

Authority NARA 969106By AT NARA Date 6-2-99RG 59 TGC  
NNB-59-96-59 Lot 620115  
Box 8

COMMISSION TRIPARTITE  
 POUR LA RESTITUTION DE L'OR MONETAIRE  
 TRIPARTITE COMMISSION DEPARTMENT OF STATE  
 FOR THE RESTITUTION OF MONETARY GOLD

165, RUE DE LA LOI  
 BRUXELLES 1951 JUN 19 AM 10:03  
 TÉLÉPHONE 34.88.00

MESSAGE CENTER  
 June 14, 1951.

CONFIDENTIAL  
OFFICIAL - INFORMAL

Otto F. Fletcher, Esquire,  
 Special Assistant,  
 Monetary Affairs Staff,  
 Department of State,  
 Washington 25, D. C.

MESSAGE CENTER  
 CONTROL

6/11 OUT

Dear Otto:

Some further questions have arisen regarding certain quantities of gold restituted directly to, or recovered by, claimant governments. I should be grateful for your advice or suggestions in regard to these questions:

1. Bor Mines Gold: 39 bars of Bor Mines gold was recovered in the British Zone of Germany. 16 of these bars were delivered to the Yugoslav Authorities by the British Occupation Authorities.. Subsequently at the Tripartite Conference in Brussels on Looted Monetary Gold Matters, January, 1950 (Resolution No. III), the United Kingdom Delegation agreed to recommend to their Government that any gold from the Bor Mines identified in the British Zone would be turned over to the Gold Pool as monetary gold. The Meeting furthermore agreed to recommend to their Governments that the amount of gold already restituted to Yugoslavia should be set off against the share of Yugoslavia in the Gold Pool.

As regards the 23 bars not yet restituted, the situation would appear to be perfectly normal as far as the Gold Commission procedure is concerned. With regard to the 16 bars already restituted, however, it is not entirely clear whether it is the intention of the three Governments that these 16 bars should also be added to the Gold Pool. This would seem to be the implication because it would seem obvious that the quantity in question could not be set off against the share of Yugoslavia in the Gold Pool other than as an advance payment from the Pool and obviously it could not be made as a payment from the Pool unless it was first made a part of the Pool. The first question which arises, therefore, is whether the Commission is authorized to add this quantity of gold to its records of the amount of gold available for distribution? If so, how does the Commission receive this authorization? The Chairman has

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written to the Secretary General for the information of the other Commissioners to the effect that he has been informed by his Government, with the assent of the Governments of France and the United States, that the 16 bars in question "should be taken account of in determining the share of the common pool which should be allocated to Yugoslavia". This language is, to me, somewhat ambiguous. It may have a distinctive meaning or interpretation when used in this context because it is almost identical with the language used in the memorandum supplementary to the Austrian Protocol which I will refer to later. Specifically, does the phrase "should be taken account of" etc. in the context of the letter authorize the Commission to do the three things which would seem to be necessary in order to make this conform with normal procedure:

- (a). take account of this quantity in the sense of adding it on the records to the Gold Pool;
- (b). permit the Yugoslav Government to claim for this quantity, or probably as a matter of actual practice, consider that the Yugoslav claim already made for the restitution of certain quantities of gold be interpreted to include a claim for the amount of these 16 bars; and finally,
- (c). authorize the deduction as an advance or interim payment of the amount in question from any share in the Gold Pool which may finally be determined in favor of Yugoslavia?

The above is an illustration of one of two principal categories into which these direct recoveries fall, that is to say, this represents gold found in Germany or in a third country as specified in Part III of the Paris Agreement. The second category is gold recovered in the territory of a claimant country. This category has already been the subject of an exchange of correspondence and the policy as developed by the three Governments was described in your letter of January 26, 1951. Question has now arisen whether the so-called Salzburg Gold falls in this category and should, therefore, fall outside the jurisdiction of the Commission.

2. Salzburg Gold: The gold involved in this case is a quantity of some 4,314 kgs. found by the American Military Authorities in Austria, near Salzburg, and which was handed over to the Austrian Government. In a preliminary adjudication on a claim by the Austrian Government for 55,925 kgs. of gold, the Commission considered the so-called Salzburg Gold as a recovery by Austria from Germany and consequently considered that it should be deducted from the Austrian claim. The question now arises whether it should not be considered as gold recovered in the territory of the claimant country in the same connection as the so-called Algiers Gold as well as certain Czechoslovakian Gold found in the Netherlands. It would appear to me that this quantity would fall in that category and that it is, therefore, outside the Commission's jurisdiction. However, as possibly affecting

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this conclusion is the memorandum attached to the Austrian Protocol. This memo, as you will recall, points out to the Austrian Government that the Commission "may wish to consider whether the gold discovered at Salzburg ... should be taken into account in connection with any claim submitted by the Austrian Government". As pointed out above, this is almost identical wording to that used in the letter transmitted by the Chairman in regard to the Bor Mines Gold found in the British Zone of Germany so far as concerns the phrasing, "take into account" ~~is concerned~~. However, this memorandum is not a directive to the Commission in the same sense as the letter regarding the Bor Mines Gold. What I am not sure about is the background and intent of this memorandum and to what extent, if any, it may commit the three Governments or the Commission?

It would seem to me that if the present provisional decision of the Commission is to stand that this gold should be considered as a recovery from Germany, which I should think would be equivalent to clarifying the gold as gold found in Germany, it should not be deducted from the claim but rather treated in the same way as the Bor Mines Gold. This would involve adding it to the Gold Pool (as far as accounting is concerned), and it could then be treated as an advance payment or offset from the share in the Gold Pool which may ultimately be allocated to Austria. This, however, would involve some kind of action by the three Governments to authorize its addition to the Pool. On the basis of the information I now have about this gold (admittedly incomplete), I am inclined to favor treating it as gold found in a claimant country and hence outside the jurisdiction of the Commission.

3. Czechoslovakian Gold Recovered in Switzerland: There is a possible third category of gold restituted or recovered directly by a claimant government. An example may be the quantity of approximately 7,000 kgs. of gold recovered by Czechoslovakia through the National Bank of Slovakia and which was recovered from Switzerland. Certainly this gold was found or recovered in a third country and from that standpoint would appear to be eligible for the Gold Pool. However, there might be some question as to whether this can properly be considered as monetary gold, in which case, it would not be eligible for the Pool. Considering the latter example first, that it is not eligible for the Pool, then it would seem to me that it should be treated as a deduction from the claim of Czechoslovakia. (There is a complication in regard to a small portion of this amount arising from its origin which is somewhat comparable to the origin of the Bor Mines Gold, but this is not a relevant consideration for the purposes of the present discussion.) This third category might be defined as gold other than monetary gold recovered in Germany or a third country. While this might seem to take it out of the jurisdiction of the Commission, it would seem, nevertheless, that the Commission could in equity, take cognizance of it in the sense of its existence as affecting the totality of a claim. The specific question, therefore, that would seem to arise here is whether this particular quantity of gold can be considered as eligible for the Gold Pool, and if so, what are the mechanics of obtaining the necessary authorization from the three Governments? This is the question which is referred to in the final minutes of the

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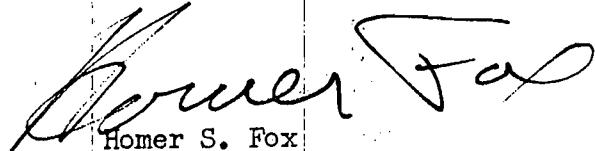
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107th meeting of the Commission, page 7, decision No. 3 and 4.

If you can shed any light on the various questions raised above I should be very grateful. There is one more which I should like also to raise although again this may already have been considered and settled before my coming to the Commission. It arises in a way, out of the situation referred to in Section No. 3 above. The question is whether there is any relationship between the definition of monetary gold for the purposes of establishing the Pool by the three Governments, and the definition of monetary gold as established by the Commission for the purposes of considering claims. This question probably would arise very definitely in the case of the Bank of Slovakia Gold if the three Governments were to determine that it was eligible for inclusion in the Pool. You may recall that this question, in a little different form, was raised by Dr. Lachs, the Polish Representative in connection with the Dollfus Mieg Gold. Whether there will still be a question when this is finished going through Courts, we will have to wait to see. In any case, however, I take it that as far as the three Governments are concerned, this gold had been put in the Pool. If the French Government would claim for it, I cannot see how the claim could be allowed on the present definition of monetary gold as established by the Commission. This may be an old point and with some very simple answer. If so, perhaps you could give me for reference some reading material which I could look up about it.

With all best regards,

Yours sincerely,



Homer S. Fox  
United States Commissioner  
Tripartite Commission for the  
Restitution of Monetary Gold.

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THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

60, rue Ravenstein  
Brussels, Belgium

December 28, 1950

SECRET

Dear Otto:

Thanks very much for your letter of December 20th in reference to mine of November 29th on the subject of review by the Department of the Commission's decisions. This, I think, completely clears the matter.

I think there must have been some confusion of terms in our previous exchanges on this subject, because there was never any doubt whatever, certainly on my part, and so far as I know, on the part of the other Commissioners, that there would be a final review of the Commission's decisions in their entirety by the three governments. The question that I was attempting to raise was not in regard to this final review but rather in regard to a detailed review by the three governments of each "adjudication," piece by piece as written up by the Secretary General, and as distinguished from the "decision."

The procedure has been and still is that each government is consulted as each case is taken up by the Commission, and is given full opportunity to express its views and opinions, and so far as I know, no decision is arrived at without such opportunity having been given so that the decisions are in each case insofar as reasonably possible, in accordance not only with the Commissioners' own views but with the views of the Governments. I am convinced myself that this has been true right along in spite of the insistence on the part of some of the Commissioners in regard to the "semi-independent and judicial" status of the Commission. I am pretty well convinced, for example, that Wingate has consistently and continuously consulted his government in regard to all decisions. (He has now, of course completely reversed his previous position and is rather vociferous in insisting that the Commission as a whole and the Commissioners individually are only extended arms of the government)

Otto F. Fletcher, Esquire  
Special Assistant  
Monetary Affairs Staff  
Tripartite Commission for the  
Restitution of Monetary Gold  
Washington, D. C.

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Book 2

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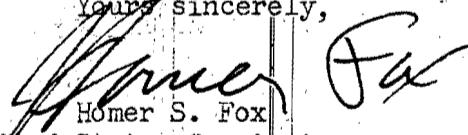
government) and then, of course, as indicated above, the governments must have the opportunity of a final review of decisions as a whole. The question which is the basis of this correspondence was in regard to the intermediate step on which the Secretary General is now engaged, namely, putting the decisions in final form. It hardly seemed necessary to any of us that these final drafts needed to be submitted individually to the governments for detailed review. I am assuming from your letter that you concur in this view.

Some interesting things are developing in connection with the drafting of the adjudications, i.e., various angles that were overlooked when the decisions were arrived at. Obviously, whenever any such point arises which might affect the decision itself, this will be submitted to the governments. You will, I am sure, appreciate the distinction which I am making throughout between decisions and the drafting job of putting them in form for issuance.

There is another matter on which I am not quite sure that we have had a meeting of minds and that is the question of some further interim distribution. As you know, of course, the French have been pressing very hard both through the Commission and through diplomatic channels for further distribution of gold. Their representations on the subject sometimes take the form of urging the wind-up of the Commission's work, but what they really are pressing for is distribution of gold. The last proposal, which was turned down by the Department, was made by the Chairman mainly to satisfy the French. It did not, as I now rather suspect you thought, contemplate a final ~~decision~~, but rather another intermediate distribution with all doubtful cases and presentations amply safeguarded. However, since the proposal was turned down by the United States, the Chairman has now made another proposal, namely, that perhaps around the end of January the Commission will have reached decisions on at least all major cases and that all decisions of the Commission then be telegraphed to the governments without waiting for the final drafting of the adjudication, which probably will take several months. The idea is that the decision as to when and what distribution interim or otherwise might be made would be left with the governments, whose responsibility it is indeed in any case. I assume that you will see no objection to this procedure and, in fact, you will probably have already made up your mind about it before you get this letter. I thought, however, I might make this explanation in addition to a telegram in order that we might have as much of a meeting of minds as possible.

With all best regards.

Yours sincerely,

  
Homer S. Fox  
United States Commissioner

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NSA D-6

January 27, 1953

TRIPARTITE MEETING ON GERMAN EXTERNAL ASSETS AND LOANED GOLDRecord of Conclusions

The attached document contains a record of the conclusions reached by representatives of the Governments of the United Kingdom, France and the United States at the Tripartite Meeting on German External Assets and Loaned Gold held in Washington from January 6 to January 21, 1953.

Eugene M. Schaeffer  
SecretaryCONFIDENTIAL

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TRIPARTITE MEETING ON GERMAN EXTERNAL ASSETS AND LOOTED GOLD

Washington, D.C.

January 6 - 21, 1953

The following representatives of the Governments of the United Kingdom, France and the United States met in Washington from January 6 to January 21, 1953, on certain matters pertaining to German external assets and looted gold in neutral and other third countries:

Mr. Jack C. Corbett, Dept. of State  
(Chairman)

American DelegationDelegates:

Mr. Jack C. Corbett  
Mr. Alexander M. Rosenson  
Mr. Otto F. Fletcher  
Mr. Ely Maurer  
Mr. William A. Fowler  
Mr. George A. Tesoro

Advisors:

Mr. Michael J. Dux  
Mr. Wayne R. Gilchrist  
Mrs. Myrtle B. Greene  
Mr. John Hay  
Mr. Noel Neumanninger  
Mr. Grant G. Hilliker  
Mr. Kenneth P. Landon  
Mr. James D. Tallman  
Mr. Edwin M. Wright  
Mr. Fred S. Smith,  
Treasury Dept.

Secretariat:

Mr. Eugene W. Schaeffer, Secretary  
Mr. Charles Sedgwick, Interpreter

British Delegation

Mr. Robert Swann, Foreign Office  
Miss Charlotte Bristow, Treasury  
Mr. James Mark, British Embassy  
Mr. Peter Marshall, British Embassy  
Mr. Francis A. Vallat, British Embassy

French Delegation

M. Clausel, Foreign Affairs  
M. de la Grandiere, Ministry of Finance  
M. Henri Ruffin, French Embassy

\* All American Delegates and Advisors are from the Department of State unless otherwise indicated.

RECORD OF~~CONFIDENTIAL~~

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GERMAN EX-  
COTED GOLD  
1956-23

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THE UNITED STATES  
OF AMERICA  
1951 AGREE

RECORD OF CONCLUSIONS

The following is the Record of the Conclusions reached at the Meeting:

I. Conclusions on a Settlement with Portugal.

II. Conclusions on a Settlement with Spain:

A. Joint Message to the Allied High Commissioners Concerning Negotiations between the Federal Republic and Spain on German Assets.

B. Reply to Joint Memorandum from Allied Representatives in Madrid.

III. Conclusions on a Settlement with Sweden:

A. Note from Swedish Government Concerning Interpretation of Chapter 6 of the Settlement Convention.

B. Claim to Additional Gold.

C. German State Property in Sweden.

IV. Conclusions on a Settlement with Italy.

V. Conclusions on a Settlement with Turkey.

VI. Conclusions on a Settlement with Japan.

VII. Conclusions on a Settlement with Thailand.

VIII. Conclusions on Negotiations Between the Federal Republic and Other Countries Regarding German External Assets.

IX. Conclusions on Distribution of Proceeds of German External Assets by IMA.

X. Conclusions on a Settlement of the IMA Claim.

XI. Conclusions on Settlement of Certain Cases in Connection With the Tripartite Gold Commission:

A. Salzburg Gold Case.

B. Frederic Deutsch Gold Case.

C. Delffun Mieg Gold Case.

D. Albania-Italy Gold Case.

E. Istcarhi Gold Case.

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XII. Conclusions on the Matter of Gold Bars and Coins Delivered to the French Authorities, After Identification, by the American Occupation Authorities in Germany.

XIII. Conclusions on the U.S. Memorandum on Points of Procedure on Final Adjudications of the Tripartite Gold Commission.

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III. CONCLUSIONS ON DISTRIBUTION OF  
PROCEEDS OF GERMAN EXTERNAL ASSETS BY IAEA

It was agreed that the matter of distribution of proceeds of German external assets by IAEA, discussed in a paper submitted by the British delegation (Attachment 5) with comments by the American delegation (Attachment 6), would be handled by the three Governments through normal channels.

Attachment 5: U.S. Memorandum on Distribution of Proceeds of German External Assets by IAEA.

Attachment 6: U.S. Comments on the U.K. Memorandum Concerning Distribution of Proceeds of German External Assets by IAEA.

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Attachment 2

U.S. Memorandum on  
Distribution of Proceeds of German External Assets by IARA

1. Under Article 6 of the Act of Paris each signatory Government is required to hold and dispose of German enemy assets within its jurisdiction and to charge such assets against its reparation share.

2. It was realised when the Act of Paris was drafted in 1946 that certain countries holding a large amount of German assets within their jurisdiction would find it difficult, if not impossible, to charge all these assets against their Category A account without exceeding their percentage entitlements. It was for this reason that members were permitted under Article 1(E) to charge this type of asset either to Category A or Category B account, provided that they took less of other types of assets in these categories so as to ensure that they did not receive more than their share in either category as a whole. Only certain countries (Belgium, Italy, Luxembourg, Netherlands and South Africa) have been able to take advantage of this provision because of the small amount of reparation made available in the Category B pool.

3. The infeasibility given by Article 1(E) did not, however, offer a solution to the accounting problem. Clauses of countries which like the United States were prepared even in 1946 to accept a small entitlement of Category B assets, held within their own jurisdiction a large amount of German assets. Specifically that Article 1(E) was drafted with the knowledge that Article 1(G) was drafted which whose share in Category B was less than its share in Category A, to charge to a separate account a certain amount of the German assets which it held. In practice, only two countries, the United States and South Africa, have been able to take advantage of this clause and the formula which determines the amount which such countries may in fact charge to what has since been called the "free account" is best understood by showing how it has worked out in the case of the United States. The amount which the United States was entitled under the Act of Paris to transfer to the "free account" was 25% (Article 1) entitlement less 11.3% transfer to the "free account" (Category B entitlement), equal to 16.2% of \$125 million (the total value of Category B reparation). The amount which could be transferred under Article 1(E) was therefore \$20.6m. However, after the United States in 1950/51 renounced a part of its Category B entitlement, reducing it from

\* Category A reparation is within the jurisdiction of member countries and in ex neutral and enemy countries includes merchant shipping and capital equipment.

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1.6 to 6.5%, this recommendation was made subject to the condition that the United States should be allowed to increase its "free account" on the basis of the lower percentage of Category B reparation which it was accepting. The calculation of the amount which could then be charged to the "free account" became  $22\% \times 6.5\% = 2.2\%$  of \$169m = \$36.6m. So far the United States has transferred just under \$22m to the "Free Account", but had it not been able to make such a transfer, the United States would now be overdrawn by approximately \$22m, on its Category A account and would not be entitled to receive any further allocation of Category A reparation.

4. The way in which the provisions of Article 1(E) and 1(G) of the Act of Paris would work out does not, of course, be foreseen in 1946 when the signatory Governments confidentially expected that there would be a much larger amount of German assets for distribution as Category B reparation. It was, however, clear by this time the Reparation Agency prepared its final report in 1951, that these provisions had worked out favourably for the United States, which as a result had received some \$122m. worth of reparation out of total reparations of \$502m. At the same time the United States still remains technically underdrawn on Category A account and therefore entitled to a substantial share (22% on the present distribution formula) of any further assets received by the Agency on Category A account. This is still substantially the position today.

