines are reported shipping gold clandestinely to Paris, Brussels and Amsterdam; French and British gold coins are reported being counterfeited in the bloc and shipped for use in outside areas.

Unilateral measures by the United States to discourage the salability of Soviet gold would be of very limited effectiveness, because of the difficulties of determining the origin of gold, and also demand for gold is now generally rising among foreign central banks and individuals abroad. Furthermore, from the standpoint of gold policy, we believe that a broad unilateral gold declaration by the United States would be undesirable since we do not consider that the general standing of gold as a medium of international exchange ought to be seriously curtailed except on a multilateral basis. ~~The possibility of obtaining some measure of~~

207758

DECLASSIFIED  
Authority NND 978026  
By KD NARA Date 10/1/99

RG 59  
Entry 69A 7584  
File Go 8: Defense Policy  
Box 4

~~cooperation from other countries in limiting private sales may be slightly greater than the prospect of cooperation in blocking Soviet funds in general or of refusing to buy Soviet gold officially.~~ Measures aimed at the suppression of black or open market transactions in general might be publicly associated with purposes other than economic defense, such as enforcing the objectives of stabilizing exchange rates and of protecting monetary reserves. While such an association might possibly render these measures more palatable to other countries, the experience to date in securing cooperation of foreign governments in curtailing the scope of private trading in gold is not sufficiently encouraging to lead to the belief that these markets would be appreciably restricted.

In any event, a program aimed at the effective suppression of Soviet bloc gold sales would necessarily involve two major lines of action. First, the United States and other countries would have to cease buying gold identified as from the Soviet bloc or from ~~third~~ <sup>third</sup> countries which have had gold dealings with the Soviet bloc, and would also cease selling gold destined for the bloc. Second, the private demand for gold which exists in many markets of the world on which the Soviet bloc has heretofore primarily relied, and where high prices have been obtained, would have to be curtailed or suppressed, but there is substantially no likelihood of effective enforcement in most countries now having active gold markets.

So long as the Western world continues to absorb importations from the Russian bloc at something approximating the present rate it is unlikely that even an effective refusal to buy gold officially from Russia and her satellites would seriously affect Russia's ability to buy needed goods. It would, therefore, appear that in the field of trade international

DECLASSIFIED  
Authority NND 978026  
By KW NARA Date 10/17/99

RG 59  
Entry 69A 7584  
File Gold Defense Policy  
Box 4

gold sanctions would be of little consequence unless they were part of a broader program of economic sanctions against Russia, including a marked curtailment of importations from the Russian bloc. With respect to the question of suppressing sales of gold by Russia in the open or black markets there is in fact little likelihood of effective enforcement of restrictions on these markets in most countries in which they are now active. Here again some limitation of the benefits to Russia from private sales might be effected if there was real international cooperation but such cooperation would depend largely upon a general decision to enforce economic sanctions against Russia. Although it may therefore be concluded that the possibility of effective action with regard to gold is small, unless a general decision is made to adopt economic sanctions, exploration of possibilities in this field should be continued.

EArnold:VJ  
1/29/51

DECLASSIFIED

Authority NND 978026  
By KD NARA Date 10/1/99

RG	<u>59</u>
Entry	<u>69A 7584</u>
File	Legal Records Sub. File
Box	<u>10</u> War Related Activities

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date May 29, 1946

TO Mr. Friedman  
FROM Mr. Kotlar  
SUBJECT Restitution and Reparations

During the past week several proposed cablegrams, prepared by State, have been sent to us for our comments. Our comments on the Report of the Property Disposition Board have also been solicited. These proposed cablegrams and the Report of the Property Disposition Board all bear on the questions of "external" and "internal" restitution.

Under Military Government Law No. 53, dealing with Foreign Exchange Control, the Army has accumulated in its foreign exchange depository foreign securities, precious stones, jewelry, gold and other valuables, including gold and silver bullion and coins and paper currency. The securities are the subject of one of the proposed cables and the other items are the subject of still another cable.

This morning Mr. Kotlar had a meeting with Mr. Hemmendinger of State and these matters were discussed. It was pointed out that the approach adopted by State concerning these foreign exchange assets, with the exception of currency, is that of restoring as external restitutions those items which were looted and the allocation of the remainder as a part of a reparations scheme. The possible use of this pool of foreign exchange for the purpose of settling claims presented by victims of Nazi persecution was not considered. It was indicated that the dichotomy between

207761

DECLASSIFIED

Authority NND 978026  
By KD NARA Date 10/17/97

RG	<u>59</u>
Entry	<u>69A-7584</u>
File	<u>Legal Records</u> <u>Sub File</u>
Box	<u>10</u>

War  
Related  
Activities

- 2 -

"external" and "internal" restitution does not aid in an analysis of this problem. Many victims of Nazi persecution are now outside of Germany and they would derive no real benefit from being given German marks. Thus the problem of foreign exchange assets is involved in considering questions of "internal" restitution.

Mr. Hemmendinger indicated that the State Department position was that the only source of foreign exchange for the victims of Nazi persecution would be that available under article 8 of the Paris Reparation agreement. The position of the State Department was, therefore, that in considering the disposition of foreign exchange assets held by Military Government it was only a question of "external" restitution and reparations. Mr. Hemmendinger stated that if the Treasury felt strongly that some other disposition might be made of these assets, such as the use for victims of Nazi persecution, one of our "top men" should confer with Mr. DeWilde and others in a general meeting in which the entire problem of the foreign exchange assets would be discussed. He indicated, however, that he thought little good would come of it, as a denial of such other uses of these foreign exchange assets was implicit when the proposed cables were drafted.

Mr. Hemmendinger indicated that the State Department was working on the problem of "internal" restitution and was considering the recommendations of the Property Disposition Board in connection therewith.

207762

DECLASSIFIED

Authority NND 978026  
By KP NARA Date 10/1/99

RG

59

Entry

69A 7584

File

Legal Records  
SSS FilesWar  
War

Box

10Related  
Activities

- 3 -

It was indicated to him that the use of German courts and German tribunals for the handling of these matters was considered a serious error. He indicated an awareness of the problem, but stated that Clay had taken a position to the contrary. It was also stated that it was felt to be an error to relax Military Government Law 52 as it applied to the Leander and their political subdivisions as recommended in the Property Disposition Board Report. The possibility of marshalling the assets taken under various legislation and using them as a source of awards for the victims of Nazi persecution was brought up and Mr. Hemmendinger indicated that such claims would be charged against the German State anyway so that the turning over of the various properties to the Leander would really make no difference.



HARRY KOTLAR

207763

DECLASSIFIED	
Authority	NNID 978026
By	EP NARA Date 10/1/99

RG	59
Entry	69A 7584
File	Gold: Declaration
Box	4

DRAFT TELEGRAM

On Feb 22 US issued declaration which provided that no purchase of gold would be made from any country which at that time had not broken relations with Axis countries or from any country which after the date of that announcement acquired gold from any country which had not broken relations with the Axis. The exception to this regulation refers to gold which had been in US at time of declaration. Sales of gold by Argentina to US Treas for dollar exchange now total within \$9 million total amount in US at time of gold declaration.

There are already indications that Argentina plans additional gold sales to strengthen dollar position. In order that US may fulfill its obligations in carrying out ~~its~~ gold declaration and its responsibility as member of Tri-partite Gold Commission it is urgent that complete statement be obtained from appropriate Argentine authorities as to all acquisitions of gold or interest in gold since Jan 1939 (Feb 1944) from Axis, Axis occupied countries and from Spain, Portugal and Turkey. (For your info and possible use similar data has been requested from four neutral countries of Europe and <sup>Latin</sup> other former neutral countries.) *including Turkey.*

Since momentary requests are expected from Argentina it is most urgent that full statement be obtained as promptly as possible to facilitate decision by Treasury Department regarding future purchases. Treasury will make

*further sales of gold*

DECLASSIFIED

Authority NAID 978026  
By KP NARA Date 10/9/99RG 59  
Entry 69A 7587  
File Gold. Declaratory  
Box 7

- 2 -

immediate check against available records of looted gold in order to permit if possible uninterrupted purchases of Argentine gold.

In discussion you may state if desirable or necessary that <sup>Mr. Guit.</sup> ~~Trens~~ would send reps with data re looted gold for checking with Argentine officials against their records.

207765

DECLASSIFIED

Authority NAID 978026  
By EP NARA Date 10/7/99RG 59  
Entry 69A 7584  
File Gold: Declaration  
Box 4*Checked by OHO Fletcher 10-4-47*

Proposed cable to Embassy, Buenos Aires, urgent night actions

On Oct 8 the FFB NY recd cable from Banco Central requesting that \$20 million of the gold earmarked for account of Banco Central be sold to US. Only \$9 million of such gold is now eligible for purchase under Gold Declaration of Feb 22, 1944 as explained in our 937 of Oct 3. Federal is advising Banco Central that US is prepared at present to purchase only \$9 million and that Embassy at Buenos Aires will discuss situation with them or their Govt.

In view of above, initiate promptly discussions with appropriate officials in Govt or Bank as outlined in our 937. If Embassy has already acted, please advise appropriate officials that further purchases are being postponed until clarification of question of gold acquisitions. If Argentina able to certify to you that Argentina required no gold from Axis or Axis-occupied countries or from Spain, Portugal, or Turkey after Jan 1939, Treas prepared to resume purchases of gold immediately on receipt of advice to that effect. Similar certification by Banco Central to FFB NY will also be acceptable.

CHMcNeill:or

draft 10/3/47

207766

DECLASSIFIED  
Authority NND 978026  
By KD NARA Date 10/9/99

RG 59  
Entry 69A 7584  
File Gold: Declaration  
Box 4

*Cleared at OHO Fletcher - 8-47*

**The Federal Reserve Bank of New York will advise the  
Balance Control, substantially as follows:**

**Treasury has advised that US prepared to  
purchase at present only \$3 million. Embassy  
has already been advised of situation and will  
discuss matter with you or your government.**

DECLASSIFIED  
Authority NND 978026  
By KD NARA Date 10/9/99

RG 59  
Entry 69A 7584  
File Gold: Declaratory  
Box 4

*devised with OHO Fe idea 10-8-47*

NEGOTIATIONS

*Negotiations*  
~~are in process~~ *to be resumed mid October*  
negotiating with Portugal for return of looted gold and ~~anticipate similar discussions with Argentina and Spain~~ *also be fully prepared*  
in near future. In order to ~~reach a final settlement of claims~~  
~~against those of other countries~~, urgently need lists received by  
the Commission of all bars claimed as looted, showing bar serial  
number, gross weight and fineness, and any other identification.  
Present information on looted Dutch gold complete here. Also have  
complete information here on Belgian gold if it is confirmed that  
all looted Belgian bars were processed in Germany. Until Commission  
finally rules on fact of loot, need information on all bars claimed  
as valid and possible valid, but not those claimed as clearly invalid.

RTS: HEH 10/8/47

DECLASSIFIED  
Authority NND 978026  
By KP NARA Date 10/9/97

RG 59  
Entry 69A 7584  
File Gold: Declaration  
Box 4

Proposed cable to AmEmbassy, Brussels, for Dorr:

1. OMGUS upon learning from you that distribution to be made from Frankfurt raised number of considerations as to their part in handling of distribution. Following procedure is suggested for consideration you and OMGUS.

A. Preliminary distribution to be made in following order  
(1) gold delivery bars at Frankfurt (2) gold held at FRB NY  
(3) gold coin at Frankfurt suitable for distribution (4) doubtful bars at Frankfurt in accordance with alternative procedures suggested in our

B. Commission will determine shares to be paid from Frankfurt gold on basis Howard report and notify OMGUS for preparation of shares for delivery. Mint expert, if sent, may be of assistance in both operations.

C. Commission will prepare schedule of deliveries from Frankfurt, one delivery a day, until completed, obtain waiver from each recipient country and in return give order on OMGUS for delivery of share of gold on designated day. Commission will also obtain photograph, signature, and possibly fingerprints of person or persons authorized to receive gold for recipient country and forward same to OMGUS. Also send to OMGUS specimen signatures of Commissioners and copies of all orders for delivery.

DECLASSIFIED

Authority NAID 978026  
By KP NARA Date 10/1/99RG 59  
Entry 69A 7584  
File Gold Declaration  
Box 4

- 2 -

D. On receipt of advice Dept and Army will authorize OMGUS to deliver gold in accordance with Commission's order.

E. On day of delivery OMGUS, after satisfying itself as to identity of representative of recipient country and authenticity of order for delivery, will deliver gold against simple receipt identifying by description and total weight gold delivered. If desired, delivery may be preceded by joint inventory.

F. Upon delivery at Frankfurt, recipient country will assume full responsibility for gold. Recipient will arrange for transport of gold although if requested, OMGUS may assist in transport of gold to border provided recipient agrees to accept all risks of loss.

2. Please work out detailed procedure with OMGUS and advise.

3. Dept. disturbed your 1520, para. 1. Strongly of opinion that final responsibility for preliminary distribution rests equally upon all <sup>with</sup> 3 members Gold Commission. Under procedure suggested above Commission has responsibility for determination to make distribution on basis Howard report allocating shares to each country, obtaining waivers from and delivering orders to representatives of recipient countries, and communicating adequate identification, information to OMGUS. OMGUS responsibility to segregate shares of gold, identify representative of recipient and make delivery against receipt. Recipient country has responsibility for transport and safety of gold from time of delivery at Frankfurt.

207770

DECLASSIFIED

Authority NAID 978026  
By EP NARA Date 10/17/99RG 59  
Entry 69A 7584  
File Gold: Declaratory  
Box 4

- 3 -

4. In light of foregoing, please raise question of responsibility for distribution with Commission indicating U.S. not prepared to accept sole responsibility for Gold Commission acts. Advise promptly so we may raise question with France and U.K. if other Commissioners not prepared to agree.

Repeated to ~~CMGUS~~ as

207771

DECLASSIFIED  
 Authority NND 978026  
 By KP NARA Date 10/17/99

RG 59  
 Entry 69A 7584  
 File Gold Declaration  
 Box 4

*Gold Declaration*

DEPARTMENT OF STATE

CR

OUTGOING TELEGRAM

RESTRICTED

Oct 23, 1947  
 7 p.m.

AMEMBASSY

BUENOS AIRES  
 1010

Dept and Treas satisfied info orally given by Central Bank to be confirmed in writing fulfills requirements of Gold Declaration and Treas is prepared to proceed with additional sales which Bank contemplates effecting through Fed Res Bank. (REFURTEL 1258) Dept and Treas still desirous obtaining bar numbers, mint marks and other identifying symbols on the gold acquired from Switzerland. Such info would facilitate completion of records which are used by US Govt and Tripartite Gold Commission in negotiations with other countries. In event written confirmation does not contain such info it is suggested that in view of cooperative attitude shown by Central Bank request for such info should be renewed.

LOVETT  
 Acting

FM:PWG:cairo/ag  
 10/23/47

RESTRICTED

cc: 10/27/47 Messrs. Glaser, Masterson (3), Grusky, May,  
 Dietrich, Mint, Eddy, Dickens, McNeill, Bittermann

*F. Smith*

207772

DECLASSIFIED  
 Authority NND 978026  
 By KD NARA Date 10/17/91

RG 59  
 Entry 69A 7584  
 File Gold: Declaratory  
 Box 4

*Gold Declaration*  
*F Smith*

RESTRICTED

OUTGOING TELEGRAM

GR

FROM: Department of State  
 TO: Embassy, Buenos Aires  
 NO: 979 October 15, 1947 7 pm.

U.S. URGENT.

I. Quick reply by President Banco Central containing summary breakdown Argentine gold acquisitions appreciated. (Urtel 1239, Oct 13).

II. Acquisitions from Switzerland 1945 and possibly 1944, 1946, make Argentina subject gold declaration. But in view of settlement Swiss accord no question is raised as to gold acquisitions from Swiss government or Swiss Central Bank. However there existed also a German Reichsbank account with Swiss National Bank to which Germany successively transferred substantial amount of looted gold (that is gold in bars or coins held by Government or Central Bank during the war.) Much of this gold later sold by Germany to other countries and consequently shipped to those countries by Switzerland on German Reichsbank order account. If gold listed by Argentina as acquired from Switzerland included any gold shipped by Switzerland to Argentina from aforementioned German Reichsbank account on order and for account Germany we would have to consider such as gold acquired from Germany. Please make necessary inquiries connect.

III. If Argentina acquired no gold from German Reichsbank account Switzerland this Govt satisfied re gold declaration and Trans would proceed with gold transactions. In completing our gold studies it would be very helpful to have the bar numbers, mint marks and other identifying symbols on the gold acquired from Switzerland.

If acquisition gold by Argentina were not (repeat not) from Reichsbank account this information would not be necessary under Gold Declaration but would be most helpful here. In view of expression President Banco Central additional information would be given gladly probably no difficulty making this request.

IV. In view of Argentine cooperation and information already supplied you may advise President Banco Central that United States prepared before receipt of assurance as to acquisitions from Reichsbank deposit account to complete purchase 11 million dollar balance of gold ordered sold October 7.

LOVEY  
 Acting

10-21-47 cc to: Glasser, Masterson J, Johnson, Grady, Dietrich, Mint, F. Gwirts, Edy, Dickens, Bittermann, F. Smith and Pollack.

pel

207773

DECLASSIFIED  
 Authority NND 978026  
 By KP NARA Date 10/1/99

RG 59  
 Entry 69A 7584  
 File Gold: Declaration  
 Box 4

OCT 21 1947

C  
O  
P  
Y

113 Gold State Dept. City

Mr. Paul McGuire, State Department, Room ~~4322, 1022~~ ~~St. H.~~

C. R. McNeill, Treasury Department, Room 2022. C. R. McNeill

It is suggested that the following cable be despatched to the American Embassy, Buenos Aires:

Reurtel 1258 Department and Treasury satisfied that information orally given by central bank to be confirmed in writing fulfils requirements of gold declaration and Treasury is prepared to proceed with additional sales which bank contemplates effecting through Federal Reserve Bank. Department and Treasury still desirous obtaining bar numbers, mint marks and other identifying symbols on the gold acquired from Switzerland and in the event written confirmation does not contain such information it is suggested that in view of cooperative attitude shown by central bank request for such information should be renewed.

FBSmithers 10/20/47

207774

DECLASSIFIED  
 Authority NND 978026  
 By EP NARA Date 10/7/99

RG 59  
 Entry 69A 7584  
 File Gold. Declaration  
 Box 4

File - Gold<sup>d</sup> Declaration

Mr. Smith (Legal)

August 26, 1947.

MEMORANDUM TO THE FILES

Subject: Purchases of U. S. Assay Office Gold Bars

Fred Smith advised me today of Legal's concurrence in Mr. Eddy's recommendation that, in order to expedite gold transactions, we authorize purchases of U. S. Assay Office bars from Argentina, Portugal, Spain, Switzerland, and Turkey when the Federal informs us that the bars have been continuously under earmark in the United States.

Such transactions may now be authorized without checking with Legal, but Legal asks to be kept informed of all such transfers.

Dorothy Steinberg

CC: Messrs. Smith, McNeill, Deitrich, Bittermann, Pricher (NY Federal)

DS:dmh  
 8/27/47

207775

DECLASSIFIED	
Authority	NAND 978026
By	KP NARA Date 10/17/99

RG	59
Entry	69A 7584
File	Go & Declaratory
Box	4

File - Go Declaratory

Mr. Schwartz

25 June 1947

G. A. Eddy

Argentine gold shipments and sales.

1. Argentina has issued instructions for shipping \$270,000,000 of gold to the United States, ending within the next month or two.
2. Gold withdrawn from the United States by Argentina in 1945-47 totalled \$254,000,000, but an additional \$61,000,000 was withdrawn in 1943-44.
3. Thus the total prospective import is \$45 million less than the export over the years 1943-47.
4. \$24 million of sovereigns were included in the export and some foreign mint bars. The latter can probably be identified exactly, as to whether they are the same or different bars as were here before. For the sovereigns, identification can be made presumptively if the bags and tags were not changed, but of course switching of individual sovereigns could not be detected.
5. Argentina has been said to have a further considerable gold stock kept in Argentina. Until the gold arrives here, it is generally not known here just what bars or coins are to be shipped.

GAE:ms:6/25/47

207776

DECLASSIFIED

Authority NND 978026  
By KP NARA Date 10/9/99RG 59  
Entry 69A 7584  
File Gold: Declaratory  
Box 4~~SECRET~~

## DEPARTMENT OF STATE

## DIVISION OF ECONOMIC SECURITY CONTROLS

JUN 20 1947 R

TO : Mr. Orvis A. Schmidt, Associate Director,  
Division of Monetary Research  
Treasury Department

FROM : Warren A. Silver - ES

SUBJECT: Treasury proposal for approach to the Argentine Government on the Gold Declaration of February 22, 1944 in connection with current importations of gold from Argentina.

Treasury's memorandum dated May 22, 1947, a copy of which is attached, proposed that a cable be sent to our Embassy in Buenos Aires instructing the Embassy to approach the Argentine Government with a request for information as to their gold acquisitions from the Axis or from Axis occupied countries inasmuch as (1) Argentina intended to make shipments of gold totalling approximately 170 million dollars to the United States for earmark at the Federal Reserve Bank in New York; (2) it was assumed that Argentina would probably offer this gold for sale to the United States; and (3) under the Gold Declaration it is the policy of this Government not to purchase gold located outside of the territorial limits of the United States on the date of the declaration from any country which might have acquired Axis gold until the United States is satisfied that the gold was not acquired by that country after February 22, 1944 from the Axis or from countries which had not broken relations with the Axis.

It appeared from the cable proposed by Treasury that an approach to the Argentines was suggested by the imminent necessity of deciding whether, in compliance with its obligations under the Gold Declaration, Treasury could purchase any or all of the 170 million dollars to be sent to this country. It was believed in the Department, however, that the cable which had been sent by the Federal Reserve Bank of New York to the Central

Bank

~~SECRET~~

207777

DECLASSIFIED  
 Authority NND978026  
 By KP NARA Date 10/9/97

RG 59  
 Entry 69A7584  
 File Gold: Declaratory  
 Box 4

(C)

SECRET

-2-

Bank of Argentina at Treasury's direction might have made it perfectly clear to the Argentine Government that only gold bars bearing United States Assay Office numbers would be accepted by the Federal Reserve Bank and thus Treasury would be adequately protected in the event gold bars not so marked were to be sent here. Mr. Watts of this Division called Mr. George Eddy of the General Counsel's Office on June 13 and was informed that the Federal Reserve cable stated in part as follows:

"Assuming that you will be shipping United States Assay Office bars, suggest that such bars be shipped to us in complete melts."

In the brief discussion which ensued regarding the possible adequacy of this cable, Mr. Watts was informed by Mr. Eddy that at least 50 million dollars, and perhaps more, of the expected 170 million dollars had already arrived in New York. Mr. Watts referred to the fact that the Argentine Government had removed from the United States to Argentina during 1946 230 million dollars in gold bars bearing United States Assay Office numbers all of which had been in this country on February 22, 1944 and suggested that inasmuch as the Federal Reserve cable had stated our assumption that the Argentine Bank would be shipping United States Assay Office bars, and the Argentine Government was sending to this country at this time only 170 million dollars in gold bars, it would be logical to assume that the entire 170 million dollars would be represented by gold bars which bear United States Assay Office numbers and which were in this country on February 22, 1944 and concerning which there is therefore no question.

Mr. Eddy responded that that was correct, that there was no doubt whatsoever that this gold was satisfactory, and that the gold was even being shipped to this country in the same barrels in which it was removed last year.

If there is no question with respect to the gold presently being shipped to New York, it then appears clear that Treasury is faced with no problem with respect to its purchase. That being the case, Treasury's proposed demarche upon the Argentine Government involves a much broader question than satisfactory adherence by the United States to its Gold Declaration of February 22, 1944, namely, the entire subject of whether or not Argentina has acquired looted gold.

The Gold

SECRET

207778

DECLASSIFIED

Authority NND 978026  
By KP NARA Date 10/1/99

RG

59Entry 69A 7584File Gold Declaration

Box

7SECRET

-3-

The Gold Declaration was adhered to by Argentina, as by a number of the other American republics, through its adherence to the Final Act of the Inter-American Conference on Problems of Peace and War, Mexico City, February-March 1945 in which the principle of the Gold Declaration was re-affirmed in Resolution XIX. Any approach along the line suggested by Treasury would involve the question of Argentine compliance with Article XIX of the Final Act of Mexico City. It is believed, particularly in view of the President's announcement of June 3, that an approach would not be warranted unless convincing evidence were available that Argentina had acquired looted gold.

*Was*

## Attachment:

Draft cable to Argentina.  
proposed by Treasury.

SECRET

207779

DECLASSIFIED  
 Authority NND 978026  
 By KP NARA Date 10/1/99

RG 59  
 Entry 69A 7584  
 File Gold Declaration  
 Box 4

*File - Gold Declaration*

May 14, 1947

MEMORANDUM

Mr. Lang of the Federal Reserve Bank of New York called into in the afternoon of May 13 and stated that the Portuguese wished to sell approximately 500,000 ounces of gold held under earmark at the Federal to the United States. Mr. Lang stated that they could use United States Assay Office bars which had been held under earmark continuously since purchase but that this would require the breaking of a Federal Examiner's seal on the vault in which this gold was stored. Accordingly, they would prefer to use a number of foreign bars received from abroad for the Portuguese in September and October 1940. After clearance with Messrs. Friedman and Schmidt, I advised Mr. Lang this morning that there was no objection to purchase of the United States Assay Office bars but that we would possibly wish to question the source of the foreign bars. Mr. Lang said they would open the vault and use the United States Assay Office bars.

Mr. Lang then mentioned that they had received confidential information this morning that the Moore-McCormick Steamship Line had been approached by the Central Bank of Argentina with respect to the shipment of \$50 million of gold to New York. Inasmuch as Argentina's gold holdings at the Federal now amount to only approximately \$75 million, such a shipment of gold would undoubtedly be for sale to the United States. This, of course, will require a decision as to whether the Treasury considers Argentina to be subject to the Gold Declaration.

C. R. McNeill

c.c. to Messrs. Overby, Friedman, Glasser, Schmidt, Smith and Schwartz

DECLASSIFIED	
Authority	NND 978026
By	KP NARA Date: 10/9/99

RG	59
Entry	69A 7584
File	Gold: Declaratory
Box	7

Mr. Stacey

Mr. Schmidt

It is suggested that discussion with the Swedish representatives about their adherence to the Gold Declaration of February 22, 1944 be along the following lines.

The United States Government appreciates the cooperative spirit of the Swedish Government in negotiations held between our two Governments on Svalbard and looted gold questions. My Government was also pleased with the informal statement that your Government would assist us in carrying out the policy laid down in the United Nations Declaration of January 5, 1943, the Gold Declaration of February 22, 1944 and the Bretton Woods Resolution VI and has been gratified to note that the Government of Sweden has not acquired any gold, other than gold which has been held under earmark in the United States throughout the period of the war, from countries which might have acquired looted gold from the Axis.

In a similar spirit of cooperation the United States Treasury has purchased several shipments of gold from Sweden which are subject to the Gold Declaration of February 22, 1944. However, in view of the fact that the policy of this Government has been not to make purchases of gold which came within the prohibitions of the Gold Declaration until the country offering the gold has made a satisfactory gold settlement and has also declared its adherence to the principles of the Gold Declaration, we would appreciate receiving an informal confirmation in writing that Sweden will observe the principles of the Gold Declaration of February 22, 1944 and particularly that Sweden will not acquire gold from any countries subject to the Gold Declaration without prior discussion with my Government. Upon receipt of such an informal statement, my Government will be able to continue to make purchases of gold from Sweden without question.

If it is necessary to designate specific countries, the countries named should include Argentina, Portugal, Spain, Switzerland and Turkey.

CRMcNeill:or - 5/1/47

207781

DECLASSIFIED

Authority NND 765028By SR NARA Date 12-1-99RG 84Entry 2056File 710-Policy STATEMENTBox 17 1948123 Olson  
AEOlson:jc

American Legation

CONFIDENTIAL

Vienna, Austria, March 16, 1948

Hi Mike,

After further investigation I have found out that the information which I gave you in the letter sent with Mrs. Dulles is essentially correct, but the new details which I have found out throw a little different light on the whole situation.

It seems that one Restitution Commission had decided that allied permission must be obtained before the Commission could adjudicate restitution claims. Then another Commission requested the opinion of the Ministry of Justice concerning this decision. The Ministry rendered an opinion in which it stated that the Restitution Commissions could proceed according to Austrian law without taking recourse to the Allies. This opinion was then sent to the Austrian Foreign Office for coordination and the last I heard had not yet been released (this is the "order" of the Ministry of Justice which I referred to in my letter).

The Supreme Restitution Commission has also grappled with this problem and has come out with a decision which, however, has not yet been released as far as I know. According to this decision, the Restitution Commissions may accept restitution claims, act on them and render a decision but that actual execution of the decision of the Commission cannot be effected without allied permission, presumably of the Commander of the zone where the restitution claim has been made. Thus, for example, the Restitution Commission, in accordance with this decision, could by its decision return a house to the original owner who lost it in 1938, but the original owner in order to have title restored to him in the Land Register would need permission of the Zone Commander. But as you can see, this does not prevent the Restitution Commissions from rendering a decision on a restitution claim.

Michael R. Gannett, Esquire  
USDEL, Austrian Deputies, CFM  
American Embassy,  
London, England

CONFIDENTIAL

KX - 710 -

207782

DECLASSIFIED

Authority NND 765029  
By SR NARA Date 12-1-99RG 84Entry 2056File 710-Policy STATEMENTBox 17 1948CONFIDENTIAL

- 2 -

I understand that the British have given some sort of a general license for the Restitution Commissions to proceed in their zone. Furthermore, I understand that the Americans are taking somewhat similar action.

Although the decision of the Supreme Restitution Commission, which as far as the field of Austrian restitution law is concerned is the Supreme Court, has not yet been published, Mr. Loewy of the Legal Division, USACA, has informed me that this is the content of the decision and will become effective when it appears in the official gazette.

The R.D.&R. Division is making a study of Gasolin G.m.b.h. and has been informed that Mr. Goldsmith has practically all the documents relating to this firm. R.D.&R. would like very much to obtain these documents in order to complete its study. Do you believe it would be possible for you to bring these documents down or have them sent down at the conclusion of the Conference? If you need any official confirmation in order to get the documents please let me know.



Andrew E. Olson

207783

Wm. H. Burrows  
1871

DECLASSIFIED

Authority NND 765028By SR NARA Date 12-1-99

RG

84Entry 2056File 851-FINANCE 148Box 36RestrictedFinance

137

American Legation, Vienna, Austria October 25, 1947

Voluntary

None

Air Mail  
~~Surface-Pouch~~Communist Property  
Acquisition in Hungary

Edward G. Lynch

The Legation has been informed that the Communist Party and certain individuals in Hungary are acquiring very substantial properties from the Volksdeutsche who are being repatriated from that country in considerable numbers and who represent a wealthy property class.

Since the repatriates are permitted to take out of Hungary only such personal belongings as they can carry with them and since the Allied authorities allow them to bring into Germany only 1,000 Reichsmarks as currency, they are legally selling valuable properties in Hungary for a mere handful of Reichsmarks. The Communists are taking advantage of this situation to acquire legal title to very substantial amounts of property belonging to the Volksdeutsche at fantastically low prices.

Because Reichsmarks are not readily available in Hungary at the present time, the Hungarian Communist Party has had a banker named KONDOR in Vienna seeking to acquire some of the 7½ billion Reichsmarks held by the Austrian National Bank to be brought back to Hungary to finance the Communist program of acquiring property. The Austrian National Bank has stated however that no Reichsmarks have been or will be delivered to the Hungarians. It is believed that the Hungarians have acquired considerable marks on the Austrian black market, one of the few remaining sources available to them.

This

207784

Restricted

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99RG 84Entry 2056File 851-FINANCE 1A8Box 76

- 2 -

RESTRICTED

This forced repatriation movement reportedly involves some 800,000 Volksdeutsche in Hungary whose property is estimated to have a value of well over 100 million dollars, the legal title to much of which falls to the Communist Party for practically nothing.

Approved:

K. L. Rankin  
Counselor of LegationEdward C. Lynch  
Economic Asst., PSS 12

Source: Economic Division, USACA, USPA

320

ECLynch:RAVogel

To Department  
in Hectograph

Copy to CE

207785

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99

RG

84

Entry

2056

File

851-FINANCE 1A18

Box

76

STANDARD FORM NO. 64

*SECRET*  
Office MemorandumAMERICAN LEGATION  
VIENNA AUSTRIA

TO: Mr. Erhardt

DATE: October 6, 1947

FROM: C. C. McIvor *DR*SUBJECT: Attached Memo *2*

USFA has reported by cable the information reported to you in the memo attached. This cable does not bring out the effect of the Communist reichsmark activities - - to acquire really substantial properties for a song. Do you feel a parallel telegram to State is desirable?

CCM:bm

*SECRET*

207780

DECLASSIFIED

Authority NND 765028  
 By SR NARA Date 12-1-99

RG 84

Entry 2056

File 851-FINANCE 1A8

Box 26

ORIGINATORS FILE No. \_\_\_\_\_

*Bank*  
*Mason*  
*Quat*

**USFA MESSAGE FORM**

CLASSIFICATION SECRET

SPACE BETWEEN HEAVY LINES FOR SIGNAL USE ONLY

ACTION TO:

OMGUS

INFORMATION TO:

(REF No.)

P 7825

There is repeated below our cable P 7685 dated 20 August 1947 to WDSCA: Quote According to usually reliable sources, agents for the Hungarian Communist Party are active in Vienna in purchasing Reichsmarks on black market to be used by Communist Parties of satellite states to obtain property of Volksdeutsche ~~XXXX~~ to be repatriated from Hungary and possible other satellite states to Soviet Zone Germany. This information believed to be accurate, would indicate that Communist Parties or their agents endeavor to acquire legal title to assets of Volksdeutsche in Central Europe. There is little likelihood of Reichsmarks forthcoming from any other source sufficient to impede above operation as German border control fairly tight and further because 7 1/2 billion Reichsmarks in vaults of Austrian National Bank neutralized by recent Allied Council decision ordering destruction of this currency except certain reserves. This destruction not yet carried out by Austrian National Bank. Request reply whether you desire to be kept informed by cable about ~~for~~ further details which we may obtain regarding above operation. Unquote.

DISTRIBUTION	PRECEDENCE: <u>PRIORITY</u>	DATE - TIME - GROUP  221847
	ORIGINATING SECTION: <u>office of Chief USACA</u>	
	CONTENT AND CLASSIFICATION AUTHENTICATED BY:	
	NAME TYPED <u>C.G. FOFHR, COM EC.</u> TEL. No. <u>B48103</u>	

207787

DECLASSIFIED

Authority NND 765029  
By SR NARA Date 12-1-99

RG

84Entry 2056File 851-FINANCE 1A18Box 26*SECRET*

## MEMORANDUM

August 11, 1947

TO: Mr. Erhardt  
FROM: C. C. McIvor

I have been informed of a program of the Communists in Hungary to acquire very substantial properties of the Volksdeutsche in Hungary who are now being repatriated in considerable numbers and who represent a wealthy property class.

The repatriates are not permitted to take more belongings than they can carry on their person. They are permitted freely to dispose of the rest of their property before they leave, or lose it to the State. They are also required to have at least 1000 Reichsmarks each but are not permitted by the Allied authorities in Germany to have more. In consequence, these people are in a panic and ready to transfer title to very valuable properties in exchange for very small amounts of Reichsmarks which is the only thing they can take to Germany that will be worth anything to them there.

The Communists are taking advantage of the situation to acquire property at fantastically small cost. However, Reichsmarks are not easily available in Hungary now and a communist Hungarian banker by the name of KONDOR has come to Vienna to acquire Reichsmarks. There are seven and one-half billion in the Austrian National Bank, taken in by the Bank at the time of the currency conversion to schillings. These should have been destroyed but the bank still holds them. Kondor is probably trying to obtain perhaps a billion of these which would be sufficient for the Communist purchase program in Hungary. I am told that the bank has been warned not under any circumstances to release any Reichsmarks.

There are probably also substantial quantities of Reichsmarks privately held and obtainable on the Black Market to which Kondor can turn next. It is interesting that in the last few days the Black Market price for Reichsmarks has risen markedly. There seems to be little that we or the Austrians can do to stop this Communist program in Hungary.

The recent forced repatriation movement is reported to involve some 800,000 Volksdeutsche in Hungary. The figure is probably high, but in any case this is likely to be a major migration. The property they will lose in Hungary may amount to well over 100 million dollars. If the device described above

*SECRET*

207788

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99RG 84  
Entry 2056  
File 851-FINANCE 1918  
Box 26

-2-

~~SECRET~~

is carried out, the property will fall almost entirely into the hands of communist individuals and the Party, for a song. Tightening up the availability of Reichsmarks will have the effect of driving down the amounts the repatriates will accept for their property, of leaving many with less than they are permitted or could smuggle into Germany to begin their new life there, and of forcing many to forfeit their property in Hungary to the State for nothing at all. Releasing Reichsmarks to non-communists would help somewhat to keep the property from falling so much to the Communists. It would ease a little, but not much the fantastic loss of property by the repatriates. It would encourage smuggling of Reichsmarks into Germany against Allied policies there.

If this information is substantially correct, the numbers of people and amounts of property transferred will be of such magnitude as to make it a historic incident. Yet there seems to be little that can be done about it.

Marget has recommended that G-2 watch Kondor and try otherwise to obtain more information. He has also submitted to Headquarters a cable report to Washington.

CCMcIvor:bm

~~SECRET~~

207789

Black market prices

DECLASSIFIED  
Authority NND 765028  
By JW NARA Date 12-2

RG 84  
Entry 2056 2062  
File 85116 PARTS ALTERNATES  
NAT BANK  
Box 27 MONTHLY

file FILE COPY  
C. I.

Oesterreichische Nationalbank  
Sekretariat

Vienna, 31 August 1948

No. 599 American Legation,  
Legation of the United States,  
**CONFIDENTIAL** Vienna, Austria, September 7, 1948  
9, Schitzmangasse 15.

**SUBJECT: Forwarding of executed copies of documents by the Austrian National Bank to the Federal Reserve Bank of New York.**

Subject: Forwarding of documents for the Federal Reserve Bank of New York, New York, to the State Department.

**THE HONORABLE** In connection with the opening of accounts of the Austrian National Bank with the Federal Reserve Bank of New York, the latter requested us to send them certain documents in duplicate, suggesting that **WASHINGTON.**

**SIR:** " three of the four executed copies of the documents be delivered to the American Legation."

I have the honor to refer to Despatch No. 87, May 13, 1948 from the Department concerning the transmission of certain documents from the Austrian National Bank to the Federal Reserve Bank of New York. Enclosed are three executed copies of these documents listed below:

- (a) A lengthy statement signed by the President of the Austrian National Bank, Director, and the General Manager.
- (b) A statement signed by officers of the Austrian National Bank authorized to give instructions to the Federal Reserve Bank by radio or cable.
- (c) A statement signed by the Ministers of Finance and Justice that the National Bank, with head office in Vienna, is the Central Bank of Austria, and information with regard to the signatures affixed to the statement.
- (d) A statement by the Minister of Foreign Affairs that the signatures of the Ministers of Finance and Justice are authentic and they have authority to execute a document of the nature described in (c).

Respectfully yours,

Charles W. Yost  
Charge d'Affaires ad interim

- Enclosures:**
- 1 - Statement signed by President of Bank, Director and General Manager
  - 2 - Statement signed by officers of the Bank.
  - 3 - Statement signed by Ministers of Finance and Justice.
  - 4 - Statement by Minister of Foreign Affairs

851.6  
ELDULLES:bf

To Department in Original and Hectograph

**CONFIDENTIAL**

207790

851.6

DECLASSIFIED

Authority NND 765028By JW NARA Date 12-2RG 84Entry 2056File 85116 RETS ACTIVITIES  
NAT. BANKBox 27 MONTHLYOesterreichische Nationalbank  
Sekretariat

Vienna, 31 August 1948.

Legation of the United States,  
V i e n n a  
9, Boltzmanngasse 16.

Subject: Forwarding of documents for the Federal Reserve Bank of New York, New York, to the State Department.

In connection with the opening of accounts of the Austrian National Bank with the Federal Reserve Bank of New York the latter requested us to send them certain documents in quadruplicate, suggesting that

" three of the four executed copies of all the documents be delivered to the American Legation in Vienna with the request that the Department of State be advised by cable of the receipt thereof and that the documents then be forwarded to the State Department " ,  
whereas the fourth executed copy of such documents should be mailed by the Austrian National Bank directly to the Federal Reserve Bank of New York by air mail. We were also requested to advise the said Bank by cable after the documents have been delivered to you.

We beg to hand you enclosed three executed copies of all the documents in question and we should appreciate if you would take further steps in accordance with the request of the Federal Reserve Bank of New York as quoted above.

Yours faithfully,

Oesterreichische Nationalbank  
Sekretariat

*Platzer*

207791

CONFIDENTIAL

DECLASSIFIED

Authority NND 765028  
By JW NARA Date 12-2

RG 84  
Entry 2056  
File 85116 PARTS ACTIVE  
NAT BANK  
Box 27 MONTHLY

FILE COPY

C. L.

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

DEPARTMENT OF STATE  
WASHINGTON



It would be... Legation would  
Liver both... envelope and...  
manila envelope... National Bank...  
from the Bank... receipts, in duplicate

TO CARD

May 13, 1948

AIR MAIL

CONFIDENTIAL

LEGATION OF THE UNITED STATES  
OF AMERICA  
MAY 24 1948  
VIENNA

~~CONFIDENTIAL~~

No. 87

To the

Officer in Charge of the American Mission,

Vienna. A manila envelope, sealed,  
to the Oesterreichische Nationalbank by

The Secretary of State encloses two envelopes, both  
addressed to the Austrian National Bank by the Federal  
Reserve Bank of New York, in connection with the opening  
of accounts in the name of the former at the latter.  
The smaller white envelope contains the original of a  
letter dated April 23, 1948, enclosing a memorandum of  
suggested procedure (and exhibits attached thereto) in  
connection with the opening of the accounts. The Depart-  
ment has copies of the enclosures contained in this  
smaller envelope; they refer chiefly to the documents  
which the Federal Reserve Bank wishes the National Bank  
of Austria to furnish, setting forth the names of the  
individuals who are authorized to give instructions  
regarding payments from funds in the National Bank's  
accounts to be opened at the Federal, indicating the  
authority of the President of the National Bank to give  
such authorization to the persons named, et cetera.

The larger manila envelope contains a letter dated  
April 23, 1948, of which the Department has a copy,  
telling the Austrian National Bank of the procedure to  
be followed in giving instructions to the Federal Reserve  
Bank relative to payments from the National Bank's  
account, and another sealed envelope (within the large  
manila envelope which itself is sealed) containing one  
copy of a secret test arrangement for the authentication  
of cablegrams and radiograms, and one copy of the  
Federal Reserve Bank's private code.

The Federal Reserve Bank has authorized the Depart-  
ment or the Legation to open the smaller white envelope,  
if this is considered necessary to assure itself of the  
contents, but inasmuch as the Department has copies of  
all the enclosures, this envelope is being forwarded  
unopened.

The larger manila envelope, which is sealed, should  
not be opened, for obvious reasons.

It would

207792

CONFIDENTIAL

*Mr. Butler*  
*for action 6/2*  
*Ms. Dulles:*  
*I've done*  
*the first part*  
*and will*  
*gladly do the*  
*rest (see last HQ)*  
*please let me know*  
*what you prefer?*  
*WJS*

DECLASSIFIED

Authority NND 765028By JW NARA Date 12-2

RG

Entry 84 2056 2062File 85116 RETS. ACTIVITIES NAT. BANKBox 27 MONTHLY

- 2 -

It would be appreciated if the Legation would deliver both the small white envelope and the larger manila envelope to the Austrian National Bank, obtaining from the Bank the following receipt, in duplicate:

"Received from the American Legation at Vienna, Austria, the following documents:

(1) One sealed white envelope addressed to the Oesterreichische Nationalbank by the Federal Reserve Bank of New York, said to contain a letter dated April 22, 1948, to the former from the latter, enclosing a memorandum of suggested procedure (and exhibits attached thereto) in connection with the opening of an account on the books of the Federal Reserve Bank of New York for the Oesterreichische Nationalbank.

(2) One large manila envelope, sealed, addressed to the Oesterreichische Nationalbank by the Federal Reserve Bank of New York, said to contain a letter dated April 23, 1948, from the former to the latter, and a sealed envelope containing one copy of a secret test arrangement for the authentication of cablegrams and radiograms and one copy of the private code of the Federal Reserve Bank of New York."

One of the receipts should be transmitted to the Department, and the other should be retained by the Embassy for possible future use.

For the information of the Legation, the Department would state that the documents requested by the Federal Reserve Bank of New York, described in detail in the letter contained in the small white envelope mentioned in (1) above, include the following:

- (a) A lengthy statement signed by the President of the Austrian National Bank, a Director, and the General Manager, relative to the powers of the President and of those persons authorized to sign for the Bank.
- (b) A statement signed by officers of the Austrian National Bank authorized to give instructions to the Federal Reserve Bank by radio or cable that any radiogram or cablegram purporting to come from them will be binding on the National Bank when it contains a test cipher conforming to the test arrangement then in effect between the two banks.
- (c) A statement signed by the Ministers of Finance and Justice that the National Bank, with head office in Vienna, is the Central Bank of Austria, the signatures affixed to the statement described in (a) above are the true signatures of

the individuals

CONFIDENTIAL

207793

DECLASSIFIED

Authority NND 765028  
By JW NARA Date 12-2

RG 84  
Entry 2056  
File 85/116 PATS. ACTIVITIES  
NAT. BANK  
Box 27 MONTHLY

the individuals signing, that each of the signers holds the position indicated and has power to execute such a document, that certain other individuals (giving their names) were duly and legally appointed Directors of the National Bank, that the president and any Director and General Manager (or in the place of the General Manager another member of the Board of Managers) have power to execute a document designating persons authorized to operate accounts of the National Bank at the Federal Reserve Bank, and that any two members of the Board of Managers have power to execute a document designating persons to operate these accounts at the Federal Reserve Bank.

- (d) A statement by the Minister of Foreign Affairs that the signatures of the Ministers of Finance and Justice are authentic and they have authority to execute a document of the nature described in (c).

These documents, ribboned together and bearing the official seal of the Foreign Office, will, upon their completion, be handed to the Legation, in accordance with the request of the Federal Reserve Bank. An American Consular Officer should then authenticate the signature of the Foreign Minister and the seal of the Foreign Office. The documents should then be transmitted by airmail pouch to the Department, with a covering letter mentioning this instruction.

The Legation's assistance in connection with the foregoing will be appreciated.

Enclosures:

Two sealed envelopes addressed to the Oesterreichische Nationalbank from the Federal Reserve Bank of New York.

207794

Mentari - F-103 24

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 851 FINANCIAL MATTERS  
Box 27

SECRET

American Legation,  
Vienna, Austria  
November 1, 1948

*Mr. B...*  
*How does budget now*  
*stand*  
*WIP, E*  
*File*  
*(Austrian Budget)*

MEMORANDUM FOR THE RECORD

Subject: Conversation between Mr. Westmore WILLCOX and  
Ing. Julius RAAB, Parliament leader of the major-  
ity People's Party.

Entire conversation concerned the Austrian budget.

Mr. Willcox indicated his keen displeasure with the manner in which the budget had been worked out and presented, without consultation of his Mission, and with the Finance Ministry's apparent unconcern over the origin of the schilling funds needed to cover the extraordinary budget. He said that the extraordinary budget, together with certain expenditures slated by the Ministry of Planning, would involve some 3 billion schillings which simply are not available from counterpart funds. Also, in his opinion the balancing of the budget is apparent rather than real, since a number of items appear in the extraordinary budget which previously were carried in the ordinary budget.

Mr. Raab stated at first that he considered the budget to be on the whole acceptable. Later, he agreed with Mr. Willcox that numerous expenditures were excessive, and he encouraged Mr. Willcox throughout the conversation to apply pressure on the Austrian government to have expenditures reduced. At the end of the conversation, he reverted to his initial statement that at least as far as the ordinary budget is concerned, it seemed to him a fairly reasonable one. This is somewhat in contrast to his reaction to other statements made by Mr. Willcox in the course of the conversation.

Mr. Willcox emphasized on several occasions that under the terms of the ECA legislation, it is incumbent upon him to convince himself of the sound economic and financial policy of the government, before any counterpart schillings could be released. To this, Mr. Raab kept replying that it would be very find if Mr. Willcox could make the release of counterpart schillings dependent upon specific cuts in budgetary expenditures. It was pointed out to him that it is a question of the overall financial condition of the country which must be stable: An individual project which may in itself be wholly meritorious may fail to receive counterpart schillings if it is considered that the financial situation of Austria as a whole is an unsatisfactory one.

Mr. Willcox

SECRET

851

DECLASSIFIED  
 Authority AND 765028  
 By SR NARA Date 12-1-99

RG

84

Entry

2056

File

851 FINANCIAL MATTERS

Box

27SECRET

- 2 -

Mr. Willcox at one point even stated that he could conceive of a letter being sent by Mr. Hoffman to the Austrian Government, informing them that unless certain regular expenditures of the government were cut, ECA would experience great difficulties in allocating sufficient dollars to Austria next year. Taking another line, Mr. Willcox also emphasized that he expected the entire recovery program to be very critically scrutinized when the next administration comes in, and that he was afraid any impression that the Austrian government, for instance, was unduly extravagant, would militate against appropriation by the Congress of sufficient funds for the next ECA year.

Mr. Raab agreed wholeheartedly that the budget must be cut. He considered that on the whole, it was better to cut expenditures in the regular budget, since an important part of the extraordinary budget contains capital investments which it would be undesirable, from the long-term point of view, to cut too much. As to the sums envisaged by Minister Krauland's Planning Ministry, he disclaimed any knowledge of them and remarked that it was pretty much up to Krauland to find the money with which to finance his program. (Last year, for instance, Krauland was able to draw, to some extent at least, on UNRRA schillings.)

As to cutting the regular budget, Raab urged Mr. Willcox to see to it that particularly the expenditures of the Ministry of Social Affairs (a Socialist ministry) be cut. At the same time, he stressed the political difficulties connected with the cutting of the appropriation of any ministry. The commissioners who are to be appointed for each ministry, and by the minister himself in each case, and who are supposed to effect savings in those ministries, he considered nothing less than a joke: The result would be that since the commissioners are responsible to the minister whose expenses they are to cut, they would cut nothing, and there would only be an expansion of the personnel establishment through the creation of twelve new offices. He will propose in Parliament, he said, that either the commissioners should report to the Finance Ministry in addition to the individual minister, or the ministers themselves should continue to be responsible for making cuts, so that if none are made, it will at least be obvious whose fault it is.

This led to discussion of the role of the Finance Ministry in the entire budget situation. On numerous occasions, Raab

SECRET

207796

DECLASSIFIED

Authority AND 765028By SR NARA Date 12-1-99

RG

84Entry 2056File 851 FINANCIAL MATTERSBox 27SECRET

- 3 -

voiced the opinion that the Finance Minister has no backbone. It is up to the Americans, he felt, to stiffen the back of the Finance Minister, and to achieve an improvement of the budget household by strong pressure. He did not see any way, as it turned out, by which the government itself could put the ax to the budget, because politics are so inextricably bound up with every expenditure that only foreigners can push through a reform, as was done at the time when Austria received a League of Nations loan, when a foreign savings commissioner with wide powers was installed by order of the League. Mr. Raab did not see any chance for a bi-partisan Austrian commission to cut expenditures: Either each party represented in it would nullify cuts which would harm it politically, or else an agreed report would in the end be rejected or sabotaged by the government. Time and again, he came back to the advice that the Americans should apply pressure. There was no indication, however, as to how such general pressure could translate itself into specific action on the part of the Austrian government.

There was agreement between Mr. Raab and Mr. Willcox that it would be extremely desirable, for instance, if a large-scale re-training program could be instituted, whereby the excess of white-collar workers on the government payroll as well as other employes and white-collar workers not on the government payrolls could be transformed into semi-skilled and skilled labor, which will in all probability be urgently required if the present expansion of industrial production keeps up. Mr. Willcox informed Raab that such a project has the approval, apparently, of the Trade Union Federation. Obviously, it also had Raab's approval. The difficulty again lies, however, as he indicated, in finding someone with sufficient impartiality, incorruptibility and authority to make the government remove the unneeded workers from its payrolls.

Much of the ground that was gained seemed lost again at the end of the conversation, when Raab, who had agreed all the time that the ordinary budget could be cut, reverted to his position that it was not a bad one, as budgets go. Mr. Willcox politely accepted this information, but reemphasized the concern with which he views the entire situation. Toward the end of the conversation, Raab indicated that in his opinion there were also several items in the extraordinary budget which could be cut - such as under Communications (A Socialist portfolio) where 700 million schillings are slated, a sum which Raab considers excessive.

Raab gave

SECRET

207797

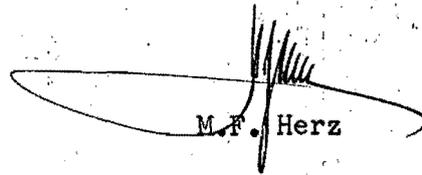
DECLASSIFIED  
Authority AND 765028  
By SR NARA Date 12-99

RG 84  
Entry 2056  
File 851 FINANCIAL MATTERS  
Box 27

SECRET

- 4 -

Raab gave no indication that he would demand specific amendments to the budget. The general tenor of his remarks seemed to indicate that he agrees with our position but is not prepared to do anything; that he recommends that we use pressure, in which case he would cheer us on - probably again without taking action himself on behalf of his party; and that it would take specific demands made by ourselves, supported by something close to an ultimatum - but unaccompanied by publicity - to obtain an improvement of the budget situation.

  
M.F. Herz

MFH:vm:bf

SECRET

DECLASSIFIED

 Authority NND 765028  
 By SR NARA Date 12-99
RG 84Entry 2056File 800 W AUSTRIAN CONVERSATIONSBox 20 OFFICIALSSECRETCOPY

28 January 1948

MEMORANDUM FOR THE RECORD

SUBJECT: Summary of Meeting Between General Balmer and  
Minister Gruber at 1600 hours 28 January 1948.

Present were: Mr. Giblin  
Mrs. Dulles  
Mr. Yost  
Mr. Ekern  
Minister Krauland  
Mr. Hartenau, Undersecretary

Minister Gruber first explained the need for a centralized information procedure in both the American Headquarters and the Austrian Government into which all papers and information concerning the Interim Aid and ERP could be channeled. General Balmer stated that Mr. Giblin occupied such a post in the US Headquarters and Dr. Gruber gave assurance that the Austrian Government would get up a similar organization.

General Balmer then opened the meeting by stating that there were two questions for consideration: (1) the inadequacy of the Marshall Plan to provide for the minimum Austrian requirements, and (2) the question of covering the food gap between 22 May and 15 September. Mr. Yost then presented the first question for discussion. He explained that the Austrian comments on the present very tentative estimates before Congress were required for a report to Washington tomorrow. Minister Gruber brought up the question of what basis had been taken for the reduction in the dollar requirements of Austria and other countries from the Paris Conference figures. He wanted to know whether the Congress expected the difference to be covered by financing from other sources, such as World Bank, etc., or whether the figures were reduced because of the inadequacy of the supply source.

Dr. Gruber likewise asked what changes had occurred in the quantitative amounts estimated as required for Austria during the scaling down of the dollar value from six hundred million to four hundred twenty million. Mrs. Dulles explained that no specific data was available on the cut in the individual quantities but that generally the amounts had been reduced by 1/3. The Austrian representatives stated that for the first year of operation a total requirement of four hundred forty-two million dollars was not being used for a planning basis. One hundred and fifty-one million of this was contained in the Congressional proposals, one hundred and fifty million

was

SECRET

207799

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99RG 84Entry 2056File 800 W AUSTRIAN OFFICIALSBox 20SECRET

-2-

was estimated to come from exports but that this last gap of one hundred and twenty million was uncovered. This amplified Minister Gruber's question whether Congress had in mind other sources of financing or not. Mrs. Dulles brought out that the Paris figures were pared because of (a) a shortage of world supply in many cases, (b) some of the requests of the participating nations were considered excessive and (c) there was a duplication of some of the requests.

General Balmer referred to the estimate of Austrian requirements under the Marshall Plan that he took to Washington, which amounted to a total of two hundred and four million dollars for the first year. He termed this the first coordinated estimate given to Washington and recommended that this Headquarters, as well as the Austrian Government, stick to it. Although there was some talk that the interim aid funds would be applied against the Marshall Plan, this suggestion has been dropped. General Balmer went on to say that due to the rush to bring the Marshall Plan before Congress in December the two hundred and four million dollar estimate may not have received complete consideration in the Congressional proposals. However, he added that no estimate as low as one hundred and fifty million had even been forwarded by this Headquarters.

Dr. Gruber asked if Washington had adopted any policy as to how the financing would be handled for all other countries insofar as this uncovered gap was concerned - such as other foreign credits, banks, etc. He emphasized at the Paris Conference there had been no talk of credits extended between the participating countries. Dr. Gruber summed up by saying that the Austrian authorities would have to make a balance sheet of their needs, in what they were scheduled to receive and to determine what other financing the Congress had in mind. Mr. Yost brought out that the US Headquarters was under pressure to forward the Austrian figures by tomorrow. A cable in general terms had already been sent, and he asked the Austrian officials to submit a report which could be combined with the data from the US Headquarters and sent to Washington tomorrow.

General Balmer then presented the second question - of the food gap existing between 23 May and 15 September. By 23 May all foodstuffs in the pipeline and in the reserves would have been consumed and unless more food was placed in the pipeline by March, the ration would drop in June to 800 calories. The ERP money was not likely before July at the earliest. Procurement of food with this money would take until 15 September. In order to maintain the ration, at least forty million dollars was required. If coal was to be included, this total was raised to fifty-five million dollars. During his visit to Washington it was indicated there would be no more interim aid. Perhaps the situation had changed due to the delay in the ERP but it was necessary that the Austrian Government do everything possible to help itself. Dr. Gruber <sup>insisted</sup> that perhaps a portion of the ERP money could be used to cover the gap, although it probably would be difficult to

SECRET

secure

207800

DECLASSIFIED

 Authority NND 765028  
 By SR NARA Date 12-1-99
RG 84Entry 2056File 800 W AUSTRIAN OFFICIALSBox 20SECRET

-3-

secure a loan on the strength of money as yet unappropriated. The possibility of borrowing on the strength of the ERP availabilities for the latter portion of the four-year period to cover the June-September gap was also suggested. However, it was pointed out by Mr. Yost that the Congressional authorization for the ERP would probably only extend it for a year at a time. This vague assurance would hardly be good collateral.

The possibility of pledging the Gold Pot of 26,187 kilos was discussed. Twenty-one thousand of this was stored in Frankfurt and four thousand four hundred and forty-seven kilos were in New York. Mrs. Dulles estimated this to amount to 27.9 million dollars exclusive of the gold in the National Bank. However, only 17.2 million dollars of the gold was clear for commitment, the remainder having been pledged. After the gold in the National Bank was included, this would bring the total to twenty-one million dollars available for food procurement.

Dr. Gruber asked how the other ERP countries were meeting this problem and General Balmer explained that the lesser extent of rationing in Italy and France would not make the situation inflexible as Austria. He added that this Headquarters had opposed the use of the Gold Pot for this purpose but that it had been raised in Congress. General Balmer emphasized the necessity of some gesture of self-help on the part of the Austrian Government. He stated that he had brought the food deficit to the attention of everybody in Washington that he could reach. Dr. Gruber stated that the Austrian representatives could make no commitments on the gold without first conferring with the Cabinet. He wanted to know how the gold would be utilized, whether as a loan, pledge, deposit or what. The Finance Minister stated that an Austrian law would be required before the gold could be utilized. Mr. Gruber stated that he would immediately bring the problem before the Chancellor this evening and it would be discussed by the Cabinet next Tuesday. Meanwhile, the Austrian authorities would furnish tentative material tomorrow for an answer to Washington by this Headquarters.

General Balmer stressed the importance of extracting the maximum indigenous production from the Austrian farmers. This problem was discussed by the Conference for some time and Mr. Gruber promised that the Austrian Government would do everything within its power to obtain the maximum food collection. However, he was of the opinion that no great results would be obtained and that such a procedure would be of little help in covering the June-September food gap. He stated that the US Headquarters should mention to Washington in their cable that the Austrian Government was formulating a plan to raise all possible dollar credits from other sources and promised a final answer to the US Headquarters by next Wednesday or Thursday. This reply would be in response to the gold question as well.

JESMOND D. BALMER  
 Brig.Gen. USA  
 Deputy Commissioner

SECRET

207801

*Handwritten signature*

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99

RG

84

Entry

2056

File

851-FINANCE 1A8

Box

36CONFIDENTIAL

MEMORANDUM

September 16, 1947

TO: Mr. Erhardt

FROM: C. C. McIvor

SUBJECT: Austria's Use of Foreign Exchange Resources.

In view of the substantial aid we are giving Austria in dollars and in availabilities we must know how they are spending all their resources in order to protect the American giver and let him know whether his gift is being effectively used.

The justice of this is patent, and Austrian officials in conversation accept it without question. The Government has formally agreed to it in the Relief Agreement.

Yet we are getting spotty information. It has been promised repeatedly to the USACA Economic and Finance people, to Mrs. Dulles and to me by Gruber, Krauland, Zimmermann and a number of other officials in these ministries; but the information does not come to us and one can form no intelligent overall picture of the situation. We hear of transactions and changes in the availability of funds through the press and other sources, inquire about them and even then get only partial vague particulars. We hear from the ministries on their initiative only when some project has struck a snag and they appeal for help in that particular matter, sometimes giving us vague and conflicting information even then. We know that there is much on which we have only the news that the project exists, and we must presume that there is much more of which we know nothing at all.

The failure may be in part deliberately to conceal activities which they know would not bear scrutiny, but I think it is due more to a generic disinclination to reveal business secrets, to fear of interference, to fear of providing the Soviets with information which they would use to further their economic aggression, to the inefficiencies of the young Government, to duplication of functions, to jealousies between bureaus (they won't even give each other information sometimes) and to overburdening of key persons. I believe that the officials generally have no idea of the extent of their non-cooperation in the matter. If they did they couldn't help realizing the adverse effect it would have on the continuance of U.S. aid which is fundamental to Austria's independent survival.

*Finance*

207802

DECLASSIFIED

Authority NND 765028By SR NARA Date 12-1-99

RG

84

Entry

2056

File

851-FINANCE 1918

Box

36

-2-

I think that these facts could be presented to the top person in the Government by you or General Keyes, and in case you wish to consider this, I attach notes on what might be said.