5. To appreciate the dissatisfaction among IARL countries at the way things have worked out for them it is necessary to recount how and why the reparation receipts from Germany were so much less than expected. In 1946 the United States inserted a clause in the ECA Act which read as follows: "The Administration will request the Secretary of State to obtain

the agreement

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agreement of those countries concerned with such capital equipment as is needed for removal of factories from the Western Zones of Germany, be situated in Germany, if such restoration in Germany will best effectively serve the purpose of the European Recovery Plan". The reparation policy pursued in Germany had, of course, the support of the United Kingdom and France. The governments who signed many of the other European countries benefitted from American aid. It must, however, be remembered that of the undermentioned countries in I.A.R.A. only the countries which did not receive American aid suffered a loss of reparations without any compensatory advantages. These countries, particularly Czechoslovakia have protested vigorously against the reduction of reparations and may well seize the opportunity to draw attention once more to this problem at the next meeting of the I.A.R.A. Assembly, which may be the last opportunity for doing so.

5. Apart from the general discontent in I.A.R.A. at the way reparation has been settled down, the following points have been registered at:

- (a) the poor result of the prolonged negotiations of the Three Powers for the liquidation of German assets in neutral countries,
- (b) the possibility that the \$61.5 million Swiss francs obtained from Switzerland may be reduced by as much as \$2.5 million Swiss francs (depending on the outcome of negotiations with Portugal), as a prior charge to make up the sum of \$25 million promised to the victims of German action in accordance with the provisions in Article 8 of the Pact of Paris.

6. Receipts from German assets in Switzerland are the only single item of reasonable magnitude in the members of I.A.R.A. can count with certainty for further distributions. The United Kingdom Delegation wish to make the suggestion that the United States Government might consider the possibility of making a generous gesture by declaring that they would meet part of the commitment towards refugees from their share of these receipts, thus enabling an additional 16 million Swiss francs to be distributed among other underinflated members of I.A.R.A. Such a gesture would do a very large extent allay criticism of the general results of reparation policies and of the efforts made by the three governments in securing a share of German external assets for I.A.R.A. The United Kingdom delegation venture the suggestion that this step could be justified by reference to the following considerations:

(a) the generally

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- (a) the generally favourable operation of the "true account" system from the United States point of view.
- (b) the fact that without taking into account the "true account" system the United States has received a higher percentage (88%) of its entitlement to reparation than any underdrain country apart from Belgium.
- (c) the fact that no considerable risk attaches to a payment for refugees from the United States share of Swiss funds, whereas it is agreed that some degree of risk attaches to the payment of the balance due to the former Director-General of I.R.C.s.
- (d) the United States action of 1950 in making like available to I.R.C. from their share of the proceeds of German assets in Italy.

S. In this connection, it may be useful to draw attention to the accounting problems faced by I.A.R.A. A note on this subject is attached. It seems clear that I.A.R.A. will not be able to solve these problems, as there is no prospect of inducing the countries concerned to surrender a portion of their receipts. It is understood that the Canadian Government has considered referring to the Hague Court the question as to whether the clause in the Paris Reparation Agreement which lays down percentage entitlements can be held to override other clauses which I.A.R.A. has not been able to reconcile with the entitlement clause. The suggested gesture by the United States Government would serve to some extent to improve the accounting position of underdrain countries and thus minimise chances of reference to the Hague Court.

Attachment: Note on I.A.R.A. Accounting Problems

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1. A. 1. REPARATION PROBLEMS

Act of Paris - Reparation Establishments

Each member country of I.A.R.A. is entitled to receive a specified percentage of two separate categories of German assets in accordance with the provisions of Article 1(B) of the Act of Paris. Category A reparation consists largely of German external assets, and Category B reparation includes capital equipment and shipping. There are, however, other provisions of the Act of Paris which could only have been reconciled with Article 1(B) if the amount of reparation obtained from the liquidation of German internal and external assets had been sufficient to enable countries to make adjustments between their two reparation accounts within the limits permitted by the accounting provisions of the Act.

2. Act of Paris - Accounting Difficulties

The two provisions of the Act of Paris which have been the main cause of the failure to bring the accounting provisions into line with the percentages laid down in Article 1(B) are:-

- (1) Article 1(A): This provides that each signatory government shall be entitled to its Category A percentage share in German assets in countries which remained neutral in the war against Germany.
- (2) Article 6(A): This allows each member to hold or dispose of German enemy assets within its own jurisdiction.

As regards Article 6(A), the accounting difficulties to which this provision has given rise were aggravated by the fact that certain neutral countries (such as Spain and Sweden) imposed conditions about the distribution of the proceeds of the German assets which they were prepared to hand over to I.A.R.A. As regards Article 6(A), it was realised

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We start that the amount of German external assets which a country within its own jurisdiction could vary very widely from the percentage share laid down in Article 1(B), and that some countries would find it much more difficult than others to make the necessary accounting adjustments. To help countries bring their accounts into balance, a special provision in the Act of Paris permitted certain countries holding a large amount of German assets within their own jurisdiction to charge part of these assets to a so-called "free account". The United States has been the main beneficiary under this provision, and has in fact transferred \$34 m. (in 1968 values) from Category A to the "free account". On the other hand some countries, including the United Kingdom, held far less than their Category A entitlement of German assets but I.A.R.A. has been unable to correct the accounting positions by the allocation of sufficient reparation in other forms.

### 3. Adjusted Category A Entitlements

It soon became apparent that countries which had already received more than 100% of their Category A entitlements would not be able to make the necessary adjustments to bring their accounts into balance. In order to prevent the situation deteriorating, the Assembly agreed that no further Category A assets should be allocated to these countries and adopted an adjusted distribution formula for Category A assets which gave effect to this decision. This alone, however, was not enough to bring about the necessary adjustments in the accounting policies

of member

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of member countries, and in January 1951 the Assembly considered the problems created by the highly unbalanced state of Members' Category A Accounts.

4. Distribution Formula March 1951

The debates in the Assembly on Accounting Problems showed that there were two schools of thought. One school held that Articles 1(B), 1(C) and 6(A) were of equal validity, and that if they could not be reconciled there was nothing that could be done about it. The second school of thought maintained that Article 1(B) was overriding. After long and inconclusive discussions, the Assembly referred the whole question to the consideration of a special committee. A distribution formula which the committee recommended was adopted by the Assembly in March 1951. The formula represented a compromise between the different points of view which had been reached after the committee had taken into account:-

- (a) The wording of the Paris Agreement.
- (b) The rights of Member Governments to their Category A quotas.
- (c) The present state of their accounts.
- (d) The principles of an equitable distribution.
- (e) The future expectations of Category A assets.

The application of the formula was, however, subject to maintenance of the prior decision to compensate in full in various other currencies those Member Governments who did not receive their entitlements to the proceeds of German assets in Sweden (see Paragraph 5 below). It provided that future allocations of Category A assets should be made on the basis of:-

- (i) 50%, according to the adjusted Category A percentage; and
- (ii) 50%, according to each Member Government's relative credit in Category A accounting at the time of the allocation concerned.

5. Distribution

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### 5. Distribution of Swedish Assets

The distribution of Swedish assets has created a particularly difficult problem for I.A.R.A. because Sweden would not allow the Assembly to determine the distribution of the assets made available under the Safehaven Agreement, but insisted on treating the 75 m. Kroner made available to I.A.R.A. as an offset against Swedish claims on certain members of I.A.R.A. Rather than lose the 75 m. Kroner, the Assembly had to accept the Swedish position, but those countries who received nothing from Sweden demanded compensation in other forms of German assets. In June, 1950, the Assembly adopted a resolution known as the "Canadian Formula", which provides for a prior allocation for all future assets received from other countries for the benefit of members who did not receive their share from Sweden. The total amount to be compensated under the Canadian formula was \$3.7 m. in 1958 values or approximately \$8.8 m. in current values. The formula was applied until September 1951, on the assumption that I.A.R.A. would receive 200 m. Swiss francs, 2-1/2 billion Yen, 50 m. Pesetas and 450 m. Pesetas. Spain, however, has refused to agree to any modification of the distribution laid down in the protocol to the Madrid Agreement, and it now became doubtful whether the amounts expected from Switzerland and Portugal would materialize. In September, 1951, the Assembly considered a Canadian request for speedier and surer compensation, and it was agreed that when future currencies became available for distribution, a supplementary allocation not exceeding two-thirds of the amount remaining available after application of the Canadian Formula should be set aside for Swedish compensation. Consequently most of the 700 m. Yen received from Japan as well as small amounts of currencies declared available by Spain have been distributed to countries which did not receive their share from Sweden. The position reached now is that there are still some \$1.7 m. (1958 values) - \$6 m. in current values - to work off under the Formula. If Swiss francs are declared available for distribution before other currencies, then there will be a prior deduction of some 16.9 m. Swiss francs for this purpose. In so far as we are successful in obtaining Yen and Pesetas or other currencies for I.A.R.A., the prior charge on Swiss francs will be reduced. This has been one of the objects of the UK proposals because the UK stands to lose more than most countries by reason of the fact that although heavily underdrawn in its Category A account, it has no claim to Swedish compensation; it is also worth pointing out that the United Kingdom in common with the U.S.A. and France did not receive Kroner from Sweden but had to spend them upon essential imports into Germany (for which they have not yet paid).

### 6. Reparation

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6. Reservation Clause for Setting Off Compensation

Article 6 of the Act of Paris, read in conjunction with the Five Powers Agreement signed by the United States, France, the United Kingdom, Czechoslovakia and Yugoslavia, has imposed an obligation upon the five powers to make a sum of 100 m. available for the benefit of the victims. \$17-1/2 m. has already been paid over, leaving a balance of \$7-1/2 m. to be deducted as a prior charge on any future proceeds from neutral countries. If the 100 m. exceeds to be set aside for this purpose are obtained from Portugal, this will leave 17-1/2 m. Swiss francs to be deducted from the 101-5 m. which will become available from Switzerland early in 1953. If we fail in our efforts to set the 100 m. excesses and the balances had to be made up entirely in Swiss francs, this would involve setting aside a total of 32-5 m. Swiss francs.

7. Distribution of Swiss francs

Assuming that 17-1/2 m. (32-5 m. Swiss francs) have to be made available for the victims from the proceeds of German assets in Switzerland, this would leave 62 m. Swiss francs available for I.A.R.J.A., of which a further 16-2 m. would go under present procedures as compensation to countries who did not receive their share of assets from Sweden. The remaining balance available for distribution on the basis of the 1951 weighted formula would thereby be reduced to 52 m. Swiss francs.

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Attachment 6

U.S. Comments on the U.K. Memorandum concerning  
Distribution of Proceeds of German External Assets by IARA

Reference is made to the British Delegation's proposal to the effect that the United States Government might consider the possibility of making a generous gesture to other IARA countries by waiving its share of the proceeds of German assets in Switzerland which it is expected will shortly be made available to IARA for distribution. The British Delegation asserted that such a gesture would be a very large exert oflay criticism that the Paris Reparation Agreement had worked out more favorably for the U.S. than for other IARA members and would also reduce dissatisfaction with the general results of Allied reparation vehicles and the efforts by the three Governments (i.e. UK, France and US) in securing a share of German external assets for IARA.

The above proposal has been given very careful consideration by the United States Government, but it is regretted that this proposal cannot be accepted. The following considerations have been taken into account in reaching this decision.

1. It was agreed at the Paris Conference on Reparation in 1945 that the U.S. was entitled to 28% of the totality of German reparations. However, at that time the United States recognized that it, as an exporter of capital goods had only limited interest in German industrial equipment, but that it was important that the war-devastated countries of Europe should receive such equipment as early as possible in order to rebuild their industrial economies. The U.S., on the other hand had a much greater interest in receiving a substantial portion of German assets for the purpose of compensating the United States Government for occupation costs, and to help to meet claims of U.S. citizens for losses arising out of the war. It was for these reasons that the U.S. was satisfied to secure the major part of its reparation share out of German external assets. Provisions (Part I, Article IA, E and G) were inserted in the Paris Reparation Agreement which permits the U.S. to obtain 28% of the total amount of German reparations distributed by IARA. As a result of U.S. action, other IARA countries were enabled to receive larger quantities of industrial equipment than would have otherwise been possible.

On the basis of a U.S. entitlement of 28% of the total amount of German reparations already distributed by IARA (\$502 million), the U.S. is entitled to approximately \$140 million. Since the U.S. has received \$122 million, it is underdrawn about \$18 million.

On the basis that the category A percentages reflect the moral reparation entitlements of the IARA countries, the following countries are overdrawn: Albania, Australia, Denmark, Egypt, India, Pakistan, Luxembourg, Norway, the Netherlands, Union of South Africa, and Yugoslavia or 11 of the 19 members of IARA.

On the calculation

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On the calculation of the Secretary General of IARA, based on the legal provisions, the U.S. is underdrawn. Belgium is less underdrawn and the following countries are overdrawn: Denmark, Egypt, South Africa, the Netherlands, Norway, Albania and Luxembourg.

Even if the right to use Article 1 (G) is withdrawn (which the U.S. cannot admit), the U.S. would be only barely overdrawn, but far more overdrawn would be: Denmark, Egypt, South Africa, the Netherlands, Norway, Albania and Luxembourg. 1/

From these analyses it would appear that the imbalances which now exist in the IARA accounts cannot be considered to involve the U.S. accounts.

2. American citizens have extremely large claims for war damage due to German action. Heretofore, it has been understood by the United States Government, including the Congress, that in general the proceeds of German reparations would be available for partial payment of such claims. The United States War Claims Commission is submitting a report to Congress in which it will point out the small sum available for the satisfaction of such claims and suggest inter alia, the utilization for this purpose of the sums due to the United States from the Swiss Accord.

3. It was not expected at the time of the Paris Reparation Conference that the U.S., in the interest of the economy and defense of Western Europe and the Free World, would subsequently extend large sums of aid to Germany and other IARA countries. It is felt that most IARA countries should in considering any reduction in German reparations take into account aid received under various United States programs. All of the presently underdrawn IARA countries, with the exception of Canada, New Zealand, Australia, Czechoslovakia and Albania, have been the recipients of substantial amounts of U. S. aid against which any expectations of German reparation would appear minimal.

4. Unlike other IARA countries, the U.S., UK and France by the terms of the Swedish Accord had to expand their Swedish receipts on Germany and take in return merely some contingent claim against Germany.

5. The United States does not share the pessimism of the British delegation with respect to assuring that there is little possibility of other receipts by IARA other than the Swiss claims. It is the belief of the U.S. Delegation that there is good promise of the receipt from other sources of a sizeable quantity of assets which should to a very large extent allay possible criticism on the part of other IARA members for the short fall in receipts under the German reparation program as against original estimates. In this connection, it should be pointed out that the Paris Reparation Agreement did not provide for, and the IARA countries did not initially expect, any proceeds from German assets in Italy and Japan. One of the arguments made for turning over to IARA the 2.25 billion lire from German assets in Italy and the proceeds of German assets in Japan was the reduction in receipts from other sources.

1/ This is of course on the basis of United States category B equaling 11.8%.

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**I. CONCLUSIONS ON A SETTLEMENT OF THE TWO CLAIMS**

1. The United States, United Kingdom and France agree that under the Paris Reparation Agreement and the Five Power Agreement an obligation exists to the extent of \$25,000,000 in favor of Nazi persecutees and that this obligation constitutes a first charge on the proceeds of German assets from the neutrals.

2. Some difficulties have arisen concerning the qualification of Mr. Kingsley to receive the remaining sum. The United States and France consider these difficulties as small; the British representatives rate them as of higher magnitude. The British representatives are interested in checking further into the procedure followed at the time new Directors took over control of the persecutee fund.

3. In all events the United States, United Kingdom and France agree that if the funds are devoted to the persecutees designated by the Paris Reparation Agreement and the Five Power Agreement there would, as a practical matter, be little danger of any country successfully attacking what had been done. The British representatives consider that the risk may be lessened by the use of appropriate language in transmitting the funds to Mr. Kingsley.

4. In the light of the above, at the time the Swiss francs are available, the United States, United Kingdom and France agree that the amount for the refugees shall be transmitted to Mr. Kingsley under cover of a letter to be drafted by the United Kingdom, cleared by the United States and France, and forwarded by France.

5. At the time of the transmission to Mr. Kingsley, the Inter-Allied Reparation Agency shall be informed of the amount available to it for distribution, the amount transmitted to Mr. Kingsley, and the amount reserved, if any.

6. (a) If the Portuguese negotiations have been terminated successfully with respect to the 100,000,000 escudos at the time the Swiss francs become available, the United States, United Kingdom and France will transmit to Mr. Kingsley 17,205,000 Swiss francs.

(b) If the Portuguese negotiations are continuing with respect to the 100,000,000 escudos, at the time the Swiss francs become available, the United States, United Kingdom and France will transmit 17,205,000 Swiss francs to Mr. Kingsley and will reserve to Swiss francs the equivalent of the balance then due of the 100,000,000 escudos to await the outcome of Portuguese negotiations on the 100,000,000 escudos.

(c) If the Portuguese negotiations have been terminated unsuccessfully with respect to the 100,000,000 escudos at the time the Swiss francs become available, the United States, United Kingdom and France will transmit 17,205,000 Swiss francs to Mr. Kingsley and will reserve to Swiss francs the equivalent of the

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## X. CONCLUSION OF ARRANGEMENT ON GOLDEN CASES IN CONNECTION WITH THE TRIPARTITE GOLD COMMISSION

### A. Salzburg Gold Case

Representatives of the United Kingdom, France and the United States have discussed the subject of final disposition of the so-called "Salzburg Gold" and have reached an understanding regarding the solution of this problem as follows:

1. The "Salzburg Gold" is considered to be gold looted by Germany; and at the same time, part of the gold cache, which the German Government tried to hide from the advancing Allied armies shortly before surrender, and consequently belongs to the Gold Pool. That this particular portion of the German gold loot was found in a hiding place in Austria does not matter, nor would it matter, if it were proven that this gold was part of the gold which the Germans looted from Italy; the Italians have adhered to the arrangement under the Paris Reparation Agreement Part III and included this gold in their claim submitted to the IWC.
2. Since this gold already has been given to the Austrians early in 1947 by an action of the U.S. military authorities, which were not fully aware of all the implications involved, the transfer to Austria of this gold will have to be considered as an advance payment to Austria by the Tripartite Gold Commission, and, consequently, to be deducted from the Austrian share when the Commission is computing its final award to Austria. This would have the same effect as if the Gold had gone into the pool.
3. The Italian Government will be notified in reply to its aide-mémoire of May 20, 1948, that the three Governments have arrived at the conclusion as outlined above and that the IWC will implement the conclusion in an appropriate manner in accordance with the London memo of November 6, 1947.
4. The U.S. representatives will prepare a draft note on the matter and submit it to the British and French Governments. The note will, inter alia, request Italy to withdraw its law suit in Austria. The three Governments will transmit identical notes to Italy.

*It shall be U.S. note will ready the Government  
Government of above a clear case*

B. Frederic Deutsch

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B. Petrie Deutsch Gold Case

1. If Mr. Deutsch's gold cannot be identified as forming any part of the gold recovered by the Allies, the United States, United Kingdom and France should reject his claim on the basis that the Paris Reparation Agreement does not provide for the recognition of the claims of individuals and that the Allies can under international law utilize the gold recovered by the Allies for the satisfaction of their own claims to the exclusion of the claims of neutral citizens who cannot identify their gold as forming any part of the gold pool.

2. If some or all of the gold of Mr. Deutsch can be identified as forming part of the gold recovered by the Allies, the United States and United Kingdom would favor the return of any such identifiable gold to Mr. Deutsch. The three Governments would have to be satisfied, of course, that Mr. Deutsch was the owner of the gold. The French Government is opposed to the return of any gold, even if identified, and is ready to reject the claim of Mr. Deutsch on the ground that all the monetary gold found in Germany must be turned over to the Gold Pool under Part III of the Paris Reparation Agreement.

3. The French Government will consider taking appropriate measures to clarify the statement made in the French National Assembly December 5, 1946, to eliminate any impression that the French Government does not subscribe to the interpretation of the Paris Reparation Agreement in 1946 providing for the recognition of the claims of individuals.

C. Dollfus-Mieg Gold Case

The French Government is under consideration measures for indemnification of Dollfus-Mieg for gold looted from it by the Germans. The French Government appreciates that it is in the interest of the United States, United Kingdom and France that the suit by Dollfus-Mieg against the Bank of England be abandoned and that Dollfus-Mieg, if it secures indemnification from the French Government, be required to give up the pursuit of any further claims.

D. American-Italian Gold Case

By the terms of the agreement between the United States, United Kingdom and France on the American Italian case the function of the arbitrator is to advise the three governments as to the application of the Paris Reparation Agreement. When this advice is received the three governments should decide with respect to the measures to effectuate the decision of the arbitration.

E. Intercor Gold

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2. Japanese Gold Case

The United States, United Kingdom and France should advise their representatives on the Tripartite Gold Commission that unless the Gold Commission sees any objection they may hold hearings and render a tentative decision on the Japanese Gold case. However, it should be understood that the decision will be withheld until it is ascertained what may be the outcome of the United States legislation extending the time for the filing of claims.

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III. CONCLUSIONS ON THE MATTER OF GOLD BARS AND COINS  
DELIVERED TO THE FRENCH AUTHORITIES, AFTER IDENTIFICATION,  
BY THE AMERICAN OCCUPATION AUTHORITIES IN GERMANY

The paper on the above subject (Attachment 7) submitted by the French delegation was discussed at the January 21 session of the Meeting and it was agreed to postpone any decision on this matter pending consultation through the normal channels after study of the background by the three Governments.

Attachment 7: Paper on Bars and Coins Delivered to the French Authorities, after Identification, by the American Occupation Authorities in Germany.

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Attachment 2

Gold Bars and Coins Delivered to the French Authorities, After Identification, by the American Occupation Authorities In Germany

Ten kilograms of gold (coins and bars) belonging to four different individuals were delivered in 1949 to the French authorities, after identification, by the American occupation authorities in Germany. From the outset the French Government considered that these 10 kilograms should have been turned over to the Pool, and it laid the question before the conference which met at Brussels in January 1950.

That conference issued a resolution (Ex. 4) the text of which is as follows:<sup>6</sup>

"The delegations are in agreement that the gold turned over to the French Government by the American occupation authorities in Germany should indeed be considered as monetary gold in accordance with the definition of monetary gold laid down in Resolution No. 1. Consequently, the French delegation agrees to recommend to its Government that the gold in question be returned to the custody of the Tripartite Commission for the Restitution of Monetary Gold."

The French Government, deeming it a matter of urgency to carry out this resolution without waiting until the three Governments had approved all the resolutions of the conference, informed the British and American Governments, in May 1950, whether they would agree to the deposit of the 10 kilograms of gold into an account to be opened in the Bank of France in the name of the three Governments. The London and Washington Governments replied that, before taking any decision, they wished to lay the matter before their respective commissioners in Brussels. Although it was considered that the matter was definitely not within the jurisdiction of the Tripartite Commission, the French Government could take no other course than to postpone the execution of Resolution No. 4. However, shortly thereafter, while the American and British authorities had still not made known their decision, the owners of the bars in question learned that these bars were in the possession of the Office des Biens et Intérêts Privés étrangers (Office of French Private Assets and Interests) to which they had been delivered by the American authorities, and they laid claim to them immediately.

Thus far the French authorities have, with great difficulty, succeeded in inducing the two interested persons to wait, but this situation cannot long continue, now that the French Government has recognized the right of owners of looted property to receive compensation.

In view of this new element which has been brought into being by the decision to reserve to private individuals a portion of the gold allocated to France, the French legal authorities are now engaged in studying the problem resulting from the holding by the French agency of the aforementioned 10 kilograms of gold the owners of which have been identified.

Date problem

<sup>6</sup> Translation of note to original French document.

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certain of the rights held by a person in property and other

In this case, the position of the government in regarding a claimant's right of the principal claim of retribution is that it

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**XIII. CONCLUSIONS OF THE U.K. MEMORANDUM ON POINTS OF PROCEDURE ON FINAL ADJUDICATIONS OF THE TRIPARTITE GOLD COMMISSION**

1. The U.S. and France will study the memorandum (Attachment 3) and communicate their views through normal channels.
2. In this connection the three Governments will advise their representatives at the Tripartite Gold Commission in Brussels to consider the advisability of reviewing anew the text of all its final decisions in the light of the arbitral decision in the Albanian Case when it is delivered, so as to make certain that the decisions of the Commission do not conflict with legal arguments used by an authority in the field of international law.

Attachment 3: U.K. Memorandum on Points of Procedure for the Three Governments to decide when the Gold Commission is ready to Announce its Decisions.

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Attachment 8

Points of Procedure for the Three Governments to decide when the Gold Commission is ready to announce its Decisions

1. Public Announcement and Notifications to Governments

The form in which the Gold Commission proposes to announce its decisions and to notify the individual Governments is substantially the same as the drafts agreed upon for this purpose at the Brussels Conference in 1950. At present it is envisaged that the announcement and the notifications should take place simultaneously but the United Kingdom Gold Commission has suggested that further consideration should be given by the three Governments to the question of whether it would not be wise to allow a period to elapse between the notification to individual Governments and the public announcement so that the Gold Commission might have time to consider any objections raised by countries before making its public announcement.

2. Result of Negotiations with Neutral Countries

Centuries participating in the Gold Pool will wish to know what success had attended the efforts of the three Governments to prevail on countries which remained neutral in the war against Germany to make available for distribution all looted gold transferred into their territories from Germany. Her Majesty's Government therefore considers that the three Governments should agree to publish an account of what they have done and that the best time to do this would be when the Tripartite Commission announces its findings. Such a tripartite agreed statement might be used as a negotiating point in the final approach to Turkey and Portugal. It is just possible (but not very likely) that those countries would agree to hand over gold which they have hitherto withheld in order to avoid publicity.

3. Distribution of Adjudications

It was agreed at the Brussels Conference in 1950 that when the Gold Commission announced its findings it would at the same time submit to claimant Governments a statement setting out brief reasons why a claim, or part of a claim, had been rejected. The Commission had found it impossible to condense into "brief reasons" the substance of the adjudications. It had therefore decided, after referring the matter to Governments, that copies of the complete adjudication should be given to any Government seeking further information as to why a claim had been rejected. In these circumstances it is suggested that each claimant Government should receive a copy of the relevant adjudication as soon as possible after the Commission has notified them of the award of the part which they are entitled to receive, and also copies of other adjudications if these are asked for.

4. Delivery of Gold

After the Gold Commission has made its formal announcement it will remain for the three Governments to instruct their Gold Commissioners to undertake delivery of the gold in accordance with the adjudications.

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adjudications

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adjudications. It is up to  
Government to refuse to  
order to deliver to your  
Government or Government  
Government considers that  
are unjustifiable and con-  
thence Government to re-

lief at this stage that the United States  
will the United States Government to issue an  
order in retaliation for action taken by the  
is against a United States citizen. The majority's  
in refusing delivery on political grounds would  
not be reconciled with the obligations of the  
out Part III of the Act of Paris.

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Minute on Refugee Payments.

1. The United States, United Kingdom and France agree that under the Paris Reparation Agreement and the Five Power Agreement an obligation exists to the extent of \$25,000,000 in favor of Nazi persecutees and that this obligation constitutes a first charge on the proceeds of German assets from the neutrals.
2. Some difficulties have arisen concerning the qualification of Mr. Kingsley to receive the remaining sums. The United States and France consider these difficulties as small; the British representatives rate them as of higher magnitude. The British representatives are interested in checking further into the procedure followed at the time new Directors took over control of the persecutee fund.
3. In all events the United States, United Kingdom and France agree that if the funds are devoted to the persecutees designated by the Paris Reparation Agreement and the Five Power Agreement there would, as a practical matter, be little danger of any country successfully attacking what had been done. The British representatives consider that the risk may be lessened by the use of appropriate language in transmitting the funds to Mr. Kingsley.
4. In the light of the above, at the time the Swiss francs are available, the United States, United Kingdom and France agree that the amount for the refugees shall be transmitted to Mr. Kingsley under cover of a letter to be drafted by the British.

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5. At the time of the transmission Mr. Kingsley, the Interallied  
Reparation Agency shall be informed of the amount available to it for  
distribution and the amount transmitted to Mr. Kingsley.

6. If the Portuguese negotiations have not been terminated suc-  
cessfully at the time the Swiss francs become available, the United  
States, United Kingdom and France will give consideration to what  
measures should appropriately be taken in the circumstances.

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6(a) If the Portuguese negotiations have been terminated successfully with respect to the 100,000,000 escudos at the time the Swiss francs became available, the United States, United Kingdom and France will transmit to Mr. Kingsley 17,205,600 Swiss francs.

(b) If the Portuguese negotiations are continuing with respect to the 100,000,000 escudos at the time the Swiss francs become available, the United States, United Kingdom and France will transmit 17,205,600 Swiss francs to Mr. Kingsley and will reserve in Swiss francs the equivalent of the balance then due of the \$25 million to await the outcome of Portuguese negotiations on the 100,000,000 escudos.

(c) If the Portuguese negotiations have been terminated unsuccessfully with respect to the 100,000,000 escudos at the time the Swiss francs became available, the United States, United Kingdom and France will transmit to Mr. Kingsley the equivalent of the balance due of the \$25 million.

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MGA D-1/32a

January 16, 1953

**TRIPARTITE MEETING ON GERMAN EXTERNAL  
ASSETS AND LOOTED GOLD**

Amendment to  
Minute on Refugee Payments

The attached Minute on Refugee Payments amends the original paper issued on this subject (MGA D-1/32, January 15) by the addition of paragraphs 5 and 6.

Eugene M. Schaeffer  
Secretary

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Minutes on Refugee Payments

1. The United States, United Kingdom and France agree that under the Paris Reparation Agreement and the Five Power Agreement an obligation exists to the extent of \$25,000,000 in favor of Nazi persecutees and that this obligation constitutes a first charge on the proceeds of German assets from the neutrals.

2. Some difficulties have arisen concerning the qualification of Mr. Kingsley to receive the remaining sums. The United States and France consider these difficulties as small; the British representatives rate them as of higher magnitude. The British representatives are interested in checking further into the procedure followed at the time new Directors took over control of the persecutee fund.

3. In all events the United States, United Kingdom and France agree that if the funds are devoted to the persecutees designated by the Paris Reparation Agreement and the Five Power Agreement there would, as a practical matter, be little danger of any country successfully attacking what had been done. The British representatives consider that the risk may be lessened by the use of appropriate language in transmitting the funds to Mr. Kingsley.

4. In the light of the above, at the time the Swiss francs are available, the United States, United Kingdom and France agree that the amount for the refugees shall be transmitted to Mr. Kingsley under cover of a letter to be drafted by the British United Kingdom, cleared by the United States and France and forwarded by France.

5. At the time of the transmission to Mr. Kingsley, the Inter-Allied Reparation Agency shall be informed of the amount available to it for distribution, and the amount transmitted to Mr. Kingsley, and the amount reserved, if any.

6. If the Portuguese negotiations have not been terminated successfully at the time the Swiss francs become available, the United States, United Kingdom and France will give consideration to what measures should appropriately be taken in the circumstances.

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pages 13-19

WORKING GROUP ON FOREIGN ECONOMIC PROGRAMS  
(Departmental)

Financial Measures for Economic Defense

The attached study, prepared by officers in OFD and MN, will, after possible further revision, be sent to the President as requested. It is distributed to the members for their information and possible use.

Martin G. Cramer  
Secretary

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FINANCIAL MEASURES FOR ECONOMIC DEFENSE

Introductory

Financial measures designed to prevent or impede the flow of resources to countries of the Soviet bloc may be considered under four headings, namely:

- (1) Control over assets and transactions involving such assets of Russia and the satellite countries in the United States and other countries of the free world.
- (2) Measures to sterilize or at least prevent the effective use of Soviet-bloc gold in foreign markets.
- (3) Import control measures aimed at cutting off or reducing the availability of dollars and other foreign exchange to the Soviet bloc.
- (4) Measures to identify and take appropriate action against persons seeking to contravene financial and trade control measures designed for economic defense.

Economic defense measures in the financial field are, like trade controls, limited by the extent to which the cooperation of other free world countries can be obtained and are further limited by the particular character of Soviet-bloc trade and financial arrangements with foreign countries. The limitations which these and other considerations impose in respect to the various measures discussed below will be set forth in greater detail as each particular measure is discussed.

1. Controls over Foreign-Owned Assets in the United States

A. Available Techniques of Control and Their Objectives

(1) Blocking Controls

The term "blocking controls", as used in this section, includes not only the act of blocking foreign-owned assets in the United States, but also the entire scheme of regulation stemming from blocking, including the relevant licensing procedures.

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The principal objectives of blocking controls, if imposed with respect to the Soviet-bloc countries, would be the following:

(a) The denial of economic resources to Soviet-bloc countries from the United States, and from other countries to the extent that transactions of the latter type are financed with U.S. dollar funds.

(b) The denial of financial support to real or juridical persons within the United States, acting for or on behalf of Soviet-bloc countries, and to such persons in other countries to the extent that they are supported by U.S. dollar funds, in order to prevent espionage, sabotage, and subversive activities.

(c) The protection of the assets within the U.S. of countries which are victims of aggression by Soviet-bloc countries.

(2) Vesting.

The term "vesting" refers to the actual seizure by the United States of the title to foreign-owned assets.

Blocking controls and vesting are closely related in that they both are measures for the control of foreign-owned property located in the United States, but they differ primarily in the degree of control exercised. These measures may in appropriate cases be applied in sequence to the same property. Vesting, of course, is a more drastic step than blocking controls and is unlikely to be justified except in case of war.

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The objectives of vesting, if invoked with respect to the Soviet-bloc countries, would in part be similar to the objectives of blocking controls. In addition, however, vesting may enable the United States to use the assets for its own purposes, as in the case of valuable patents; or facilitate supervision of the property, as in the case of special types of business enterprises; or permit the settlement of reparations or other claims against the country whose assets are vested.

#### b. Value and Character of Assets of Soviet-Bloc Countries in the United States

The estimated value of assets in the United States owned by the U.S.S.R. and other European countries in the Soviet Bloc, by principal types of assets, as of September 30, 1950, is as follows (in millions of dollars):

| Country        | Total Assets <sup>a</sup> | Gold &<br>Short-Term<br>Dollar<br>Assets | Domestic,                                   |                  | Interests<br>in Estates<br>& Trusts <sup>a</sup> | Foreign<br>Controlled<br>Enterprises | Other<br>Assets <sup>b</sup> |
|----------------|---------------------------|------------------------------------------|---------------------------------------------|------------------|--------------------------------------------------|--------------------------------------|------------------------------|
|                |                           |                                          | Corporate<br>Stocks &<br>Bonds <sup>a</sup> | Real<br>Property |                                                  |                                      |                              |
| Albania        | 2                         | 2                                        | 1                                           | 1                | 1                                                | 1                                    | 1                            |
| Bulgaria       | 2                         | 1                                        | 1                                           | 1                | 1                                                | 2                                    | 1                            |
| Czechoslovakia | 17                        | 12                                       | 12                                          | 1                | 1                                                | 2                                    | 2                            |
| Estonia        | 9                         | 2                                        | 2                                           | 1                | 1                                                | 1                                    | 1                            |
| Hungary        | 5                         | 1                                        | 1                                           | 1                | 1                                                | 1                                    | 1                            |
| Latvia         | 9                         | 9                                        | 9                                           | 1                | 2                                                | 1                                    | 1                            |
| Lithuania      | 4                         | 2                                        | 2                                           | 1                | 2                                                | 1                                    | 1                            |
| Poland         | 18                        | 12                                       | 12                                          | 1                | 2                                                | 1                                    | 5                            |
| Romania        | 26                        | 19                                       | 12                                          | 1                | 1                                                | 1                                    | 5                            |
| U.S.S.R.       | 25                        | 10                                       | 10                                          | 1                | 1                                                | 9                                    | 5                            |
| <b>Total</b>   | <b>115</b>                | <b>69</b>                                | <b>65</b>                                   | <b>1</b>         | <b>4</b>                                         | <b>124</b>                           | <b>184</b>                   |

\* Based on reports of banking institutions in the United States.

\*\* From Treasury Census 1947-500, data as of June 14, 1941 except for stocks and bonds which have been revised on the basis of security transactions information. Assets vested by the U.S. Government in the case of Bulgaria, Hungary, and Romania, have been deducted from the June 14, 1941 data. The only firm figures covering September 1950 holdings are the gold and short-term dollar assets. The "Other Assets" category represents largely claims on U.S. industrial and commercial concerns reported as existing as of June 14, 1941; a substantial portion of these assets have probably been settled or wiped out since that time.

1/ Less than \$500,000.

2/ Included in total for country.

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Until the census now in process pursuant to Treasury regulations is completed, it is not possible to determine the present value of Chinese Communist and North Korean assets in the United States.

C. Legal Authority and Restrictions, If Any

(1) Legal Authority

The President is empowered by the Constitution, the First War Powers Act, 1941, and by the Trading With the Enemy Act of October 6, 1917, as amended, to prescribe appropriate regulations with respect to the control of foreign-owned assets in the United States. By Executive Order No. 9193, the authority to prescribe such regulations has been delegated to the Secretary of the Treasury.

(2) Articles of Agreement, International Monetary Fund

Article VIII, Section 2(a), of the Articles of Agreement states that, subject to the provisions which authorize any member, after consultation with the Fund, temporarily to impose limitations on the freedom of exchange operations in a scarce currency, "no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions".

In connection with the blocking controls on assets of Communist China and North Korea which were recently imposed by the United States, we took the position that action taken for reasons of international security does not come within the proper jurisdiction of the Fund. With this precedent, any extension of the present blocking controls to other countries in the Soviet bloc presumably would be based upon the same grounds.

D. Relation

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D. Relation of Blocking Controls to Other Possible Economic Defense Measures.

(1) Export Controls.

Blocking controls are a broader device than export controls and could accomplish substantially all of the economic objectives for which export controls are designed. This is so because blocking controls could deny licenses for any transactions by or with blocked countries which would be injurious to the interests of the United States.

In addition to controlling exports from the United States, however, blocking controls can also in some measure control exports from other non-blocked countries to blocked countries to the extent that such trade is financed by dollar funds. In view of the fact that a large amount of trade between foreign countries is financed through the U.S. dollar, unilateral blocking controls imposed by the United States would be more effective than would similar controls imposed by many other countries unilaterally. This is not to deny the likelihood that, after a certain number of such transactions were "caught" by U.S. blocking controls, trade would be rerouted through other currencies, notably Swiss francs.

Export controls could be applied more easily and with less far-reaching repercussions than could blocking controls. If rigid export controls approximating a total embargo were applied, however, the institution of blocking controls could be helpful in insuring a tight and efficient control over all transactions of the general character of those covered by export controls.

(2) Import

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(2) Import Controls.