(a) The U.S. has poured..... million dollars into Austria in various ways.

(b) It proposes to put in millions more.

(c) The money and supplies are paid by the American people.

(d) Their purpose is partly humanitarian but even more to enable Austria to become independent economically and therefore politically. (The reasons for this hardly need be explained).

(e) The American people want assurance that in giving this money it is being used most efficiently to accomplish the purposes for which it is intended, and that none of it is wasted.

(f) It should be the natural desire of the receiver of aid to give such assurance.

(g) But beyond this the Austrian Government in the case of the Congressional Relief Grant, has formally undertaken to lay open to us all information bearing on the effective use of funds and supplies.

(h) In order to draw competent conclusions and to plan future aid we must have a complete picture of all Austrian resources (not only those we have contributed), both external and internal, and of how they are being utilized.

(i) The attitude of the Austrian officials concerned has been in general cooperative, but a number of major commitments have been undertaken of which we have learned only by chance. The Austrians have even committed themselves to transactions directly dependent upon the use of American relief funds without informing us in advance (contrary to the spirit if not the letter of the agreement) which places us in the position of being faced with a "fait accompli".

207803

DECLASSIFIED

Authority NND 765029By SR NARA Date 12-1-99

RG

84

Entry

2056

File

851-FINANCE 1918

Box

76*SECRET*

TO: General Balmer

August 13, 1947

FROM: C. C. McIvor

I think you should know of the substance of the enclosed memorandum, although the matter is still somewhat vague and no positive recommendations for action yet considered. If the story is half true, it would have far-reaching implications. It ties in definitely with General Keyes' suggestion the other day that we consider conveying to the Austrian Government the need for strict economy in the use of their funds as well as all the money we are pouring in, perhaps pointing to the emergency situation in England as a pertinent and timely example.

So far as I know this tobacco matter is known only to Dr. Marget, Mr. Kerekes, Mr. Giblin and the top staff of the Legation, and has not been reported home by any of these.

Please return this copy.

*CCM*

CCM:bm

*Gen Keyes**you lived with your comments about the future of Austria.**SECRET**JM*

207804

DECLASSIFIED

Authority NND 765028By SR NARA Date 12-1-99

RG

84

Entry

2056

File

851-FINANCE 1918

Box

26CONFIDENTIAL

MEMORANDUM

August 11, 1947

TO : Mr. Erhardt

SUBJ : Austria's Dollar Position

Serious efforts to find out from the Austrian authorities their present dollar position have failed so completely that I believe I must raise the question in a somewhat formal manner with President Rizzi of the Austrian National Bank. Although I have secured a number of figures from the technical men, these are not consistent with each other, with their published reports, and with certain known facts. I believe the American authorities have a right to know the true situation.

The reason Austria's foreign exchange reports are so unsatisfactory is that there are a number of secret deals. The complications take the form of:

- (a) hidden reserves
- (b) export obligations secretly incurred to pay for current imports
- (c) a failure to convert convertible exchange into dollars so as to avoid showing a larger dollar balance

You may know that the Austrians asked that we keep secret the prisoner-of-war payments. This will not be done. We are unable to trace all the facts relating either to the paper exports, the artificial jewelry exports, valued at \$6 million, or the tobacco deals. Therefore we cannot find out either their present situation, their recent exports, or their commitments for later payments.

I am drawing up a table of estimates, but can scarcely rely on any of their published statistics in this field.

Eleanor Lansing Dulles.

ELD:EL

CC - Mr. McIvor ✓

CONFIDENTIAL

207805

DECLASSIFIED

Authority NND 765028By SR NARA Date 12-1-99

RG

84Entry 2056File 851-FINANCE PAISBox 26

-3-

(j) We do not have a sufficiently complete running picture of Austrian resources, expenditures and programs under consideration with which to form competent advice to our Government or, when asked, to the Austrians.

(For instance, I have sought frequently with unsatisfactory results to get a complete picture of the current coal situation and plans for the future. Mrs. Dulles has sought to keep abreast of financial resources and expenditures but has reason to believe that certain items are not known to us which would materially alter our appraisal of the situation. The USACA people have a great deal of information, but frequently they learn by chance of an unstated aspect which completely alters their conclusions.)

(k) We believe that the appropriate officials should be instructed to inform us of all major transactions affecting Austria's total resources and their utilization.

(l) Arrangements can be worked out for this, with adequate provisions to protect the confidence of the Austrians.

CCMcIvor:bm

cc to: General Balmer  
Mr. Marget  
Mr. Giblin

207806

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 851-FINANCE 1A18  
Box 26

*SECRET*

# Office Memorandum

AMERICAN LEGATION  
VIENNA AUSTRIA

TO: Mr. Erhardt  
FROM: C. C. McIver  
SUBJECT: Attached Memorandum

DATE: August 11, 1947

I do not take Sakel's statements as wholly accurate. I think he is strongly influenced by personal considerations, and he is quite evidently a "slick" operator. However, some of his assertions were so specific that he could not make them without having some basis in fact; and with so much smoke there must be some fire. Also I have had some misgiving for other reasons about how seriously the Austrians are taking their responsibility to economize and make every dollar count so long as we are pumping so many dollars into their till. The idea of using 6 million a year for tobacco under the circumstances, really is staggering. I have mentioned this matter to Mrs. Dulles and she would like to see this memo.

CCM:bm

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-99

RG

84

Entry

2056

File

851-FINANCE K18

Box

76*SECRET*

MEMORANDUM

August 11, 1947

TO: Mr. Erhardt  
FROM: C. C. McIvor

A member of the Finance Division called August 7th with Mr. SAKEL (American tobacco man, formerly an Austrian and high official of the Tobacco Monopoly). Their information indicates the probability that the Austrians have, since the occupation, acquired from five and one-half to six million dollars worth of tobacco for domestic consumption. About half of this was stocks left over from the German regime, and the other half was acquired by barter.

They (the Austrians) are planning now a program for acquiring about twelve million dollars worth of tobacco for domestic consumption for the next two years. This is made up as follows:

- (a) Two million from a deal whereby the ExIm Bank would loan the funds to American tobacco dealers who then would advance the tobacco to Austria.
- (b) Five million Swiss francs (about one and one-quarter million dollars) for Argentine tobacco - out of Austrian Swiss franc holdings.
- (c) One and one-half million ExIm Bank financing through a French bank for American tobacco.
- (d) Three million out of occupation funds or the relief grant.
- (e) Four to five million "KG?".

Mr. Sakel did not know what "KG" means but the amount is <sup>about that</sup> ~~almost exactly the amount~~ of the American Prisoner of War payment and the letters may stand for "Kriegs-Gefangene". Also, I am told, the Austrians have been very anxious to keep this payment a secret although the Department naturally wants to announce it publically.

If all this is true it means that the Austrians contemplate diverting large sums of foreign exchange available to them for completely non-productive use, at a time when we are giving them money to enable them to get on their feet and at a time when every dollar is needed for essential relief and for imports of raw materials and machinery for the manufacture of exports to generate foreign exchange.

Commenting on the lettered items above individually, it seems possible that the two million ExIm Bank loan might be feasible and that it would not involve the dissipation of dollar availabilities which could be used for essentials. The deal is a complicated one which I will not attempt to describe here.

*SECRET*

207808

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 851-FINANCE 1418  
Box 26

-2- SECRET

Item (b) is clearly a diversion of free foreign exchange sources to non-essential consumption goods. Furthermore, Sakel says this deal was made at prices almost twice the market price for Argentine tobacco and at a higher price than superior American tobacco. Regarding item (c) I do not believe that the ExIm Bank would consider financing the deal. It also would be at prices far above usual market prices. Regarding item (d) the relief grant funds could not, of course, be used for tobacco. With regard to occupation funds, we have retained no controls in the agreement, but of course would object vigorously to the funds being used, except in small amounts for tobacco. We contemplate that they will all have to be used for coal in the last quarter of 1947 and in 1948. The use of these funds and the four or five million Prisoner of War funds in item (e) would amount to a serious breach of faith, in view of the grants given Austria by ourselves and the British and in view of the written and verbal understandings under which those grants were made - - - that Austria will carefully dispose of all funds available in order to reduce the need for relief in the future and in order to get her economy going on a self-sustaining basis. Furthermore, the excessively high prices at which they have bought tobacco and contemplate future purchases strongly suggests irregularities on a large scale in the disposal of these essential funds.

Mr. Sakel says that the Austrians have bought and propose to buy for domestic consumption a considerable portion of high-grade luxury tobaccos which are not being used now in France, Belgium, Holland or even Switzerland. In other words that they are making no attempt to "tighten the belt" in their tobacco production.

It is reported that the Communists and Socialists may have wind of the Prisoner of War funds and of the possibility of their being diverted to the purchase of tobacco; that they are lying low waiting for more concrete developments before breaking the scandal. It would indeed be a tremendous scandal, deeply involving the good faith of the Government and the very honesty of the Finance Ministry and others. Our reaction too would of course be heavily against the Government.

SECRET

CCMcIvor:bm

Mr. G. F. P. J.

DECLASSIFIED

Authority NND 765029  
By SR NARA Date 12-1-99RG 84Entry 2056File 851-FINANCE 1918Box 36

GENERAL COUNSEL  
TREASURY DEPARTMENT  
WASHINGTON

MAR 10 1947

Dear Mac:

Since my return in September, I have been occupied almost exclusively with financial and other general Treasury problems involving the occupied areas. With the exception of the first few weeks after my return, I have devoted very little attention to defrosting problems. It is for this reason that I considered it best to refer your letter of February 25 to the Foreign Funds Control people for reply.

Like you, I, too, was impressed with the way in which the Austrians readily grasped the intricacies of the defrosting procedure. I must admit, however, that I was somewhat taken aback upon learning that Wewalka, the man who in my opinion best understood the procedure, was a former member of the Nazi Party.

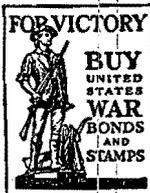
I can well imagine that this past winter in Vienna has not been pleasant. I am wondering whether you will be returning to the States after the signing of the Austrian peace treaty. If you do, be sure to look me up.

With best regards to your wife and yourself.

Sincerely,

Matthew J. Marks

Mr. C. C. McIvor,  
American Legation,  
Vienna, Austria.



207810

DECLASSIFIED

Authority NND 765028By SR NARA Date 12-1-99

RG

84Entry 2056File 851-FINANCE 1918Box 26*Treasury*

American Legation,  
Vienna, Austria  
February 25, 1947

Dear Marks:

You did a marvelous job unfreezing Austria last summer, but old man Winter has pursued the opposite course. It really has been something!

We got an airgram (No. A-48, February 13) laying down the rule that residents of General License 95 countries should not be allowed to have benefits of the license in other General License 95 countries, nor direct Treasury licenses in non-blocked countries - - - should confine their unfreezing activities to the country of permanent residence and under General License 95 procedures there established. I have conveyed the text of the airgram to the Government, almost verbatim. In two places it cites General License 94 as a criterion. I know that I'm going to be asked why, and frankly I don't see why myself, though I doubt if it can be a mistake. I'd appreciate a word of elucidation. Maybe I'm out of practice or too tired to figure it out.

A question that has already been asked and in answer to which I'm afraid I wasn't very convincing, is, why was Italy included in the supplementary letter of assurance regarding tainted assets in accounts of clean banks. If someone in the Department cares to spell this one out too it would be appreciated.

A question less difficult but wholly practical is - who are the official certifying agents in the various countries admitted to General License 95. I should think all "members" would like that bit of information and suggest that it be included in Treasury's lists from time to time of the "member" countries. We don't have all the press releases in

which

Matthew J. Marks, Esquire,  
U.S. Treasury Department,  
Washington, D. C.

207811

DECLASSIFIED

Authority NND 765028By SR NARA Date 12-1-99

RG

84Entry 2056File 851-FINANCE 1A8Box 26

-2-

which the agents names appear, and so would appreciate an answer to this - - - quickest in a personal letter.

The new Nazi gesetz will probably come into force very soon. In some respects it is stiffer, in some respects not. I think it will fit the Control purposes, but if not, nothing can be done about it because if anything is certain, it is that the Commission doesn't want to open that subject again. We needed the Bank again only the other day to get on with their compilation of a record of the Nazi portion of the assets in the United States. They have put it off waiting for this new law, and I think feeling that the amount will be negligible anyway and not worth the effort. In the Bank's implementing announcement of unfreezing procedures just published they have a mandatory clause (or practically mandatory) on which they are counting to bring in the dope without expenditure on their part of too much research effort. (They really are terribly short-handed you know). I have a good deal of admiration for them. They showed evidence when you were here of grasping a complicated structure pretty quickly, but in our latter talks they show a really penetrating study of the documents. Maybe that's why they are so slow. I've known such exalted levels of precision to delay things in other organizations!

Of course, we furriners have been all right here but the winter has really been awful for the Austrians, in Vienna at any rate. We really wonder that there have not been outbreaks or at least more evidence of demoralization. It's one thing when you're hungry all the time - - you can still work a bit. But when you're cold and never once can get really warmed up its really bad.

If Zip Alk, Irving Moskowitz, John Richards, and Eiting Arnold are still there, please give them my regards. With best wishes to yourself, I am

Sincerely yours,

CCMcIvor:bm

207812

John Smith

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File Summary Report on Claims 10/30/48  
Box 19

**CONFIDENTIAL**

HEADQUARTERS  
UNITED STATES FORCES IN AUSTRIA  
BRACA SECTION  
Reparations, Deliveries & Restitution Division  
APO 777, U.S. Army

SUMMARY REPORT ON CLAIMS AND RESTITUTIONS  
As of 30 June 1948

DECLASSIFIED  
 Authority MINO 765029  
 By SR NARA Date 12-1-99

RG 84  
 Entry 2056  
 File Summary Report of  
claims 10/30/48  
 Box 19

**CONFIDENTIAL**

b. As long as U.S. has reason to desire that restitution to Italy be continued in all categories, the U.S. Element should continue to execute the restitution program and the function should not be handed over to the Austrian Government.

Lt. Col. H. C. Silbee of CAD Washington concurs in our recommendations to this question, as well as to our comments for problem "3" below. An immediate answer to this question is desired because of the difficult attitude taken by the Austrian Government toward restitutions to Italy.

3. Disposition of Manfred Weiss Property - While directive WX-98298 also includes that the restitution of the Manfred Weiss property be left to the disposition of the Austrian Government, by our cables No. P-1775 and No. P-1934, it was recommended by this Headquarters to Washington that this property be retained under U.S. control. Principal reason is to prevent delivery to Soviet satellite nation of Weiss machinery, capable of manufacturing war potentials and possibility that these machines will eventually go to USSR. A decision as to the ultimate disposition of the Manfred Weiss property, which is still under U.S. control, should be reached soon.
4. Disposition of Looted Securities and Currencies - The restitution of looted securities and currencies provided for in paragraphs 24 and 5 of basic restitution directive WANX-35965 of 30 November 1945 was rescinded so far as Austria is concerned by cable WANX-98923 of 1 March 1946. This restriction applied also to ex-enemy nations. The proposed new restitution directive (SEC 7/6) as outlined in WX-81793 does not cover disposition of looted securities and currencies. An inventory of the currencies on hand and a list of claims for restitution of currencies, securities and accounts

**CONFIDENTIAL**

207814

DECLASSIFIED  
 Authority 11ND 765028  
 By SR NARA Date 12-1-99

RG 84  
 Entry 2056  
 File Summary Report of Claims 6/30/48  
 Box 19

## CONFIDENTIAL

has been prepared by R&R Division and forwarded so as to enable Washington to make an adequate study of subject matter. Since the problem of restitution of securities and currencies becomes more urgent, a decision as to the disposition of these assets should be reached soon. No agreement has been reached in the R&R Directorate for the disposition of currencies and securities in the International Zone of Vienna, but discussions on subject matter are continuing.

5. Cut-off Date for Receiving of Restitution Claims from United Nations

Reference is made to paragraph 12 of WK-51793 of 15 May 1948. An agreement on Austrian Peace Treaty is not expected in the near future. We recommend therefore that consideration be given to the establishment of a cut-off date for the filing of restitution claims from United Nations. Such cut-off date should be 90-days after notification date to the nations concerned. British Element has already established a cut-off date effective as of 30 April 1948. We do not believe a cut-off date for restitution deliveries would be feasible as this will depend upon individual cases and on how quickly the U.S. authorities can solve them. It is estimated that we can complete all important deliveries within 4 months after cut-off date becomes effective.

DECLASSIFIED  
 Authority NND 765028  
 By SR NARA Date 12-1-99

RG 84  
 Entry 2056  
 File 711-1041 PERM  
 Box 19

# ACTION COPY TELEGRAM SENT

2246

To: SECSTATE

Date: June 18, 1948, 5 p.m.

No.: 777

Code: SECRET

Charged to: #1

**SECRET**

1-1142

Reference Department's circular telegram June 11, 1948,  
 1 a.m.

Complete prohibition of military activity in Austria,  
 as required by the terms of the Potsdam Agreement, was put into  
 effect by Allied Council Decision of December 10, 1945, and com-  
 municated to the Chancellor of Austria on December 11, 1945.  
 The decision has been implemented by the Austrian Government,  
 which reissued the Allied Council directives in the form of a  
 Proclamation having the full force of Austrian law. Frequent  
 inspections have been conducted by the Allied Council to assure  
 compliance, which means the complete demilitarization of Austria.  
 All captured war material has either been de-activated for effec-  
 tive use, or seized and exported as booty, by one or more of the  
 occupational powers. Neither the Austrian Government nor individual  
 Austrian persons or firms have possession of any war material which  
 would be useful for export.

Export, import and trans-shipment of war material is  
 regulated by pre-Anschluss provisions of Austrian Customs Law  
 (Par. 7) and Directions of the Customs Law (Par. 21) which were

**SECRET**

711

207810

DECLASSIFIED  
Authority AND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 711- WAIL PERME  
Box 19

SECRET

- 2 -

**SECRET**

reintroduced by Austrian Federal Law No. 127, published August 20, 1946. An official license is required for any arms shipment, and under the Allied Council directives no Austrian authority is likely to issue such a license.

It is, of course, possible for any one of the occupying powers to ship war material out of Austria in sealed trains without the knowledge of Austrian authorities, and there is at present no means of checking on traffic of this kind. Legation doubts, however, whether disarmament of Austria has left on Austrian territory much useful war material other than equipment and materiel components of the armed services of the powers themselves, and possibly some booty not yet forwarded or otherwise disposed of.

ERHARDT

WFBusser: jc

*WFB*  
*AM* *Curly*

SECRET

**SECRET**

18798

18798

DECLASSIFIED

Authority NND 765029  
By SR NARA Date 12-99

RG 84  
Entry 2056  
File 710-Policy STATEMENT  
Box 17

1829

HEADQUARTERS  
UNITED STATES FORCES IN AUSTRIA  
USAFIA SECTION  
Reparations, Deliveries and Restitution Division  
APO 777, U.S. Army

SUMMARY REPORT ON CLAIMS AND RESTITUTIONS  
As of 31 Dec 1947

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12/99

RG 84  
Entry 2056  
File 710-Policy STATEMENT  
Box 17

Detailed Report on Claims & Restitutions by USFA as of 31 Dec 1947

1 Director American 10 Mar  
USACA Legation 1948

With reference to your request for additional reports concerning status of restitution program in the U.S. Zone of Austria, the attached report (in duplicate) covering restitution program in U.S. Zone of Austria as of 31 Dec 1947 is forwarded for your information.

1 Incl.:  
Report (in duplicate)

Major R P Weeber/tl  
Tel: VIENNA B-47393

C. G. DODGE  
Colonel GSC  
Director, USACA

207819

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-99RG 84  
Entry 2056  
File 710-Policy STATEMENT  
Box 17

HEADQUARTERS  
UNITED STATES FORCES IN AUSTRIA  
USA/IA SECTION  
Reparations, Deliveries and Restitution Division  
APO 777, U.S. Army

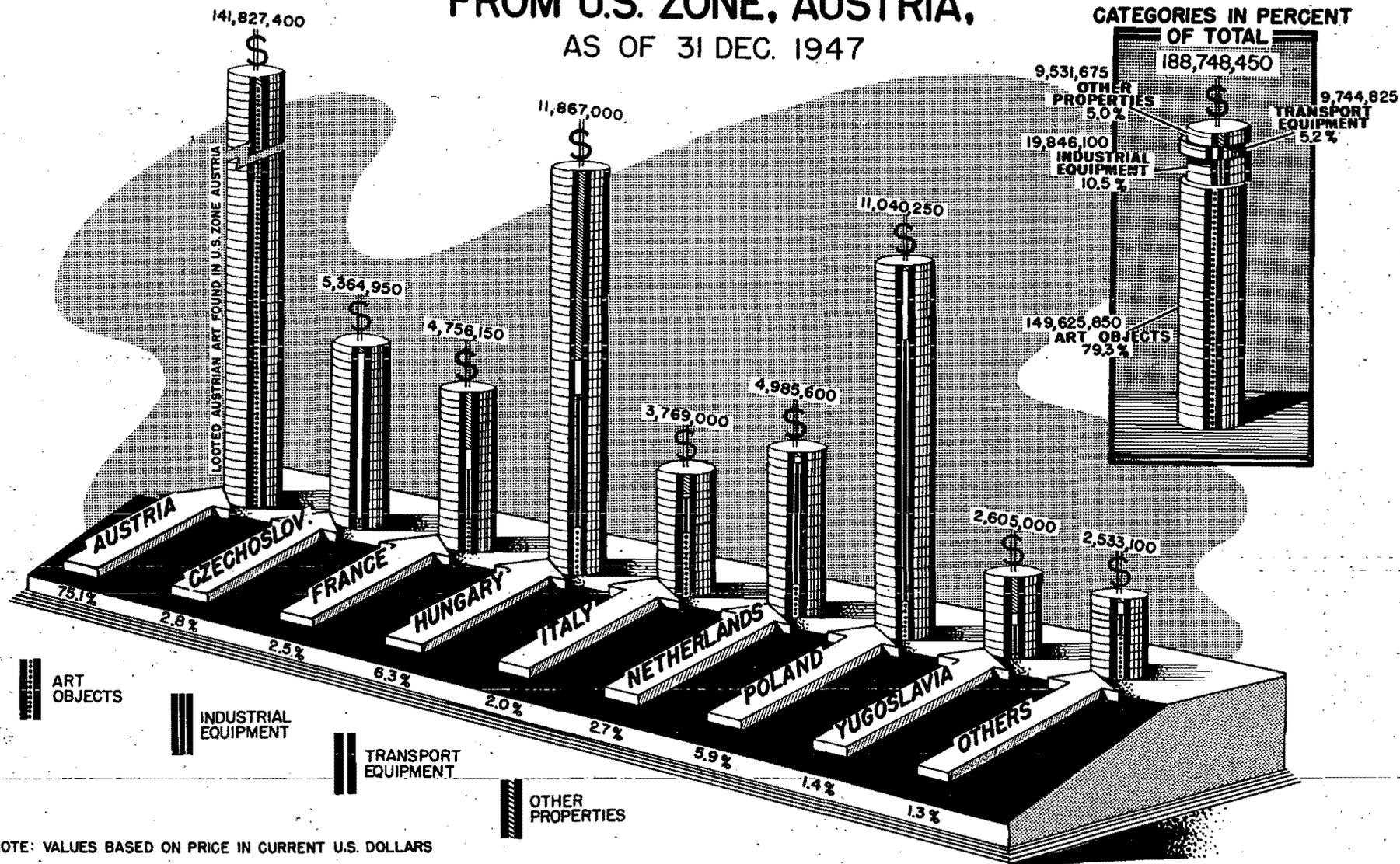
REPORT ON CLAIMS & RESTITUTIONS AS OF 31 DECEMBER 1947

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE NUMBER</u>
CHART - Status of Restitution Claims	1.
CHART - Estimated Evaluation of Completed Restitutions	2.
CHART - Completed Restitutions by Freight Carloads	3.
ANALYSIS OF RESTITUTIONS U.S. ZONE AUSTRIA, JULY TO DEC 1947	4. - 7.
(1) Claims Received	
(2) Claims Dropped	
(3) Restitutions Made	
(4) Claims Pending	
TABLE - Status of Restitution Claims	8.
TABLE - Breakdown of Completed Restitutions by Percentages	9.
TABLE - Estimated Evaluation of Completed Restitutions	10.
TABLE - Breakdown of Completed Restitutions by F/Carloads	11.
PROBLEMS OF RESTITUTION	12. - 15.
(1) General	
(2) Force and Duress	
(3) Ordinary Business Transactions	
(4) Securities in Safe-Keeping	
(5) Restitutions Adverse to Austrian Economy	
(6) Other Policy Changes	
SUMMARY OF ACTION BY ALLIED COMMISSION FOR AUSTRIA RE RESTITUTIONS	16.

207820

# ESTIMATED EVALUATION OF COMPLETED RESTITUTIONS FROM U.S. ZONE, AUSTRIA, AS OF 31 DEC. 1947



NOTE: VALUES BASED ON PRICE IN CURRENT U.S. DOLLARS  
SOURCE: HQ. USFA — USACA RD & R DIVISION

207821

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED  
Authority NND 716528  
By SR NARA Date 12/19/98

RG 84  
Entry 2056  
File 710-Policy Statement  
Box 17

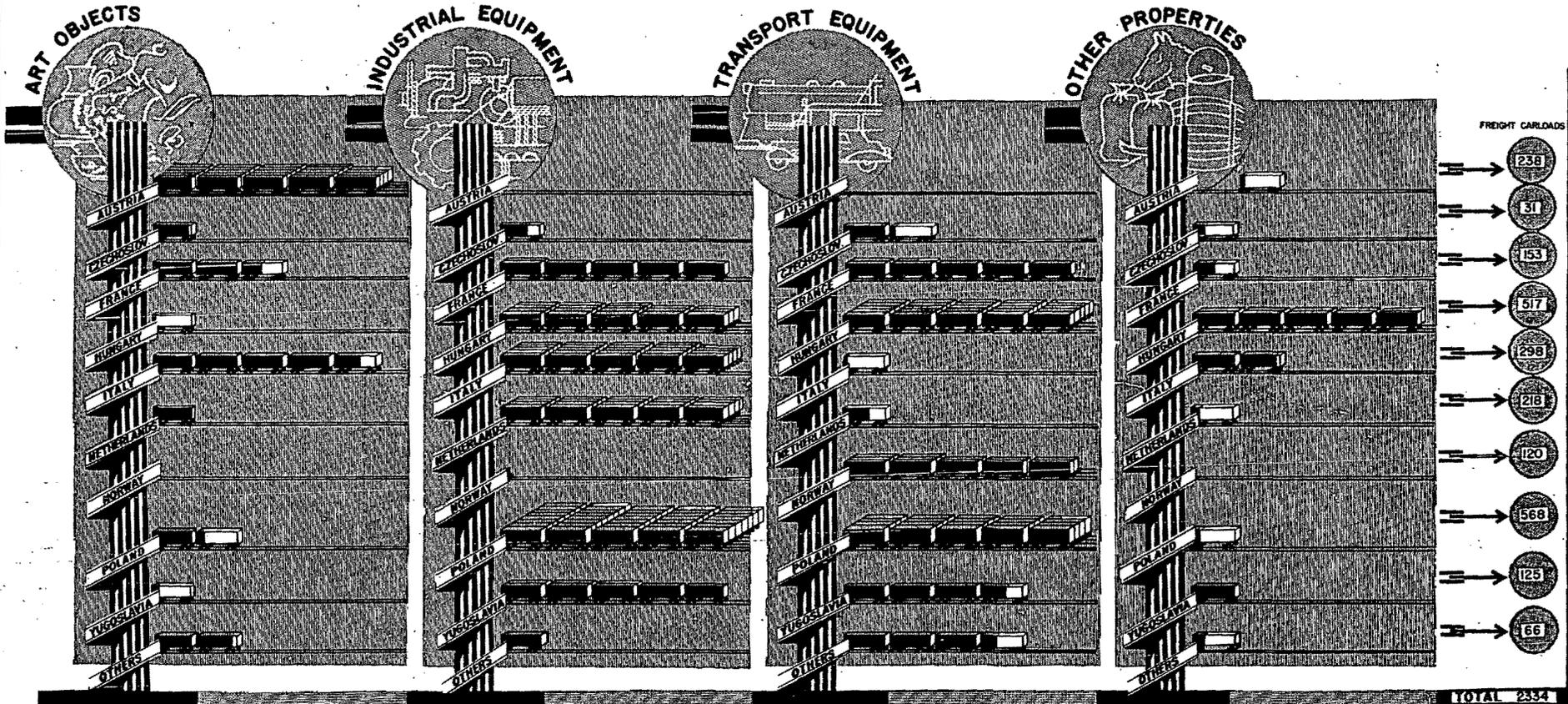
NAME

# COMPLETED RESTITUTIONS FROM U. S. ZONE AUSTRIA

AS OF 31 DEC. 1947

BY FREIGHT CARLOADS

 = 10 FREIGHT CARLOADS



360 ART OBJECTS 15.4%	1124 INDUSTRIAL EQUIPMENT 48.2%	707 TRANSPORT EQUIPMENT 30.3%	OTHER 143 PROR 6.1%
-----------------------	---------------------------------	-------------------------------	---------------------

SOURCE: HQ. USAF - USACA RD & R DIVISION

DECLASSIFIED  
 Authority: AND 7165028  
 By: [Signature] NARA Date: 12/19/94

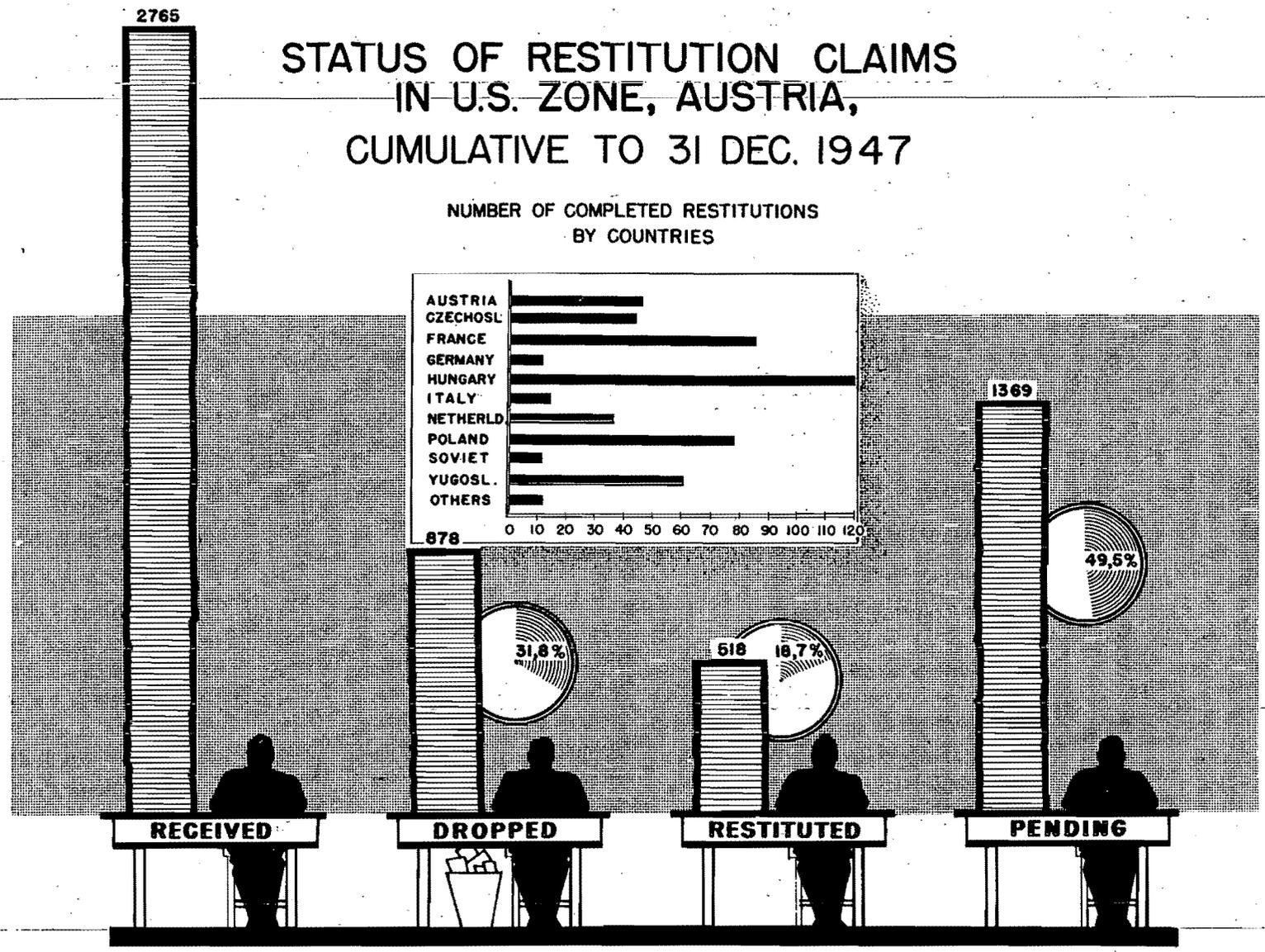
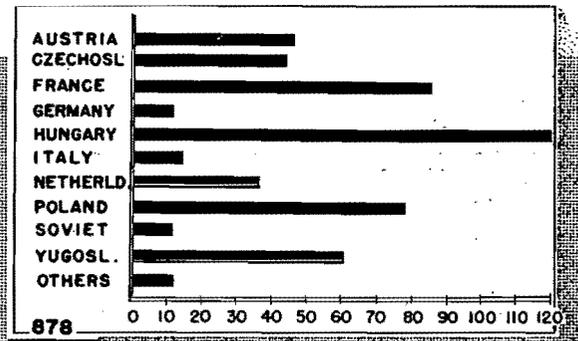
RG 84  
 Entry 2056  
 File 710-Boycy Statement  
 Box 17

207822

REPRODUCED AT THE NATIONAL ARCHIVES

# STATUS OF RESTITUTION CLAIMS IN U.S. ZONE, AUSTRIA, CUMULATIVE TO 31 DEC. 1947

NUMBER OF COMPLETED RESTITUTIONS  
BY COUNTRIES



SOURCE: HQ. USFA — USACA RD & R DIVISION

DECLASSIFIED  
 Authority: AMO 7165028  
 By: SR NARA Date: 12/19/91

RG 84  
 Entry 2056  
 File 710-Policy STATEMENT  
 Box 17

207823

DECLASSIFIED

Authority AND 765028  
By SR NARA Date 12-1-99

RG

84Entry 2056File 710-Policy STATEMENTBox 17ANALYSIS OF RESTITUTIONS U.S. ZONE AUSTRIA, JULY TO DECEMBER 19471. CLAIMS RECEIVED

In the last two years 2765 claims were received for looted property to be restituted. On 31 December 1946, claims filed totaled 1369, six months later they had increased to 2281 claims and by 31 December 1947, the total number of claims amounted to 2765, an increase of 21% over the past six months period.

The largest number of claims received during the past 6 months was in July, when 128 claims were filed by 13 nations eligible for restitution.

Claims were received from 19 nations, but the majority of the claims have been received by Hungary, Czechoslovakia, France, Yugoslavia, Poland, Italy, and the Netherlands. The largest number, 1146 (41%), were received from Hungary, Czechoslovakia is second with 394 (14%) and France third with 328 (12%) claims filed.

The term 'claim' can be very misleading, for whereas one claim may be for only one bicycle, another claim may be for an entire factory, involving hundreds of expensive machine tools.

2. CLAIMS DROPPED

Many claims received from both Allied and Ex-Enemy nations are dropped for various reasons: perhaps the claimed property can not be located in the U.S. Zone of Austria, perhaps the claim is a duplication of another claim; or perhaps the property has become lost, stolen or disposed of in the Summer of 1945 by either the previous Russian occupiers, the U.S. Army, Displaced Persons or Austrian civilians. Again, some Missions resort to copying information and data while in the U.S. Zone on all moveable property in sight and then present claims for it. This is followed up by presentation of very questionable ownership papers; such claims, pertaining primarily to motor vehicles, are of course denied.

207824

DECLASSIFIED

Authority NND 765028By SR NARA Date 12/4/99

RG

84

Entry

2056

File

710-Policy STATEMENT

Box

17

On an average, for every four vehicle claims received, three are declared invalid.

The number of claims dropped has increased from 495 in June 1947 to 878 by 31 Dec 1947, or nearly 78%. The largest number of claims dropped from one country was 270 from Czechoslovakia, which amounts to 69% of the claims filed by this country. On a percentage basis, Italy runs second with 63% of its claims dropped.

Considering the total number of claims dropped to date - 878 and the number of restitutions effected - 518, nearly 63% of all the claims under direct consideration for restitution are being dropped for one reason or another. Under these considerations, 87% of the Italian claims were dropped, 86% from Czechoslovakia and 71% from Hungary.

### 3. RESTITUTIONS MADE

As in the past, restitution deliveries during the six months period covered by this report included large quantities of machine tools, electric machinery and equipment, road machinery, motor vehicles, miscellaneous raw materials, components and finished products, paintings, household goods, furniture, etc.

The number of restitutions completed to date is 518, an increase of 43% over the number of restitutions completed on 30 June 1947. While during the first half of 1947, the number of effected restitutions was 163, only 155 restitution deliveries were completed during the second half, inspite of an increased number of PD&R field representatives available. This decrease in the number of effected restitutions is caused primarily by the fact that in the initial stages of the restitution program, with a huge amount of surplus property available in Austria,

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99RG 84  
Entry 2056  
File 710-Policy STATEMENT  
Box 17

restitutions were more easily completed without any material effect on the Austrian economy. However, restitution of certain goods from the U.S. Zone of Austria has now reached the phase where if restitution is made, it will seriously affect labor and production within the Austrian economy.

The largest number of effected restitutions (23.2%) was made to Hungary, France is second with 16.4% and Poland third with 15.1%.

On a current U.S. dollar basis, the total value of completed restitutions increased during the past six months from \$182,041,325 to \$188,748,450. More than \$149,600,000, or 79.3% pertain to art restitution deliveries, 10.5% to industrial equipment, 5.2% to transport equipment and 5.0% to other properties. Almost 75% of the entire value of restitutions made have been monuments and fine arts which have been returned to Austria. This is a process which began in Summer of 1945 upon the discovery of the huge deposits of looted art works distributed throughout the U.S. Zone.

Evaluations of effected restitutions are approximately only, particularly in the case of Fine Arts. However, the dollar values listed have, in most cases, been obtained in consultation with representatives of the receiving nations. It is believed that the value of Fine Arts Restitution, especially to Austria, is very conservative.

With regard to the quantitative evaluation of the completed restitutions during the past six months, apart from 4 Danube barges, 598 freight carloads with restitutable goods were shipped out of Austria. The total amount of freight carloads shipped to date is 2334, an increase of 35% against the June 1947 figure of 1736 carloads.

207826

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99RG 84  
Entry 2056  
File 710-Policy STATEMENT  
Box 17

Most of the property restituted to date from the U.S. Zone of Austria represents industrial machinery and equipment with 1124 freight carloads (or 48%) having been shipped. Based on existing directives, no restitutions have been made of currencies or securities.

It is noteworthy that on a monetary basis, art restitution amounted to 79.3%, while based on the number of effected restitution, art deliveries amounted to 22.6% and on a freight carload basis to 15.4% only.

Considering the restitution program as a whole by evaluating the number of effected restitutions and claims dropped against the number of claims received, the restitution program for the U.S. Zone of Austria is now over 50% completed, as compared to 38% in June 1947 and only 34% in December 1946.

#### 4. CLAIMS PENDING

All claims which have not been dropped, or for which restitution has not been made, are still under investigation and fall in this category. It does not include properties of foreign origin under control, for which no claim has been presented, nor does it include properties uncovered by the looted property declaration law of May 1946. The category includes also properties claimed by more than one nation, which claims are forwarded to Legal Division, USAZA, for opinions as to proper ownership or the restitution is temporarily withheld as it would seriously affect the Austrian economy and a settlement of the claim is being attempted by a bi-lateral trade agreement between the Austrian Government and the claimant nation.

207827

DECLASSIFIED  
 Authority NND 765028  
 By SR NARA Date 12-1-99

RG 84  
 Entry 2056  
 File 710-Policy STATEMENT  
 Box 17

HEADQUARTERS  
 UNITED STATES FORCES IN AUSTRIA  
 USACA SECTION  
 Reparations, Deliveries and Restitution Division  
 Reparations and Restitution Branch

STATUS OF RESTITUTION CLAIMS AS OF 31 DECEMBER 1947

Country	Claims Received	Claims * Dropped	Restitutions Effected	Claim Pending
1. Austria	98	3	46	49
2. Belgium	49	14	2	27
3. Bulgaria	1	-	1	-
4. Czechoslovakia	394	270	44	80
5. France	328	57	85	187
6. Germany	34	-	12	22
7. Greece	5	2	1	2
8. Hungary	1166	288	120	742
9. Italy	142	89	14	95
10. Luxembourg	1	1	-	-
11. Netherlands	121	44	36	41
12. Norway	2	-	1	1
13. Poland	172	48	78	46
14. Rumania	25	-	4	21
15. Soviet Union	24	5	11	8
16. Turkey	1	1	-	-
17. Yugoslavia	180	48	60	71
18. British Subjects	8	1	1	6
19. U.S. Citizens	38	7	-	31
20. U.N.C.	2	-	2	-
<b>TOTALS</b>	<b>2765</b>	<b>878</b>	<b>518</b>	<b>1369</b>
<b>PERCENTAGES</b>	<b>100 %</b>	<b>31.8 %</b>	<b>18.7 %</b>	<b>49.5 %</b>

Restitution Program - 50.5% completed

\* Claims dropped because of duplication, location outside U.S. Zone of Austria or failure to substantiate claim.

HEADQUARTERS  
 UNITED STATES FORCES IN AUSTRIA  
 USATA SECTION  
 Reparations, Deliveries and Restitution Division  
 Reparations and Restitution Branch

BREAKDOWN OF COMPLETED RESTITUTIONS BY PERCENTAGES  
AS OF 31 Dec 1947

	Total Completed Restitutions		Art		Industrial		Transportation		Other Properties	
	No.	%	No.	%	No.	%	No.	%	No.	%
Austria	46	8.9	40	87	-	-	-	-	6	13
Belgium	2	0.4	1	50	1	50	-	-	-	-
Bulgaria	1	0.2	-	-	-	-	1	100	-	-
Czechoslovakia	44	8.5	9	20	10	23	19	30	12	27
France	85	16.4	23	27	28	33	24	28	10	12
Germany	12	2.3	12	100	-	-	-	-	-	-
Greece	1	0.2	-	-	-	-	-	-	1	100
Hungary	120	23.2	4	3	19	11	61	51	42	35
Italy	14	2.7	4	29	6	43	1	7	3	21
Netherlands	36	6.9	19	53	11	31	3	8	3	8
Norway	1	0.2	-	-	1	100	-	-	-	-
Poland	78	15.1	3	4	58	74	8	10	9	12
Rumania	4	0.8	-	-	-	-	3	75	1	25
Soviet Union	11	2.2	1	9	9	82	-	-	1	9
Yugoslavia	60	11.6	1	2	25	42	8	13	26	43
British Subjects	1	0.2	-	-	-	-	-	-	1	100
U.N.O.	2	0.2	-	-	-	-	-	-	2	100
<b>TOTALS</b>	<b>518</b>	<b>100 %</b>	<b>117</b>	<b>22.6 %</b>	<b>162</b>	<b>31.2 %</b>	<b>122</b>	<b>23.6 %</b>	<b>117</b>	<b>22.6 %</b>

REPRODUCED AT THE NATIONAL ARCHIVES  
 DECLASSIFIED  
 Authority: NND 765028  
 By: SR NARA Date: 12-19-98

RG 84  
 Entry 2056  
 File 710-Policy Statement  
 Box 17

207829

HEADQUARTERS  
 UNITED STATES FORCES IN AUSTRIA  
 USAJA SECTION  
 Reparations, Deliveries and Restitution Division  
 Reparations and Restitution Branch

ESTIMATED EVALUATIONS OF COMPLETED RESTITUTIONS  
 As of 31 Dec 1947

Country	Art	Industrial Equipment	Transport Equipment	Other Properties	Total
Austria	\$ 111,620,800	\$ -	\$ -	\$ 206,600	\$ 111,827,400
Belgium	20,000	6,000	-	-	26,000
Bulgaria	-	-	110,000	-	110,000
Czechoslovakia	56,000	112,050	5,056,500	100,000	5,264,950
France	1,011,850	1,469,450	587,000	1,667,850	4,736,150
Germany	1,297,000	-	-	-	1,297,000
Greece	-	-	-	1,000	1,000
Hungary	1,977,000	9,920,000	919,600	5,626,100	11,862,700
Italy	2,020,000	1,215,000	1,000	539,000	3,775,000
Netherlands	1,107,500	9,650,750	175,000	52,350	11,985,600
Norway	-	600,000	-	-	600,000
Poland	1,110,000	7,780,850	2,111,200	8,200	11,010,250
Rumania	-	-	267,000	5,000	272,000
Soviet Union	300	73,900	-	75,000	149,200
Yugoslavia	5,000	967,700	423,525	1,208,775	2,605,000
British Subjects	-	-	-	2,000	2,000
U.S.O.	-	-	-	45,500	45,500
<b>TOTALS</b>	<b>\$ 119,625,850</b>	<b>\$ 19,846,100</b>	<b>\$ 9,744,825</b>	<b>\$ 9,531,675</b>	<b>\$ 188,748,450</b>
<b>PERCENTAGES</b>	<b>79.3 %</b>	<b>10.5 %</b>	<b>5.2 %</b>	<b>5.0 %</b>	<b>100 %</b>

Note: Estimated values based on current U.S. Dollar prices.

207830

DECLASSIFIED  
 Authority: AWD 715028  
 By: SR NARA Date: 12/19/99

RG 84  
 Entry 2056  
 File 710-Peury Statement  
 Box 17

HEADQUARTERS  
 UNITED STATES FORCES IN AUSTRIA  
 USAFA SECTION  
 Reparations, Deliveries and Restitution Division  
 Reparations and Restitution Branch

BREAKDOWN OF COMPLETED RESTITUTIONS BY FREIGHT CARLOADS  
As of 31 Dec 1947

Country	Art	Industrial Equipment	Transport Equipment	Other Properties	Total
Austria	236	0	0	2	238
Belgium	1	1	0	0	2
Bulgaria * (1)	0	0	0	0	0
Czechoslovakia * (2)	9	7	12	9	37
France	241	60	64	44	359
Germany	16	0	0	0	16
Hungary * (3)	14	178	241	96	517
Italy	46	232	1	19	298
Netherlands * (4)	10	199	6	9	218
Norway	0	0	180	0	180
Poland	12	361	199	14	568
Rumania * (5)	0	0	34	0	34
Soviet Union	21	91	0	0	112
Yugoslavia * (6)	2	76	36	100	125
Miscellaneous	0	0	0	9	9
<b>TOTALS</b>	<b>360</b>	<b>1124</b>	<b>707</b>	<b>143</b>	<b>2334</b>
<b>PERCENTAGES</b>	<b>15.4 %</b>	<b>48.2 %</b>	<b>30.3 %</b>	<b>6.1 %</b>	<b>100 %</b>

Note: Additional Restitutions not listed above:

- \* (1) - 2 Barges
- \* (2) - 18 Barges
- \* (3) - 252 Unserviceable Freight cars (empty) and 5 Barges
- \* (4) - 1 Barge
- \* (5) - 2 Barges
- \* (6) - 2 Barges

207831

REPRODUCED AT THE NATIONAL ARCHIVES  
 DECLASSIFIED  
 Authority: NND 7165029  
 By: SR NARA Date: 12-19-99  
 RG 84  
 Entry 2056  
 File 710-Box 17  
 Box 17  
 Statement

DECLASSIFIED

Authority NNO 765028  
By SR NARA Date 12-1-99RG 84  
Entry 2056  
File 710-Policy STATEMENT  
Box 17PROBLEMS OF RESTITUTION

1. General - Restitution of goods removed from other nations during the German occupation has now reached the phase where it may become detrimental to Austrian economy. Claimant nations are also presenting various forms of legal argument and interpretation of the London Declaration. This Headquarters has been using its best judgment in deciding as to the validity of claims, but in some instances the representatives of the claimant nation have violently protested these decisions. Since the issuing of the so-called interim policies in WARX 85965 (1945) and WARX 99226 (1946), the overall governmental policy with respect to some of the so-called allied nations and ex-enemy nations has apparently changed. Of particular note in this respect is the reference in WARX 99226 which places Austria in the category of an ex-enemy nation in its privileges of restitution from Germany. It would appear to be advisable to give consideration to revising the restitution directives under which this Headquarters now operates. In this revision, consideration should be given to the points raised in the following paragraphs.
2. Force and Duress - Claims are received from some United Nations for property which was removed from that nation during the occupation by the legitimate owner of the business. The claimant nations argue that this property was removed by "force and duress" because, by virtue of the German occupation, the national laws for customs, exports, taxes and similar things were not capable of being applied because of the occupation by the German forces. In some instances, the remaining part of the business has been nationalized and claims are being presented in the name of the new national company. This type of argument is presented mainly by the representatives of Czechoslovakia and Yugoslavia. The British Element here does not

DECLASSIFIED

Authority NND 765028By SR NARA Date 12-1-99

RG

84

Entry

2056

File

710-Policy STATEMENT

Box

17

recognize this type of claim as being valid in that the rightful owner was not "dispossessed" of his property by virtue of the German occupation. This Headquarters has heretofore denied claims of this type.

3. Ordinary Business Transactions - Austrian firms have had normal business relations with business firms in other countries of Central Europe for 50 - 100 years. During the years of the war, these Austrian firms continued to do business with those firms with which they had previously established business relations. In general, the volume and value of these transactions corresponded closely to the volume of previous years. In some instances, these foreign firms were under German control by virtue of the German occupation of the foreign country. Since some of these firms were under German control, claims are now being received for the restitution of goods which were sold to Austrian firms in the ordinary course of business. The basis for these claims is that these goods were removed from the claimant nation during the occupation, which was, in itself, an act of force and duress. At the same time, Austrian firms, also under German domination, were selling products to the same Allied nations. No provision, however, has been made for the return to Austria of any such goods sold in the regular course of business. It would appear equitable that, if, during the course of ordinary business transactions, goods were removed from a claimant nation under German occupation to Austria and these claims should be allowed, then Austria should be permitted to secure the return of goods sold by it while it was under German domination. It appears that, in all fairness, goods transferred in what are considered to be legitimate business transactions should not be subject to restitution, no matter what the status of the occupation was at the time of removal.

DECLASSIFIED  
 Authority NND 765028  
 By SR NARA Date 12/1/99

RG 84  
 Entry 2056  
 File 710-Policy STATEMENT  
 Box 17

4. Securities in Safe-Keeping - In some instances securities that had been deposited with banks for safe-keeping were removed by the bank authorities and have been uncovered in the U.S. Zone of Austria. At present, our directives prevent the return of such securities. This is particularly true in the case of the Hungarian National Bank. In view of the fact that the U.S. has returned the gold which was brought out for safe-keeping, the return of the securities which were merely deposited with the bank for safe-keeping would be fully justified. It is requested that permission to do this be granted.
5. Restitutions Adverse to Austrian Economy - Among the property subject to restitution under existing directives are properties which will severely cripple the Austrian economy. Some policy change is necessary for these cases and similar cases which will occur in the future. Most notable among such cases now existing are the following:
1. At the Hanzhofen Electric Works are six 31,500 KV electric transformers which supplies the United Aluminum Works with 100% of its electric power and exports Austria's commitment of electric power to Bavaria. Three of these transformers had been claimed by France for restitution and under existing directives are subject to restitution. If restitution is effected, the Aluminum Works will shut down for lack of power, which will involve 3,000 workers. Also Austria's exportation of electric power to Bavaria will be cut 33 1/3%.
  2. The Grillewerke Hallein manufactures automobile parts, notably piston rings and piston pins for the automobile industry of Austria. 12% of its most vital machines have been claimed by France for restitution. Although this claim has not been conclusively proved as subject to restitution, there is such a possibility. If restitution should be made the Grillewerke must close down, involving 3,000 workers direct, as well as indirectly affecting garagemen, mechanics, and

DECLASSIFIED	RG 84
Authority <u>NND 765028</u>	Entry <u>2056</u>
By <u>SR</u> NARA Date <u>12-1-99</u>	File <u>710-Policy STATEMENT</u>
	Box <u>17</u>

parts distributors throughout Austria.

3. Steyr Works, the manufacturers of Trucks and tractors, has 4 machine tools which are claimed for restitution by the Czechs. Still unclaimed by the Czechs are 113 more machine tools of similar category at Steyr Works. It is very probable the Czechs will claim the remainder of these machines. Loss of these machines by Steyr Works will stop truck and tractor production, involving 4,000 workers.

Under WAFX 85965 the above should be satisfied without regard to the Austrian economy where it involves United Nations property. This policy has now reached a point of inconsistency with the U.S. policy of aiding and assisting the Austrian economy.

6. Other Policy Changes

1. In the light of the present trend in U.S. foreign policy in general, it appears desirable to have our entire restitution policy reviewed and revised. This is particularly desirable with respect to restitution to those allied and ex-enemy nations which lie within the Soviet sphere of influence.

2. Peace Treaties with the ex-enemy nations have been signed and ratified. If there is to be any change in the policy with respect to restitution to those countries with whom we are now at peace, such changes should be expedited.

3. In view of the long delay in securing an Austrian Peace Treaty, this Headquarters would welcome a terminal date after which no claims for restitution would be received from either allied or ex-enemy nations in order that restitution work can be completed.

4. No policy has been received regarding restitution of identifiable securities. This pertains particularly to stocks, shares, bonds and other securities belonging to individuals of allied or ex-enemy origin and on deposit in various places in the U.S. Zone.

5. It is recommended that the two directives regarding interim restitution (WAFX 85965 and WAFX 99226) be revised or replaced by such directives as can be properly applied in view of present conditions.

DECLASSIFIED

Authority NND 765028By SR NARA Date 12-1-99

RG

84Entry 2056File 710-Policy STATEMENTBox 17SUMMARY OF ACTION BY ALLIED COMMISSION  
FOR AUSTRIA - ON RESTITUTION

For actions taken prior to 1 July 1947,  
refer to previous Report on Claims and  
Restitutions by USFA, for the period  
ending 30 June 1947.

EX70/P(47)192

EXCHANGE OF WAR DAMAGED ROLLING STOCK

The Executive Committee, on behalf of the Allied  
Council, decided,

the Austrian Federal Railroads are authorized to  
carry out railroad equipment exchanges with former  
enemy countries, excluding Germany, with a view to  
exchanging war damaged rolling stock and locomotives  
belonging to those countries, and now in Austria  
against similar equipment bearing Austrian and German  
reporting marks, on a one for one basis, and accord-  
ing to type and condition.

Disposal of surplus equipment belonging to ex-  
enemy countries, which may remain in Austria after  
the exchanges have been completed, will be the subject  
for discussion on a quadripartite basis.

Parts salvaged from damaged rolling stock and  
locomotives, which cannot be moved or repaired, may  
also be exchanged on a similar basis.

The conditions of such rolling stock and salvaged  
parts' agreement are subject to the approval of the  
Transport Directorate.

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 710-POLICY  
Box 19

SECRET

37

POLICY STATEMENT

AUSTRIA

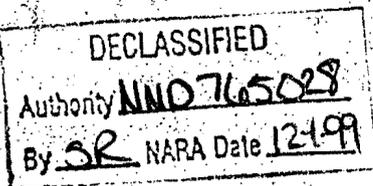


DEPARTMENT OF STATE

September 20, 1948

SECRET

REF ID: A6655174



RG	84
Entry	2056
File	710-POLICY
Box	19

Department of State

SECRET

## AUSTRIA

### A. OBJECTIVES

The basic objective of the United States with respect to Austria is the re-establishment of Austria as an independent and democratic country. The fulfillment of this objective has been the main consideration in determining US policy since the signing of the Moscow Declaration on November 1, 1943. The principal means employed have been the military occupation of Austria, the conclusion of various international agreements designed both to establish and to enlarge the functions of the Austrian Government, and the negotiation of a four-power treaty terminating occupation and recognizing the full sovereign rights of the Austrian Government and people. To assure that the full intent of the Moscow Declaration is carried out, the US has extended economic assistance to Austria on a considerable scale, and in military occupation as well as international discussions has insisted that no action should be taken or rights be acquired by any foreign power in Austria which would prejudice independence following the termination of military occupation and the withdrawal of the military forces of the four powers.

### B. POLICY ISSUES

The position of Austria with respect to the Allied Powers is unique in that Austria is still subject to military occupation and at the same time is recognized as a sovereign state by this government and treated in all political and economic matters as a liberated area. The legal rights of the United States as an occupying power, originally defined in the Agreements on Control Machinery and Zones of Occupation concluded by the European Advisory Commission in July 1945, were redefined in the new Control Machinery Agreement of June 1946. These agreements assign to the US a zone of occupation in Austria, a zone in the city of Vienna including rights of transportation and free access, and membership, along with Great Britain, France, and the USSR, in the Allied Council which has general supervisory rights with respect to the Austrian Government. The Commanding General of the US forces in Austria represents this government in the Allied Council as the United States High Commissioner in Austria. In addition, as a result of the de jure recognition of the Austrian Government in January 1946, the United States and Austria have exchanged diplomatic representatives.

SECRET

207838

Through this mechanism of military and civilian administration, we have implemented in Austria our policy of enlarging progressively the sphere of authority of the Austrian Government and of giving such economic assistance, through UNRRA, army civilian relief, and various grants and credits as would provide for immediate relief needs and the reconstruction of the Austrian economy to meet the future requirements of national independence. In the international sphere, the US has taken the lead in pushing the conclusion of an Austrian treaty in the Council of Foreign Ministers and encouraging the Austrian Government to become affiliated with those international organizations which seek to attain common ends through the cooperation of independent national states.

#### 1. POLITICAL

The implementation of the basic policy of fulfilling the intent of the Moscow Declaration by the conclusion of a treaty establishing and recognizing Austrian independence has to date been made impossible by the clash between the western states and the Soviet Union on both the content and purpose of the treaty. To the western states in general, and the US in particular, the ultimate fate of Austria is important not only from the point of view of its strategic location in Europe but more immediately to prevent the inclusion of Austria in the Soviet orbit.

The objective of the west has been to reestablish Austria as an independent state within the frontiers of 1937. To this end the United States has made a heavy investment in Austria, in the cost of military occupation and in the expenditures made for relief and economic reconstruction. However great the past and future investments may be in material terms, no accounting can be made of the political value of the successful opposition which the Austrian Government and people have, with the assistance of the western powers, made to the encroachments of the Soviet forces on their national sovereignty as well as the efforts of the Austrian Communist Party to disrupt internal order and stability. Any weakening of this opposition either by the Austrian Government or by the western powers to permit either outright or veiled Soviet control would have serious repercussions in European politics.

The Austrian Government, formed as a result of the elections of December 1945, is composed of a coalition of the Peoples' Party and Socialists. The Communists obtained approximately five per cent of the total popular vote in this election, and since that time such electoral tests as shop council elections in the factories show that the Communists have not increased their strength even in the Soviet zone of occupation. The government is staunchly anti-Communist by reason of the political orientation of its component parties and by reason of its experiences at the hands of the Soviet military authorities. All forms of coercion have been tried by the Soviets, including the kidnapping and arrest of government officials, but such pressure has not caused the Austrian Government to waver in its consistent support of western aims. Similarly, Austria

has resisted all efforts by the Soviets to conclude a bilateral agreement settling the major issues which prevent the conclusion of the Austrian treaty.

The adherence of the Austrian Government and people to western aims is not solely the result of convenience arising from military occupation nor from fear of Soviet aggression in the event the Soviet occupation forces were withdrawn. Historically, communism has had no roots in Austria and the Austrian people have always participated in western political movements. Since the liberation in 1945, no strikes or social unrest have hindered the operations either of the government or the occupation forces. The only strike of any consequence was in the Soviet zone in protest over the labor policies of the Soviet military managers. The Austrian Government has willingly participated in such United Nations activities as are permitted within the limitations of its sovereignty still remaining, and is a participating member in the organization for European Economic Cooperation.

In face of the overwhelming support of western aims, the Soviet Union has through its military occupation a formidable foothold in Austria which can nullify the fulfillment of the international agreements respecting the reestablishment of Austrian independence. The Soviet forces have in general pursued an arbitrary and unilateral policy in their zone and have impeded Austrian reconstruction. By means of the economic enterprises and resources held as German assets pending treaty settlement, the Soviets have, on the contrary, deprived the Austrian economy of necessary goods which would have been utilized internally or exported. These enterprises have been operated by Soviet managers with no regard for Austrian law or for administrative control by federal or local government. Resources produced in the Soviet zone have been withheld from time to time from other zones, a practice which has seriously interfered with efforts to establish a unified Austrian economy.

While the ultimate objective of Soviet policy cannot be exactly surmised, it does not appear that the Soviets wish to irrevocably partition Austria. The eastern zone including Vienna would be an economic and political liability to the Soviets unless major changes were made in the political and economic organization of central and eastern Europe. It is more likely that the Soviets seek the withdrawal of western occupation forces from Austria, either through a treaty settlement or through threats, in hopes that through external pressure and internal disorder a government more amenable to Soviet objectives may be formed to replace the present coalition.

The central fact in western policy and for the future of Austria is the conclusion of the treaty discussions. Discussions have been held in the Council of Foreign Ministers on the treaty since June 1946. The last session of the Deputies in London was suspended on May 6, 1948 as a result of fundamental disagreement on the two specific issues of rectification of the frontiers in favor of Yugoslavia and the payment of 150 million dollars in reparations to Yugoslavia. In the treaty negotiations the issues have narrowed down to the following:

RG 84  
Entry 2056  
File 710-AP-119  
Box 19

DECLASSIFIED  
Authority: AMO 765029  
By: SP NARA Date: 12-11-99

(a) GERMAN ASSETS. — Under the terms of the compromise French proposal, the problem is to determine the exact amount of properties to be turned over to the Soviets in satisfaction of their claims to German assets under Potsdam and the sum which Austria will pay to regain control over all properties now held by the Soviets which are not transferred to their ownership. The three western powers have insisted that any burden incurred by Austria in this settlement shall be within her ability to discharge without extensive foreign assistance, and, secondly, that any property or rights acquired by the Soviets shall be subject to Austrian law and not bear extraterritorial privileges.

(b) FRONTIERS. — The western powers insist that Austria shall possess the frontiers of 1937 and that no territory be ceded to Yugoslavia.