As in the case of export controls, blocking controls can accomplish substantially all of the economic objectives for which import controls are designed. Imports coming directly from blocked countries would be stopped, except to the extent that the United States would be willing to license such shipments under the blocking controls against free dollar funds.

(3) Proclaimed Listing.

One of the principal purposes of the proclaimed listing technique including a "grey list" and a "watch list", if that device were employed, would be to increase the effectiveness of blocking controls, especially in respect to transactions involving non-blocked countries which have not instituted effective economic control measures against the Soviet bloc countries.

(4) Controls over Foreign-Owned Gold, and Currency and Securities Located Abroad.

Blocking controls could not accomplish the purpose of sterilizing the purchasing power of Soviet gold located abroad, although either technique could supplement the other in a comprehensive program designed to minimize the foreign exchange holdings of the Soviet bloc countries. The effectiveness of either technique, if imposed by the United States unilaterally, in achieving the latter objective would be limited, however, because the Swiss franc and pound sterling, for example, could be substituted for the dollar by the Soviet bloc countries with probably substantial results in terms of purchasing

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purchasing power over goods and services in non-dollar countries.

To the extent that it is desired to prevent the acquisition of dollar exchange directly or indirectly by the Soviet-bloc countries for espionage, sabotage and subversive purposes within the United States, blocking controls would be essential even if they were supplemented by controls over foreign-owned gold, and currency and securities located abroad. This would also be true if the primary purpose were to discourage the looting of gold, U.S. currency and securities, especially dollar securities in bearer form, in countries which are victims of aggression by Soviet-block countries, and to limit the use of such looted assets by the aggressor countries. This latter objective is not of substantial importance in the present context.

Control measures relating to currency and securities located abroad would necessarily be administered as an integral part of blocking controls, although the latter could be administered under a less comprehensive program which excludes control measures with respect to currency and securities located abroad.

E. United States and Free World Interests Which Would Be Affected by Blocking Controls.

(1) Trade with Soviet-Bloc Countries.

Current trade relations between the United States and the Soviet-bloc countries are already severely restricted. United States trade with Communist China has already been placed under blocking controls, and export controls have been instituted with respect to all countries in the Soviet bloc.

The extension of blocking controls to other countries in the Soviet orbit, although making it possible to rigidly control such trade with the

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United States as remains plus other trade financed through the dollar would increase the existing difficulties of acquiring strategic materials in short supply from the Soviet bloc, because the institution of blocking controls by the United States could be expected to be regarded by the Soviet bloc countries as an economic warfare measure calling for retaliation. This is likely to be so even though the rigid financial and trade controls which already exist in the Soviet bloc countries approximate the severity of any comprehensive blocking control program which the United States might adopt.

The institution of blocking controls unilaterally by the United States would not seriously interfere with the trade of other free world countries with Soviet bloc countries, much of which is conducted on a barter basis under bi-lateral trade agreements. Since the U.S.S.R., Czechoslovakia and Poland are "transferable sterling" countries, their resources of sterling are freely available throughout the sterling area for the procurement of goods and services, except to the extent that export controls or similar devices in the sterling area countries may intervene. Moreover, it may be expected that the trade of free world countries with the Soviet bloc which is now financed through the dollar would, after the imposition of blocking controls by the United States unilaterally, be financed through the Swiss franc, pound sterling, and possibly other currencies. Thus, sooner or later, multilateral action by the principal trading nations and hard currency nations would be required to cut off or substantially restrict the total trade between the free world and the Soviet bloc.

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In order to persuade other countries of the free world which depend upon east-west trade as a source of essential goods, or as a market for non-strategic materials now in short supply, to join in multilateral action equivalent to U.S. blocking control measures, it would probably be necessary for the U.S. to extend economic aid to such countries for the purpose of sustaining the equilibrium of their economies.

(2) Inter-governmental and Private Debts and Claims and Other Property Interests.

The claims of the United States and its nationals against the U.S.S.R. total approximately \$800 million in principal amount, excluding lend-lease obligations. These claims arise out of default of debts of the U.S.S.R. or its predecessor governments, to the United States, or its nationals, and the nationalization, confiscation or other takings of American property interests by the U.S.S.R. The period involved is from 1918 to the present.

It has been estimated that the nationalization and debt claims of the United States and its nationals against other eastern European countries in the Soviet bloc are approximately as follows (in millions of dollars):

|                |             |
|----------------|-------------|
| *Bulgaria      | \$ 12       |
| *Hungary       | 176         |
| *Romania       | 194         |
| Czechoslovakia | 140         |
| Poland         | 369         |
|                | <u>3691</u> |

\* Former enemy countries.

Many of these debts and claims are already in default, and with respect to most of these it is unlikely that the imposition of blocking

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controls by the United States would worsen materially the existing poor prospects of collecting or settling them. In fact liquidation of blocked property and the use of the proceeds to settle claims may be the only way in which U.S. claimants will receive any compensation.

With respect to those obligations which are currently being met in whole or part, it may be expected that the imposition of blocking controls by the United States would result in the cessation of such servicing. The principal obligations in this category are:

|                                             |                 |
|---------------------------------------------|-----------------|
| Lend-Lease Pipeline Agreement with U.S.S.R. | \$222.5 million |
| Export-Import Bank Loans to Poland          | 13.3 "          |
| Surplus Property Credit Agreements with:    |                 |
| Czechoslovakia                              | 5.5 "           |
| Hungary                                     | 14.1 "          |
| Poland                                      | 36.3 "          |
|                                             | <u>\$321.7</u>  |

Aside from the fact that annual interest payments have been received in dollars from the U.S.S.R., Czechoslovakia, and Poland, the United States Government is presently receiving its local currency requirements in Czechoslovakia, Hungary, and Poland under the option provisions of the surplus property agreements, which makes it possible to avoid the necessity otherwise of placing free dollars at the disposal of these countries.

F. Effectiveness of Blocking Controls in Accomplishing Objectives in Respect to Soviet-Bloc Countries.

(1) Unilateral Action by United States.

The imposition by the United States unilaterally of blocking controls on the assets of the U.S.S.R., Albania, Bulgaria, Czechoslovakia, Hungary, Poland, and Rumania at this time could not be expected to add materially to the strength of the United States or the free world vis-a-vis the Soviet bloc, or to deny any substantial amount of resources to the Soviet

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Soviet Bloc, unless such blocking controls were to be utilized in lieu of other measures, particularly export controls, which are designed for peace purposes and which are less likely to invite retaliatory action by the Soviet-Bloc countries.

If the Department of Justice should determine that blocking controls would materially aid in the elimination of espionage, sabotage, and subversive activities in the United States by cutting off the financial support of real or juridical persons acting for or on behalf of Soviet-Bloc countries, this factor would seem to be of sufficient importance to justify the adoption of measures to the extent required to protect the United States from such activities. The elimination of such activities, however, is essentially a police function and any blocking action that might be taken primarily for this purpose should be based upon specific recommendations of the Department of Justice in consultation with the Treasury Department. In the absence of other measures, such as controls on foreign-owned gold, and currency and securities located abroad, blocking controls alone would be of only limited effectiveness in achieving this purpose. In conjunction with such other measures, however, blocking controls could conceivably provide useful techniques in this field, subject to the views of the Department of Justice.

In the event of war, blocking controls by the United States, if instituted without delay on assets of any country suffering enemy invasion or its equivalent, could provide substantial protection to the assets of the victims of such aggression, as was demonstrated in World War II.

In the event

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In the event of actual war with or clear aggression by any countries in the Soviet bloc, or if conditions should deteriorate to the point where it is considered desirable to take the strongest measures short of war, the imposition of blocking controls would be consistent with a policy of leaving no stone unturned in such circumstances, and would have a considerable psychological and symbolic significance since such action in the public mind is almost akin to a severance of diplomatic relations.

(2) Multilateral Action by Free World Countries:

International cooperation in blocking controls, particularly with respect to the principal trading nations and hard-currency countries, is essential to the achievement of effective and efficient economic controls. Although unilateral blocking action by the United States could be effective within a limited sphere, especially in regard to the prevention of financial support to Soviet-bloc agents in the United States and the prevention of looting of assets within the United States belonging to victims of aggression, multilateral action is especially important in the field of blocking controls intended to deny resources to the Soviet-bloc countries.

2. Measures

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Soviet Foreign GoldA. Quantity of Assets Involved and Their Use

Any estimates of Soviet gold production and resources must, of course, be highly tentative in view of the extreme secrecy in which such information is held. The most conservative estimates put U.S.S.R. and satellite gold reserves at from \$2.4 to 3.5 billion and annual production at \$160 to \$50 million. Other estimates have been made ranging up to \$8 billion for reserves and over \$500 million for annual production. Almost all these reserves are probably in the Soviet Union and there is no gold production in the satellite countries except a very small amount in Rumania. Even admitting a substantial margin of error in these data, it is clear that the gold holdings of the Soviet Bloc represent a very high percentage of their total liquid foreign-exchange assets.

When considering measures to stabilize or reduce the liquidity and purchasing power of Soviet-Bloc gold resources, it is necessary to examine the way in which such resources may be utilized. In this connection it is necessary to differentiate between (a) U.S.S.R. and/or satellite official transactions, that is, sales to central banks or governments of other countries to acquire foreign-exchange balances or to offset an adverse balance of payments, and (b) sales on the various free or black gold markets. Official gold sales by the U.S.S.R. and the Eastern European satellites probably totaled about \$100 million during the past four years. Sales in premium markets during the same period are, of course, impossible to estimate with any degree of accuracy. These transactions take place in a number of markets, such as Tangier, Brussels, Amsterdam, Paris as well

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all as Middle and Far Eastern gold markets. They were, of course, carried out in secrecy and were often covered by subtle devices to cloak the origin and destination of the gold. Judging from the estimated increases in private hoards and other relevant factors, it is possible that as much as \$200 million a year, probably largely in hard currencies, was acquired from these transactions. That the U.S.S.R. is making a considerable effort to establish and maintain channels for the sale of gold in Western Europe is evidenced by intelligence reports that the few satellite airlines operating in the West are clandestinely bringing gold to the Paris, Brussels, and Amsterdam markets; that a mint to coin fake French Louis d'ors has been established in Rumania and that such coins have been sold in the Paris market; and that negotiations are going on in Switzerland for a major sale of Soviet gold to a French bank. The spectacular drop in free-market gold prices prior to the Korean war was attributed by some analysts to the dumping of Soviet gold on such markets. It would seem apparent that if financial and trade controls were imposed in such a manner as to cut off or drastically reduce Soviet access to foreign exchange, additional use might be made of this device to obtain dollars, Swiss francs, etc., for subversive activities. The fact that such transactions are almost entirely free from official surveillance and that currency rather than bank funds is the principal media of payment makes this an ideal source of funds for underground activities. In this connection information given by a high official of the Thai Central Bank indicates that in spite of intensive Soviet activities

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in Thailand not a single account is carried in the name of the Soviet Government in that country and that Soviet agencies are paying gold coins and dollar currency.

The potential fields for control over Soviet Bloc gold transactions may be considered under two headings, namely, (1) measures to discourage official purchases or acquisitions of gold identifiable as of Soviet origin, and (2) attempts to suppress or curtail the free-gold trade by Soviet agents or supporters. Measures of the first type would require a substantial degree of international cooperation although the United States is by far the largest holder of gold and potential gold purchases, at present we are a gold seller, rather than buyer, and the problem of identification would be extremely difficult if unilateral action were taken. Measures to eliminate Soviet access to free-gold markets would not be effective owing primarily to the clandestine, or at least unofficial, character of such markets, and measures to suppress the markets themselves would probably be the only practical course. Action along this line, in addition to its value as an economic defence measure, would also be in the interest of a long-standing objective of the International Monetary Fund which the United States has supported, namely, the suppression of free-gold transactions in the interest of exchange-rate stability and the protection of monetary reserves.

An additional objective of action taken by the Allies in World War II, namely, the attempt to protect countries occupied by the enemy from looting

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ooting, would not be relevant in the present context of economic defense measures, though they would probably be invoked in event of actual hostilities. For example, during World War II the United States (under a 1944 gold declaration of the U.S., U.K., and the U.S.S.R.) refused to buy any gold from abroad from a country that had not broken relations with the Axis or any country which after January 22, 1941 acquired the gold from a country which had not broken relations with the Axis. The Treasury acquired no gold until it was satisfied that it had not been acquired directly or indirectly from Axis powers or that it was not gold releasable only because other gold had been so acquired. Declarations similar to that of the U.S. were issued, or originally adhered to, by most of the United Nations.

Other than its ordinary peacetime regulations with regard to the buying and selling of gold, the U.S. does not now have any controls relating to foreign-owned gold except the residual controls remaining under the gold declaration of 1944. These peacetime regulations relate chiefly to requirements that the seller have clear title. All purchases and sales of gold are at the discretion of the Secretary of the Treasury.

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5. Possible Measures

The following measures would represent a comprehensive gold program relating to economic defense. No additional legal authority would be necessary to carry out this program insofar as the US is concerned nor does it appear that international obligations of this government are involved.

i. Declaration by the U.S. that henceforth it would purchase only gold of non-Soviet bloc origin. This action could be taken in accordance with any of the following degrees of severity:

- (a) no purchase of gold from Soviet bloc countries after an effective date;
- (b) no purchase from third countries of gold acquired from Soviet bloc countries after an effective date;

(c) no purchase of gold from any country which has had gold transactions with a Soviet-bloc country after an effective date.

(Further extension might be necessary to make this action sufficiently comprehensive.)

In order to carry out this measure, certification by friendly countries that gold offered by them for sale to the United States was not of Soviet-bloc origin, would be a minimum requirement. The actual physical registration and marking of gold now in reserves of friendly countries, plus gold acquired for such reserves from non-Soviet origin, would be desirable and perhaps necessary to make the control effective. The use of the IMF for this purpose should be explored.

ii. Embargo on all gold sales from U.S. (and if possible friendly countries) if Soviet-bloc destination were indicated.

iii. Attempt  
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III. Attempt to suppress or curtail the free gold trade by the following measures:

- (a) secure the introduction or re-introduction of measures requiring delivery of all gold in the form of bullion or coins to the respective central banks of cooperating countries;
- (b) discontinuance (by international concerted action) of "neutral" gold trading markets in the field of private transactions and possibly BIS in the field of official transactions.

C. Conclusions

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C. Conclusions.

There seems to be no overriding consideration that would make the measures set forth in (i) and (ii) above ineffective or administratively difficult except the problem of securing international cooperation. It would be almost a hundred percent effective if all other important Western countries would join in the program. Since those measures relate to official gold sales, however, and since Russia has shown little interest in selling gold at the official price of \$35 an ounce as long as gold can be sold in black markets at a premium, the results of the program would be quite limited under present conditions. However, since there is substantial evidence that the U.S.S.R.'s dollar balances in the United States have already been substantially reduced if Soviet sales to the dollar area were drastically limited by import control, Russia might be willing to sell gold through official channels and these measures might have increased importance. In any case it would appear that the controls over commodity imports discussed below would be quite ineffective in the absence of a change in U.S. gold policy.

The program outlined under (iii) would, of course, depend entirely on the degree of international cooperation attained, since there is nothing the U.S. can do by itself to suppress free gold markets. We have, of course, maintained a government monopoly of monetary gold transactions since 1934. Although some effort was made to persuade countries participating in the ERP to mobilize their foreign-exchange resources as visualized under (iii) (a), this was by and large not successful so far as gold was concerned.

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basis for this action in addition to suppressing free-gold markets and thus Soviet access to such markets is the need for mobilizing the full resources of Western European countries in the NATO program. Considerable support for measures directed at suppressing the free-gold markets might also be expected from legitimate banking circles in such countries as Switzerland, Belgium, Netherlands, Italy, and India. In any case the denial of foreign currencies now readily obtainable in free-gold markets would appear to be an almost indispensable adjunct to effective police action in the control of subversive activities. While it is premature to speculate respecting which countries may be most vulnerable to subversive influences in event of hostilities, it would seem likely that the countries most likely to be in that situation are those of the Middle East and Southern Asia, in which free-gold markets flourish.

It is clear that action in this field should be considered in the complex of other financial measures, such as the control of Soviet assets in the United States and other friendly countries, import control, and the continued participation by Russia and certain of the satellite countries in the British transferable-account system, which makes their resources of sterling freely available throughout the sterling area for the procurement of goods and services except to the extent that export controls or similar devices may intervene.

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## 3. Possible Commodity Import Control Measures Against the Soviet Bloc

## A. Techniques of Control and Their Objectives

Import control for the purpose of this paper is defined to include the direct control by the US Government acting alone, or in cooperation with allied governments, of US imports coming directly or indirectly from Soviet bloc countries. The problem of the possible indirect control by the US acting alone, or in cooperation with other governments, of imports from other countries is not considered. Import controls may be termed negative when directed toward limiting the present or future economic potential of unfriendly countries. Such controls may be considered positive when directed toward conserving or increasing the present or future economic and industrial potential of the US and of friendly countries. Negative import controls are apt to be more direct in their application, though more limited in scope, than positive import controls. The latter are primarily useful as a bargaining device or instrument to assure the attainment of specific objectives. In terms of the President's letter which relates to "measures...to prevent the flow...of these...funds..." which would serve materially to aid their (Communist) ability to carry on such aggression" we are primarily concerned with possible use of negative import controls, although the controls may be utilized also to exert leverage to obtain selected desired imports.

The purpose of import controls would be to deprive Soviet bloc countries of foreign exchange earnings by balancing of trade or by limiting non-essential imports through direct control of the volume and composition of US (and other non-Soviet countries') imports from the Soviet bloc.

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other objective would be the improvement of the US trading position vis-a-vis the Soviet bloc mainly in terms of increasing the possibilities of US acquisition of essential manganese. Such control might be exercised by (1) the establishment by the US (and perhaps other countries) of a system of import licensing controls on commodities originating in the Soviet bloc or (2) the establishment of a US or of an international corporation to conduct trade with the state trading monopolies of the Soviet bloc countries. Tariff controls and trade agreements are not included in this consideration of possible import control measures.

B. Trade Affected.

According to Department of Commerce sources, US imports from the Soviet Union during 1949 consisted mainly of furs (\$25.2 million), ores (\$7.77 million) and tobacco (\$1.86 million). During the period January-September 1950 such imports averaged about \$10 million per month, with October imports at \$8.6 million. Exports over the same period averaged about \$4.5 million per month.

C. Evaluation of the Program.

The desirability of extending US licensing controls over imports from, as well as exports to, the Soviet bloc or of establishing a corporation to deal with all US-Soviet trade should be determined in accordance with:

- (1) Agreement as to what are now the most important US objectives in the conduct of US-Soviet trade.
- (2) Reasonable assurances that a US import control system or governmental trading corporation will contribute effectively to the attainment of these objectives.

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Under present conditions, US trade relations with the Soviet Union and its satellites are governed, at least on the export side, by US security interests rather than by the economic considerations that have formed the basis of our post-war overall trade policy. In simplest terms, US overall trade policy has favored the expansion of world trade, in ways that would bring greatest economic benefit to the US and to other countries. The basic assumption of our trade policy has been, of course, that exchange of goods among nations is of benefit to all concerned, when that trade is permitted to flow according to the principle of comparative advantage, insofar as may be possible at any given time. For this reason, US policy has disapproved in general of the restrictive devices, protectionism and bilateral bargaining that hinder the operation of the market and tend to restrict and distort the volume and pattern of world trade.