(c) REPARATIONS. — The western powers insist that, in accordance with the Potsdam Agreement, no reparations be exacted from Austria.

(d) MILITARY DEFENSE. — The western powers insist that Austria be permitted to arm its military forces, the extent of which has been agreed, with no restrictions on the source from which material is derived.

(e) INDEPENDENCE. — The western states insist that all four powers agree to respect the independence and territorial integrity of Austria.

The remaining unagreed articles in the treaty would be readily settled once agreement is reached on these basic issues. The resumption of discussions on the treaty, the determination of which is initially in the hands of the US Deputy as next Chairman, will depend on developments in western relations with the Soviets in central Europe as a whole. In the negotiations to date we have urged that the treaty contain adequate safeguards to enable the Austrian people to maintain their independence. Pending the conclusion of such a treaty the US will continue to maintain the authority of the Allied Council as the most effective means to oppose Soviet pressure on the Austrian Government, to press for greater autonomy and authority for the Austrian Government, and to concert with Austrian leaders to maintain the present government coalition and to assist its efforts in combatting communism and the aggressive policy of the Soviet Union.

## 2. ECONOMIC

The United States was mindful in adhering to the Moscow Declaration that an independent Austria could endure only if it were economically self-supporting. To achieve this result, Austria has to increase production, expand foreign trade, maintain internal financial stability and cooperate with all nations interested in the development of stable economic conditions.

At the end of the war Austria required outside assistance in order to make the structural changes in the Austrian economy required by its severance from Germany and to repair the severe damages and dislocations resulting directly from the war. The low level of economic activity and consumption prevailing in Austria at the end of the war, together with the disturbed conditions in Europe, prevented revival of the export and tourist trades and thereby made

it impossible for Austria to finance even the most essential of its import requirements without outside assistance. Accordingly, the US has extended the major portion of all foreign aid received by Austria since the liberation in May 1945. As a result of this assistance, a gradual improvement has taken place in production and the level of consumption in Austria. By the spring of 1948, the average production of certain producers goods had practically attained the pre-war level. On the other hand, recovery in the field of agricultural production and consumers goods has lagged. A considerable degree of financial stability has been achieved as a result of two successful currency conversions taken by the Austrian Government since 1945 with the aid of the Allied Council. The currency reform in December 1947 played a particularly important role in promoting financial stability.

Full recovery and the reconstruction of a national economy capable of sustaining an independent state depends on further foreign aid, a more effective use of available resources and the right of Austria to take her place as an equal among nations working for the establishment of stable international economic relations.

From 1945 to the beginning of ECA operations in April 1948, the foreign grants and credits extended to Austria amounted to more than 600 million dollars. About 80 per cent of this aid came from the United States. Notwithstanding this assistance, Austrian recovery progressed at a very slow pace until late 1947, owing in part to the persistence of abnormal conditions in international trade and in part to the necessary concentration of outside assistance on relief rather than on recovery goods. In addition, indigenous resources could not be fully utilized because of the inadequacy of raw material and capital goods imports and the fact that the country was divided into four zones under military occupation. Unsettled world conditions, particularly the prolonged uncertainty as to the nature and extent of Germany's industrial reconstruction, have made it difficult for the Austrian Government to pursue a clear-cut policy of industrial reconstruction. In addition, the uncertainty of the status of "German assets" within Austria has proven to be psychologically as well as physically a disorganizing factor.

In order that outside assistance may not create a heavy debt for the Austrian economy, more than 90 per cent of the United States aid to Austria prior to ECA was extended on a grant basis. Because of the relatively slow recovery in Europe as a whole, and because it now appears that by the end of the European Recovery Program Austria may not achieve full recovery, it has been decided that ECA allotments for the present will be in the form of outright grants. We consider it important that the Austrian economy become self-supporting as quickly as possible. It is essential that recovery proceed at a more rapid pace. An increasing portion of the ECA allotments to Austria will have to be used for raw materials and capital goods rather than for food. With the 1948 harvest, food supplies in Austria should permit consumption at an average close to the pre-war level.

207840

RG 84  
Entry 2056  
File 710-100-109  
Box 19

DECLASSIFIED  
Authority AND 765088  
By SR NARA Date 12-1-99

REPRODUCED AT THE NATIONAL ARCHIVES

With respect to the control and utilization of Austrian resources, we view full Austrian sovereignty in these matters to be an essential concomitant of political independence. Although full sovereignty by Austria will not be realized until withdrawal of the occupation forces, we consider it of paramount importance that Austria be allowed to control its resources without interference. In accordance with this view, the US has consistently advocated and supported in the Allied Council various measures tending to place upon Austria the responsibility for the direction and control of its economy.

In regard to Austrian imports, the question has arisen repeatedly whether imports financed by ECA or through other US grants or credits should be distributed throughout the four zones of occupation. The United States in all cases has urged that Austria should be treated as a unit and that discrimination among the different zones of occupation would result in a division of the country making impossible eventual establishment of a sovereign and independent state. The only limitation which we have placed upon the freedom of trade among the zones in Austria is that shipments to the Soviet zone of materials procured with US funds should not include materials of war potential of the classification now barred from shipment to countries in the Soviet orbit by US regulations.

Since full economic recovery in Europe can be achieved only through international cooperation, we have encouraged Austria to join the various United Nations bodies and other international economic organizations. We have also encouraged the Austrian Government to resume trade relations interrupted by the *Anschluss* with Germany and by the war. As Austria's economy complements those of its neighbors, and even though some of these countries are now in the Soviet orbit, it is not considered practical to attempt to persuade Austria to orient its trade primarily toward the OEEC countries rather than toward non-participating areas. Any trade relations beneficial to the Austrian economy should be encouraged provided they do not entail political ties or trade agreements of such a comprehensive nature as to limit its independence. In point of fact, Austria's trade until the present time has been mainly oriented to the west owing to difficulties the satellite countries have created rather than any unwillingness on the part of Austria.

C. RELATIONS WITH OTHER STATES

With the exception of relations with the Soviet Union, Yugoslavia, and other satellite states, Austrian relations with the European states in general are cordial and have been regularized through the interchange of diplomatic missions. Trade agreements have now been signed by Austria with most European states and the expanding commerce which has resulted from these agreements also effected the increased rate of economic recovery since 1947.

Great Britain and France are signatory to the same international agreements respecting Austria as the United States. On all major issues the British and French have made common cause with the US in opposing the encroach-

ments of Soviet policy on Austrian independence and sovereignty. In many cases the British and French have taken the initiative either in the Allied Council or through diplomatic channels to establish principles of legal right respecting Austria. In economic matters, however, the initiative has been yielded to the United States since we can contribute a proportionately greater share of the assistance required for Austrian recovery.

Austria's relations with Italy and Switzerland are good and are nourished by a steadily expanding commerce. There are no issues affecting relations with these two states, particularly since the South Tyrol problem has been solved by an Austro-Italian understanding. Relations with Germany are still subject to many military government controls and trade is hampered by the inability of the Austrian economy to provide dollars for the purchase of goods or services from the bi-zonal area. Relations between Austria and the satellite states of Czechoslovakia and Hungary are correct, with few outstanding issues affecting these relations which could not be solved by direct negotiation.

Austrian relations with the Soviet Union remain the paramount issue owing to the Soviet ability to block the conclusion of the treaty and to continue to maintain forces of military occupation within Austria. During the recent meeting of the Deputies of the Council of Foreign Ministers in London (February-May 1948), the Soviets made ostensible concessions on the German assets issue. At the same time, Soviet policy within Austria did not succeed in imposing the same type of restrictions on free access as imposed on Berlin. After the suspension of the discussions in London, however, relations between the USSR and the Austrian Government deteriorated. The Soviets arrested two high-ranking Austrian officials on charges of espionage against the Soviet forces. Within the Allied Council the Soviet High Commissioner vigorously denounced the agreement with the United States on ECA assistance. The attitude of the Soviet delegate towards the Austrian observer at the Belgrade Conference on the Danube does not indicate any change in the Soviet policy.

At this point it is not known whether Soviet support given to the Yugoslav claims for frontier rectification and for the payment of reparations will be continued in any treaty discussions in the future. The Cominform denunciation of Yugoslav policy specifically mentioned the nationalistic tendencies of the Yugoslav Government particularly with reference to Carinthia and Trieste. The Austrian Communist Party is opposed to any cession of territory to Yugoslavia, and the only support which frontier rectification finds in Austria is in the microscopic Slovene Communist Party in Carinthia itself. In as much as the Soviets apparently supported the Yugoslav claims in the London Conference only on a formal basis, the Soviet position may conceivably be changed in any future negotiations, thus creating a situation which could be used to advantage in the negotiations on the frontier.

Since the controversy between the Cominform and Yugoslavia began, Austrian relations with Yugoslavia have shown a perceptible change. Prior to that dispute Yugoslavia refused to exchange full diplomatic representation with Austria. In the Council of Foreign Ministers the Yugoslav delegation was

207841

RG 84  
 Entry 2056  
 File 710-102-104  
 Box 19

DECLASSIFIED  
 Authority AND 765089  
 By SR NARA Date 12-1-99

REPRODUCED AT THE NATIONAL ARCHIVES

vigorously outspoken in its denunciation of the present Austrian Government and its policy with regard to the frontier. Since the Cominform denunciation, however, an Austrian trade delegation has successfully concluded the basic work on a trade agreement with Yugoslavia and discussions have been held concerning other problems affecting the relations of the two states, excluding the frontier issue and the demand for reparations. It is not impossible, therefore, that the Austrian and Yugoslav governments could reach an agreement in which Yugoslavia recognized the 1937 frontiers in return for a settlement of the economic problems between the two states.

D. POLICY EVALUATION

In general terms, US policy in Austria has been highly successful both in promoting economic recovery and in assisting the Austrian Government to pursue a policy of national independence. As a result of the popularity in Austria of the similar objectives of United States and Austrian policies, the efforts of the Soviets to include Austria in the orbit of satellite states have not succeeded, despite the military, political and economic pressure used by the Soviet forces to achieve that end. In the implementation of our policy toward Austria the following problems have arisen, particularly in relating the Austrian settlement to the European situation as a whole.

1. The primary question is the advisability of concluding a treaty and withdrawing the four-power occupation forces in the immediate future. Since the February 1948 coup in Czechoslovakia it has been felt that the presence of the US, British and French occupation forces in Austria provided a means of security against Soviet tactics, which if withdrawn would make Austria susceptible to Soviet aggressive aims. In view of this feeling the Department requested the Joint Chiefs of Staff for a decision whether it would be desirable to withdraw the occupation forces from Austria. The Joint Chiefs of Staff concluded that it was not desirable from a military point of view to withdraw these forces unless such withdrawal was made necessary by overriding political and diplomatic factors. The delegation at the London meeting of the Council of Foreign Ministers subsequently was instructed to continue negotiations in order to get the best treaty possible for Austria and the timing of a decision to withdraw forces was left to a later date in order to take into account general European developments. It has become increasingly clear that there is little possibility of the present Austrian Government being overthrown by a Communist coup unless great pressure is applied by the Soviets or unless one of the satellite states provokes a direct aggressive act against Austria. Nevertheless, in the event that a treaty is concluded, the western states will face the problem of providing safeguards for the maintenance of Austrian security after withdrawal of the occupation forces or of the timing that withdrawal in such a way as to enable Austrian security forces to assume responsibility.

2. The western states agreed, therefore, that it would be undesirable to withdraw the occupation forces until the Austrian security forces can be organ-

ized and supplied with arms. Discussions are now taking place among the western powers and Austrian officials concerning the arming of the Austrian police and the drawing up of plans for the organization and supply of the future Austrian army. It is hoped that the police and army will be sufficiently prepared in Austria at the time of the withdrawal of the occupation forces to take over immediately the task of maintaining internal order and providing a formal border defense. It is recognized, however, that the Austrian army, as agreed in the treaty, would not be capable of withstanding any direct aggressive act on the part of the Soviets or any of the neighboring satellite states.

3. The apparent impossibility of the Austrian security forces to maintain national independence and territorial integrity raises the problem whether the western states should guarantee Austria against any unprovoked aggression. In the course of modern politics, a coup carried out by an armed minority can have the same effect as an aggressive war in overthrowing established governments and revolutionizing established societies. If any guarantee were given to Austria by the western states it would have to include both a pledge of protection against external aggression and have to take into consideration measures to be employed to prevent any internal coup. The problem of the guarantee of Austrian independence and territorial integrity is involved in Article 2 of the draft treaty. This problem will be discussed in any forthcoming negotiations and a decision will have to be reached either to drop this article from the treaty or to agree among the western states as to the exact form of the guarantee of Austria and the means whereby it is to be implemented.

4. In the event that the treaty is concluded and a compromise solution reached on the German assets question, care will have to be taken to provide Austria with such assistance as may be required to offset the economic advantages accruing to the Soviet Union through the control and ownership of former German assets in Austria. It may be necessary, therefore, to supply Austria on a commercial basis with economic products such as oil and other petroleum products to make up for any deficiencies from local production which will be drained off by the Soviets.

5. Austrian participation in the European Recovery Program gives renewed emphasis to certain problems with respect to the future of Austrian trade with Eastern European countries. Before the war Austria had strong trading ties with these countries, importing from them large amounts of such essential items as coal and foodstuffs. Since the war Austria has resumed its economic ties with the Eastern European countries on a reduced scale and in a somewhat changed pattern. Except for considerations of United States security objectives with respect to the export of items of a military nature, it is United States policy to encourage Austrian trade with Eastern Europe since such trade tends to lessen the need for making available essential items in short supply from the Western Hemisphere or from other participating countries and adds to the over-all pool of these items which can be made available to the participating countries.

207842

RG 84  
Entry 2056  
File 710-102-109  
Box 19

DECLASSIFIED  
Authority NND 76508  
By SP NARA Date 12-1-99

REPRODUCED AT THE NATIONAL ARCHIVES

SECRET

Policy Statement

The possibility must be reckoned with, however, that the Soviets may demand trade arrangements of such a comprehensive nature as to give the Soviets opportunity to exert considerable influence in Austria's political and economic affairs. Austrian resistance to such an attempt should of course be encouraged and it may be necessary to consider what steps can be taken in conjunction with other interested countries to meet from other sources Austria's needs from Eastern Europe. Care should be taken, however, to insure that the Austrians are not led by a Soviet attempt at economic penetration to forego appropriate efforts of their own to achieve economic recovery and to increase unduly their dependence on economic assistance from the United States.

207843

RG 84  
Entry 2056  
File 110-102109  
Box 19

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED  
Authority NND 765028  
By JW NARA Date 12-2

RG 84  
Entry 2056 2062  
File RESTITUTION  
SEPT 1945 - SEPT 1947  
Box 42 #5

Letter to Restitution Missions  
re cut-off date for receipt  
of claims.

Mr. Garrison

Hold - Policy file RDR

C.I. - D.N.D

DECLASSIFIED

Authority NND 765028  
By JW NARA Date 12-2RG 84  
Entry 2054 2062  
File RESTITUTION  
SEPT 1945 - SEPT 1947  
Box 42 #5

file - RD+R

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

19 October 1948

(31)

General M. E. Bethouart  
High Commissioner,  
French Republic in Austria  
Vienna, Austria

Dear Sir:

Since the end of the war the United States Forces in Austria have carried on a program of restituting looted property found in the American Zone of Austria to the Governments of the rightful owners. During this time every effort has been made to locate, identify and return all such property in the Zone. The program is now substantially completed as is confirmed by the small and steadily decreasing volume of claims received during recent months.

I am directed, therefore, to inform you that after ninety (90) days from this date, the United States will no longer accept claims for restitution of looted property located in the American Zone of Austria. This action is without prejudice to such rights as may be given to claimants under a future treaty with Austria, and represents merely a termination of the responsibility of the United States with respect to claims for looted property in the American Zone of Austria.

Sincerely,

GEOFFREY KEYES  
Lieutenant General, USA  
High Commissioner

207845

James Hamilton

DECLASSIFIED

Authority NND 765028  
By JW NARA Date 12-2RG 84  
Entry 2057  
File RG 84 1950-52 VMM-57742  
Box 7

## EXECUTIVE ORDER 10171

## TRANSFERRING OCCUPATION FUNCTIONS IN AUSTRIA TO THE DEPARTMENT OF STATE

By virtue of the authority vested in me by the Constitution and the Statutes, including Title II of Chapter XI of the General Appropriation Act, 1951 (Public Law 759, 81st Congress), and as President of the United States and Commander in Chief of the Armed Forces of the United States, it is hereby ordered as follows:

1. There are hereby vested in the Department of State, except as hereinafter provided, the responsibilities and obligations of the United States in connection with the occupation of Austria, including the controls defined in the Agreement on the Machinery of Control in Austria, dated June 28, 1946. There are transferred to the Department of State such unobligated balances of the appropriation for Government and Relief in Occupied Areas for the Fiscal Year ending June 30, 1951 and such property, including records, as the Director of the Bureau of the Budget shall determine to relate primarily to the functions herein transferred.

2. The United States High Commissioner for Austria shall continue to be the supreme United States authority in Austria, shall be the Chief of the United States diplomatic mission, and shall be responsible, under the immediate supervision of the Secretary of State, for the total governmental program of the United States in Austria, including representation of the United States in the Allied Commission for Austria: Provided, That (1) with respect to military matters as mutually defined by the Department of State and the Department of Defense the Commanding General, United States Forces in Austria, shall continue to receive instructions directly from the Joint Chiefs of Staff, and (2) the chief of the special mission of the Economic Cooperation Administration and his staff shall function in relation to the High Commissioner as described in section 109 (b) of the Economic Cooperation Act of 1948 (Public Law 472, 80th Congress), as amended.

3. On request of the High Commissioner, or in accordance with his instructions from the Joint Chiefs of Staff in respect of military matters, the Commanding General shall take all necessary measures to protect the United States interests in Austria and whatever action may be considered essential to preserve law and order and safeguard the security of United States troops and personnel.

4. Except as stated above, all representatives of the United States Government in Austria are under the authority of the High Commissioner, who will facilitate the work of United States agencies in Austria and will assist them in their relations with representatives of the Austrian Government, all such relations being subject to his jurisdiction and discretion.

207846

DECLASSIFIED  
Authority NND 765028  
By JW NARA Date 12-2

RG 84  
Entry 2057  
File RG 84 1950-52 VMM-5742  
Box 7

-2-

5. This order shall become effective on October 16, 1950.

HARRY S. TRUMAN

THE WHITE HOUSE,

October 12, 1950.

DECLASSIFIED

Authority NND 765028

By JW NARA Date 12-2

RG 84  
Entry 2057  
File RG 84 1950-52 VIVN-57742  
Box 7

*Reply to this letter  
in 400 and def. TS*

AMERICAN EMBASSY

Vienna, Austria, October 4, 1954.

~~SECRET~~

Dear Mr. Torbert:

This is to confirm our conversation last Saturday regarding the new draft instructions from CG USFA to CG Vienna Command. As you will recall, there are several points which might be clarified by discussion with USFA headquarters, and some changes in wording.

The principal point which seems to me to need clarification is the relationship between the High Commissioner and CG Vienna Command, in his capacity as member, and periodically chairman, of VIAC. As you know, paragraph two of Executive Order No. 1017 of October 16, 1950 provides that "The United States High Commissioner for Austria shall continue to be the Supreme United States authority in Austria. The High Commissioner is responsible, under the immediate supervision of the Secretary of State for the total governmental program of the United States in Austria (other than those concerning military matters as mutually defined between the Department of State and the Department of Defense), including representation of the United States in the Allied Commission for Austria". Furthermore, under the Control Agreement of June 28, 1946, the VIAC is an instrument of the Allied Commission for matters concerning Vienna as a whole, and article 2(e) of that agreement provides that "Decisions of the Allied Council which require implementation by the forces of occupation [including those in Vienna] will be implemented by the latter in accordance with instruction from their respective High Commissioners."

*400 - Division Defense  
ref. 300-21-101-101*

Horace G. Torbert, Jr., Esquire,  
Representative of the United States  
High Commissioner to Austria,  
Salzburg.

JKPenfield/mam

DECLASSIFIED

Authority NND 765028  
By JW NARA Date 12-2RG 84Entry 2057File RG 84 1950-52 VIENNA  
57-143Box 7

-2-

In the light of these directives, it seems clear that the CG Vienna Command, in his capacity as American member of the VIAC, does in fact have a direct responsibility to the High Commissioner and American member of the Allied Council. The relationship between the two depends primarily upon full cooperation and harmonious working arrangements, and thus is not easily susceptible to precise definition in terms of command responsibility. It would seem essential, however, that CG USFA's directive to CG Vienna should include appropriate mention of this relationship. I should add that so far as I am aware, USCOA-CG Vienna Command relationships are completely harmonious and highly satisfactory, and the necessity for re-definition of the relationship between the two arises only because the USFA directive is in process of revision.

As the High Commissioner is expected to return in the very near future, it is requested that the draft directive be forwarded to him for review before USCOA concurrence is given.

Sincerely,

James K. Penfield  
Acting United States High Commissioner

207849

*Gold*

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

STAFF CABLE CONTROL  
INCOMING MESSAGE

DATED 301700A

RECD 011250A NOV 45  
N-1067/01  
ec

~~SECRET~~  
PRIORITY

*004.2*  
*AG [Signature]*

FROM : USFET (MAIN) SIGNED MCNARNEY  
TO : OMGUS FOR MR R A NIXON ACT DIR DICEA  
REF NO : S-33373 CITE: ETGEC

Subject: Preliminary survey of the war-time activities of the Bank for International Settlements.

1. A significant by-product of the Gold Studies, conducted by Donald W. Curtis and William V. Dunkel of the External Assets Census Branch, was the repeatedly encountered evidence of the Reichbank's remarkably close and solicitous relationship with the Bank for International Settlements throughout the war, which raised strong suspicion of still unrevealed war-time advantages accruing to the Reichsbank and to the German Reich in general from their relationship with the B. I. S.

2. Preliminary investigations in Germany have revealed some of the war-time activities of the B. I. S. which were of obvious advantage to the Germans and probably explain their concern for its continuance and welfare. This evidence from German sources is sufficient to raise serious question as to the legitimacy of much of the war-time business of the B. I. S. And to warrant further investigation of the following specific charges.

A. Acceptance of looted gold

3. Substantial quantities of gold looted by Germany from various occupied countries were accepted by the B. I. S. Either after processing of such gold in Berlin by the Reichsbank or, in one case, by direct delivery from the country from which it was looted. The most notorious case is that of the Belgian gold, a part of which according to testimony of former Reichsbank Vice-President Puhl was accepted by the B. I. S. After McKittrick and other officials of that bank had been fully informed that it was Belgian gold for

SCC IN 15024

Copy No. *30*

~~SECRET~~

The Making of an Exact Copy of this Message is Forbidden

*1945-1949*  
*30/14/19/03*  
*926-576*

Box 8  
File # *004.2*  
Entry *AC [Signature]*  
RG 260

DECLASSIFIED  
Authority *NND775119*  
By *WJD* NARA Date *11/23/99*

207850

REPRODUCED AT THE NATIONAL ARCHIVES

~~SECRET~~

REF NO: S-33373

- 2 -

which payment offered by the Reichsbank had not been accepted. The Germans used this gold and time B. I. S. accepted it on the basis of the fungible theory of the German lawyers which assumed that the Belgians could be repaid with other gold of equivalent amount; but Puhl has also testified that the B. I. S. officials not only failed to place in escrow any equivalent amount of gold to protect themselves against this contingent liability but also made no effort to ascertain whether or not the Germans had sufficient non-looted gold to meet this liability at some later date.

4. The B. I. S. continued to accept this gold when President McKittrick and Webber, as Chairman of the Administrative Council, were fully aware that German gold shipments to Switzerland during the war had far exceeded the Reichsbank's published reserves of legitimately acquired gold; the records show that such shipments to the Swiss National Bank during the period from March 1940 to the end of the war alone totalled 378,000,000 dollars worth of gold, compared with the Reichsbank's published gold reserves of 29,000,000.

5. In September 1944, when the Germans were confiscating the Italian gold in Northern Italy, the B. I. S. arranged with the Reichsbank to have a part of this gold delivered directly to them in payment of Italian obligations to them.

B. Contrasting disposition of gold of occupied countries in B. I. S. custody.

6. Within three days after the occupation of Prague the B. I. S. is known to have acceded to the instructions of the German dominated Czech bank to transfer their gold deposited with the B. I. S. to the account of the German Reichsbank; Puhl testifies that no significant objections to this transaction were made in the B. I. S.

7. By contrast, in July 1940 when the central banks of Lithuania, Estonia, and Latvia in a similar fashion ordered delivery of the gold in their B. I. S. accounts to the Russian State Bank whom they declared to have purchased it, the B. I. S. refused to recognize these instructions. This action was based upon legal opinion which concluded that: "These orders apparently did not result from the free will of the three banks, but have presumably been influenced by the will of the Soviet Russian Government or the political party controlling the latter."

SCC IN 15024

~~SECRET~~

OFFICE OF MILITARY INCOME  
REF NO: S-33373  
the assets of the  
to be  
the assets are  
being

RG 260  
Entry # 1004-8-1000  
File # 1004-8-1000  
Box 8

DECLASSIFIED  
Authority NND775119  
By WAD NARA Date 11/22/89

158751

util  
types  
the  
will of  
control  
SCC IN 15024

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

STAFF CABLE CONTROL  
INCOMING MESSAGE

REF NO: S-33373

- 3 -

C. Assistance of Reichsbank in salvaging its assets threatened by blocking in neutral countries.

8. Puhl has explained in some detail how the facilities of the B. I. S. were used to withdraw Reichsbank assets from various neutral countries just prior to blocking in those countries, by book transfer balances in the B. I. S., and that the B. I. S. in many cases was the party with whom the Germans were able to dispose of the balances so withdrawn.

D. Domination of B. I. S. management by the axis powers.

9. It is clear both from correspondence and from testimony that the management of the B. I. S. during the war was "In the hands of the Administration Council, in which the Axis Representatives have an authoritative influence", and that in 1942 the Germans favored the reelection of President McKittrick whose "Personal opinions" they characterized as "safely known."

E. Continued payment of B. I. S. dividends to occupied countries in the face of confiscation by the Germans.

10. The Reichsbank's sacrifice of foreign exchange and gold during the war for continuation of interest payments and for some repayment of principle on B. I. S. investments in Germany is partially explained by the action of the B. I. S. continuing throughout the war to declare dividends and to deliver such dividend payments to the various occupied countries where, of course, they were subjected to German Foreign Exchange Control. This combination of transactions helped to keep up the presumption that the German investments of the B. I. S. were not frozen, but the actual sacrifice of the Reichsbank was less than would appear on the surface, insofar as the gold given up to the B. I. S. was partly offset by the dividends indirectly acquired through Swiss France.

F. Provision of financial intelligence to the Reichsbank.

11. Puhl testifies that the B. I. S. was of great value to the Reichsbank during the war as an "Open window to Financial Information about the outside world"; among

SCC IN 15024

Copy No.

~~SECRET~~

The Making of an Exact Copy of this Message is Forbidden

RG 200  
Entry ALL DEL FILE  
File # 004.2 - 2-18-44  
Box 8

DECLASSIFIED  
Authority NND775119  
By WBD NARA Date 11/22/89

207852

REPRODUCED AT THE NATIONAL ARCHIVES

~~SECRET~~

REF NO: S-33373

- 4 -

other things he says:

A. That McKittrick, on his return from the United States in 1943, reported to him directly on the "General picture of the current opinions and the financial problems in the United States."

B. That while "The Currie Mission was in the beginning of February. We got information about the Currie Mission in late December or the beginning of January."

G. Remarks and recommendations.

12. Inasmuch as the above listed charges are the basis for any further investigation, it is felt that they should not yet be publicized.

13. It is to be reiterated that tracing of the Belgian and other looted gold accepted by the B. E. S. from the Reichsbank is dependent upon access to the Swiss National Bank's Records concerning the Reichsbank's gold depot which was maintained there and through which nearly all these gold shipments were washed.

ACTION : DICEA  
INFORMATION : O/SS  
Intell  
Finance  
Political Aff  
AG Rec

SCC IN 15024 2 Dec 45 0300A JDL/phl REF NO: S-33373

~~SECRET~~

OFFICE OF MILITARY  
INCOME  
STAFF  
301700A

RG 260  
Entry # 004.2-24-RS  
File # 004.2-24-RS  
Box 8

DECLASSIFIED  
Authority NND775119  
By WBD/HARA Date 11/22/89

207853

Receipts of the <sup>Off</sup> A G  
Receipts credited by the Off of AG.

Transfer of Occup Functions to  
Dept of State

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED

Authority NND 765028

By JW NARA Date 12-2

KG

84

Entry 2082

File 1 Q 1948 Vol 27, 28, 29

Box 3

AMERICAN EMBASSY LIBRARY  
VIENNA

**REPORT  
of the  
U.S. HIGH  
COMMISSIONER  
ALLIED COMMISSION  
for AUSTRIA**

2 Q 1948

Vol. 30, 31, 32

207854

207855

R. D. & R. RESTITUTION

GENERAL

Of the 39 new claims received from Allied nations, 5 were Italian claims for industrial equipment and art objects; 8 were Polish claims for industrial and electrical equipment; 9 were Yugoslav claims for electric motors and miscellaneous property, and the remainder were received from Austria, Belgium, France, Greece, the Netherlands, and the Soviet Union. There were also 6 German claims for art property.

Fifteen claims were disallowed because investigation revealed that the claimed property could not be located in the U.S. Zone, had been removed to another Zone of Occupation, was a duplication of a claim already filed, or the claimant nation could not furnish sufficient proof to substantiate the claim.

Fourteen restitutions were completed during the month. Sixteen freight carloads of property were returned to the claimant nations having a value estimated at \$57,500. Total deliveries to date amount to approximately 2,664 freight carloads having a value estimated at \$191,639,600.

Of the 1,520 pending claims on which investigations are continuing, 723 are Hungarian claims, 181 French, and 253 Italian. The remainder of the pending claims are fairly equally distributed among the various nations.

Restitution was made to various claimant nations as follows:

Belgium

Ten parcels containing 107 geographic maps, which were removed by the Germans from the Belgium War Department to the Heeresarchiv, Stiftgasse 2, Vienna, were released to a representative of the Belgium Government.

France

One piston axle adjusting machine, valued at \$1,000, which was displaced by the Germans and relocated to Salzburg, was released to a representative of the French Government.

Germany

Art objects, consisting of 103 graphic works by the German Professor Schlimmerer, which were brought to Austria in 1944 for exhibition purposes, were released to the Art Collecting Center in Munich.

Hungary

The three restitutions to Hungary included 2 concrete mixers and 4 autobuses, which had been relocated to Linz, Upper Austria, and 27 paintings removed from a Hungarian Danube River barge at the end of the war and relocated to Vienna.

Italy

A large quantity of industrial equipment, valued at \$30,000,

R. D. & R. RESTITUTION

originating from the firm "Terna" Societa per L'Industria e Electricita and relocated to the United Iron and Steel Works, Linz, was released to a representative of the Italian Government.

Yugoslavia

One Yugoslav restitution was completed during the month. The released property consisted of a large quantity of electrical equipment which had been relocated to Solvay Werke, Ebensee, Upper Austria.

GERMAN EXTERNAL ASSETS

NAZI ACTION ON TAR MANUFACTURING COMPANY

Among the companies investigated was Teerag A.G., a manufacturer of tar and asphalt products in Austria. The majority of the shares of this corporation were owned by the City of Vienna at the time of the annexation of Austria. In 1938, the company had a net worth in excess of S 1,700,000 and was a profitable enterprise engaged in the manufacture of by-products from the residue of the municipally owned gas works.

After Austria was annexed by Germany, the Nazis seized control of the administration of the City of Vienna. The former Austrian officials were replaced by Nazis, and one Neubacher, an Austrian Nazi who had fled from Austria prior to the annexation, was installed as mayor. A German company, Reutgerswerke A.G., Berlin, assisted by Neubacher, acquired 50% interest in Teerag by means of duress. Although Teerag did not need additional capital, the Nazi officials conspired with the management of Reutgerswerke to have new shares issued and the capital of Teerag was increased to almost three times its former share capital. For shares in excess of RM 2,000,000, the Reutgerswerke paid approximately RM 1,000,000.

During 1945, the company suffered heavy losses because of the failure of German debtors to pay their obligations. However, because of the extremely profitable operations from the production of tar products, the company was able to liquidate losses in excess of S 5,000,000 and is again solvent. Inasmuch as the German interest was acquired by political duress, it is not considered a German External Asset appropriate for reparations. However, the money paid by Reutgerswerke A.G., amounting to approximately RM 1,000,000, may possibly be considered as a German asset subject to the terms of a future Austrian Peace Treaty.

DECLASSIFIED  
AUTHORITY: NND 765028  
BY: J.W. HARRIS/2-2  
1 RG  
Entry 2082  
File 10448 1411824  
Box 3

207856

R. D. & R.

RESTITUTION

GENERAL

Of the 39 new claims received from Allied nations, 5 were Italian claims for industrial equipment and art objects; 8 were Polish claims for industrial and electrical equipment; 9 were Yugoslav claims for electric motors and miscellaneous property, and the remainder were received from Austria, Belgium, France, Greece, the Netherlands, and the Soviet Union. There were also 6 German claims for art property.

Fifteen claims were disallowed because investigation revealed that the claimed property could not be located in the U.S. Zone, had been removed to another Zone of Occupation, was a duplication of a claim already filed, or the claimant nation could not furnish sufficient proof to substantiate the claim.

Fourteen restitutions were completed during the month. Sixteen freight carloads of property were returned to the claimant nations having a value estimated at \$57,500. Total deliveries to date amount to approximately 2,664 freight carloads having a value estimated at \$191,639,600.

Of the 1,520 pending claims on which investigations are continuing, 723 are Hungarian claims, 181 French, and 253 Italian. The remainder of the pending claims are fairly equally distributed among the various nations.

Restitution was made to various claimant nations as follows:

Belgium

Ten parcels containing 107 geographic maps, which were removed by the Germans from the Belgium War Department to the Heeresarchiv, Stiftgasse 2, Vienna, were released to a representative of the Belgium Government.

France

One piston axle adjusting machine, valued at \$1,000, which was displaced by the Germans and relocated to Salzburg, was released to a representative of the French Government.

Germany

Art objects, consisting of 103 graphic works by the German Professor Schinnerer, which were brought to Austria in 1944 for exhibition purposes, were released to the Art Collecting Center in Munich.

Hungary

The three restitutions to Hungary included 2 concrete mixers and 4 autobuses, which had been relocated to Linz, Upper Austria, and 27 paintings removed from a Hungarian Danube River barge at the end of the war and relocated to Vienna.

Italy

A large quantity of industrial equipment, valued at \$30,000,

APRIL 1948

R. D. & R.

RESTITUTION

originating from the firm "Termi" Societa per L'Industria e Electricita and relocated to the United Iron and Steel Works, Linz, was released to a representative of the Italian Government.

Yugoslavia

One Yugoslav restitution was completed during the month. The released property consisted of a large quantity of electrical equipment which had been relocated to Solvay Werke, Ebensee, Upper Austria.

GERMAN EXTERNAL ASSETS

NAZI ACTION ON TAR MANUFACTURING COMPANY

Among the companies investigated was Teerag A.G., a manufacturer of tar and asphalt products in Austria. The majority of the shares of this corporation were owned by the City of Vienna at the time of the annexation of Austria. In 1938, the company had a net worth in excess of \$ 1,700,000 and was a profitable enterprise engaged in the manufacture of by-products from the residue of the municipally owned gas works.

After Austria was annexed by Germany, the Nazis seized control of the administration of the City of Vienna. The former Austrian officials were replaced by Nazis, and one Neubacher, an Austrian Nazi who had fled from Austria prior to the annexation, was installed as mayor. A German company, Reutgerswerke A.G., Berlin, assisted by Neubacher, acquired 50% interest in Teerag by means of duress. Although Teerag did not need additional capital, the Nazi officials conspired with the management of Reutgerswerke to have new shares issued and the capital of Teerag was increased to almost three times its former share capital. For shares in excess of RM 2,000,000, the Reutgerswerke paid approximately RM 1,000,000.

During 1945, the company suffered heavy losses because of the failure of German debtors to pay their obligations. However, because of the extremely profitable operations from the production of tar products, the company was able to liquidate losses in excess of \$ 5,000,000 and is again solvent. Inasmuch as the German interest was acquired by political duress, it is not considered a German External Asset appropriate for reparations. However, the money paid by Reutgerswerke A.G., amounting to approximately RM 1,000,000, may possibly be considered as a German asset subject to the terms of a future Austrian Peace Treaty.

APRIL 1948

84  
DECLASSIFIED  
AUTHORITY NND 7650-28  
BY JW NARA DATE 12-2-20  
Entry 2082  
File 100448 Vol 2728, 29  
BOX 3

R. D. & R.

RESTITUTION

EIGHTY-FIVE FREIGHT CARLOADS OF LOOTED PROPERTY RESTITUTED

Of the 32 new claims received from Allied nations in May, 12 were French claims for industrial equipment, paintings and art objects, motor vehicles, and a quantity of miscellaneous jewelry. Six claims for industrial machines and rolling stock were received from the Polish Government and 4 claims for electric trolley buses, electric motors, and works of art were received from the Italian Government. The remainder of the claims were received from Austria, Belgium, the Netherlands, Yugoslavia, the Soviet Union, and Germany.

Twenty-four claims were disallowed because investigation revealed that the claimed property could not be located in the U.S. Zone, had been removed to another Zone of Occupation, that the claim was a duplication of one already filed, or the claimant nation could not furnish sufficient proof to substantiate the claim.

Thirty-one restitutions were completed during May. Eighty-five freight carloads of property was returned to the claimant nations having a value estimated at \$568,550. Total deliveries to date amount to approximately 2,750 freight carloads having a value estimated at \$192,208,150.

Of the 1,502 pending claims, 723 are Hungarian, 180 French, 252 Italian, 78 Czechoslovak, and 47 Polish. The remainder of the pending claims are fairly equally distributed among the various other nations.

Restitution was made to various claimant nations as follows:

Belgium

Seventeen freight carloads of property, valued at \$218,000, was returned to the Belgian Government. The industrial equipment released consisted of 2 machine tools, 3 trailers on caterpillar tracks, one steam crane, and one grappling crane with electric drive. Three steam-tender locomotives were returned, and 59 items of paintings, tapestries, and carpets.

France

Paintings, carpets, and miscellaneous objects of art (346 items), and 39 motor vehicles were released to the French Government. The value of the released property is estimated at \$186,700.

Germany

Property of the Rueck Musical Collection, Nuremberg, consisting of 11 pianos, one harmonium, and a quantity of miscellaneous spare parts were released to the Art Collecting Point in Munich.

Italy

Three Italian restitutions, having a value estimated at \$12,500, were completed. The released property consisted of

MAY 1948

R. D. & R.

RESTITUTION

3 machine tools, parts of a 2,500 ton press, electric motors, and miscellaneous electrical equipment. In addition, the Italian Mission completed the loading and shipping of 78 freight carloads of old blast furnace materials originating from the Italian firm SIAC, which had been released in March 1948 from the United Iron and Steel Works, Linz.

The Netherlands

The two restitutions to the Netherlands Government, valued at \$120,000, included 59 paintings and objects of art.

Poland

Property of Polish origin consisting of 11 motor vehicles, 2 machine tools, 2 transformers, and 1 concrete mixer, valued at \$12,300, was released to the Polish Government.

Soviet Union

Six restitutions, valued at \$8,000, were completed to the Soviet Union. The released property consisted of one fuel tank wagon, 66 items of electrical material, 5 tractors, small quantity of medical instruments, one painting, and 3 icons.

Yugoslavia

One machine tool, valued at \$1,000, was released to the Yugoslav Government.

GERMAN EXTERNAL ASSETS

German Assets with Interests in Italy

Some of the corporations in Austria which are beneficially owned by Germans have assets and subsidiaries in Italy. German assets in Italy are being liquidated in accordance with the terms of the Italian Peace Treaty. Information has been requested from Italy as to the ownership status of various corporations in Austria in order that the German status of the assets in Italy may be determined. Steps are being taken to furnish such information.

Austrian United Iron & Steel Works

An investigation was commenced of the Austrian United Iron and Steel Works, formerly Reichswerke Hermann Goering, Linz, a German corporation, and Stickstoffwerke, Linz, a nitrogen plant, for the purpose of determining the reason for the loss of \$25,000,000 by Stickstoffwerke in the performance of a contract for the delivery of fertilizer to Bizonia, Germany.

MAY 1948

207857

84  
RG  
Entry 2082  
File 1 Q 1148 1a 2728,29  
Box 3  
DECLASSIFIED  
AUTHORITY NND 7650-28  
BY JAW NARA Date 12-2-20

207858

FORTY FREIGHT CARLOADS OF LOOTED PROPERTY RESTITUTED

Of the 73 new claims received from Allied nations 15 were French claims for machine tools, miscellaneous industrial equipment, paintings and objects of art. The Czech Government submitted 34 new claims for motor vehicles, and the Italian Government filed 12 claims for machine tools, electric motors and other industrial equipment. The remainder of the claims were received from Belgium, Poland, Yugoslavia and Norway. After investigation 61 claims were disallowed.

Twenty-seven restitutions were completed in June. Forty freight carloads of property were returned to the claimant nations, valued at approximately \$136,450. Total deliveries to date, in the restitution program, amount to 2790 freight carloads having a value estimated at \$192,344,600.

On 13 April 1948 the U.S. High Commissioner, as the representative of the U.S. Government, had notified the Austrian Federal Ministry for Property Control and Economic Planning that the U.S. Government desired to turn over to the Austrian Government the responsibility for carrying out the restitution program to ex-enemy nations. Operational details for the transfer of this responsibility were completed during April and May. On 16 June 1948, 693 Hungarian claims were transferred to the Austrian Government for appropriate action. At the same time all custodians of Hungarian property were notified by individual letters that their responsibility as custodians was transferred from the U.S. Military authorities to the Austrian Federal Government. These claims released from U.S. control represented 47% of all claims pending for restitution action. A few specially complex claims were retained under U.S. control for disposition at a future date.

Investigations continued on 794 pending claims, 166 of which are claims filed by France, 259 by Italy, and 87 by Czechoslovakia. The balance of the pending claims are fairly equally distributed among the various claimant nations.

Restitution was made to claimant nations as follows:

Czechoslovakia:

Seventeen restitutions, valued at \$46,000, were completed. The released property consisted of 12 motor vehicles, one tractor, 19 machine tools located at Steyr Works, and an assortment of office equipment and supplies.

France:

One Baby Grand piano, confiscated by the Germans and brought to Vienna, was released to a representative of the French Government.

Italy:

Seventeen freight carloads of property, having an estimated value of \$79,700, were returned to the Italian Government. The

released property consisted of 12 electric motor busses in Linz, one machine tool, 2 electric motors, and a large quantity of miscellaneous electrical material and parts of machine tools. Although the 12 busses at Linz were officially restituted to the Italian Government, the Linz Electric Company signed a contract of sale for them with the Italian Mission. These vitally needed busses will therefore remain in Linz.

Poland:

Property released to the Polish Government, valued at \$3,750, consisted of 3 machine tools and 1 electric motor.

GERMAN EXTERNAL ASSETS

The Austrian Government passed a series of Restitution Laws providing for the restoration of property which had been acquired during the period of Nazi domination by duress or as the result of political or racial persecution. In some instances the owners received no compensation for the property, while in other cases the purchase price was used to pay discriminatory taxes. The property had been acquired by the Reich Ministry of Finance, by private German citizens or private corporations. At the end of the war these properties were registered in the names of Germans. When a possible German interest is involved, the Austrian Restitution Courts file an application with the U.S. Element for permission to proceed with the hearing of the case and adjudicate the restitution claim. In June approximately 50 such applications for permission were filed on behalf of restitution claimants. The facts in each case must be reviewed, and if it is deemed to be a proper case for the operation of the Austrian Restitution Laws, permission will be granted to adjudicate the case.

Investigations were completed and reports prepared on 14 additional enterprises having or suspected of having a German interest. These companies included a hydro-electric project, a film distribution enterprise, construction companies, housing projects and textile companies.

The investigation of Wohnungs A.G., a large housing project constructed by the German Reich after the annexation of Austria, revealed that it had been founded on 9 June 1938. It was organized principally for the purpose of providing housing for employees of the Hermann Goering Steel Works at Linz and associated German war industries. The housing company constructed 7,879 dwellings of which 66.7% are located in the U.S. Zone. The total cost of construction was approximately RM. 165,000,000. Restitution claims have been filed against this company for the restoration of some of the property acquired during the war. The company was a branch office of the German corporation Wohnungs A.G., with its home office at

JUNE 1948

JUNE 1948

84  
KUG  
Entry 2082  
File 101948 Wa 2728-29  
Box 3  
DECLASSIFIED  
Authority NND 765028  
By JW NARA Date 12-2

AMERICAN EMBASSY LIBRARY  
VIENNA

**REPORT  
of the  
U.S. HIGH  
COMMISSIONER  
ALLIED COMMISSION  
for AUSTRIA**

1 Q 1948  
Vol. 27, 28, 29

207859

84  
KG  
Entry 2082  
File 1 Q 1948 Vol 27, 28, 29  
Box 3

DECLASSIFIED  
AUTHORITY: NND 765028  
By: JW NARA Date: 12-2

#### SALE OF TWO BLAST FURNACES

A contract for the sale of two surplus blast furnaces was signed at the end of January by the Austrian Government, as trustee, and the Czechoslovakian Government. The blast furnaces are situated at the United Iron and Steel Works at Linz. They had been built as part of the German war industrial machine. For the two blast furnaces the Czechoslovakian Government contracted to pay \$ 2,300,000 and for certain elevator equipment to pay \$ 600,000. These sums will be placed in a blocked account as German assets. One-third of the purchase price is to be paid immediately and the balance in monthly installments as the blast furnaces are dismantled and removed. The labor of dismantling is to be performed by Austrians under the supervision of Czechoslovakian engineers.

#### MACHINE TOOLS RELEASED

The Property Control Branch in January reached the half-way stage in its task of identifying and segregating the 90,000 machine tools which had been catalogued by the U.S. Forces in 1947. All machine tools identified as belonging to Austrians are being released immediately. This step is taken to aid the Austrian economy by stabilizing the operating of its machine tool plants.

This program is scheduled for completion by 30 April 1948. All machine tools showing German or undetermined ownership are being segregated for turnover to the Austrian Federal Government under trusteeship, the terms of which will prohibit transfer of these tools from the U.S. Zone of Austria.

Machine tools identified as belonging to ex-enemy nationals or United Nations nationals will be retained under Property Control until such time as restitution to rightful owners may be made.

#### SALE OF DETERIORATING GERMAN ASSETS

At the cessation of hostilities, in 1945, a number of German buildings and mining firms performing war contracts in Austria abandoned their businesses, equipment and construction materials and fled the country. Since that time, the companies have, in most cases, been inactive and the equipment and material has been placed under property control by the U.S. Government. These assets have been deteriorating while the equipment and materials are needed in the reconstruction of the Austrian economy. Approval was received for converting these assets into cash and the Austrian Government was requested to plan the realization, as trustee, in order to obtain the maximum yield for these properties.

JANUARY 1948

In addition, there are some enterprises which were established for finishing and assembling production, begun in other parts of the Reich. These plants are now totally disconnected and generally inactive. Therefore, the Austrian Ministry of Property Control and Economic Planning has been asked to plan a more efficient utilization of these idle facilities through integration into going concerns.

Of 42 firms enumerated in one list, 10 were in the stage of an accounting deficit, 8 had assets not exceeding S 7,000, 14 had assets not exceeding S 35,000. Only 10 are larger but none has assets in excess of S 80,000. In general, the administration cost of trusteeship would ultimately consume the assets, if the realization were deferred. The sums obtained through the sales of both classes of properties will be held for future disposition as German assets.

#### RESTITUTION OF LOOTED PROPERTY

The active program of restoring to the original owners property which had been looted by the German Army and brought into Austria continued during January, when 134 freight car loads valued at \$ 233,550 were returned. Total deliveries to date amounted to approximately 2,468 freight car loads having an estimated value of \$ 188,982,000.

Restitutions were made in January to claimant nations as follows:

##### Belgium:

Twenty-eight paintings and other objects of art of Belgian origin which had been removed to Castle Kogl, Land Upper Austria, were released to the Belgian Art Mission at the U.S. Art Collective Center in Munich.

##### Czechoslovakia:

One freight car load of dental equipment, one freight car load of fire-fighting equipment, and one painting were returned from Upper Austria to a representative of the Czechoslovak Government.

##### France:

Three freight car loads of valuable paintings looted by the Germans in France during the war and recovered from Castle Kogl and the Alt Aussee Salt Mine in Land Upper Austria were released to a French Art Mission at the U.S. Art Collecting Center in Munich; while one painting was released to a French art expert at Salzburg. In addition, 336 motor vehicles of French origin were restored from the U.S. Zone during January.

JANUARY 1948

207860

84  
KG  
Entry 2082  
File 10048 W. 272829  
Box 3  
DECLASSIFIED  
AUTHORITY: NND 765028  
By: JW NARA Date: 12-2

Hungary:

Restitutions to Hungary consisted of 2 passenger cars, 2 trucks, 1 motorcycle and 2 horses.

Poland:

Three valuable race horses which were the property of the Polish State were released in Upper Austria to representatives of the Polish Government.

Yugoslavia:

Restitutions to Yugoslavia included 2 passenger vehicles formerly the property of the Yugoslav Government, and two cars loads of household goods which had been brought to the U.S. Zone by Austrian Gendarmerie formerly on duty with the Wehrmacht in Yugoslavia.

NEW CLAIMS FILED

During January, 56 new claims were received; 15 from France and 14 from Hungary; the others were fairly equally divided among Italy, Belgium, Poland, Czechoslovakia and the Soviet Union.

Investigations completed in January failed to substantiate 58 claims, in that the property could not be located, or was found to be situated outside the U.S. Zone. These claims were dropped.

The great collections of art objects recovered in the U.S. Zone had been returned almost completely to their claimants as of 31 January. The scattered remnants have been placed in collecting points at Linz and Salzburg so that identifying agencies may examine them conveniently. Investigation of claims on file continues.

HUNGARIAN CLAIM FOR 10,000 HORSES

The Hungarian Restitution Mission filed a claim for the return of 10,000 horses abandoned in Austria when the Hungarian Army was disbanded. The claim was based upon the contention that the horses were removed from Hungary under orders of the German Wehrmacht.

There are many thousand horses in Upper Austria and Land Salzburg which were not there prior to the war, and one Austrian official has stated that at least 30,000 were slaughtered during the winter 1946-1947 to provide food. These horses are in the hands of Austrian peasant farmers, many of whom have never had a horse or only one horse before the war.

JANUARY 1948

The Austrians were asked to negotiate with the Hungarian Government on this matter in the hope that a compromise could be reached, concerning the number of horses which might be returned to Hungary. These negotiations were not fruitful and in accordance with existing directives, Restitution Field Representatives for restitution began locating the horses.

It is an easy matter to identify a Hungarian horse, for it is the practice in that country to have a registry number branded on its neck. It is not, however, an easy matter to persuade the Austrian farmers to give up their animals. Consequently, the elected officials of the Austrian Government have been reluctant about the matter.

CLAIM FOR ITALIAN MOTOR VEHICLES

The Italian Government has presented a claim for restitution of motor vehicles. Several thousand automobiles of Italian manufacture are in the U.S. Zone of Austria. Investigations are now being conducted to determine how many of these vehicles were brought into Austria by the German Army from Italy as loot. Those found in this category will be subject to restitution to the Italian Government.

PROPERTY CONTROL ACTIVITIES

Thirteen additional former German-owned or partially German-owned properties were transferred during January to the Austrian Federal Government under terms of the Trusteeship Agreement. As of 31 January, 629 such properties had been integrated into the Austrian economy for the purpose of assisting in the economic recovery of the country.

By transferring responsibility for administration over certain categories of properties to the Austrian Government, the duties of Property Control Officers have been changed from direct management to supervision, coordination and liaison with the responsible Divisions within the Austrian Federal Ministry for Property Control and Economic Planning. As of January 1948, Property Control Officers were acting in an advisory capacity to the Austrian Federal Government agencies, administering and controlling 3,158 properties. There still remained 269 properties under U.S. property control. This number, however, will be reduced further in the near future by outright release to the Austrian authorities. Tables 1 and 2 reflect the property control statistical position at the end of January 1948.

Twenty-one new claims to property interests in Austria were received from U.S. claimants and were filed with the Austrian Federal Government for adjudication under Austrian Restitution Laws. A total of 1,364 such claims have been filed as of 31 January. In most cases these claims represent

JANUARY 1948

207861

84  
Entry 2082  
File 1 Q 148 W 27287A  
BOX 3

DECLASSIFIED  
AUTHORITY: NND 765028  
BY: JW HARA Date: 12-2

207862

A DIFFERENCE IN SOVIET AND U.S. POLICY

An investigation into the ownership of AEG Union Elektrizitaets Gesellschaft of Vienna begun by the U.S.-German External Assets Branch for the purpose of determining the extent of German participation also revealed an example of the differences in treatment accorded Austrian industries by the Soviet and U.S. Forces.

AEG Vienna specialized in the manufacture of generators, motors, transformers, electric locomotives, switch gear, heating and cooking apparatus, electric furnaces, and welding equipment. Before the war, it was one of the three principal electric equipment producers in Austria, and its output was important in the Austrian economy.

In 1938 the company maintained its head office and main factories in the 21st and 22nd Districts of Vienna (now Soviet controlled). Subsequently its principal office and warehouse were located in the third District of Vienna (now British controlled), and it had engineering offices in Linz and Salzburg.

The investigation revealed that at the time of the Anschluss 85% of the share capital of the AEG Vienna was owned by Allgemeine Elektrizitaets Gesellschaft Berlin. The investigation also revealed that the International General Electric Company of New York in 1938 owned 25% of the share capital of the Berlin corporation. Thus it appears that the ultimate beneficial ownership of the Vienna corporation was approximately 64% German and 21% American.

During the war the capitalization of both the Vienna and Berlin companies was expanded but no American funds were added. Consequently, the American interest in the Berlin corporation was reduced to less than 18%. The Berlin interest in the Vienna corporation was increased to 99% and by the end of the war AEG Vienna was affected with ultimate beneficial interest approximately 18% American and 81% German.

The company's property in the 21st and 22nd District of Vienna was damaged by bombing. At the time there were 928 machines in two factories having a value of \$3,000,000, measured at present replacement cost. The tools and equipment which were removed had a similar value of \$2,000,000. In the first days of the occupation, all machinery and a large part of the tools and equipment of the factories were taken away while the Soviet Army remained in control. Its location is not now known to the management.

AEG Vienna no longer has possession of the plants in the 21st and 22nd Districts. They were seized by the Soviet and are now controlled by the Administration for Soviet Property in Eastern Austria (USIA). AEG Vienna's main office and a repair shop are presently housed in the building situated in the British Zone. The engineering offices and repair shops are maintained in Linz and Salzburg.

This case illustrates at least two important ways in which U.S. and Soviet policies affecting German External Assets differ. First, the U.S. policy is that there shall be no physical removals of German Assets from Austria. Instead, manufacturing plants and other types of assets are to be kept intact and operating to produce goods needed in the Austrian economy.

The second point of difference in policy concerns the ultimate beneficial ownership of the AEG Vienna property. As in this case, a large part or all of the stock of many Austrian corporations is owned by corporations located in Germany. The U.S. policy seeks to pierce the veil of corporate ownership and to determine the ultimate owner. In this case it would have been thought that the 18% American participation through AEG Berlin should be exempted from reparation claims. The Soviet Element generally has declined to look beyond the corporate record of immediate ownership of shares in the Austrian corporations; and in this case, to date, no provisions have been announced concerning the 18% American beneficial ownership of these 928 machines, the equipment and the tools removed from these factories.

Investigations were completed and reports prepared in connection with nine additional enterprises, having or suspected of having a German interest. These enterprises included building contractors, tile manufacturing, and a housing project. It was determined that these companies each had various degrees of German ownership.

RESTITUTION

RESTITUTION CLAIMS PERIOD EXTENDED

A proposal of the Austrian Federal Ministry for Property Control and Economic Planning to extend the period for filing restitution claims under the first, second and third Austrian Restitution Laws to 31 December 1948 became effective in February. Originally the period for filing would have expired on 31 March 1948.

The proposal was embodied in an Ordinance submitted to the Allied Council in January 1948. The French and Soviet members withheld their approval of the Ordinance and therefore the effective date of promulgation was delayed until February.

The first restitution law of 26 July 1946 provides that property expropriated by the German Reich for racial, national or other reasons may be returned to the rightful owner before expropriation, or to his heirs. To date approximately 4250 claims have been filed and 2730 have been acted upon. There remain 1520 cases to be considered.

84  
KG  
Entry 2082  
File 19448 1022829  
Box 3  
NND 765028  
By JW, NAPA Date 12-2  
REPRODUCED AT THE NATIONAL ARCHIVES

The second restitution law provides for restitution to the rightful owner of property expropriated under racial or national laws which had passed to the Austrian Government from the Nationalsozialistische Deutsche Arbeiterpartei (NSDAP) and from certain Nazi party members and certain war criminals. Under this law 145 claims have been filed, 100 have been acted upon and 45 remain to be processed.

The third restitution law provides for the restitution of property which was acquired by force or duress, with or without compensation, by persons, natural or juridical, other than the German Reich. One of the principal actions under this law is for the relief of persons whose property was "Aryanized"; e.g., Jewish persons who were deprived of their property by Nazis either through force or pretense of purchase. This law authorizes extra-judicial settlement between the claimant and the "Aryanizer". Only 529 cases were handled by the Restitution Commission by December 31, 1947. Many hundred cases apparently have been settled without resort to judicial action.

The decision to extend the period for filing restitution claims gives further protection to those persons who have not yet been able to comply with requirements of the three restitution laws.

The applications are heard and acted upon by appropriate legal and administrative authorities of the Austrian Federal Government.

#### RESTITUTION OF LOOTED PROPERTY

New claims received from Allied and ex-enemy nations totaled 164. Of these 117 were Italian and the remainder were received from France, Belgium, Czechoslovakia, Poland, the Netherlands, Hungary, Yugoslavia, Rumania and the Soviet Union.

After thorough investigation it was found necessary to disapprove 49 claims. In most cases the property could not be located in the U.S. Zone; while in other cases claimant countries could not substantiate the claims.

Restitutions completed during February numbered 31, requiring for shipment of this property 44 carloads of freight having a value estimated at \$284,200. Total deliveries to date amount to approximately 2511 carloads having a value estimated at \$189,266,000.

Restitutions were made to claimant nations as follows:

#### Austria:

One oil painting on wood by Jan Gabriels Sonje and identified as being part of the confiscated art collection of Jan Engel of Vienna, was released to the Austrian Bundesdenkmalamt, which will handle the internal restitution to the heirs of Mr. Engel.

FEBRUARY 1948

#### Belgium:

Thirty-three files of historical documents of Austrian Infantry Regiment No. 42, dating from the 17th century, which were taken from Belgium during the First World War by the Germans, returned to Belgium under the Treaty of St. Germain, and relocated by the Germans during World War II to the Austrian State Archives, Vienna, were released to the representative of the Belgium Government.

#### Hungary:

Seventeen Hungarian restitutions, having a value estimated at \$56,000, were completed during the month. The property released included 44 horses, 6 motor vehicles and one trailer with miscellaneous automotive spare parts, 8 typewriters and various office machinery and equipment, miscellaneous scientific material, and some personal property.

#### Italy

The Italian Restitution Mission completed loading and shipping refinery equipment from the oil refinery site at Ebensee. Sixty-one freight carloads, formerly the property of the Azienda Nazionale Idrogenazione Combustibili of Livorno, were returned to Italy. In addition, 9 carloads of miscellaneous property were released to Italy from Linz and Salzburg, having a value of \$100,000. This included 50 tons of asbestos material, machine tools, pumps, pipes and pipe fittings, 10 cases of welding transformers, 8 cases of electrical measuring sets, and one air compressor with two transformers.

#### Yugoslavia:

Thirteen flasks containing mercury, and one milling machine were returned to the Yugoslav Government.

#### Czechoslovakia:

One Danube river boat, 7 tank cars, and one steam roller were released from Upper Austria to a representative of the Czechoslovak Government.

#### France:

Restitutions to France were one freight carload of miscellaneous silk, wool and cotton material.

#### Poland:

Twenty-nine paintings, 2 machine tools, 50 tile stoves, a large collection of hand tools, and 4 antique weapons were released to Poland from the U.S. Zone of Vienna and Upper Austria.

FEBRUARY 1948

207863

84  
 KG  
 Entry 2082  
 File 10048 100222829  
 Box 3  
 DECLASSIFIED  
 AUTHORITY NND 765028  
 BY JW (ARPA Date) 12-2

207864

RESTITUTION

Rumania:

Restitutions to Rumania consisted of 2 carloads of industrial and office equipment, including 4 milling machines, 10 electric motors, 5 typewriters, one truck and 34 cases of miscellaneous hand tools.

United Nations:

Three typewriters, property of the International Forestry Center, were released to a representative of the United Nations at Salzburg.

PROPERTY CONTROL

PROPERTY CONTROL ACTIVITIES

A project was completed to notify United Nations' nationals that their property, formerly under U.S. Military Government control, has been released to the control and administration of the Austrian Federal Government, through the Ministry for Property Control and Economic Planning. The Austrian Government assumed responsibility of protecting and safeguarding this property, pending restoration to the former owner or his agent. Under this category of properties, 296 such cases were handled.

Eight new claims to property interests in Austria were received during February, the smallest number received in any one month to date. A total of 1372 such claims was filed with the Austrian Federal Government for adjudication under Austrian restitution laws. A majority of the cases filed fall within provisions of the first three restitution laws and adjudication of the claims is in process through the Austrian courts.

The program for transferring responsibility for direct administration to the Austrian Federal Government for former German or partially German-owned enterprises in the U.S. Zone of Occupation was near completion. The transfer of three enterprises in February brings the total number transferred to the Austrian Government to 636 properties. There remained only 15 former German-owned or partially German-owned properties under U.S. Property Control. These cases are being reviewed to determine whether they may be turned over to the Austrian Government at an early date. There also remained 36 miscellaneous property items which were being investigated to determine the possibility of restitution or outright release to the Austrian Federal Government.

FEBRUARY 1948

R. D. & R.

PROPERTY CONTROL

The tenth and last shipment of miscellaneous unidentified looted property has been made from the Property Control warehouse at Salzburg to the Preparatory Committee, International Refugee Organization. Receipt and appraisal forms were signed by PCIRO accepting responsibility for realization of this unidentified loot. The proceeds will be used by them in the furtherance of their work.