On the other hand, recognizing that concessions to Soviet economic potential will at this time assist in the attainment of Soviet objectives of political and possibly military aggrandizement, US policy in its commercial relations with the Soviet bloc is carefully to scrutinize trade with the Soviet orbit for security implications and to take such action with respect to this trade as will effectively contribute to the protection of US national security. Up to this time, these actions have been taken on the export side of US trade with the Soviet bloc, where the security implications have been most evident and the possibilities of effective US action even on a partially unilateral basis have been greatest.

US import controls over trade with the Soviet area have been suggested as a specific means of (1) limiting the Soviet access to free dollars which

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now grows out of the Soviet favorable balance of trade with the US and which may be used for political or other purposes in the US or other countries, and (2) improving the US bargaining position in obtaining more essential goods (especially manganese) from the Soviet Union.

No special US measures to control imports coming directly from the Soviet bloc would appear to be necessary in the event of the imposition of full-fledged blocking controls over the assets in the US of Soviet bloc countries. If such were the case, the requirement that all transactions with blocked nationals be pursuant to license would permit control of the flow of imports from that area within the framework of licensing policy. Moreover, it is extremely doubtful that exports would continue to be made from the Soviet bloc under a regime of complete blocking. The degree to which we could obtain the objective of limiting the Soviet access to free dollars through measures affecting its export trade would then depend on the extent to which other countries could be persuaded to join in imposing parallel financial controls or at least controls aimed at balancing trade with Soviet countries. In the absence of such multilateral action, US import controls might be necessary to prevent third country trans-shipments of blocked area goods but would still be ineffective so far as keeping free dollars out of Soviet hands is concerned so long as the Soviet bloc continued to be in a position to dispose of its gold holdings in various gold markets either on an official or unofficial basis.

The question arises of the desirability of imposing import controls perhaps in advance of a comprehensive funds control if, for one reason or another, funds control is not deemed desirable or useful at this time.

Limitations

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Limitations on US imports of non-essentials from the Soviet Union, for example, could bring about a balanced US-Soviet trade, thus eliminating the Soviet export surplus that is now convertible into free dollars. This would not, however, prevent Soviet acquisition of free dollars so long, as indicated above, the Soviets can use gold as an alternative mean of foreign exchange supply. The net result of such new restrictions on US imports might well be that the Soviet Union would not be deprived of the possibility of obtaining dollars, but the US economy would be deprived of Soviet goods. These are useful, if not essential, and considerably more useful to the US consumer than a further accumulation of gold reserves should Soviet gold used to obtain foreign exchange eventually find its way to the US.

It has been suggested that the establishment of a US state trading corporation to conduct trade relations with the Soviet Union and/or state trading countries in the Soviet sphere might be one arrangement for achieving the objectives mentioned above.

It seems unlikely that either a governmental trading corporation or a system of US import licensing controls (in the absence of freezing or complementary measures such as Soviet gold sterilization) would improve the US bargaining position vis-a-vis the Soviet bloc unless present export controls were eased to obtain desired commodities. If US-Soviet trade relations were conducted on the basis of economic considerations, a state trading corporation in the U.S. would have some usefulness in dealing commercially with the Soviet Union and other state trading countries. In that case the US corporation could see to it that the USSR would derive no commercial advantage from its position as a bulk purchaser

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and seller in the American market. In a period of economic depression, for example, the US corporation might see to it that the USSR did not use its power as a large buyer to obtain especially low prices, or that it did not "dump" goods at unusually low prices. In a period of high prices and relative good scarcity, the US corporation could "cushion" the effects of unusually high prices which might be demanded for Soviet goods by subsidizing purchases made for internal consumption.

"Under present conditions, however, commercial considerations as a basis for US-Soviet trade relationships have little place in the picture. The US restricts exports to the Soviet bloc for security reasons, notwithstanding the fact that export markets in a country that can pay for US exports generally are of benefit to the economy. The USSR restricts shipments of manganese to the US notwithstanding the fact the additional quantities of this commodity would be sold for dollars or goods on favorable terms. Since the USSR would be in a position to obtain dollar exchange from the sale of gold if shipments of less essential goods were not accepted by the corporation or permitted by licensing control, it seems unlikely that the US could "bargain" for manganese imports on any terms acceptable to the Soviet Union except relaxation of some US export controls. The latter have to date been considered too important in their own right to "bargain away" for any Soviet bloc quid pro quo that has been offered.

The suggestion has also been made that the US, together with its friendly countries, impose a complete trade embargo on the USSR and its satellites. From the point of view of the US economy alone, such an embargo could probably be enforced without significant damage to US interests. The US at this time has no special interest in fostering

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S exports to Eastern Europe, even apart from security items. With the exception of manganese, it is not especially interested in available imports from Eastern Europe.

D. Effect

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B. Effect on Other Countries and Prospects for International Cooperation.

For the countries of Western Europe, the annual volume of trade with Eastern Europe is at about the \$2 billion level and involves an exchange of important Eastern European materials and foodstuffs in return for traditional Western manufactures. Decisive restrictions on east-west trade would, therefore, have immediate harmful economic effects in friendly nations in Western Europe unless new sources of supply and new markets could be rapidly developed. For these countries Western Europe is both a supplying area and a market of some importance. Substantial east-west trade in non-strategic commodities has been a basic assumption for attainment of viability by Western Europe. It is doubtful that Western Europe would be willing to follow a significantly more restrictive policy unless it was clear that the US was prepared to fill the resulting breach to a much greater extent than it has been willing to do up to this time.

In this connection, while the possibility of establishing an inter-governmental corporation to engage in bloc trading with the Soviet Union would appear to be attractive as a way of reducing the bargaining power of the Soviet bloc in the trade field, the difficulty of organizing such a corporation would seem to be insuperable. It would appear, in the light of our experience on the matter of security exports control, that it would be most difficult to get the non-Soviet world or even Western Europe alone to agree that an intergovernmental organization in which the US had a dominant voice should be given authority to determine what each member could export to or should import from the Soviet bloc. This problem is treated at length in a separate memorandum.

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E. Relation to General Trade Procedure.

Another aspect of the institution of bilateral trading and/or import controls by the US should be borne in mind. Such arrangement might well lead to a variety of proposals for extension of these devices to US trade with non-Soviet countries. It might be argued that the US should conduct bilateral trade with countries which have negotiated bilateral agreements with third countries, in order to prevent discrimination against the US. It might be argued that the US should engage in state trading with any country that purchases or sells substantial quantities of goods on government account. It might be argued that quantitative restrictions on imports should be employed to keep out goods that are competitive with US products because maintenance of the industry is of "security" importance. While some movement away from our traditional trading policy may be called for during the period of the mobilization program, it is not clear as yet to what extent we shall be forced or may decide to move toward general state trading.

F. Effect of Unilateral US Action.

Assuming the introduction of effective measures to deprive the Soviets of use of their gold holdings in both official and unofficial markets, measures by the US in the field of import controls in cooperation, if possible with other allied governments, might be useful as a step before overall freezing measures in cutting off the Soviet bloc from sources of foreign exchange and might enable us to bargain for relatively essential imports against free dollars. The Soviet Union would then be cut off from important sources of foreign exchange except to the extent non-Soviet countries choose as a matter of policy to permit the Soviet bloc to dispose of gold or commodities. Such measures in themselves would not, of course, deprive the

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soviet of such contributions to their activities as might be made from the outside i.e. to local Communist parties. Moreover, to the extent that we were unable to persuade other countries to institute parallel import controls in order at least to balance Soviet trade, the effectiveness of unilateral measures by the US would be lessened. We might then also find ourselves involved in continuous and burdensome custom checks over trade in all commodities in order that shipments from the Soviet Bloc by way of third countries could be identified. The extent to which we would be able successfully to bargain for desirable imports against a promise of free dollars in this situation would depend on the Soviet need for and desire to obtain dollar funds to finance permitted imports or other payments.

There has recently been a good deal of feeling against permitting commodities from the Soviet bloc to enter the US, either because they may have been produced by forced labor or represent relatively unessential goods for which "good" dollars are being paid. While import controls in the absence of other complementary measures to reduce the area of Soviet economic operations would probably be ineffective as regards the main objectives, an embargo on the import of certain commodities from the Soviet sphere might give some psychological satisfaction to such elements of American public opinion.

In considering the possible establishment of new controls over US imports from Eastern Europe either in the form of general licensing or a governmental trading organization, it should be noted that:

(1) there exists

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(1) there exists at present no legislative authority to establish a corporation to perform the proposed state trading function.

(2) the President under existing legislation probably has authority which permits the Government to engage in general control of imports from as well as exports to the Soviet bloc.

B. Conclusions:

(1) No special US measures to control the volume and composition of imports coming directly from the Soviet bloc would appear to be required in the event of full-fledged blocking controls over the assets of Soviet bloc countries. Since such controls would require the licensing of all transactions with blocked nationals, the flow of imports from the Soviet bloc could be controlled through licensing policy. Moreover, it is doubtful that exports would be made from the Soviet bloc against blocked funds in any case. However, import controls might be necessary to prevent third-country trans-shipments of goods originating in the blocked areas. In any case, in such contexts, import control measures should be regarded as an integral part of the foreign fluidic control measures.

(2) In the absence of general freezing controls on the Soviet bloc, measures to control Soviet exports in order to balance trade with Soviet countries or to limit non-essential imports from them would not prevent Soviet acquisition of free dollars or other useful currencies so long as the Soviet Union was in a position to make use of its gold holdings in various gold markets. Also, in such circumstances, import controls would not force the Soviet bloc to export essentials instead of non-essentials in order to finance

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finance Soviet imports or any other international payments which the Soviet bloc might need to make.

(3) Other things remaining the same, the establishment of a national state trading corporation to conduct trade relations with the Soviet Union and/or other state trading countries in the Soviet sphere would not be likely to improve the present US position vis-a-vis the Soviet Union (mainly as regards the possibility of obtaining essential manganese). Current US-Soviet trade relations are already severely restricted and the development of this trade is not governed solely or even mainly by economic considerations. Such corporation would presumably attempt to control the pattern of US-Soviet trade by means of economic penalties and rewards. Its possibilities for effective action would be limited, however, because the economic rewards the corporation could offer would be restricted by US security controls and because the effect of its economic penalties (cutting off sources of foreign exchange) could be negated by Soviet use of its gold. If the corporation were empowered to deal only with imports from the Soviet bloc, it would not be in a position to offer rewards. As to economic penalties, it would be in the same position as a corporation concerned with both exports and imports.

With respect to the possibility of the establishment of an international trading corporation to engage in bloc trading with the Soviet sphere, a Western organization for this purpose would appear to hold considerable promise of reducing the bargaining power of the Soviet bloc countries in the trade field. It would appear, however, in the light of our experience with

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western European countries on the matter of export control, that it would be most difficult to get the non-Soviet world or even Western Europe alone to agree that an intergovernmental organization in which the US had a dominant voice should be given authority to determine what each member could export to or should import from Soviet countries.

(4) Assuming the introduction of effective measures to sterilize Soviet gold holdings, measures by the US in the field of import control might be useful as a step before overall freezing controls in cutting off the Soviet bloc from sources of foreign exchange earnings and might enable us to bargain for relatively essential imports against free dollars. This is without taking into account the administrative difficulty of controlling Soviet shipments through third countries of commodities to be processed in some way or shipped without change to the US.

(5) As indicated above, import controls in the absence of other complementary measures to reduce the area of Soviet financial operations would probably be ineffective as regards the main objective. However, an embargo on the import of certain commodities from the Soviet sphere, even in such circumstances, might provide some psychological satisfaction to those elements of American opinion which feel that Soviet countries are currently getting something for nothing when they ship relatively non-essential items against US dollars.

4. Blacklisting

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Blacklisting

A. Definition

Basically Blacklisting is the singling out by a Government or individuals (either natural persons or corporate entities) who may be its citizens, or citizens of other countries for treatment as enemy nationals. If the Black List is a published list all transactions between listed persons and citizens of the issuing country may be prohibited. If the Black List is unpublished it may be used by agencies of the issuing Government as a roster of individuals who are to be automatically refused, not only licensees to effect trade or financial transactions subject to controls, but also any other facilities of the issuing Government.

B. Objectives of a Blacklisting Program

Principal objectives of a Blacklisting program are (1) to discourage individuals from transacting business with the enemy by penalizing those who violate trade and financial controls to assist the enemy, those who devote themselves largely to trading with the enemy or those who otherwise support the enemy or work to promote enemy interests; (2) to reduce the influence of individuals whose operations assist the enemy by hampering their business activities and (3) to assist in destroying subversive activities cutpsts of the enemy.

C. Scope of the Blacklisting Program During World War II

The World War II American Black List designated "Proclaimed List of Certain Blocked Nationals" was authorized by Presidential Proclamation

July 17, 1941

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by 17, 1941 under authority vested in the President by the Proclamations of War and the Emergency Act, Section 5(b) of the Act of October 6, 1917 (40 Stat 425), as amended, and Section 6 of the Act of July 2, 1940 (54 Stat 714).

During World War II the US Blacklisting mechanism was operated by an especially created division of World Trade Intelligence in the Department of State which coordinated the investigation of suspicious activities and the collection of proclaimed list data. The list was administered by an inter-departmental committee comprised of representatives from State, Commerce, Treasury, Foreign Economic Administration, Justice and the Office of Inter-American Affairs. The investigation of suspicious activities and the collection of proclaimed list data abroad were handled by the Foreign Service. The Foreign Service officers in charge of this activity at appropriate Embassy, Legation, and Consular offices had funds and large alien staffs at their disposal for the purpose. The World War II list at its peak consisted of roughly 15,000 names of which about 9,000 were in the Western Hemisphere. The list was operative not only in respect to so-called neutral areas but also included listees in countries which, like Mexico and Brazil, had actually declared war on the Axis but had not instituted controls sufficiently adequate to satisfy the security objectives of the US.

In addition to the published "Proclaimed List" there were, during World War II, supplementary unpublished lists such as the "Gray List" of individuals or firms who would shortly be placed on the Proclaimed List,

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whose actions merited inclusion on the Proclaimed List but where considerations of Allied advantage made it undesirable for them to be public listed. There was also a "Watch List" comprised of names of individuals and firms whose activities were subject to special scrutiny.

Under World War II operating procedures, those whose names appeared on the Proclaimed List were automatically denied export licenses or licenses to effect financial transactions prohibited by the Foreign Funds Control Regulations without a license. Communications of any kind was also forbidden between US citizens and those whose names appeared on the Proclaimed List. While denial of license facilities to persons whose names were on the Grey and Watch Lists was not automatic, all trade and financial transactions to which they were parties were very carefully investigated and were likely not to be licensed if any grounds for denial existed.

#### C. Present Status

No broad program embodying the essential features of Blacklisting is being operated by the US at the present time. In connection with its export controls, the Commerce Department as part of its enforcement activities, operates a consignee control program. This consignee control program uses "a special check list of consignees". Included in this list are: (1) Individuals or firms against whom Commerce has taken proceedings and has proved violation of the export control regulations (such persons or firms are suspended for specified periods from obtaining export licenses), (2) Persons or firms who are known to have violated export control regulations

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ations but against whom evidence has not been sufficient to permit proceeding against them; (3) Persons or firms who are suspected of violation of the export control regulations. Those in the second and third groups are not necessarily denied export licenses even for goods in the most critical categories but any license applications by them, particularly for goods on the critical list, are subject to individual anti-sabotage check in the country of destination before a license is granted. Scope of this program is very limited; in large part, because of staff limitations abroad. The investigations which are being made in foreign countries are being made by DIA and by regular Foreign Service personnel as a supplement to their regular assignments. The Commerce Department's special check list of consignees is a confidential list and is not made public.

#### D. Nature and Scope of a Possible Blacklisting Program

On the basis of World War II experience, a Blacklisting program achieves maximum results in periods prior to the attainment of a tight economic blockade of enemy areas. It is essentially a weapon aimed at individuals rather than countries and allows individuals, to be treated as far as US trade and financial controls are concerned as if they were nationals of blocked or embargoed countries despite the fact that they may be citizens of friendly nations. Moreover, even in a phase involving publication of a list, no public statement is required of the criteria used as a basis for listing with the result that the listing device is one of considerable flexibility. Furthermore, the emphasis on the different objectives of a Blacklisting program can be varied depending on the nature of the enemy's activities

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abroad. For example the Nazi German Government used  
Soviet commercial enterprises, German commercial representatives,  
Soviet and German businesses abroad for economic warfare and other  
purposes. In World War II, therefore, the Allied Blacklisting  
program was aimed at reducing the influence or forcing the liquidation  
of Soviet commercial enterprises engaged. If the US embark on an  
intensified economic defense program to protect itself against the  
Soviet Union and its satellites, the initiation of a Blacklisting  
program would differ from that of World War II. Since there is no  
extensive network of Soviet commercial enterprises abroad, a US  
Blacklisting program would be aimed chiefly at citizens of countries  
outside the Soviet bloc who were found to be aiding the Soviet Union  
by engaging in political espionage, sabotage, propaganda,  
procurement of strategic materials, transhipment of materials originating  
in the US and financial transactions connected with such activities.  
It is believed that such a Blacklisting program could achieve worthwhile  
results.

In the opinion of the Legal Adviser's staff, no new legislation  
would be required for proclamation of a Black List under present  
conditions nor for development and use by agencies operating trade and  
financial controls of an unpublished Black List.

Initiation of a comprehensive Blacklisting program is considered  
unnecessary so long as US controls are limited to export controls. The  
present Commerce Department check list for consignee control should be  
adequate for enforcement of current trade controls particularly if the

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staff abroad working on export control enforcement is considerably strengthened.

Whenever the Treasury extends Funds Control to Soviet dominated areas in addition to China, serious consideration should be given to exempt conversion of the present Commerce consignee control program into a full scale Blacklisting program. Such action would appear essential in order to avoid needless duplication and conflict of activities between the various interested Departments.

A full scale Blacklisting program would comprise establishment of an Inter-Departmental Committee similar to that which existed during World War II, to formulate within the limits of a broad directive the policies which the US should follow in the Blacklisting field and to consider actions to implement those policies. Action would also be required to build up a staff in the field assigned exclusively to the collection of commercial and financial intelligence for Blacklisting purposes both directly and through contacts with other US field Intelligence staffs. At the same time their existing limitations on exports of critical materials by OME countries to Soviet dominated areas would have to be supplemented by discussions aimed at obtaining cooperation of friendly countries in operation by the US of a Black List. Since the program should cover Latin America and the Middle East as well as areas in which ECA operates and since close contacts with other US Intelligence activities would be essential, it is believed that responsibility for the work abroad ought to be centralized in the hands of Foreign Service Officers attached to regular Foreign Service establishments abroad and that this field staff should receive its instructions

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ctions from a centralized group in Washington functioning either staff in the State Department or as an Executive Secretariat to the Departmental Committee mentioned above. Any Blacklisting program capable of achieving worthwhile results will require substantial sums for its operation. At present it is felt that existing appropriations which might be diverted to this purpose are extremely small as compared with the sums that would be required. The first phase of a full scale Blacklisting program should comprise provision of funds and establishment of the Inter-Departmental Committee and Executive Staff in Washington and organization of the Foreign Service staff already mentioned above with a view to preparation of an unpublished list to be used in connection with the control of export and financial transactions. Discussions with foreign countries with a view to enlisting the greatest possible measure of cooperation from them and consideration of the desirability of publication of a US Black List would constitute a subsequent phase.

D. Conclusion

1. In the absence of Funds Controls applicable to countries other than Communist China, the present Commerce Department consignee control program appear an adequate mechanism for export control enforcement and a full scale Blacklisting program is considered unnecessary.

2. At such time as Funds and Trade Control is expanded to cover additional countries, a full scale US Blacklisting program should be initiated.