SALE OF BLAST FURNACES

A proposal for sale of 2 surplus blast furnaces owned by the United Iron and Steel Works at Linz to the Czechoslovak Government was still under consideration. At the end of the month the contract had not yet been finally approved.

QUADRIPARTITE ACTIVITY

QUADRIPARTITE ACTIVITIES

One meeting of the Reparations, Deliveries and Restitution Directorate was held in February. A proposal to authorize the Transportation Division to instruct the Austrian National Railways to return to France certain privately owned railway wagons which were looted from France was the principal item of business. The four powers agreed to the proposition that the wagons should be returned; there was disagreement over the specific terminology in which the matter was to be stated. The U.S., British and French Elements concurred in the proposal to instruct the Austrian Federal Railroads to release the wagons, but the Soviet member insisted that the execution of the matter be placed in the hands of the High Commissioner of each Zone of Occupation. The matter was placed on the agenda for the first Executive Committee meeting in March.

FEBRUARY 1948

84  
RG  
Entry 2082  
File 10048 W 2728, 29  
Box 3  
DECLASSIFIED  
Authority NND 765028  
By JW NARA Date 12-2

GENERAL

New claims received from Allied and ex-enemy nations totaled 166. Of these 102 were Italian claims for industrial equipment, including machine tools and electrical equipment, and the remainder were received from Austria, Belgium, Czechoslovakia, France, Hungary, the Netherlands, Poland, and Yugoslavia.

Thirty-one claims were disallowed because investigation revealed that the claimed property could not be located in the U.S. Zone, had been removed to another zone of occupation, was a duplication of one already filed, or the claimant nation could not furnish sufficient proof to substantiate the claim.

Forty-six restitutions were completed during the month. One hundred and thirty-seven freight carloads of property were returned to the claimant nations, having a value estimated at \$2,315,900. Total deliveries to date amount to approximately 2633 freight carloads having a value estimated at \$191,582,100.

Of the 1510 outstanding claims on which investigations are continuing, 726 are Hungarian claims, 249 Italian, and 182 are French.

Restitution was made to various claimant nations as follows:

Austria:

Art objects, including paintings, antique jewelry, books, and furnishings (414 items) from confiscated Austrian collections, estimated at \$2,000,000, were returned from the Art Collection Center in Munich and released to the Austrian Government on 16 March. Eighty-seven of these items represented a restitution from the U.S. Zone of Germany to Austria.

Czechoslovakia:

Restitutions to the Czechoslovak Government included 38 paintings and 9 photographs which were left at Kremsmuenster Monastery, Land Upper Austria, by Czech families living there during the war.

France:

Eight Magdeburg lathes, valued at \$50,000, which were relocated to the Iron and Steel Works at Linz, were released to the representative of the French Government.

Hungary:

Fourteen Hungarian restitutions, estimated at \$24,400, were completed during the month. The released property consisted of 28 motor vehicles, quantities of scientific instruments and technical books, 30 complete-used telephones, and miscellaneous office equipment and documents.

MARCH 1948

Italy:

Property of Italian origin, valued at \$165,000, which had been relocated to the Iron and Steel Works at Linz, was released to the representative of the Italian Government. The released property consisted of approximately 600 tons of miscellaneous materials and equipment of Siemens-Martin furnaces, 14 freight carloads of fire-bricks, large quantities of iron pipes, plates and fittings from blast furnaces and one two-column planing machine.

The Netherlands:

Restitutions to the Netherlands consisted of seven boats and a large quantity of electrical equipment which had been relocated to the Branch-Establishment Ried of the Fraunhofer Institute.

Poland:

Six restitutions, having a value estimated at \$38,600, were made to the Polish Government. The property consisted of 5 automatic presses, one electric motor, three grinding machines, one lathe, one welding gas developer and two paintings.

Yugoslavia:

Three restitutions to Yugoslavia consisted of two motor vehicles, one telegraph machine "Siemens-Schuckert" and one station selector.

GERMAN EXTERNAL ASSETSTHE CASE OF THE MISSING DOLLAR BONDS

An investigation was conducted to determine the possible location of bearer dollar bonds issued by a Tyrolian water power company known as TIWAG. This company is one of the largest suppliers of electric power in Austria, with its main office at Innsbruck in the French Zone. The control of TIWAG passed from the city of Innsbruck and the Land Tyrol to the Alpen Electro Company in 1938, after the Anschluss. Control of Alpen Electro Company was seized by the Germans during the annexation of Austria.

In 1925 and 1927 TIWAG issued bonds payable in U.S. dollars in the aggregate principal sum of \$6,000,000. The bonds were bearer bonds and were secured by mortgages on the property of TIWAG and the New York Trust Company, New York, was made a trustee for the bond holders. Under the terms of the trust agreement amortization payments were to commence on the 1925

MARCH 1948

84  
 KG  
 Entry 2082  
 File 10148 10272829  
 Box 3

DECLASSIFIED  
 AUTHORITY NND 755028  
 BY JW NARA Date 12-2

GENERAL

New claims received from Allied and ex-enemy nations totaled 166. Of these 102 were Italian claims for industrial equipment, including machine tools and electrical equipment, and the remainder were received from Austria, Belgium, Czechoslovakia, France, Hungary, the Netherlands, Poland, and Yugoslavia.

Thirty-one claims were disallowed because investigation revealed that the claimed property could not be located in the U.S. Zone, had been removed to another zone of occupation, was a duplication of one already filed, or the claimant nation could not furnish sufficient proof to substantiate the claim.

Forty-six restitutions were completed during the month. One hundred and thirty-seven freight carloads of property were returned to the claimant nations, having a value estimated at \$2,315,900. Total deliveries to date amount to approximately 2633 freight carloads having a value estimated at \$191,582,100.

Of the 1510 outstanding claims on which investigations are continuing, 726 are Hungarian claims, 249 Italian, and 182 are French.

Restitution was made to various claimant nations as follows:

Austria:

Art objects, including paintings, antique jewelry, books, and furnishings (414 items) from confiscated Austrian collections, estimated at \$2,000,000, were returned from the Art Collection Center in Munich and released to the Austrian Government on 16 March. Eighty-seven of these items represented a restitution from the U.S. Zone of Germany to Austria.

Czechoslovakia:

Restitutions to the Czechoslovak Government included 38 paintings and 9 photographs which were left at Kremsmuenster Monastery, Land Upper Austria, by Czech families living there during the war.

France:

Eight Magdeburg lathes, valued at \$50,000, which were relocated to the Iron and Steel Works at Linz, were released to the representative of the French Government.

Hungary:

Fourteen Hungarian restitutions, estimated at \$24,400, were completed during the month. The released property consisted of 28 motor vehicles, quantities of scientific instruments and technical books, 30 complete used telephones, and miscellaneous office equipment and documents.

MARCH 1948

Italy:

Property of Italian origin, valued at \$165,000, which had been relocated to the Iron and Steel Works at Linz, was released to the representative of the Italian Government. The released property consisted of approximately 600 tons of miscellaneous materials and equipment of Siemens-Martin furnaces, 14 freight carloads of fire-bricks, large quantities of iron pipes, plates and fittings from blast furnaces and one two-column planing machine.

The Netherlands:

Restitutions to the Netherlands consisted of seven boats and a large quantity of electrical equipment which had been relocated to the Branch-Establishment Ried of the Fraunhofer Institute.

Poland:

Six restitutions, having a value estimated at \$38,600, were made to the Polish Government. The property consisted of 5 automatic presses, one electric motor, three grinding machines, one lathe, one welding gas developer and two paintings.

Yugoslavia:

Three restitutions to Yugoslavia consisted of two motor vehicles, one telegraph machine "Siemens-Schuckert" and one station selector.

GERMAN EXTERNAL ASSETSTHE CASE OF THE MISSING DOLLAR BONDS

An investigation was conducted to determine the possible location of bearer dollar bonds issued by a Tyrolian water power company known as TIWAG. This company is one of the largest suppliers of electric power in Austria, with its main office at Innsbruck in the French Zone. The control of TIWAG passed from the city of Innsbruck and the Land Tyrol to the Alpen Electro Company in 1938, after the Anschluss. Control of Alpen Electro Company was seized by the Germans during the annexation of Austria.

In 1925 and 1927 TIWAG issued bonds payable in U.S. dollars in the aggregate principal sum of \$6,000,000. The bonds were bearer bonds and were secured by mortgages on the property of TIWAG and the New York Trust Company, New York, was made a trustee for the bond holders. Under the terms of the trust agreement amortization payments were to commence on the 1925

MARCH 1948

84  
 KG  
 Entry 2082  
 File 10148 Vol 278,29  
 Box 3

DECLASSIFIED  
 AUTHORITY: NND 765028  
 BY: JW NARA Date: 12-2

207867

bond issue on 1 October 1928 and on the 1927 issue on 1 July 1929. All amortization payments were made in dollars by the company up to the time of the annexation of Austria.

In 1934 TIWAG offered to exchange the dollar bonds for Austrian-Schilling bonds to Austrian holders on an attractive basis. Many of the Austrian holders accepted this offer. The holders surrendered their dollar bonds to the company and received new bonds payable in Schillings. It was agreed that the surrendered dollar bonds would not be cancelled but would be held as collateral security for the new Schilling bonds. A similar plan was put into effect in 1939, regarding the German owners and the new bonds were payable in German Reichsmarks. During the war the dollar bonds were eventually deposited with the Reichsbank in Berlin and its branches at Vienna. The company retired its Schilling and Reichsmark bonds in full and became entitled to cancellation of its original dollar bonds. These bonds were not submitted to the trustee for cancellation because of the war.

At the end of the war various securities including these dollar bonds were removed from the vaults of the bank at Vienna and are missing from the bank at Berlin. The investigation indicated that dollar bonds in the principal amount of S 2,772,800 were deposited in the various banks and are now missing. The balance of the bonds has been retired or is held by unknown owners in various parts of the world.

TIWAG has filed an action in the Austrian courts to have the lost dollar bonds declared null and void.

HOUSING CONTRACTORS

Investigations were completed and reports prepared in connection with 13 additional enterprises having or suspected of having a German interest. Four of these investigations involved housing projects and four of them building contractors. The latter were in most instances 100% German-owned and the housing projects, although in some cases partly owned by Austrian companies, were built with money advanced by German banks. These advances were secured by real estate mortgages. Semperit Gummiwerke, the largest Austrian manufacturer of rubber products, whose principal plants are located in the Soviet Zone, was also the subject of investigation.

Negotiations have been carried on with the Austrian Government for the sale of German assets which are deteriorating. A plan for the sale of these assets was prepared by the Austrian Government. A transfer of these assets to private owners will allow them to be used more effectively in the Austrian economy.

WEHRMACHT PROPERTY FINDINGS

A detailed survey was completed of all Wehrmacht (German Army) owned housing property in Upper Austria. This type of property was never under formal Military Government property control. It is contemplated that a release of this property will be made to the Austrian Federal Government. Such release, however, will be made with certain reservations and the Austrian Government will be held accountable for the best utilization of this property within the Austrian economy. Due to the physical nature of this type of German asset, it is felt that this property, in its present form, is not suitable for reparation purposes.

Several barter transactions between Trusteeship firms located in the U.S. Zone of Austria were authorized during the month. The items to be exchanged were stated to be of equal value. Therefore, the transactions would not result in a diminution of the assets of the participating firms.

FLAT PLATE TO RELIEVE SHORTAGE

On 25 March authorization was granted one of the Trusteeship firms to use in its normal course of business 1500 tons of flat plate steel held in storage, pending a determination of its ownership. An investigation was conducted and it was determined that the claimant firm was the rightful owner. In view of the serious shortage in Austria of this type of steel and the shortage of the necessary raw materials needed to process this quantity of steel plate, this timely release will greatly assist industries in the U.S. Zone which have been in need of flat plate steel.

HOUSING PROJECT

The United Iron and Steel Works, one of the Trusteeship firms, received authority to proceed with their plans of acquiring part of the assets of Gemeinnuetzige Siedlungsgenossenschaft Neue Heimat (Community Housing Project), Linz, also one of the Trusteeship firms, and the setting up of a limited company by United Iron and Steel Works, which will be known as "Gemeinnuetzige Wohnungs G.m.b.H." This move will assist the United Iron and Steel Works in partially solving the housing problem of their workers, who at present number approximately 9000 workers and employees. The plan also calls for the completion of 188 flats and 220 single rooms for bachelors. The foundation for this construction was completed before the end of the war but since that time no work has been done. Authority granted under this authorization was with the understanding that the new firm, after its organization, will be placed under the Trusteeship Agreement. The financial outlay involved will approximate 22,000,000 schillings.

MARCH 1948

MARCH 1948

84  
Entry 2082  
File 1 Q 148 14 278 24  
BOX 3  
DECLASSIFIED  
AUTHORITY: NND 765028  
By J.W. HARRA Date 12-2

bond issue on 1 October 1928 and on the 1927 issue on 1 July 1929. All amortization payments were made in dollars by the company up to the time of the annexation of Austria.

In 1934 TIWAG offered to exchange the dollar bonds for Austrian Schilling bonds to Austrian holders on an attractive basis. Many of the Austrian holders accepted this offer. The holders surrendered their dollar bonds to the company and received new bonds payable in Schillings. It was agreed that the surrendered dollar bonds would not be cancelled but would be held as collateral security for the new Schilling bonds. A similar plan was put into effect in 1939, regarding the German owners and the new bonds were payable in German Reichsmarks. During the war the dollar bonds were eventually deposited with the Reichsbank in Berlin and its branches at Vienna. The company retired its Schilling and Reichsmark bonds in full and became entitled to cancellation of its original dollar bonds. These bonds were not submitted to the trustee for cancellation because of the war.

At the end of the war various securities including these dollar bonds were removed from the vaults of the bank at Vienna and are missing from the bank at Berlin. The investigation indicated that dollar bonds in the principal amount of \$ 2,772,800 were deposited in the various banks and are now missing. The balance of the bonds has been retired or is held by unknown owners in various parts of the world.

TIWAG has filed an action in the Austrian courts to have the lost dollar bonds declared null and void.

#### HOUSING CONTRACTORS

Investigations were completed and reports prepared in connection with 13 additional enterprises having or suspected of having a German interest. Four of these investigations involved housing projects and four of them building contractors. The latter were in most instances 100% German-owned and the housing projects, although in some cases partly owned by Austrian companies, were built with money advanced by German banks. These advances were secured by real estate mortgages. Semperit Gummiwerke, the largest Austrian manufacturer of rubber products, whose principal plants are located in the Soviet Zone, was also the subject of investigation.

Negotiations have been carried on with the Austrian Government for the sale of German assets which are deteriorating. A plan for the sale of these assets was prepared by the Austrian Government. A transfer of these assets to private owners will allow them to be used more effectively in the Austrian economy.

#### WEHRMACHT PROPERTY FINDINGS

A detailed survey was completed of all Wehrmacht (German Army) owned housing property in Upper Austria. This type of property was never under formal Military Government property control. It is contemplated that a release of this property will be made to the Austrian Federal Government. Such release, however, will be made with certain reservations and the Austrian Government will be held accountable for the best utilization of this property within the Austrian economy. Due to the physical nature of this type of German asset, it is felt that this property, in its present form, is not suitable for reparation purposes.

Several barter transactions between Trusteeship firms located in the U.S. Zone of Austria were authorized during the month. The items to be exchanged were stated to be of equal value. Therefore, the transactions would not result in a diminution of the assets of the participating firms.

#### FLAT PLATE TO RELIEVE SHORTAGE

On 25 March authorization was granted one of the Trusteeship firms to use in its normal course of business 1500 tons of flat plate steel held in storage, pending a determination of its ownership. An investigation was conducted and it was determined that the claimant firm was the rightful owner. In view of the serious shortage in Austria of this type of steel and the shortage of the necessary raw materials needed to process this quantity of steel plate, this timely release will greatly assist industries in the U.S. Zone which have been in need of flat plate steel.

#### HOUSING PROJECT

The United Iron and Steel Works, one of the Trusteeship firms, received authority to proceed with their plans of acquiring part of the assets of Gemeinnuetzige Siedlungsgenossenschaft Neue Heimat (Community Housing Project), Linz, also one of the Trusteeship firms, and the setting up of a limited company by United Iron and Steel Works, which will be known as "Gemeinnuetzige Wohnungs G.m.b.H." This move will assist the United Iron and Steel Works in partially solving the housing problem of their workers, who at present number approximately 9000 workers and employees. The plan also calls for the completion of 188 flats and 220 single rooms for bachelors. The foundation for this construction was completed before the end of the war but since that time no work has been done. Authority granted under this authorization was with the understanding that the new firm, after its organization, will be placed under the Trusteeship Agreement. The financial outlay involved will approximate 22,000,000 schillings.

MARCH 1948

MARCH 1948

84  
K5  
Emity 2082  
File 1 Q 448 W 2789  
Box 3

DECLASSIFIED  
Authority NND 765028  
By JW NARA Dated 2-2

Antelope Rpts

1Q 1-3/48

2Q 4-6/48

---

order more

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 710-Policy STATEMENTS  
Box 17

SECRET

Advantages and Disadvantages of an Austrian Treaty

1. Political

a. Austria

From the Austrian point of view, a treaty is eminently desirable provided it does not (a) impose economic obligations on Austria which in the long run might mortgage the country to the Russians; (b) deprive Austria of territory; (c) grant the Russians extraterritorial privileges which might be used for Trojan horse tactics; (d) withhold from Austria the necessary authority to organize and equip an adequate defense force; or (e) result in the Western Powers disinteresting themselves in the fate of Austria.

The main benefit of a treaty would lie in the withdrawal of the Soviet occupation troops whose presence constitutes a continuous threat to the system of democratic self-government in Austria. Although the Soviets have not yet applied a policy of large-scale intimidation and repression in their zone, the ever-present possibility of such a policy is an incubus from which the political life of Austria would be freed by a treaty.

All the economic benefits of a Soviet withdrawal have, from the Austrian point of view, important political aspects. Obviously, it would considerably reduce the Russian capability of using economic blackmail for political purposes. The release of a substantial portion of the USIA enterprises would also go a long way toward making ERP more effective, which in turn would serve to reduce Communist capabilities and to stabilize the domestic political scene. Moreover, Soviet economic pressure is now so burdensome that, if it should appear that a treaty is to be indefinitely postponed, the temptation to try a bilateral settlement with the Soviets, at least of the German assets question, would be almost irresistible to the Austrians.

As far as the Communist party is concerned, a treaty and the attendant

SECRET

Lot 55 F 74

207869

Box 2353

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 710-Policy STATEMENTS  
Box 17

SECRET

-2-

attendant withdrawal of the Soviets would deprive that party of most of its present limited subversive potential and would enable the government to impose on it far-reaching controls in case of necessity. The elections scheduled for 1949 would undoubtedly be freer if the occupation had ended by that time, and would possibly result in the loss of all Communist representation in Parliament.

There would be no substantial disadvantages to Austria in a treaty which met the conditions set forth in the first paragraph of this memorandum. While any treaty will necessarily, because of the Potsdam commitment, place some economic burdens on Austria, those burdens should be considerably less than those imposed by the Soviet occupation and should not entail, if the treaty is properly drawn, unfavorable political consequences. A properly drafted treaty would be disadvantageous to Austria only in case (a) it should result in the withdrawal of Western troops before an adequate Austrian defense force is in readiness or (b) it should not be accompanied by a commitment, explicit or implied but in any case clearly understood by the Soviets, that the Western Powers would immediately come to the assistance of Austria if she were attacked by the Soviets or the satellites, whether that attack be direct and open or in the form of covert infiltration too substantial to be checked by the Austrian defense force.

A treaty meeting the conditions listed above and supported by the commitment indicated above would be wholly to the advantage of Austria.

b. U.S.

From the American point of view, an end of the military occupation of Austria would seem politically advantageous because, whereas Soviet political influence in Austria stems largely from the fact of military occupation, American influence, which is inherently political and economic rather than military, would be actually enhanced after the withdrawal of forces because it could then operate as freely in Eastern as it now does in Western Austria. The policies of the Austrian Government can for a considerable time be depended upon to be pro-American even without the presence of our troops. The Soviet sphere of influence in Europe would therefore be pushed back at this central point from the Rhine to the eastern

SECRET

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99RG 84  
Entry 2056  
File 710-Policy STATEMENTS  
Box 17SECRET

-3-

eastern boundary of Austria.

On the other hand, the influence which the Soviets could exercise on Austria through military pressure on its satellite borders could not be offset merely by the presence of American troops on Austria's western borders. To avoid the possibility of Austria becoming a dangerous political vacuum after the withdrawal of occupation forces, the country would have to be assured not only of continuing American political and economic support but also, at least implicitly, of such military support as might be necessary to check border incursions and other forms of military pressure by the Soviet satellites. The assurance of complete political support in all its implications is thus an important condition for any American decision to withdraw from Austria. On the other hand, on the assumption of continued American support, multilateral troop withdrawal would be positively advantageous because it would place all of Austria squarely in the western camp, with invasion at grave risk of war the only means by which the Soviets could obtain control.

Summarizing, it can be said that, as a means of extending Western influence in Austria, and perhaps eventually of converting it into a genuine buffer capable of withstanding outside pressure, an Austrian treaty would be politically desirable for the United States, provided continued full support of Austria by the West can be considered assured.

c. World

From the point of view of the political situation in the world today, two factors bear upon the question of an Austrian treaty at this time: its influence on the development of overall U.S.-Russian relations, and the political effects it would have on other countries.

The effect of an Austrian treaty on U.S.-Soviet relations would not be great but, assuming the Soviets lived up to their obligations under the treaty, at least one point of direct military contact and serious potential friction would be removed. Even if the Soviets violated their obligations

SECRET

207871

DECLASSIFIED

Authority NND 765029  
By SR NARA Date 12-1-99

RG

84

Entry

2056

File

710-POLICY STATEMENTS

Box

17SECRET

-4-

obligations, the U.S.-Soviet friction caused thereby would probably not be greater than that caused by their present behavior in Austria, except in the unlikely case they should carry their treaty violations to the extreme of resorting to open warfare.

As to the effect of an Austrian treaty on other countries there can be no doubt but that in Western Europe any retrograde movement on the part of the Soviet Army would not only be greeted with satisfaction, but would be interpreted as an American diplomatic victory. Even in Eastern Europe, the existence of a free and independent, unoccupied and pro-Western Austria would hardly be considered as evidence of a Russian victory, and would be more likely to serve, particularly if ERP has the effect we hope, as a constant and irritating reminder to the peoples of the Eastern countries of the liberties and advantages they have lost.

Summarizing: From the point of view of the world political situation, an Austrian treaty might not only reduce at least one source of U.S.-Soviet friction but would be likely to result in a substantial increase of American prestige, both in Western and in Eastern Europe.

c. Conclusion

An Austrian treaty is politically desirable at this time, if it can be obtained without substantial concessions on essential points and if it is accepted with the clear understanding that continued American support for Austria may become necessary to prevent the country's falling prey to Soviet or satellite pressure after the Allied troops are withdrawn. The possibilities for effective exercise of Russian pressure will, however, be definitely less after a treaty is signed than they are at present, and multilateral troop withdrawal should result in a net improvement in the American position in this important strategic outpost of Western Europe.

SECRET

207872

1000

1000

1000

DECLASSIFIED
Authority <u>NND 765028</u>
By <u>JW</u> NARA Date <u>12-2</u>

RG 84  
 Entry 2056-2062  
 File RESTITUTION  
SEPT 1945-SEPT 1947  
 Box 42 # 5

Translation ex German.

REPUBLIC OF AUSTRIA  
 THE FEDERAL CHANCELLOR  
 Ref.No.194.935-6 RS/48

Vienna, 9th December 1948.

Subject: Jewish registers,  
 restitution from Berlin.

To: The Chairman,  
 Allied Council for Austria,  
 Vienna.

Referring to my letters of 17th May 1946, Ref.No.125.212/J/46, and of 22nd November 1946, Ref.No.147.627-6 RS/46, and your intermediate decision of 13th February 1947, International Division Ref. JUTR/2055/Gov., I have the honour to request once more the Allied Council in Vienna to obtain from the Allied Control Council in Berlin the early return of the Jewish registers which had been removed to Berlin. This matter is urgent, owing to the missing of these registers, it is, above all, impossible to certify the deaths of all those persons who were killed in concentration camps and born prior to 1895.

The Federal Chancellor:  
 sgd. F i g l .

Responsible for the  
 correct translation:  
 Hellwig.  
 Dec.20, 1948.

207873

*Journal Register*

DECLASSIFIED

Authority NND 765028By JW NARA Date 12-2

RG

Entry 84 2056 2062File RESTITUTION  
SEPT 1945 - SEPT 1947Box 42 MO #1Translation.

FEDERAL CHANCELLERY  
FOREIGN AFFAIRS  
REF: NO. 125.212-J/46

Vienna, the 30th April 1946.

Subject: Jewish register in the Burgenland;  
restitution from Germany.

To: The Chairman,  
the Allied Council for Austria,  
Vienna III.

On request by the Jewish Community, the Federal Chancery - Foreign Affairs has the honour to submit to the Allied Council for Austria the following matter:

In the time of the German occupation all Jewish registers of the Federal State Burgenland had to be handed over to the Ministry of Interior in Berlin. Hence the registrar's offices in Burgenland are unable to write out drafts or copies of registration which had taken place before 1895. This hinders in particular to certify the death of all those persons who have been killed in concentration camps and were born before 1895.

I therefore beg the Allied Council for Austria to approach the Interallied Commission in Berlin with a view that the above mentioned Jewish registers may be restored to Austria and placed at the disposal of the Government of the Burgenland.

The Federal Minister:  
sgd. G r u b e r .

Responsible for the  
correct translation:

15th May 1946. *Sill*

207874

John  
M. Smith

DECLASSIFIED

Authority MMO 765028  
By SR NARA Date 12/1/99

RG

84Entry 2056File 800 NA SUBVERSIVE ORGANIZATIONSBox 221668

- (1) to classify 520,000 registered National Socialists according to degree of incrimination -- i.e., to separate the 40,000 high-ranking functionaries and honored members from the 480,000 lesser functionaries, ordinary members, and followers;
- (2) to provide agencies for examination of political conduct prior to April, 1945;
- (3) to classify positions in state and economic machinery according to their importance and influence and to enumerate those positions in which classified National Socialists are unacceptable for probationary periods of time;
- (4) to establish certain categories of political and social activity in which National Socialists may not engage;
- (5) to prosecute in certain cases as criminal offenders illegal members of the Nazi Party, high National Socialist functionaries, and instigators of neo-Nazi activity.

There is no need to elaborate on all the atonement penalties which Law 25 extracted from registered National Socialists. In general, less implicated persons may, prior to April, 1950, be employed only in lower civil service grades and then only in case of need, and, they are excluded until the same date from leading positions in private enterprises. Implicated persons are excluded from government service, from most professions, and from almost any managerial position in industry.

In practice some of these restrictions have proved ridiculous. That the Law, however, was as severe in fact as it appeared in text proved by no means to be the case. For example, although the Law specifically requires the registration of Party applicants, through technical interpretation of the term "applicant", an estimated 8000 persons who applied for Party membership after 31 July 1939 and who deny receipt of actual membership have been exempt from registration and atonement liability. Waffen-SS and Police-SS have been similarly relieved. Fifteen thousand registered Nazis in over-age and invalid groups have similarly been exempt -- officially, and presumably legally. Persons who entered the Party from youth organizations have been in many cases stricken from registration lists after denying receipt of membership cards. The Federal President, himself, has granted total amnesty to nearly 2000 implicated as well as less implicated Nazis who assertedly now give "adequate guarantees of supporting an independent Austrian Republic." And, of course, since last Friday, 50,000 less implicated persons twenty-nine years of age and under have been relieved of all atonement penalties under the so-called youth amnesty law.

Whether or not Law 25 has been carried out is a matter of opinion, and either point of view may be documented with reports from the Austrian authorities themselves. It is my own personal point of view that Law 25 did not materially alter the situation which existed prior to its promulgation.

The Federal Chancellor's report for March, 1948, records 20,000 civil servants as removed from office since the passage of Law 25. However, the 39,000 less implicated persons who still remain in civil service positions is only a little more than 7,000 fewer than the number employed before Law 25 became effective! Of the 16,000 applications from former Nazis for permission to work in enumerated professions and in special civil service categories only 1/16 were denied. Although the Federal Chancellor's reports have indicated a virtual elimination of implicated and less implicated

p-n. making

DECLASSIFIED

Authority NND 775119

By IE NARA Date 11/8

RG 260

Entry Ba-55

File CONTROL MACHINE  
GERMANY - 133-II

Box 10

APPENDIX 'A'  
to SHARP/21542/Plans  
dated 9 July, 1944

OPERATION 'TALISMAN' - PLANNING POLICY

INTRODUCTION

1. In order that planning for Operation 'TALISMAN' may proceed on a firm basis, a policy based on the following suggested outline is required to be approved.

OBJECT

2. The objects of 'TALISMAN' are: following the surrender of the GERMAN armed forces and the cessation of organised resistance, to disarm the GERMAN forces in the WEST and thereby to prevent a renewal of hostilities; to occupy strategic areas on the Continent, from which we can enforce the terms of surrender imposed by the allied governments on GERMANY, and from which in addition United Nations' agencies can assist in the relief and rehabilitation of the liberated countries.

TARGET DATE FOR PLANNING

3. It is considered that the plan should cover the possibility of 'TALISMAN' occurring at any time after 1st August, 1944. There appear to be no grounds for considering it before that date.

FACTORS AFFECTING ATTAINMENT OF THE OBJECT

DISARMAMENT OF GERMAN FORCES IN THE WEST

4. After 1st August, 1944, all the BRITISH forces and the bulk of the US forces with the possible exception in both cases of airborne troops, will be on the Continent.

5. Similarly in the WEST there are expected to be about sixty GERMAN divisions. If the surrender comes as a result of a collapse on the RUSSIAN front before these divisions have been decisively defeated, the ANGLIC-AMERICAN forces will be faced with intact armies who might, if they thought the Allies had dispersed their strength, decide to resume the battle.

6. To ensure that the surrender terms are not repudiated and that hostilities cannot be resumed, the disarmament of the enemy in the battle zone must be undertaken before any of the allied troops in contact with them are withdrawn for the occupation of various 'TALISMAN' objectives.

7. We should therefore stipulate in orders to the GERMAN High Command that the GERMAN armies in the WEST will concentrate into two or more widely separated areas at such a distance apart as to make the divided forces incapable of supporting one another. When this essential move has been completed, we should disarm each force separately, using for this purpose as few of our forces as are necessary and keeping the remainder prepared for offensive action should the GERMANS display any signs of renewing the fight. Corridors would thus be created through the GERMAN armies along which our armies could move with impunity.