3. The first phase of a full scale US Blacklisting program should comprise:

(a) Establishment of an inter-Departmental Committee. This

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Committee would include representatives of State, Commerce, Treasury, Justice, DCI, CIA, and possibly Defense. It would formulate policies within broad terms of reference and consider actions implementing such policies.

(b) Organization of an Executive Staff in the Department of State or as a Secretariat to the Committee which would direct activities of Foreign Service Officers assigned to operate the program in the field both as regards collection of data, maintenance of liaison with other US field Intelligence Staffs, and negotiations with foreign governments.

(c) Procurement of funds.

5. Recommendations.

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Recommendations

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(1) The U.S. should not invoke comprehensive blocking controls to the same or the same extent as the Soviet Union's controls.

(1) Financial measures to prevent the flow of resources to the Soviet Bloc should be coordinated fully with other possible controls. Therefore the U.S. should not invoke comprehensive blocking controls at this time in respect to the assets in the United States of countries to be supporting Communist aggression other than Communist China and North Korea, unless it is decided to apply equally comprehensive trade controls to countries such countries. This subject should be kept under continuing study, however, and the views of other governments should be elicited as to the timing and scope of a possible blocking program of international dimensions. The Department of Justice is awaiting to what extent financial controls would be of actual or potential assistance in preventing subversive activities, espionage, etc., and of what multilateral cooperation as will be

(2) Steps to prevent the effective utilization for external purposes of the gold resources of the Soviet Bloc should be included in an approved hemispheric economic defense program. The blocking controls referred to in (1) would apply to the proceeds of gold sales as well as other imports from the blocked areas; and, provided such controls were instituted on a broad international basis, special action in respect to gold would not be necessary. Locking such multilateral controls that assuming the United States, unilaterally or with some limited international support institutes blocking measures against the Soviet Bloc, it should also refuse to engage in gold transactions with any country not applying similar controls and which is known to be engaging in gold transactions with the Soviet Bloc. The U.S. should seek international cooperation in suppressing or curtailing free gold markets to which Soviet Bloc gold has ready access.

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Recommendations:

(1) The U.S. should not invoke comprehensive blocking controls at this time in respect to the assets in the United States of countries supporting communist aggression other than Communist China and North Korea, unless it is decided to apply equally comprehensive trade controls to such countries. This subject should be kept under continuing study, however, and the views of other governments should be elicited as to the timing and scope of a possible blocking program of international dimensions. The Department of Justice should examine to what extent financial controls, applied on a selective basis to certain persons and organizations in the United States, would be of actual or potential assistance in preventing subversive activities, espionage, etc.

(2) The U.S. should take steps to prevent the effective utilization for external purposes of the gold resources of the Soviet Union. The U.S. should seek such international cooperation as will be required to accomplish this objective.

(3) No action with respect to import controls is recommended present. However, assuming the introduction of effective measures to utilize Soviet gold holdings and in the absence of over-all freezing rules, if the conclusion should be reached that the U.S.S.R. is finding valuable resources either in the form of essential goods or dollars as a result of the sale in the U.S. of goods of a relatively low order of essentiality, controls should be invoked against imports.

(4) In the

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(4) In the absence of comprehensive trade and blocking control measures to countries other than Communist China and North Korea, the US should not invoke a full-scale blacklisting program but should consider and expand the present Commerce Department consignee control system and pursue an active program of collecting information required to establish a proclaimed list should full blocking measures be invoked.

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 By AT NARA Date 6-2-91

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INCOMING TELEGRAM

## Department of State

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FROM: Praha

Control: 2755  
 Rec'd: September 7, 1951  
 7:50 a.m.

TO: Secretary of State

*Action to M/N  
 M Fletcher  
 Derauine WJB  
 9/7/51*

NO: 184, September 7, noon.

Re EMBTELS 179 September 5 and 869 June 29.

MAM:BJK

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Authority NARA 96810C  
 By AT NARA Date 6-2-99

RG 59  
 NN 3-59-96-59 Lot 620115  
 Box 8

COMING TELEGRAM

## Department of State

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TELEGRAPH BRANCH  
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A

Control: 2755  
 Rec'd: September 7, 1951  
 7:50 a.m.

FROM: Praha

TO: Secretary of State

NO: 184, September 7, noon.

Re EMBTELS 179 September 5 and 869 June 29.

Wld appreciate info re present status Czech-owned steel mill equipment in US and Dept's intentions with respect thereto.

MAM:BJK

BRIGGS

George Spindell (phone)  
 requested me to ask  
 you to draw for action  
 PY to draw for a draft and  
 to M n (fletcher) and  
 wants me to draft a  
 reply and get together.

Get 2246 min. back

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By AF NARA Date 6-2-99RG 59 TGC  
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COMING TELEGRAM

## Department of State

Master file

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## TELEGRAPH BRANCH

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Control: 1573  
Rec'd: September 5, 1951  
1:28 p.m.FROM: Praha  
TO: Secretary of State  
NO: 179, September 5, 5 p.m.

Pol info from apparently well-informed emigree source interrogated by Emb officer in Frankfort last week. Mareslav Nydrle and Rudolf Klcbouchnik who now in US ostensibly visiting various industrial firms to negotiate sale steel mill (EMBTELS 791, July 11 and 768, May 31) reportedly also have important mission of gathering intel info during visits industrial plants. Both are engineering school graduates and Skoda employees. Report states these men not permitted communicate with Min Foreign Trade by normal channels but have been instructed communicate directly with First Vice Min in special code.

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SW:RC

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Authority NAD 96810C  
By AT NARA Date 6-2-99RG 59 TGC  
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## DEPARTMENT OF COMMERCE

National Production Authority

WASHINGTON 25

April 3, 1951

Office of Administrator

The Secretary of State  
Washington 25, D. C.

Attention: The Honorable Willard L. Thorp, Assistant Secretary

Dear Mr. Secretary:

We thank you for the information contained in your letter concerning the steel rolling mill manufactured by the United Engineering and Foundry Company, of Pittsburgh, for a Czechoslovak government subsidiary.

In accordance with the last paragraph request in your said letter, we inform you that the National Production Authority has held several meetings with representatives of Civitas Trading Corporation, Ltd., a British firm which claims to hold the agency to sell the mill, the results of which meetings are as follows:

1. In order to determine the necessity for this mill in our defense effort it is necessary to determine its use and that further time is needed for use determination.
2. We have requested and received from the Department of Commerce, Office of International Trade, its assurance that we will be given an opportunity to comment before any export license for this mill is granted.
3. Until the need for the mill in this country is determined we will oppose its export.
4. Civitas representatives were informed that so far as this Authority is concerned, if they are legally competent to do so, they are free to sell the mill to a U.S. steel producer so as to put it into production in this country.
5. A National Production Authority representative (Mr. R. B. Tolins) has informed your Mr. Fletcher that United Engineering and Foundry have been notifying him (Tolins) of any activity concerning this mill, that said firm promised to continue to do so, and that Mr. Tolins will pass on all information to Mr. Fletcher.

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Authority NNA 968106  
By AT NARA Date 6-2-91RG 59 TGC  
NN 3-59-96-39 Lot 620115  
Box 2CONFIDENTIAL  
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- 2 -

Please let us know if there is any way we can further assist you.

Sincerely,

/s/ Manly Fleischmann  
Manly Fleischmann  
Administrator

My dear Mr. Fleischmann:

There is in storage in the United States a steel rolling mill manufactured by the United Engineering and Foundry Company, Pittsburgh, Pennsylvania for the Czechoslovak Metallurgical Works, a corporation wholly owned by the Czechoslovak Government. Czechoslovakia is understood to have paid to the United Engineering and Foundry Company almost the entire purchase price of approximately 16 million dollars and the mill now is immobilized by this Government's denial of a license to export the equipment to Czechoslovakia. The aforementioned mill consists of equipment as follows:

1 - 66" hot strip continuous 10 stand mill with 2 Downcoilers and 1 sheet piler - no motors - estimated weight 17,750,000 lbs. - estimated present day value \$6,500,000.00.

1 - 64" wide 4 stand tandem cold mill for sheets and tin plate - electrical equipment of American manufacturer - estimated weight 4,540,000 lbs. - estimated present day value \$1,700,000.00.

1 - 64" wide temper pass mill sheet mill - electrical equipment of American manufacturer - estimated weight 1,280,000 lbs. - estimated present day value \$510,000.00.

1 - 48" temper pass tin plate mill - electrical equipment of American manufacturer - estimated weight 1,175,000 lbs. - estimated present day value \$505,000.00.

Certain parts for 62" wide continuous pickler, including processing coiler, stitcher, dryer, flashwelder and electrical equipment for flashwelder only - estimated weight 540,000 lbs. - estimated present day value \$430,000.00.

The Honorable,  
Manly Fleischmann,  
Administrator,  
National Production Authority,  
Department of Commerce.

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Authority NNA 96810C  
By AT NARA Date 6-2-01

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Book 8

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My dear Mr. Fleischmann:

There is in storage in the United States a steel rolling mill manufactured by the United Engineering and Foundry Company, Pittsburgh, Pennsylvania for the Czechoslovak Metallurgical Works, a corporation wholly owned by the Czechoslovak Government. Czechoslovakia is understood to have paid to the United Engineering and Foundry Company almost the entire purchase price of approximately 16 million dollars and the mill now is immobilized by this Government's denial of a license to export the equipment to Czechoslovakia. The aforementioned mill consists of equipment as follows:

- 1 - 66" hot strip continuous 10 stand mill with 2 Downcoilers and 1 sheet piler - no motors - estimated weight 17,750,000 lbs. - estimated present day value \$6,500,000.00.
- 1 - 64" wide 4 stand tandem cold mill for sheets and tin plate - electrical equipment of American manufacturer - estimated weight 4,540,000 lbs. - estimated present day value \$1,700,000.00
- 1 - 64" wide temper pass mill sheet mill - electrical equipment of American manufacturer - estimated weight 1,280,000 lbs. - estimated present day value \$510,000.00.
- 1 - 48" temper pass tin plate mill - electrical equipment of American manufacturer - estimated weight 1,175,000 lbs. - estimated present day value \$505,000.00.

Certain parts for 62" wide continuous pickler, including processing coiler, stitcher, dryer, flashwelder and electrical equipment for flashwelder only - estimated weight 540,000 lbs. - estimated present day value \$430,000.00.

The Honorable,  
Manly Fleischmann,  
Administrator,  
National Production Authority,  
Department of Commerce.

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Authority NNA 96810C  
By AI NARA Date 6-2-99100-115  
NN3-59-96-59 Lot 620115  
Box 8CONFIDENTIAL

- 2 -

1 - 44" wide electrolytic cleaning unit complete without stacks but including motor generator sets of American manufacturer - estimated weight 495,000 lbs. - estimated present day value \$450,000.00.

1 - 80" wide 4 high cross roll mill for cross rolling sheets - no electrical equipment - estimated weight 1,190,000 lbs. - estimated present day value \$500,000.00.

1 - 38" wide tin plate shearing line - no electrical equipment - estimated weight 191,000 lbs. - estimated present day value \$265,000.00.

2 - 50" roll grinders including motors - estimated total weight 300,000 lbs. - estimated total present day value \$290,000.00.

It has been ascertained that the component parts of this mill described above are located at the following depositories:

American and Foreign Warehouse, Richmond Street, Philadelphia, Pennsylvania; Sperry Warehouse, Troy, New York; Burma Yard of the Pennsylvania Railroad, Philadelphia, Pennsylvania; some at the Newcastle, Pennsylvania and some at the Youngstown, Ohio plants of United Engineering and Foundry Company.

We know of no person or persons other than United Engineering and Foundry Company of Pittsburgh, Pennsylvania who have or claim any interest in the said property.

The Department of State suggests that the National Production Authority may wish to consider acquisition of the above described mill if it deems such action appropriate under the requisitioning power granted to the President in the Defense Production Act of 1950, considering this country's need for steel producing facilities in the national defense effort.

As a consequence of the acquisition (or requisition) by the United States Government of the steel mill equipment the Czechoslovak Government will have a claim to a certain amount of money payable by this Government. The United States on the other hand has claims on behalf of its nationals against the Czechoslovak Government of not less than 25 million dollars, payment of which cannot be obtained from the Czechoslovak Government.

The Department therefore requests that no payment be made to the Czechoslovak Government from the proceeds of the above described steel mill

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Authority NVA 968106  
By AF NARA Date 6-2-99

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- 3 -

equipment in case of its acquisition or requisition under the Defense Production Act without consent of the Department of State. It is anticipated that withholding payment for the mill might induce the Czechoslovak Government to enter into negotiations for the settlement of the outstanding American claims or that if that Government refuses a reasonable settlement, the Department may be able to arrange to utilize the amount due for the mill as a partial offset against such claims.

The Department of State will appreciate being kept informed of the action taken on this matter by the National Production Authority and on the basis of this information will undertake the necessary communications with the Czechoslovak Government.

Sincerely yours,

Willard L. Thorp  
Assistant Secretary

OFD:MN:OFFletcher:faw  
2-9-51

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L/C

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Authority NND 968106  
By JW NARA Date 6-3-98

RG 59 TGC  
NN3-59-96-59 Box 9  
Lot 62D115

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NND 968106

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|----|--------------|-----|
| RG | ENTRY        | BOX |
| 59 | NN3-59-96-59 | 9   |

208362

RG 59 General Records of the  
Department of State

Office of Financial Operations (E/OFE/FN)

RECORDS RELATING TO THE TRIPARTITE  
COMMISSION FOR THE RESTITUTION OF  
MONETARY GOLD 1942-1962

Brussels Meeting - Correspondence re  
Draft Report

NN3-59-96-59 Lot 62D115 Box 9

Authority AND 268106  
By JW NARA Date 3-99

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RG 59 TGC  
NP 3-59-9C-59  
Lot 62015 Box 9

Brussels Meeting

208369

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(Continued)

- VIII. Istcambi Gold.
- IX. Gold Coins found in German Embassies and Legations in Neutral Countries.
- X. Looted Gold in Turkey.
- XI. Additional Claims to Looted Gold in Sweden.
- XII. Completion of Work of Tripartite Gold Commission.
- XIII. Waiver Documents.
- XIV. Press Communiqué.

Appendix

Waiver Documents:

- A. Letter to Claimant Countries.
- B. Announcement to Claimant Countries.
- C. Waiver to be signed by Claimant Countries.

There was an exchange of information and views as to Portuguese gold. The Czech, Polish and Greek claims were mentioned but it was agreed not to discuss these matters since these claims did not raise any other problems than those within the exclusive competence of the Commission to decide.

These documents were drawn up in Brussels on January 10, 1950, in the French and English languages, the two texts being equally authentic.

United Kingdom Delegate

United States Delegate

French Delegate

J.E. Abbott

Otto F. Fletcher

de la Grandiere

208364

BRUSSELS ON LOOTED

*Proposed accepted  
Recommendations*CONFIDENTIALTHE DEFINITION OF MONETARY GOLD AND ITS APPLICATION TO LAW NO. 53 GOLD

I

The Meeting agreed to recommend to their Governments that for the purpose of the recovery of gold from Germany under paragraph A of Part III of the Paris Agreement on Reparations from Germany and the Restitution of Monetary Gold of January, 1946, monetary gold should be held to include gold which under German Law and regulations was monetary gold. In accordance with this agreement gold which is in the form of fine gold bars, gold alloy bars, or gold coins (except those of numismatic or historical value), including gold in those forms which was surrendered or should have been surrendered under Military Government Law No. 53 in the U.S., British and French Zones of Occupation in Germany, should be made available to the Gold Pool.

As to the definition of monetary gold for redistribution purposes the Meeting considered it to be consistent with the past practice of the Commission to take into account the law of the claimant country in making its decisions whether gold claimed as looted was monetary gold.

It was deemed that this latter practice of the Commission should help the Allied High Commission, if necessary, to justify the transfer of monetary gold collected under Law 53 into the Gold Pool if and when the propriety of such transfer should be questioned in Germany at any later time.

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RELATED INSTRUCTIONS TO HIGH COMMISSIONERS IN GERMANY

II

The Meeting agreed to recommend to their Governments that for reasons of administrative convenience their authorities in Germany be instructed to exclude from the Gold Pool gold other than that referred to in the second sentence of paragraph 1 of the Record of Conclusions No. I of the Conference, even though treated under German Law as monetary gold, unless a substantial quantity of such gold should prove to be in question.

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BOR MINE GOLD IN BRITISH ZONE

III

The United Kingdom Delegation agreed to recommend to their Government that they should instruct the United Kingdom High Commissioner in Germany to treat in accordance with the Record of Conclusions No. I on the definition of monetary gold any gold from the Bor Mines identified in the British Zone. This would mean that no further direct restitution to Yugoslavia would be made and the gold would be turned over to the Gold Pool.

The Meeting agreed to recommend to their Governments that the amount of gold already restituted to Yugoslavia should be set off against the share of Yugoslavia in the Gold Pool.

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GOLD DELIVERED TO THE FRENCH GOVERNMENT BY THE  
AMERICAN OCCUPATION AUTHORITIES IN GERMANY

IV

The Meeting agreed that the gold delivered to the French Government by the American Occupation Authorities in Germany should be considered as monetary gold in the terms of the definition of monetary gold as clarified in the Record of Conclusions No. I. Accordingly, the French Delegation agreed to recommend to its Government to put the gold in question at the disposition of the Tripartite Commission for the Restitution of Monetary Gold at Brussels.

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DOLLFUS MIEG CASE

V

The United States and French Delegations expressed their views on the request made to their Governments by His Majesty's Government that the three Governments should give to the Bank of England an indemnity against a possible successful action against the Bank for damages for conversion of the bars of gold claimed by Dollfus Mieg as their property.

The United States and French Delegations were unable to understand the possibility of a successful action for damages and their Delegations could not, as at present advised, agree to such an indemnity.

The United Kingdom Delegation took note of the views of the Delegations of the United States and France and undertook to bring them to the notice of His Majesty's Government.

The United States and United Kingdom Delegations took note of the statement by the French Delegation that although its Government is not desirous of receiving the bars in question, nevertheless the French Government has no intention of refusing to accept them in the event that when distribution is made those bars should be included in the gold delivered.

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BANK OF ALBANIA GOLD FORMERLY IN ITALY

VI

The Meeting took note that the Gold Commission had under consideration certain information which might be relevant to the claim of the Albanian Government to a share in the Gold Pool on account of the loss of monetary gold through looting suffered by the National Bank of Albania.

The United Kingdom Delegation stated that His Majesty's Government proposed to undertake discussions immediately with the Albanian Government in connection with the implementation by it of a recent judgment of the Hague Court in favour of His Majesty's Government. Pending the Gold Commission's announcement of the result of its consideration of the Albanian case, His Majesty's Government would not, in these discussions, make any explicit reference to any question of gold being received by Albania from the Gold Pool. Should the Albanian Government itself raise this question His Majesty's Government would state that they could not discuss any question of an Albanian share in the Gold Pool until the Gold Commission had announced the result of their current consideration of the Albanian case.

Without wishing to examine the considerations put forward by the British Delegation and without prejudging the merits of the Albanian claims, which are within the competence of the Tripartite Commission, the French and United States Delegations agreed that the British Delegation to recommend to their Governments that

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VI (Continued)

be sent to their representatives on the Gold Commission to expedite their consideration of the Albanian case and, in the event of the allotment of gold to the Albanian Government being made by the Gold Commission that notification of the Commission's decision could be made to the Albanian Government but that the share of gold should not be delivered for a limited period of time.

The United Kingdom Delegation took note of the wish of the French and United States Delegations that the United Kingdom Government should consider any claims that the Italian Government or its nationals may have put forward occasioned by the rescission of the Bank of Albânia concession and that they should take account of these claims in the matter of a settlement of the Hague Court judgment with the Albanian Government. While being unaware of any basis upon which an Italian claim might be erected, the United Kingdom Delegation undertook to recommend to their Government that the above points be considered.

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ISTCAMBI GOLD

VIII

The Meeting took note of the advice of the United States Delegation to the effect that the Office of Alien Property of the United States Government is making an investigation to determine whether certain dollars found in the German Embassy in Washington were in fact Italian Property.

The Meeting agreed to recommend to their Governments that the Tripartite Gold Commission be requested to continue to defer consideration of the Italian istcambi claim, pending receipt of advice by the United States on the conclusion of the investigation.

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GOLD COINS FOUND IN GERMAN EMBASSIES AND LEGATIONS IN  
NEUTRAL COUNTRIES

IX

The French and United States Delegations expressed the view that these coins should be regarded as monetary gold falling within either paragraph A or G of Part III of the Paris Reparations Agreement in accordance with the wording and spirit of the Paris Agreement, and should accordingly go to the Gold Pool.

The British Delegation maintained the view that these coins were part of German State Property in neutral countries and should be disposed of as such. This would mean that (in accordance with the principle already put into practice with regard to bank notes of Allied issue found in the German Embassy in Lisbon) the coins issued by I.A.R.A. countries should be repatriated to them. The balance of non-I.A.R.A. issue should be sold and the proceeds accrue to the appropriate German external asset fund. In deference, however, to the opinions of the French and U.S. Delegations, and with particular reference to the spirit of Part III of the Paris Agreement, the British Delegation agreed to recommend further consideration of the matter by their Government.

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LOOTED GOLD IN TURKEY

X

The Meeting agreed to recommend to their Governments that, after the passage of pending legislation empowering the Turkish executive branch to negotiate a settlement, inter alia, for looted gold, a Note should be addressed by the United States, French and United Kingdom Governments through their Embassies in Ankara to the Turkish Government. Such Note would inform the Turkish Government of the readiness of representatives of the three Governments to discuss the question of the restitution of looted monetary gold in Turkey and would formally reiterate the request previously made that gold looted by Germany and held by Turkey be turned over to the three Governments.

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ADDITIONAL CLAIM TO LOOTED GOLD IN SWEDEN

XI

The Meeting agreed to recommend to their Governments that a Note should be addressed by the United States, French and United Kingdom Governments to the Swedish Government, asking for a reply to the Note presented to the Swedish Charge d'Affaires in Washington in 1947, which requested the Swedish Government to restitute an additional nine tons of looted monetary gold, the existence of which in Sweden came to the notice of the three Governments after the signing of the Swedish Safe-haven Accord. The United States and French Delegations considered that the request might possibly include the gold found in the German Legation. The timing of and content of the Note should be discussed through the diplomatic channel. The United States Government, which had so far acted as spokesman for the three negotiating powers in negotiations with Swedes, would prepare a draft Note and circulate it for discussion through the French and British Embassies in Washington.

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Authority NND968106  
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RG 59 TGC  
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COMPLETION OF WORK OF THE TRIPARTITE GOLD COMMISSION

XII

The Meeting agreed to recommend to their Governments that the "final distribution", for purposes of receipt and waiver, should take place as soon as the remaining claims outstanding have been decided, and the Commission has completed formal hearings on those claims which it proposes to disallow.

It was the consensus of the Meeting

- a) that although it is impossible to forecast the timing of the remaining actions with certainty because of a number of factors beyond the Commission's control, it was to be hoped that the Commission would find it possible to effect the "final distribution" by about May first.
- b) That a brief statement of the reasons for the Commission's action upon each claim should be available at the time of the "final distribution". As a minimum, it was felt that at such time each country should be given a brief reasoned opinion for the action of the Commission in disallowing any of its claims.
- c) That it would be desirable for the Commission to prepare a report giving a complete account of the activities of the Commission including the documented decisions of all cases considered by the Commission and that this report should be submitted to the three Governments at a later date.

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XII (Continued)

- d) That following the "final distribution", and the completion of the Report to the three Governments, the remaining tasks involved in the implementation of Part III of the Paris Agreement would consist mainly of the incorporation into the gold pool of possible additional accruals, and the pro rata distribution of such additions and the reserve to recipients on the basis of percentage shares already established. These remaining tasks could conveniently be carried out by the Governments themselves. There would, therefore, appear to be no necessity to maintain the Commission in existence after the "final distribution" and submission of the report to the three Governments.

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WAIVER DOCUMENTS

XIII

The Meeting agreed to recommend to their Governments that the following documents included in Appendix hereto be approved by them for use by the Tripartite Gold Commission:

- (a) Letter to Claimant Countries.
- (b) Announcement to Claimant Countries.
- (c) Waiver to be signed by Claimant Countries.

The Meeting further recommends that there should be further examination of that portion of the waiver which concerns a waiver of claims against Germany in the light of paragraph B of Part III of the Paris Agreement and of the fact that waivers already given by recipients on interim distribution of gold contained the clause in the terms of the draft.

The Meeting understands that the documents above are for use in the case of claimant countries which are to receive a distribution. It is understood that the Tripartite Gold Commission will transmit such of these documents as may be appropriate, with suitable modifications, to other claimant countries.

It is understood that the announcement to claimant countries will be made public as soon as the claimant countries have received separate notification of the announcement.

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Authority NND968106  
By JW NARA Date 6-3-99RG 59 TGC  
NN 3-59-9G-59  
Lot 620115 Box 9CONFIDENTIALPRESS COMMUNIQUETRIPARTITE CONFERENCE ON LOOTED MONETARY  
GOLD MATTERS

XIV

In pursuance of Part III of the Paris Reparations Agreement of January, 1946, representatives of the Governments of France, the United Kingdom and the United States have been meeting in Brussels to consider means of expediting the programme concerned with monetary gold looted by the Nazis from the occupied countries during the war. Officials of the three Governments have been giving special attention to technical matters relating to the recovery of looted gold from third countries which acquired it from the Nazis.

208379

I-1 Law # 53 Gold

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Authority NWD 968106  
By JW NARA Dib. 3-99

IRG 59 TG-C  
BL 3-59-2C-59  
Lot 62015 Box 9

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Authority NND968106  
By JW NARA Date 6-3-99

RG 59 TGC  
UN 3-59-9G-59  
Lot 62015 B+9



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OF THE

UNITED STATES OF AMERICA

DEPARTMENT OF STATE A/CDC/MR

336

OFFICIAL--INFORMAL

REV'D BY EC DATE 3/27/85

RDS  or XDS  EXT. DATE \_\_\_\_\_  
IS AUTH. American Embassy, Brussels   
ENDORSE EXISTING MARKINGS   
DECLASSIFIED  RELEASEABLE   
RELEASE DENIED

PA or FOI EXEMPTIONS

I met today with Jacques Lanson and Colonel Watson on Gold Commission matters. We were to have had a formal meeting of the Commission but Sir Ronald Wingate was unable to come to Brussels because of illness. Nevertheless, we did discuss several Commission matters.

First of all, we agreed, subject to Sir Ronald's eventual concurrence, that we would send a letter over the signature of the three Commissioners to the Italian Ambassador, acknowledging receipt of the latter's letter concerning withdrawal by the Italian Government of its claim in respect to the Istcambi gold. We felt that it was unnecessary to draft this letter in the form of a formal acceptance of the withdrawal, as originally suggested by the French Commissioner. On the same subject of Istcambi gold the three of us agreed, again subject to Sir Ronald's concurrence (which we feel fairly certain we will have), not to include in the Commission's final report a long explanation of the Commission's deliberations on the Istcambi case and not to state that the Commission had rejected the claim. Instead, the report would simply contain a paragraph or two stating that the claim had been given consideration but that findings had not been finalized because of the withdrawal of the claim by the Italian Government.

Second, I was asked whether I had any further news with respect to the nine gold coins which the British authorities had requested be returned to them in Germany. This, you will recall, was the subject of my letter of June 20. Needless to say, Jacques Lanson is also anxious to dispose of this question as soon as possible.

Mr. Saul R. Srole, Chief,  
Exchange Restrictions and Payments Agreements,  
International Finance Division,  
Department of State,  
Washington, D.C.

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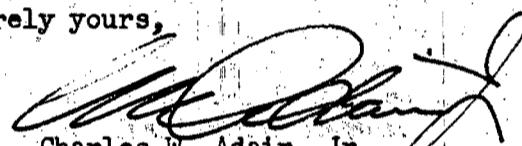
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By JW NARA Date 6-3-99RG 59 TGC  
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- 2 -

Jacques Lanson has been assured by his Government that they are agreeable to the return of the two small gold bars now held by the Federal Reserve Bank of New York. He showed me a letter, dated March 16, 1956, which he had received from his Government stating that the latter was informing the French Embassy in Washington. You may wish to make another check there. It is not clear to me just who will notify the Federal Reserve Bank or issue instructions for the return of these two bars. At the moment Colonel Watson has drafted a letter to the Federal Reserve Bank, for the signature of the three Commissioners, stating that the French and British Governments have agreed to the return of the two bars but that final disposition must await a decision of the United States Government. Colonel Watson will get final approval of this letter from Sir Ronald and will then, at my request, send me privately a copy of that letter so that I may send it to you for your approval. I have told them I do not wish to sign such a letter without referring it back to you.

Jacques Lanson asked me further whether I had received any word regarding a further distribution of gold. I told him I had received none and his reply was to the effect that in that case he was under instructions from his Government to enter a strong plea for expediting consideration of the matter within the United States Government. I am sure this does not surprise you.

Sincerely yours,



Charles W. Adair, Jr.  
United States Commissioner  
Tripartite Commission for the  
Restitution of Monetary Gold

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Authority NN0968106  
By JW NARA Date 6-3-99

RG 59 TGC  
UN 3-59-9C-59  
Lot 620115 Box 9

208383



FROM: Mr. D. G. Goldsmith  
TO: Wiesbaden 226  
DATE: 7/5/59

OFFICE OF THE ECONOMIC ADVISER

PROVISIONAL COMMISSION FOR THE RESTITUTION OF MONETARY GOLD

Dear Colonel Watson,

I am instructed by the Foreign Office in London to approach you regarding certain items, contained in the delivery of monetary gold from the British Zone of Germany, which are either owned or may be owned by nationals of countries which are not signatories of the Final Act of the Paris Conference on Reparation. After taking legal advice, the Foreign Office has come to the conclusion that there is a risk that claims might be successfully pursued in the courts regarding some of these items.

Attachment 'A' to this letter gives a list of the items concerned, on which I am to make the following observations:

Item 1: The Foreign Office is advised that it would be very difficult to justify putting into the pool gold which is the property of a national of a country which remained neutral in the war. This box is, presumably, identifiable, and it would be open to the owner to take proceedings against any person into whose hands it might come. I am therefore to request you to be good enough to arrange for its return to Germany, where it would be held subject to German foreign exchange laws.

Item 2: The considerations regarding neutral property under Item 1 above apply also to these coins, and I am therefore to request their return to Germany on the same basis.

Items 3, 4 and 5: The information available in regard to the ownership of these items is considered to be insufficient to justify asking for the return of any of them to Germany at present. However, I am to ask you whether it would be possible to identify the coins.

I should be grateful to know the views of the Gold Commissioners on the above proposals.

In addition, two applications have been made to the Allied High Commission, on behalf of the German owners, for the return of certain coins on the ground that they are of numismatic or historical interest. These are listed in Attachment 'B' to this letter, while Attachment 'C' gives, for ease of reference, the approved list of coins to be included as falling into the numismatic or historical category.

I should point out that we have only the word of the owners for the correctness of the description given, and the coins were not extracted by the Land Central Bank when charged with the duty of removing coins falling within the terms of the approved list. In regard to Item 1 in Attachment 'B', 20 French coins are not included in the approved list, but it would appear that the coins might fall under 1(a) of the list. On the description given, Item 2 in Attachment 'B' would seem to fall under 1(e) of the list.

I should like to know the views of the Gold Commissioners regarding these two applications.

Yours sincerely,

*Henry Goldsmith*

Colonel J.A. Watson,  
Secretary General,

Tripartite Commission for the  
Restitution of Monetary Gold,  
195, Rue de la Loi,  
Brussels.

Attachment 'A' to  
ES/5/9 of 19th May 1952

LIST OF GOLD COINS DELIVERED TO THE GOLD  
POOL WHICH ARE OR MAY BE OWNED BY NATIONALS  
OF NON-NARA COUNTRIES

| <u>Serial:</u> | <u>Delivered from</u><br><u>Land Central Bank:</u> | <u>Description:</u>                                                                       | <u>Owner:</u>                                                                                              |
|----------------|----------------------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| 1.             | HAMBURG<br>(originally deposited<br>in Hannover)   | One bar, 900 grams<br>fine gold, marked:<br>"SBS"<br>"Le Loule"                           | Günther Wagner AG,<br>Pelikan-Fabrikate,<br>Bachstrasse 15, Zurich,<br>Switzerland.                        |
| X 2.           | KIEL                                               | Russian Gold<br>Rubles 10                                                                 | Boris Popoff,<br>Upsala/Sweden                                                                             |
| X 3.           | HAMBURG                                            | Gold coin to the<br>value of US dollars<br>21                                             | Pengjeng Wu,<br>Shanghai.                                                                                  |
| X 4.           | DUESSELDORF                                        | German gold coin of<br>Marks 20;<br>6 German gold coins of<br>Marks 10;<br>total Marks 80 | Mrs. Herja Agnes<br>Maltressi.<br>Address and<br>Nationality unknown.                                      |
| 5.             | KIEL                                               | Mark 10.—<br>Sks 20.— FFr 6.20<br>pri 10.—<br>0 frs 10.—<br>Rubles 40.—                   | Unknown prisoners in<br>Neusenzen Concentration<br>Camp. Possible that<br>some were owned by<br>foreigners |

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Authority NN0968106  
By JW NARA Date 6-3-95

RG 59 TGC  
663-59-9G-59  
LOT 62D15 Box 9

Attachment 'B' to  
ES/ES/2 of 19th MAY 1952

LIST OF GOLD COINS APPLIED FOR ON  
BEHALF OF GERMAN OWNERS ON GROUND  
OF NUMISMATIC OR HISTORICAL INTEREST

| <u>Serial:</u> | <u>Delivered from</u><br><u>Land Central Bank:</u> | <u>Description:</u>                                                                                                                                  | <u>Owner:</u>                                                                                                             |
|----------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| 1.             | KIEL                                               | Gold coins of French<br>francs 20, issued in<br>1859                                                                                                 | Required to<br>complete a coin<br>collection owned<br>by Günther<br>Heinecke, Marburg/<br>Lahn, Ockershäuser<br>allee 35. |
| 2.             | KIEL                                               | Gold coins, total<br>Marks 400, in amounts<br>of Marks 10 and 20,<br>of various former<br>German Federal States,<br>issued between 1880 and<br>1914. | Ernst Gotterf, Kiel,<br>Lornsenstrasse 45.                                                                                |

208385

Authority NND 968106  
By JW NARA Date 6-3-95

RG 59 TGC  
UN 3-59-96-59  
LOT 620115 Bx 9

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RECEIVED  
15 MAY 1952

ALLIED HIGH COMMISSION

COMMISSION OF GOLD COINS

PAPER APPROVED ON 6TH OCTOBER 1950

1. All Gold Coins which are deposited pursuant to Military Government Law No. 55 shall be considered as monetary gold, with the following exceptions:-
  - (a) All coins issued before or about the middle of the 19th century.
  - (b) French, Belgian and Swiss franc coins in the denominations of 5, 50, 60, 80 and 100.
  - (c) Russian 57½ rubles (equivalent to 100 francs).
  - (d) Belgian 10 franc coins.
  - (e) Spanish 10 peseta coins.
  - (f) Coins of any denomination from Portugal, San Marino, Monaco, Liechtenstein, the Pontifical State, Serbia, Montenegro and Albania.
  - (g) English 2 and 5 pound sovereigns.
  - (h) Union of South Africa coins (one krugger).
  - (i) Russian half imperials in the denominations of 3 and 5 rubles.
  - (j) Russian platinum coins.
  - (k) Czechoslovakian ducats in the denominations of 1, 4, 5 and 10.
  - (l) Yugoslavian ducats.
  - (m) All South and Central American gold coins.
  - (n) U.S. gold coins in the denominations of 1, 3 and 50 dollars.
  - (o) German coins of the small federal states and the older coins of the German Reich first issued in 1871, specifically those coins issued in 1888 and 1915.

NOTE: "Small federal states" means all German states of the period referred to except Prussia, Bavaria, Saxony, Wurttemberg, Baden, Hesse, Hamburg.

"Older coins of the German Reich" means those issued from 1871 to 1875 with a small eagle on the back.

"Coins issued in 1888" means those bearing a picture of one of the three kings.

- (p) German 5-mark gold coins.
- (q) Tabora gold coins in the denomination of 15 rupees issued in German East Africa during the First World War.
- (r) Egyptian, Indian, Chinese, Japanese, Persian and Russian (toman-wazir) coins.
- (s) Special commemorative coins.

2. If a person subject to C.G. Law 5 possesses more than ten coins of the same type and denomination issued after the middle of the 19th century, and falling into the categories listed in (b) - (r) above, such coins shall be treated as monetary gold except as exempted by Paragraph 3 below.

3. If a given coin collection not more than 10% are monetary gold coins which are needed for the completion of the collection, such coins shall not be regarded as monetary gold.

Authority NND968106 RG 59 TGC  
By JW NARA Date 6-3-99 LN 3-59-96-59  
Lot 62015 Box 9

COPY

TRIPARTITE COMMISSION  
FOR THE RESTITUTION OF MONETARY GOLD

INT-3008

G/BrZ

C/BF

2 May 1956

Jan 33 filed  
343

From: The Secretary General

To: The Commissioner of the Government  
of the United States of AmericaThe Commissioner of the Government  
of the United Kingdom of Great Britain  
and Northern IrelandThe Commissioner of the Government  
of the French Republic

I would draw the attention of the Commissioners to the fact that the "Gunther Wagner bar" (now being returned to the British Authorities in Germany) is only one of several items which have been segregated at the Bank of France, on instructions from the Commission.

The position at the Bank of France is described in the Bank's letter, dated 4 December 1952, a copy of which I enclose.

A detailed description of the items in question and of the position in regard to each of them was given in Attachment "A" to letter F5/5/9, dated 19 May 1952, from the United Kingdom High Commission in Germany, requesting the return of these items, which had been delivered to the pool by mistake. A copy of the relevant portion of attachment "A" is enclosed herewith.

On 26 September 1952, the Chairman sent me a letter, in which he stated, inter alia:

" I have now received a formal authorisation from my Government to instruct the Bank of France to release and return to the British "Zone of Germany Items 1-4 inclusive of those listed in the Bank of France's reply.

" My Government has expressed the hope that I may be able to coordinate this authorisation with the other two Governments through my French and American colleagues.

" There is no question, of course, of granting claims by private persons against the gold pool. We are merely being asked to return to Germany a small quantity of gold which should never have been put into the gold pool and which was included in the delivery to the Bank of France by mistake."

208387

Authority NN0968106  
By JW NARA Date 6-3-99RG 59 TGC  
UN 3-59-96-59  
Lot 620115

Box 9

COPY

Page 2

The United Kingdom High Commission had requested the return of certain other items in addition to the above, but, in regard to these other items, the Chairman, in his above mentioned letter, said:  
"My Government states that although these were put into the gold pool in error the circumstances are such that it does not see the necessity for requesting the return of the latter items."