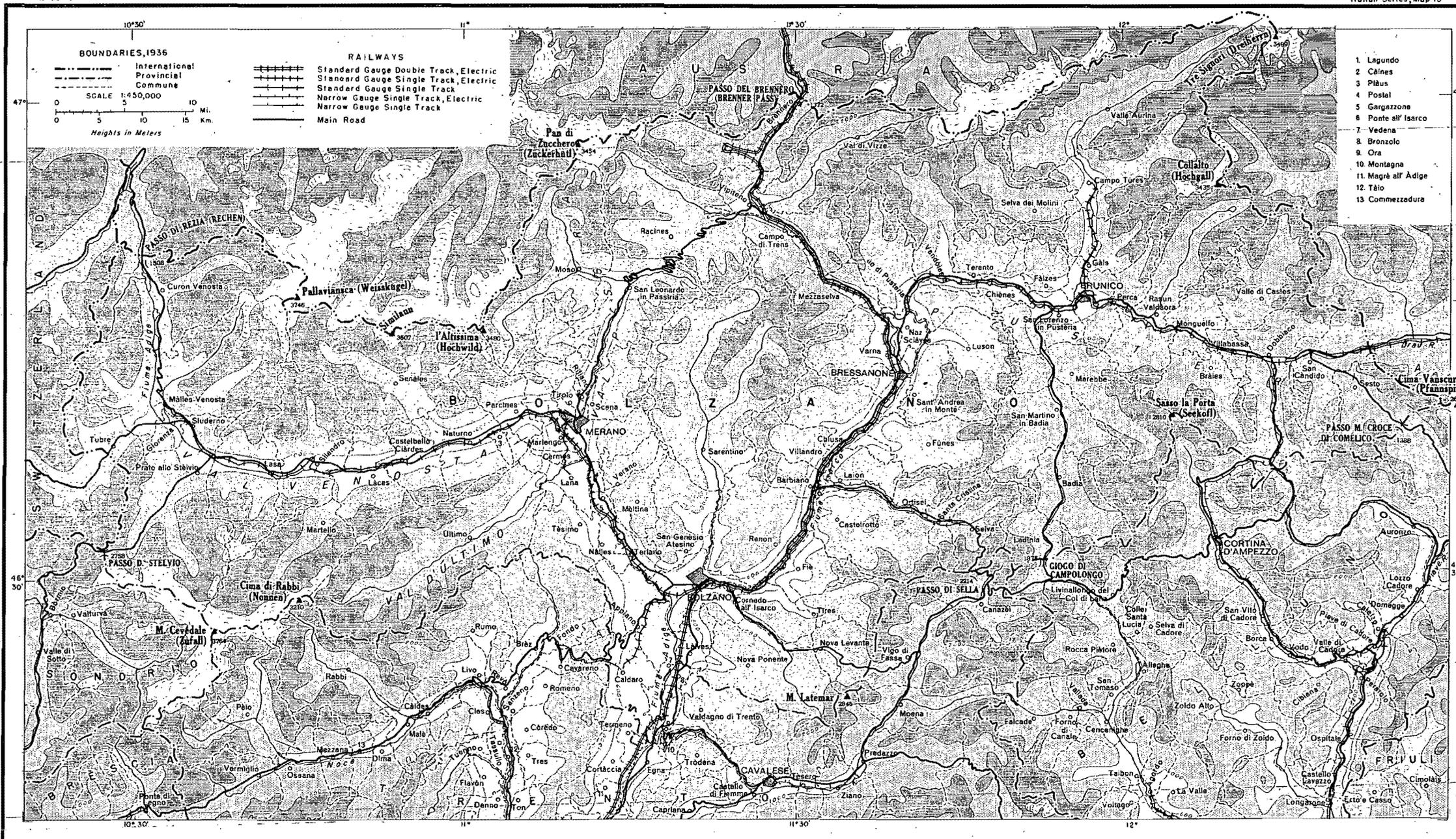
OCCUPATION OF KEY CENTRES

8. Although it is necessary to keep all our forces in the lodgement area intact, there is nevertheless a requirement to occupy, as soon as possible after the surrender, certain key areas in GERMANY and the Low Countries. These key centres and the reasons for occupying them are:-

207876

# ITALY: PROVINCE OF BOLZANO TERRAIN AND TRANSPORTATION

RESTRICTED  
Italian Series, Map 15



RG 84  
Entry 2056  
File 710 ITALIAN  
BOX 18

DECLASSIFIED  
Authority AND 76528  
By SP NARA Date 12/19/91

128702

DECLASSIFIED

Authority 11NO 765028  
By SR NARA Date 12-1-99RG 84  
Entry 2056  
File 710 ITALIAN  
Box 18

STANDARD FORM NO. 64

## Office Memorandum • UNITED STATES GOVERNMENT

TO : O - Mr. Wisner

DATE: June 18, 1948

FROM : O - Mr. Hemmendinger *left*SUBJECT: Restitution from Austria to Italy, SANACC 204/32. *file*

1. It is recommended that you discuss the above subject with Mr. Draper in an effort to reconcile conflicting Army-State views. On June 16 Mr. Kidd of CE and I conferred with officers of the Army Department in an unsuccessful effort to reconcile the positions. The Department of State desires to turn over forthwith to the Austrian Government the responsibility for restitution from Austria to Italy. The Department of the Army has taken the position that USFA should continue to exercise the responsibility for about six months.

2. By SANACC 204/31 approved on March 23, 1948, USFA was instructed to terminate immediately the program of restitution to ex-enemies except Italy. With respect to Italy the cable from the JCS said, "This directive does not apply to restitution to Italy, which was formally recognized as a co-belligerent by the United States, the United Kingdom, and the U.S.S.R. in the three-power declaration of October 13, 1943. You will accordingly continue restitution to Italy until further directed." The memorandum by the State Department member submitting the above quoted amendment said, "It is contemplated that the matter of restitution from Austria to Italy will be reconsidered after the Italian elections of April 18, 1948". The Department of State had been willing to turn over restitution from Austria to Italy to the Austrian Government, but strong misgivings expressed by the Department of the Army led to the above amendment, which clearly contemplated, so far as the State Department was concerned, that the turn over would be made after the elections.

3. Recent information from USFA indicates that 252 Italian claims are pending, that 27 restitutions have been effected and that 89 claims have been dropped. The value of restitutions effected to Italy to date is approximately \$4,000,000, amounting to 418 freight carloads. No estimate of value of pending claims is feasible.

4. The Army arguments are as follows:

a. General Keyes has emphatically stated that no restitution can be expected if the responsibility is turned over to the Austrian Government, and that USFA should accordingly continue to do it until the bulk of claims are disposed of.

b. The United States has a greater political and strategic stake in Italy than in Austria.

c. General Keyes indicated to the Italian Government through its mission in Vienna that restitution to Italy would continue to be the responsibility of the United States Forces. In doing this General Keyes was guided by the language of the JCS instruction quoted in paragraph 2 above. A State Department message to Vienna discussing the JCS message may also have been understood.

d. The Control Agreement for Austria is not a legal obstacle to the continuance of the exercise of responsibility for restitution to an ex-enemy by United States Forces. That Agreement provides that the Austrian Government is to resume responsibilities as it is able to, and does not govern the timing. It would not be a violation,

*(see back of last page)**1552*

207878

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99RG 84  
Entry 2056  
File 710 ITALIAN  
Box 18

-2-

therefore, for this Government to delay turning over this particular responsibility for a while longer. The Control Agreement, moreover, is among the four occupying powers, one of which, the Soviet Union, has breached it in important respects. Austria is not a party to the Agreement.

5. The corresponding State Department arguments are:

a. Notwithstanding General Keyes' emphatic statement, we do not believe that all restitution to Italy will cease if taken over by the Austrians. The fact that restitution is not being made to Hungary is not relevant, because it was well understood that restitution to Hungary would be used in economic negotiations between the Austrian Government and the Hungarian Government. The Austrian Government has given written assurances through its Legation in Washington that a program of restitution to Italy will be carried out. Delay in entering into a complete governmental understanding has been on the part of the Italians, not of the Austrians.

b. There is no United States interest involved. Both Austria and Italy are beneficiaries of U.S. aid, and it is of no importance that Italy is receiving more aid, since the United States is paying the deficit in both countries. There is no military or strategic significance to the restitutions involved.

c. The State Department has informed the Austrians and the Italians in Washington, and the Italian Government through our Embassy in Rome, that the turnover of responsibility will be made, and continued delay is embarrassing to this Government. It is unfortunate that General Keyes misunderstood his instructions and gave assurances to the Italians in Vienna. The instruction and State Department cable should not have been misunderstood in view of conferences which Garrison, Chief of Restitution Section USFA, had with State and Army in Washington.

d. There is no legal basis for the continued exercise of the responsibility for restitution from Austria to an ex-enemy. Italy is clearly not a United Nation in the sense of the Control Agreement. By the Control Agreement the Government of Austria is entitled to discharge all responsibilities not reserved to the occupying powers. It may be that this Government should never have gone into the business of restitution to ex-enemies. There is no basis whatever for continuing it after formal request by the Austrian Government that the responsibility be turned over to it. Neither the French nor the British have ever undertaken this responsibility.

e. This Government, and in particular the Army Department, has every interest in getting rid of this responsibility rather than continuing it. It is a matter between two sovereign friendly powers and is no business of the United States, which got into it purely as a doer-of-good. The disinclination of United States Forces in Austria to cut down on its operations is contrary to United States policy and should not be tolerated.

6. It is difficult to think of an issue between the State and Army Departments in which the Army Department is more clearly opposing its judgment to that of the State Department on a question of international relations having no military or strategic importance. In fact the only military interest involved would appear to be to get rid of the responsibility. This reversal of the normal Army position arises almost entirely from the strong position taken by General Keyes. The Civil Affairs Division does not feel strongly in the matter; the strongest position has been taken by P&O (Colonel Lawler). It is difficult for me to believe that General Draper would care to defend such a weak case, but I have gone as far as is possible without taking it up at his level.

207879

DECLASSIFIED  
Authority 11NO 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 710 ITALIAN  
Box 18

Addendum:

Army also points out that incongruous to give up  
restitution to Italy and continue restitution

to Yugoslavia (a United Nation). Answer: 1) Incongruity  
arises from Control Agreement and history

2) We are working on scheme to turn over all  
[Austrians?] restitution to Italians, but this is related to peace  
treaty negotiations, and takes a little time.

M.B. Delay in this suits Army's purpose exactly,  
and is tantamount to decision against State's policy.

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99RG 84  
Entry 2056  
File # ITALIAN  
Box 18LEGATION OF THE UNITED STATES  
OF AMERICA

JUL 30 1948

VIENNA

MEMORANDUMFOR THE RECORD*file*  
*Mr. Gannet*  
*(Ginn)*  
*MS*Subject: Turn-Over of Italian  
Restitution Claims to  
the Austrians.

Date: July 30, 1948

Just before the Italian elections we received instructions to turn over to the Austrians restitution claims by the ex-enemy countries. The turn-over of United Nations claims was deferred to a later date. The message said that at least pending the Italian elections we would not turn over Italian claims.

In Vienna most of us took this message to mean that if the elections went favorably we would treat the Italian claims the same as the United Nations claims and not turn them over to the Austrians.

In a conversation with Gen. Draper in Frankfurt the subject was brought up and Gen. Draper wondered why the turn-over of Italian claims had not been made. We explained our understanding of the telegram (referred to in previous paragraph) and Draper said that that was not his intention at all, that he had written the telegram and what he meant was that it seemed to him an inopportune time in the heat of the elections to take any action in this matter because it might be used by the opposing elements in Italy to further their campaign. It was clear that Gen. Draper expected that as soon as the elections were over, whether they were favorable or not, the turn-over of the Italian restitution claims to the Austrians would be made.

710 Italy

CCMcIVOR/nvr

207881

DECLASSIFIED  
Authority AND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 710 ITALIAN  
Box 18

*Handwritten:* FILED  
G.L.

# ACTION COPY TELEGRAM RECEIVED

*Handwritten:* The Liberty  
File  
2716

16-37113-2 GPO

From: SECSTATE

Date: July 19, 1948, 7 p.m.

TO: Vienna

No.: 646

Code: Confidential

Received: July 20, 1948, 9:10 a.m.

**CONFIDENTIAL**

*Handwritten:* (Memo att'd)

*Handwritten:* Answered by  
cable July 29  
July

Department understands from Wisner who discussed with McIvor and Balmer that USFA reconsidering position re transfer responsibility restitution to Italy to Austrian Government.

Notwithstanding USFA cables 1788 May 14 and 1934 June 5 Department sees no sufficient reason for continued discharge of this responsibility by US forces in contravention spirit of control agreement. Has received numerous requests from Austrian Legation for transfer to Austrian Government. Is USFA now ready to agree? Suggest cable USFA to Army.

*Handwritten:* 710 Italy

MARSHALL

vm

**CONFIDENTIAL**

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 710 ITALIAN  
Box 18

# ACTION COPY TELEGRAM SENT

*file  
note*

To: SECSTATE

Date: July 29, 1948, *2 pm*

No.: *955*

Code: CONFIDENTIAL

Charged to: 1

**CONFIDENTIAL**

1. USFA does not have strong feeling either for or against turning over to Austrian Government restitution of Italian property. USFA cables Nos. P-1788, May 14, and P-1934, June 5, referred to in Deptel 646 July 19; and also P-1966 June 1948, were merely intended to present USFA view of conditions prevailing in Austria in regard to restitution. USFA has just received WX-86385, indicating that Department of Army will shortly issue positive instructions on restitution to Italy, and therefore prefer not to cable recommendations at this time to Army.

*Italy*

2. Legation has received an additional note from Austrian Government recapitulating Austrian arguments already adduced to Headquarters USFA and in Washington. It refers to direct negotiations between Austrian and Italian Governments concerning Italian restitution claims and expresses full willingness to restitute Italian property compulsorily moved to Austria after September 3, 1943. Note requests suspension all American restitution from Austria to Italy until formal transfer competency to Austrian authorities.

ERHARDT

CCMcIvor:PEGeier:rbc

*copy  
OK*

CONFIDENTIAL

**CONFIDENTIAL**

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 710 ITALIAN  
Box 18

File 710  
C.I.

No. 350

*[Faint, illegible text]*

American Legation

CONFIDENTIAL

Vienna, Austria, August 5, 1948

**SUBJECT:** Transmitting exchange of notes with Austrian Foreign Office on transfer of competence for restitution of objects in U. S. Zone of Austria to Italy.

The Minister has the honor to refer to the Legation's telegram no. 955 of July 29, 1948, concerning the question of restitutions from the U. S. Zone of Austria to Italy and to forward for the information of the Department the text of the note referred to therein from the Minister of Foreign Affairs, Dr. Gruber, and the text of the Legation's reply.

**Enclosures:**

1. Text of note from Foreign Office of July 8, 1948
2. Text of Legation's reply to Foreign Office note

710 Italy  
Peller/MGammott:je

710 Italy

CONFIDENTIAL

DECLASSIFIED  
 Authority NND 765028  
 By SR NARA Date 12-1-99

RG 84  
 Entry 2056  
 File 710 ITALIAN  
 Box 18

Enclosure No. 1 to Despatch No. 350  
 from Legation, Vienna  
 August 5, 1948

UNCLASSIFIED

CONF

TRANSLATION

The Federal Minister for

Foreign Affairs

Vienna, July 8, 1948

No. 163.565-6RE/48

Dear Mr. Minister:

In my note of June 4, 1948, No. 156.928-6RE/48, I took the liberty of drawing your attention to the question of the restitution of allegedly illegally removed Italian property in the American Zone of Occupation in Austria.

Referring to the assurance given by the State Department to the Austrian Legation in Washington that exclusive competence regarding Italian restitution claims also would be transferred to the Austrian Federal Government within a very short time, I asked you to recommend that actions now under way with regard to Italian restitution claims, especially the removal of goods which are of economic importance such as motor vehicles, machine tools, etc., be stopped immediately pending final regulation of the transfer of competence to the Federal Government.

In the meantime, Italian agencies have urged by all means the continuation of these actions, seemingly with a view in this way to create a fait accompli. Alarmed by the severe damages with which these actions threaten Austria's economy, Federal Minister Krausland already at the end of May addressed two letters to Lt. Gen. Keyes and Gen. Hickey, respectively, asking them to take remedial measures. In reply to these letters, a letter was received from Brig. Gen. Jeannet D. Palmer, dated June 23, 1948, in which he supports the viewpoint that Italy does not fall at all within the category of former enemy countries because, as laid down in an

UNCLASSIFIED

207885

DECLASSIFIED  
 Authority NND 765028  
 By SR NARA Date 12-1-99

RG 84  
 Entry 2056  
 File 710 ITALIAN  
 Box 18

7 JUNE COPY

Legation, Vienna  
 Encl. No. 1 to Deep. No. 390  
 August 5, 1948

DECLASSIFIED

- 2 -

in an agreement dated October 16, 1948, the United States of America, Great Britain and the Soviet Union agreed to consider Italy as a co-belligerent. Gen. Balsar does recognize that the two governments are currently engaged in negotiations on the problem of restitution to Italy, but, he adds, the program of restitution to Italy must be continued by all means until he receives other instructions from his Government.

The opinion that Italy, in the case under discussion, is to enjoy as a co-belligerent country the same privileges as the members of the United Nations, appears to me to be in contradiction to the opinion hitherto held by the State Department, as well as to the fact that Italy was forced to sign a peace treaty which explicitly obligated it to the payment of reparations. Consequently, it can hardly be assumed that by this pact it was intended to grant Italy rights against Austria which in the end amount to the same as the concession of indirect Austrian reparations to Italy.

In the event that the attitude of the American authorities might be due to the fact that they are afraid that Austrian authorities, after competence were transferred to them, would fail to recognize even legitimate Italian restitution claims, I should like to refer to the fact that the Austrian Federal Government has already entered into negotiations with the Italian Government, and through the Italian Legation in Vienna is about to conclude an agreement on the principles of this restitution. The Austrian Government is prepared to restore to Italy all those goods which are proved by evidence to be Italian property and which were moved under compulsion to Austria after September 3, 1943, by the German armed forces or by the Italian Government.

I should

207886

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99RG 84  
Entry 2056  
File 710 ITALIAN  
Box 18Legation, Vienna  
Encl. No. 1 to Desp. No. 350  
August 5, 1948UNCLASSIFIED

- 3 -

I should like to assure you that the Federal Government, which attaches greatest value to the maintenance of good and friendly neighborly relations with Italy, will fulfill these obligations in a loyal manner. In this connection, I should like to refer to the fact that the question of restoring the trolley-buses of the street railway system at Lins is also about to be settled on terms agreed to by Italy.

Consequently, I take the liberty to repeat the request contained in my previous note to the effect that all actions of American agencies in Austria pertaining to the restitution of goods allegedly removed illegally from Italy to Austria be stopped immediately, with the provision that all actions which have hitherto been approved by these agencies but not yet carried out are to be considered null and void effective the date when the American Government, in compliance with assurances made, will have transferred competency to Austrian authorities.

Kindly accept, Mr. Minister, the expression of my high esteem.

/s/ Gruber

The Honorable John G. Erhardt  
Envoy Extraordinary and  
Minister Plenipotentiary,  
Vienna.

UNCLASSIFIED

207887

DECLASSIFIED

Authority MNO 76508  
By SR NARA Date 12-99

RG

84Entry 2056File 710 ITALIANBox 18

Enclosure No. 2 to Despatch No. 350  
from Legation, Vienna  
August 5, 1948

UNCLASSIFIEDGOEX

American Legation

No. 71

Vienna, Austria, August 5, 1948

Sir:

I have the honor to refer to your recent note of July 8 concerning the question of Italian restitution claims, which again sets forth the viewpoint of the Austrian Federal Government on this subject. The Legation has been in continual contact with the United States Military authorities in Austria in discussion of this subject and of course has not failed to point out the arguments of your Government or to stress the assurances which it has given that the restitution to Italy of Italian property removed under compulsion to Austria after September 3, 1943, will continue after the transfer of the competence in this field to the Austrian authorities.

The Legation has also received from the Department of State copies of communications on this subject presented to it by the Austrian Legation at Washington, and has informed the Department of the contents of your latest note. The whole subject is now under discussion in Washington with every indication that a final decision will be reached shortly.

Accept, Sir, the renewed assurances of my highest consideration.

The Honorable

Karl Gruber,

Minister of Foreign Affairs,

Vienna.

UNCLASSIFIED

207888

Dr. J. J. J. J.

DECLASSIFIED  
Authority NND 765028  
By JW NARA Date 12-2

RG 84  
Entry 2056 2062  
File RESTITUTION  
SEPT 1945 - SEPT 1947  
Box 42

RESTRICTED

23 January 1946

EXCO/P(46)24

ALLIED COMMISSION FOR AUSTRIA

EXECUTIVE COMMITTEE

GENERAL PLAN FOR RESTITUTION OF PROPERTY

Note by the Allied Secretariat

The attached paper prepared by the Quadripartite  
Reparation, Deliveries, and Restitution Division in  
compliance with ALCO/P(45)39 is submitted to the  
Executive Committee for consideration on 26th Jan-  
uary 1946.

H. E. POMEROY  
A. J. EDNEY  
G. MUNIER  
N. S. NIKONOROV  
Allied Secretariat

RESTRICTED

R E S T R I C T E D

23 January 1946

EXCO/P(46)24

ALLIED COMMISSION FOR AUSTRIA

EXECUTIVE COMMITTEE

GENERAL PLAN FOR RESTITUTION OF PROPERTY

The Quadripartite Reparation, Deliveries and Restitution Division recommends that the Executive Committee propose to the Allied Council, the following resolution:

1. In view of the necessity for protecting and preserving property and interests of the Allies in Austria as of 13 March 1938 or a later date, the Allied Council directs that the Commander-in-Chief of each zone of occupation assume responsibility for, and promptly delegate an officer charged with carrying out procedures which will insure:

a. the protection, preservation, and administration of the property and interests of Allied nations in Austria as of 13 March 1938 or a later date, and,

b. the putting into operation of an effective procedure for restitution in accordance with the Potsdam Protocol, the London Declaration of January 1943, the Moscow Declaration of November 1943, and any other directives which might be given by the proper organizations or the governments of the Allied powers.

2. The properties referred to in (a) will include:

a. Properties belonging to the United Nations and plundered by the Germans in the territories which they occupied, other than Austria.

b. Properties and interests located in Austria other than property mentioned in 2a above belonging or having belonged to the United Nations or to neutral countries or their nationals including those properties and interests which were subject to expropriation took the form of open looting or plunder, or of transactions apparently legal in form, even when they purport to be voluntarily effected.

c. Disputed properties and interests of the United Nations for the period from March 13, 1938 to September 1, 1939 referred to in paragraph 2b above will be entered separately in a register maintained by the Secretariat of the Allied Council, protected, and each case studied separately.

3. Each Commander-in-Chief of the zones, through his delegated representative, will be responsible for:

a. research to establish the location and rightful ownership of properties mentioned in paragraph 2a and b above; exchange of information, lists, statements and proper identification of properties, including authorized visits, if necessary. The representative of each Commander-in-Chief will inform the representatives of the other Commanders-in-Chief and furnish them with lists of those properties mentioned in paragraph 2a and b, which are located in his zone, and are known or supposed (either according to information obtained by him through declarations or otherwise) to belong to the nations represented by the other Commanders-in-Chief. Similar information will also be sent to other

DECLASSIFIED  
 Authority NND 765028  
 By JW NARA Date 12-2

RG

Entry

File

Box

84  
2054 2662  
 RESTITUTION  
 SEPT 1945 - SEPT 1947  
42

RESTRICTED

23 January 1946

EXCO/P(46)24

Allied nations not represented on the Allied Commission;

b. Control and Protection of the properties mentioned in 2a and b above, located in his zone. Taking under control will include:

- (1) Posting notice of control;
- (2) Measure for protection and preservation of the property;
- (3) Appointment and supervision of responsible administrators who shall act under orders given them in the interest of the nation or individual concerned, by the representative of the power which occupies the zone in which the property is located.

c. Restitution or Transfer of Management to Former Owners or their Authorized Representatives.

- (1) For those properties mentioned in 2a above, restitution will be effected on a unilateral basis in each zone, and in accordance with the directives forwarded by the government of the occupying power to its zone commander.
- (2) Where there is agreement as to the ownership of property as defined in 2a and b above, each Commander-in-Chief will facilitate the transfer of the management of the property to the former owners or to their authorized representatives.
- (3) Disputed property will remain guarded and protected until the question of title and ownership has been duly established by such procedures as may be agreed by the proper organizations or the governments of the Allied Powers.

- 2 -

RESTRICTED

207891

DECLASSIFIED  
Authority NND 7650-28  
By JW NARA Date 12-2

RG 84  
Entry 2056 2062  
File RESTITUTION  
SEPT 1945 - SEPT 1947  
Box 42 #1

C O P Y .

①

The Acting Secretary of State presents his compliments to the Chargé d'Affaires and intermit of Poland and refers to the United Nations Declaration of January 5, 1943 regarding forced transfers of property in enemy controlled territory.

Pending agreement on the scope of restitution among the occupying powers of Germany, the Government of the United States has instructed the Commanders-in-Chief of the United States zones of occupation in Germany and Austria to undertake an interim program of restitution to the governments of the United Nations from which the property was removed or identifiable looted property urgently required for relief and rehabilitation, other than gold, securities and currencies. In order to expedite the return of this property from the United States zone, and to alleviate the burden of administration falling upon the military authorities, it has been decided to proceed by asking the governments of United Nations which have been occupied by Germany to submit lists of property looted by Germany and known or believed to be located in Germany or Austria. Following the receipt of these lists, which may be submitted seriatim and which may indicate priorities in the urgency of return, it is intended, where necessary, to invite the United Nations concerned to send small missions to the United States Zones of occupation in Germany and Austria for the purpose of identifying such of the listed property as each of the occupying authorities may have been able to discover in his zone.

Accordingly, the Government of the United States invites the Polish Government to submit to this Government one or more lists of property believed to have been looted by Germany from Poland, or from United Nations nationals in Poland, which the Polish Government has reason to believe may be located in the United States zone of occupation in Germany or Austria. These lists should, so far as possible, refer separately to property believed to be in Germany and in Austria. They should further contain as much description of the property as possible and as may be required to enable the occupying authorities to identify the property, and should include all available information as to the location of the property.

The lists may include looted gold, securities and currencies, although the restitution of these will have to await intergovernmental agreement.

Department of State,  
Washington, September 20, 1945.

Handwritten text, possibly a signature or name, oriented vertically.

DECLASSIFIED

Authority NND 765028  
By JW NARA Date 12-2RG  
Entry  
File  
Box84  
20562062  
RESTITUTION  
SEPT 1945 - SEPT 1947  
426. LOCATING OF PROPERTY LOOTED FROM UNITED NATIONS TERRITORY ALCO/P(47)67ALCO/UM  
13 June

: On 6 June the EC considered EXCO/P(47)99(Revise),  
 : a 3 to 1 recommendation by the R D & R Directorate, the  
 : Soviet Element disapproving, that permission be granted to  
 : representatives of the Occupying Powers and Restitution  
 : Missions of the United Nations to visit each Zone in Austria  
 : for the purpose of locating and restituting looted property.  
 : The EC failed to reach agreement in regard to this question,  
 : because the Soviet Member insisted on changing the resolution  
 : to permit search by representatives of only those nations  
 : whose territories had been occupied by Germany. This  
 : change would have, in effect, excluded the US from searching  
 : for looted property in other zones of Austria and was, there-  
 : fore, unacceptable to the US Member who stated that he could  
 : not waive US interests in the matter. The French Element,  
 : in an effort to bridge the gap between the US and Soviet views  
 : offered an alternative resolution which satisfied neither the  
 : Soviet nor the US Member. ALCO/P(47)67 contained in para-  
 : graph 3(a) the original resolution as amended by the Soviet,  
 : Member and in paragraph 3(b) the French proposal.

- 8 -

550. LOCATING OF PROPERTY LOOTED FROM UNITED NATIONS TERRITORYALCO/UM  
13 June

The Council had before them ALCO/P(47)67.

THE COUNCIL :(550) adopted the resolution contained in  
paragraph 3 (b) of ALCO/P(47)67.

- 9 -

Confidential

207893

DECLASSIFIED  
Authority NND 765028  
By SR NARA Date 12-1-99

RG 84  
Entry 2056  
File 800 NAISUBVERSIVE ORGANIZATIONS 1948  
Box 22

*July 5*

MEMORANDUM

CONFIDENTIAL

January 24, 1948

To : Mr. Erhardt  
From : Martin Herz  
Subject: Review of USFA Denazification Policy.

At a meeting on January 20, representatives of G-2, Internal Affairs, Education, Legal Division, Deputy Commissioner and Legation decided on a recommendation to General Balmer on how to solve, partially at least, the dilemma with which we are confronted in the matter of denazification. (As per enclosed memo of General Balmer, the preceding meeting had been called in anticipation of a major Russian propaganda drive on Denazification, and the question was posed whether we should not prod the Austrian Government, and what explanation, if any, we should give Washington on the subject.)

Meeting first agreed on a number of things: (a) It is not desirable to censure the Austrians publicly in this matter. An admission that we disapprove of Austrian handling of denazification is precisely what the Russians would like to have. (b) A complete review of denazification, i.e., going over adjudicated cases, would require a revision of Law No. 25 (the Denazification Law). This would open up the whole unsavory subject once more and result in a new round of witch hunts. (c) While we favor letting the Austrians handle denazification by themselves, we will find it hard to claim that they have done a complete job of it. (d) We would welcome an opportunity to get out of the denazification business completely, even to the extent of abolishing the Denazification Bureau of the Allied Council. However, to do so outright would not only run into Russian resistance but would also require our claim that the Austrians are doing a good job, which will be difficult to do.

Col. Rose made a proposal, which was subsequently adopted with certain changes suggested by Col. Hixon and myself. Proposal is that instead of having Allies check denazification, Austrians should be prevailed upon to undertake some checking on their own, of their entire denazification record up to the present. So far, they wait for the Allies to complain and then (and only then) take remedial action in the case of questionable

rulings

*Law 25 is a constitutional law.*

*Let 55 F74  
Box 2355*

800 DENAZIFICATION

*Box 3161*

*(missing page)*

207894

DECLASSIFIED

Authority NND 765028  
By SR NARA Date 12-1-99

RG

84

Entry

2056

File

800 NAZISUBVERSIVE

Box

22ORGANIZATIONS  
1948SECRETAmerican Legation  
Vienna, Austria  
January 19, 1948.*File*MEMORANDUM

To : Mr. Charles W. Yost

From : Martin Herz

Subject: Conference on Denazification

Meeting at USFA this afternoon had been called by General Balmer. Present were Generals Balmer & Hickey, Colonel Hickson, and the chiefs of Internal Affairs, Education, Legal Divisions, Director of Intelligence, etc.

General Balmer explained that our policy regarding Austrian implementation of the Denazification Law may need redefining. Having delivered their blast on demilitarization somewhat behind schedule (the General believed that the Soviets had originally wanted to get it out at the time of the London Conference), Balmer believes Soviets are working up toward a major blast on Denazification. This may find Washington not sufficiently prepared. In view of fact Denazification is in many cases actually not proceeding satisfactorily, both may be required: (a) informing Washington of our policy and (b) jogging Austrians.

Discussion which followed brought out that Soviets certainly have some grounds for complaining, in cases such as Teachers in the provinces, also possibly in legal professions. Escape clause in Denazification Law which permits temporary clearance of "Less Implicated" Nazis where severe shortages exist, may be abused by Austrians. Zaring, who sits on quadripartite Denazification board, reported that in individual cases we have informed Austrians of gross violations of law. On the other hand, several of those present cautioned against criticizing Austrians. Excessive harshness in Denazification will drive people into arms of Communists. Col. Hickson thought this one of major Communist objectives. Col. Bixel stated G-2 does not consider Nazis either a security threat or even a potential source of major trouble to Austria unless aided from outside.

I was asked for Legation comments. Tentatively, I suggested that we must find it difficult to criticize Austrians for using screening boards to clear less implic-

Let 55 F 74.

Box 2355

*Doc 361*  
*800 - NAZIS*

207895