I circulated the Chairman's letter under cover of my INT-2430, dated 26 September 1952, but the American and French Commissioners have not, up to now, communicated the views of their respective Governments.

Since a decision will have to be taken, at some stage in the future, either to return the items to the British Authorities or to release them to the pool, the American and French Commissioners may, perhaps, consider taking this matter up again with their respective Governments.

/s/  
J. A. WATSON  
Secretary General

encs.

208388

Authority NND968106  
By JW NARA Date 6-3-99RG 59 TGC  
663-59-96-59  
Lot 620115 Box 9

COPIE

BANQUE DE FRANCE

Caisse Generale

ESPECES

V/Ref: C/BF-1971  
G/BRZ-

Paris, le 4 decembre 1952

LE CAISSIER GENERAL DE LA BANQUE DE  
FRANCEAUX REPRESENTANTS DES GOUVERNEMENTS DES  
ETATS-UNIS D'AMERIQUE, DU ROYAUME-UNI  
DE GRANDE-BRETAGNE ET D'IRLANDE DU NORD  
ET DE LA REPUBLIQUE FRANCAISE(ADMINISTRATION DE LA MASSE D'OR MONETAIRE  
PREVUE PAR L'ACCORD DE PARIS SUR LES  
REPARATIONS SIGNE A PARIS LE 14 JANVIER 1946).

Messieurs,

Comme suite à votre lettre du 24 novembre 1952 citée en référence, j'ai l'honneur de vous faire connaître que mes Services ont isolé de la masse d'or détenue dans nos serres au nom de vos trois Gouvernements et constitué en un lot spécial mis à part le lingot et les monnaies ci-dessous désignées:

|          | <u>DESCRIPTION</u>                                                   | <u>PROVENANCE</u> |
|----------|----------------------------------------------------------------------|-------------------|
| (Item 1) | 1 lingot No. ME.1537 marque "SS" et pesant<br>498 g 6 d'or fin ..... | HAMBOURG          |
| (Item 2) | 1 piece de 10 roubles or .....                                       | KIEL              |
| (Item 3) | 1 piece de \$. 2 ½ .....                                             | HAMBOURG          |
| (Item 4) | (1 piece de 20 Rmks .....                                            | DUSSELDORF        |
|          | (6 pieces de 10 Rmks .....                                           | DUSSELDORF        |

Ce transfert ne donne lieu à la perception d'aucune commission.

D'autre part, nous avons pris note que le lot de métal ainsi isolé ne doit être compris dans aucune livraison effectuée en exécution de vos instructions, à moins qu'il ne soit visé spécialement dans l'ordre de livraison.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Signe: Illisible

208389

Authority NND 968106  
By JW NARA Date 6-3-99RG 59 TGC  
GU 3-59-96-59  
Lot 620115 Box 9

COPIE

Attachment "A" to F5/5/9  
of 19 May 1952LIST OF GOLD COINS DELIVERED TO THE GOLD POOL  
WHICH ARE OR MAY BE OWNED BY NATIONALS OF NON-I.A.R.A.  
COUNTRIES

| <u>Serial</u> | <u>Delivered from</u><br>Land Central Bank       | <u>Description</u>                                                                            | <u>Owner</u>                                                                       |
|---------------|--------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 1.            | HAMBURG<br>(originally deposited<br>in Hannover) | One bar, 500 grams<br>fine gold, marked:<br>"SBS"<br>"Le Locle"                               | Gunther Wagner AG,<br>Pelikan-Fabrikate,<br>Bachstrasse 15,<br>Zurich, Switzerland |
| 2.            | KIEL                                             | Russian Gold<br>Roubles 10                                                                    | Boris Popoff,<br>Upsala/Sweden                                                     |
| 3.            | HAMBURG                                          | Gold coin to the<br>value of US dollars<br>$2\frac{1}{2}$                                     | Panjong Yu,<br>Shanghai.                                                           |
| 4.            | DUSSELDORF                                       | German gold coin of<br>Marks 20;<br>6 German gold coins<br>of Marks 10;<br><br>Total Marks 80 | Mrs. Herta Agnes<br>Moltrassi.<br>Address and<br>Nationality<br>unknown.           |

208390

DECLASSIFIED  
Authority NND968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NN 3-59-9G-59  
Lot 62015 Box 9

# INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS

TELEGRAPH BRANCH

REVIEWED BY FC 3/27/88

|                                                    |                                                 |                                     |
|----------------------------------------------------|-------------------------------------------------|-------------------------------------|
| RDS <input type="checkbox"/>                       | XDS <input type="checkbox"/>                    | EXT. DATE _____                     |
| TS AUTH.                                           |                                                 | REASON(S) _____                     |
| ENDORSE EXISTING MARKINGS <input type="checkbox"/> |                                                 |                                     |
| DECLASSIFIED <input checked="" type="checkbox"/>   | RELEASEABLE <input checked="" type="checkbox"/> | RESTRICTED <input type="checkbox"/> |
| FROM: RELEASE DENIED <input type="checkbox"/>      | PA or FOI EXEMPTIONS                            |                                     |

*action returned*

410

A

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Action  
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Info  
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CIA  
AAN  
DCL  
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Control 9393  
Rec'd April 25, 1950  
5:25 a.m.

TO : Secretary of State

NO : 1659, April 24, 5 p.m.

Inventory of jewelry and other valuables (EMBTEL 1598, April 19) being typed on hecto sheets and expect airmail April 24.

British asked Schwartz and Rolbein of IRO and member of Embassy to meet 22nd to discuss loot questions. British appeared fully cognizant Department's view restitution problem vis a vis Italian Government. British stated they hold to "principle" re Italian restitution responsibilities under peace treaty. IRO representatives indicated they would have to look to Italians for some assistance, (for example in endeavoring find former owners identifiable items for restitution). IRO representatives stated however they believed that particularly in view small value and limited number restitutable items, any restitution problems which might arise could easily be handled by IRO and Italians on entirely informal basis. IRO representatives said such arrangement should meet British point of "principle" and also Department's views.

British officials concurred that such informal procedure would meet their question of principle and stated they could report views to London. Results of inventory may thus have already born fruit and facilitate agreement.

During conversations of 22nd, Schwartz, in an aside to British Embassy Legal Advisor, said he hoped currencies of "neutral" countries would be given to IRO and not be returned to neutrals. Legal Advisor indicated he concurred, but other UK members during meeting expressed no specific views on subject.

*With Dunn*  
*With Dunn*  
*With Dunn*  
The question of whether or not gold, and certain silver, coins should be placed in the loot or in the currency category was mentioned. IRO officials also expressed hope that Government of US and UK would consider precious metal ingots as loot and in due course available for sale by IRO).

Embassy would appreciate any recent views of Department on paragraphs 3 and 4.

INFORMATION COPY  
DUNN

208391

208392

| Country<br>of<br>Issue                                       | Denom of coins                      | Coins del without<br>indication numis-<br>matic value | Coin<br>as<br>num |
|--------------------------------------------------------------|-------------------------------------|-------------------------------------------------------|-------------------|
| Napoleon D'or<br>(issued by<br>former<br>Latin Mon<br>Union) | 10 and 20 fr fr                     | 24,020                                                | J                 |
| Austria                                                      | 4 and 8 florin                      | 36                                                    |                   |
| Austria                                                      | 10 and 20 kroner                    | 27,460                                                |                   |
| Austria                                                      | 1 and 4 ducat                       | 122                                                   |                   |
| Austria                                                      | 25 and 100 schil-<br>ling           | 1,250                                                 |                   |
| Finland                                                      | 10 and 20 Finnmark                  | 80                                                    |                   |
| Russia                                                       | 7.50 ruble                          | 285                                                   |                   |
| Spain                                                        | 20 and 25 peso                      | 120                                                   |                   |
| England                                                      | 1 pound and<br>10 shilling<br>coins | 1,976.10                                              | 4                 |
| Australia                                                    | 1 pound and<br>10 shilling<br>coins | -                                                     |                   |
| Netherlands                                                  | 5 and 10 florin                     | 2,275                                                 | 3                 |
| Denmark                                                      | 5,10 and 20 kroner                  | 130                                                   | 1                 |
| Sweden                                                       | 5,10 and 20 kroher                  | 70                                                    | 4                 |
| Norway                                                       | 5,10 and 20 kroner                  | 15                                                    | 3                 |
| USA                                                          | 2.50, 5, 10 and<br>20 dollars       | 18,436.50                                             | 44                |
| Turkey                                                       | .25, .50 and 1<br>pound(Turkish)    | 91.50                                                 |                   |
| Germany                                                      | 10 and 20 marks                     | 110,170                                               | 11,8              |

Copies from figures given in  
CC 9492, 16 Sep from OMGUS, Berlin.

208393

| Country<br>of<br>Issue                                       | Denom of coins                      | Coins del without<br>indication numis-<br>matic value | Coins del earmarked<br>as derived from<br>numismatic collections | Total<br>intrinsic<br>value | Total<br>weight |
|--------------------------------------------------------------|-------------------------------------|-------------------------------------------------------|------------------------------------------------------------------|-----------------------------|-----------------|
| Napoleon D'or<br>(issued by<br>former<br>Latin Mon<br>Union) | 10 and 20 fr fr                     | 24,020                                                | 1,810                                                            | 25,830                      | 8.332           |
| Austria                                                      | 4 and 8 florin                      | 36                                                    | 4                                                                | 40                          | .032            |
| Austria                                                      | 10 and 20 froner                    | 27,460                                                | 2,050                                                            | 29,510                      | 9.996           |
| Austria                                                      | 1 and 4 ducat                       | 122                                                   | 91                                                               | 213                         | .743            |
| Austria                                                      | 25 and 100 schil-<br>ling           | 1.250                                                 | 400                                                              | 1.650                       | .388            |
| Finland                                                      | 10 and 20 Finnmark                  | 80                                                    | 20                                                               | 100                         | .032            |
| Russia                                                       | 7.50 ruble                          | 285                                                   | 7.50                                                             | 292.50                      | .251            |
| Spain                                                        | 20 and 25 peso                      | 120                                                   | 65                                                               | 185                         | .059            |
| England                                                      | 1 pound and<br>10 shilling<br>coins | 1,976.10                                              | 49                                                               | 2,026                       | 16.183          |
| Australia                                                    | 1 pound and<br>10 shilling<br>coins | -                                                     | 1                                                                | 1                           | .007            |
| Netherlands                                                  | 5 and 10 florin                     | 2,275                                                 | 30                                                               | 305                         | 1.548           |
| Denmark                                                      | 5,10 and 20 kroner                  | 130                                                   | 10                                                               | 140                         | .062            |
| Sweden                                                       | 5,10 and 20 kroher                  | 70                                                    | 40                                                               | 110                         | .049            |
| Norway                                                       | 5,10 and 20 kroner                  | 15                                                    | 30                                                               | 45                          | .020            |
| USA                                                          | 2.50, 5, 10 and<br>20 dollars       | 18,436.50                                             | 445                                                              | 18,881.50                   | 31.565          |
| Turkey                                                       | .25, .50 and 1<br>pound(Turkish)    | 91.50                                                 | 6.25                                                             | 75                          | .705            |
| Germany                                                      | 10 and 20 marks                     | 130,170                                               | 11,820                                                           | 121,996/M<br>201,416.75     | 48.581          |

42

|                                                      |                                     |                                                              |                                        |                                     |
|------------------------------------------------------|-------------------------------------|--------------------------------------------------------------|----------------------------------------|-------------------------------------|
| REVIEWED BY                                          | TS AUTH.                            | RDS <input type="checkbox"/> or XDS <input type="checkbox"/> | EXT. DATE                              | REASON(S)                           |
| DEPARTMENT OF STATE A/SUB A/996/M<br>DATE 12/1/996/M |                                     |                                                              |                                        |                                     |
| ENDORSE                                              | EXISTING MARKINGS                   | <input type="checkbox"/>                                     | RELEASEABLE                            | <input checked="" type="checkbox"/> |
| DECLASSIFIED                                         | <input checked="" type="checkbox"/> | RELEASED                                                     | <input type="checkbox"/>               | RELEASER                            |
| RELEASE DENIED                                       | <input type="checkbox"/>            | FOI EXEMPTIONS                                               | PA <input checked="" type="checkbox"/> |                                     |

118.553 kilograms

Copies from figures given in  
CC 9492, 16 Sep from OMGUS, Berlin.

Authority NND 968106  
By JW NARA Date 6-3-95RG 59 TGC  
NN 3-59-9C-59  
Lot 62015 B+9REF ID: A65122  
CLASSIFIED

IN COMING

MESSAGE

SECRET

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Nbr: CC 9492

Page 2

Australia/1 pound and 10 shilling coins/-/1/1/.007.

Netherlands/5 and 10 (florin)/2,275/30/2,305/1,548.

Denmark/5, 10 and 20 (kroner) //130/10/140/.062.

Sweden/5, 10 and 20 (roner)/70/40/110/.049.

Norway/5, 10 and 20 (roner)/15/30/45/.020.

USA/2.50, 5, 10 and 20 (dollars)/18,436.50/445/18,881.50  
/31.565.Turkey/.25, .50 and 1 pound (Turkish pounds)/91.50/  
6.25/97.75/.705.Germany/10 and 20 (marks)/110, 170/11,820/121,990/  
48.581. Total weight 118.553 kilograms.2 Request your early instructions as to the disposition  
of subject coins.NOTE: CC 9107 is CM IN 13758 (9 Jul) OASEU  
CC 9150 is CM IN 14702 (14 Jul) OASEU

ACTION: OUSEU

INFO: ID, CUS, PO, SDLO

CM IN 6338 (16 Sep 49) DTG 161015Z wk/B

DA FORM 22-2  
15 JAN 1949

SECRET

COPY NO.

U.S. GOVERNMENT PRINTING OFFICE : 1949 - 6-846719

208394

Authority NND968106  
By JW NARA Date 6-3-99RG 59 TGC  
NN 3-59-96-59  
LOT 62D115 Bx 9

CLASSIFIED

SECRET

INCOMING

MESSAGE

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

OPD

PL 100-400  
420  
REF ID: A6449  
OCT 1949

SECRET

PARAPHRASE NOT REQUIRED

From: COMGEN OMGUS Berlin Germany sgd Hays

To: Dept of Army for CSCAD

Info: CINCEUR Heidelberg Germany

Nr: C 0-9107

8 July 49

Reured WK-86222 1 March 1949 and ourads CC-7959, CC-7991.  
Monetary gold coins is subject.

1. It is our recommendation that for the purposes of determining which gold coins deposited pursuant to Military Government Law Number 53 should be considered as monetary gold the following categories, with exceptions which are noted, should be used as a guide:

- A. French coins, known as "Napoleon D'or", include the coins of the former latin monetary union (France, Belgium, Switzerland, Italy (lire), Greece (drachme), Austria (florin), Finland (mark), Russia (ruble) and Spain (pesetas);
- B. Sovereigns, British and Australian coins;
- C. Dutch florins;
- D. Danish, Swedish and Norwegian kroner;
- E. United States dollars;
- F. Turkish pounds;
- G. Austrian krones, ducats, and shillings;
- H. German Reich gold marks.

2. Following categories excepted from the above categories hence considered as not monetary gold, but gold coins considered of numismatic value:

CM IN 13758

(9 JUL 49)

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE  
NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE  
MEANING OF THE ESPIONAGE ACT OF 1917,  
793 AND 794, TITLE 18, U.S. CODE, AND IS PROHIBITED  
CONTENTS IN IT FROM BEING COPIED OR REPRODUCED  
EXCEPT AS AUTHORIZED BY LAW OR REGULATION OR  
PROHIBITED BY LAW OR REGULATION.

36

DA FORM 13 JAN 1941 22-2

SECRET

COPY NO.

U.S. GOVERNMENT PRINTING OFFICE 1947 O-3-1947

208395

REF ID:

SECRET

NG

MESSAGE

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Mr: CC-9107

Page 2

A. All coins issued before or about the middle of the 19th century;

B. Of the franc coins of the various countries (see subpara A under Para 1 above) coins in the denominations of 5, 40, 50, 80 and 100 francs. Also the 37½ ruble pieces of Russia, equivalent to 100 francs; 10 franc pieces of Belgium and 10 peseta pieces of Spain.

C. Coins of any denomination from Portugal, San Marino, Monaco, Liechtenstein, the Pontifical State, Serbia, Montenegro and Albania.

D. Sovereign coins (see subpara B under 1 above), English 2 and 5 pound - pieces and coins of the Union of South Africa (Omm Krueger).

E. Russian half imperials in the denominations of 1, 4, 5 and 10 and Yugoslavian 4 ducat pieces;

G. All South and Central American gold coins;

H. United States dollars (see subpara E under Para 1 above) coins in the denominations of 1, 3 and 50 dollars;

I. German coins (see subpara H under Para 1 above) to include the coins of the small federal states and the older coins of the German Reich first issued in 1871, specifically coins of the years 1888 and 1915. All German 5-mark gold coins. Tabora gold coins in the denomination of 15 rupees issued in German East Africa during the First World War;

J. Egyptian, Indian, Chinese, Japanese, Persian and Russian (Tscherwonets) coins;

K. Special commemorative coins.

CM IN 13758

(9 Jul 49) THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, U.S.C., SECTIONS 793 AND 794. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

Authority NND 968106  
By JW NARA Date 6-3-99RG 59 TGC  
NN 3-59-96-59  
LOT 620115 B&WREF ID:  
M I N G  
MESSAGE

SECRET

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Nr: CC-9107

Page 3

3. In addition to the above noted exceptions we recommend that where coins not excepted above are included in a group of coins which appears to be a numismatic collection, and such coins are an integral part of the collection, these coins should not be considered monetary gold, but should be classified as numismatic.

4. All other coins not included in Categories A through H, Para 1 above, would be considered as not monetary but numismatic.

Note : 7959 is CM IN 8639 (9 Mar 49) CAD  
7991 is CM IN 9375 (12 Mar 49) CAD

ACTION : OASEU

INFO : CAD (STATE), PO, OAS

CM IN 13758

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE  
NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE  
MEANING OF THE ESPIONAGE LAW DTG 081527Z OCT 98 P/B/A  
793 AND 794. THE TRANSMISSION OR THE REVELATION OF ITS  
CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS  
PROHIBITED BY LAW.

DA-SGB-FORM 22-2  
15 JAN 1949

SECRET

COPY NO.

U.S. GOVERNMENT PRINTING OFFICE 1948 - G-811947

208397

Authority NND 968106  
By JW NARA Date 6-3-95

RG 59 TGC  
NW 3-59-96-59  
Lot 620115 Box 9

CC 7527

CM IN 18162 Jan 23 1949 from Berlin

You will receive a copy of this cable in due course for info.

Mr. Hemmendinger called to say he would like to call your attention to this Army cable in which he thinks you would be interested. "O" said to call them back if I could not obtain a copy of this readily and when I called back they said they were using this as a test case to see why Army cables did not come over sooner.

TE A/ODG/MR

DATE 3/27/49

TE \_\_\_\_\_

REASON(S) \_\_\_\_\_

NGS ABLE 

Nr. CC 7527

23 January 1949

Reurad WX-82855

Your para 1 noted and agreed.

Reur para 2. "monetary gold" shipped to TGC did not include gold deposited under military government law 53.

Reur para 3. While we may hold on deposit under military government law 53 certain gold which might have a "monetary gold" appearance, all such gold was deposited primarily by the refining companies, in particular by Heraeus and Degussa. We will ask British and French again for their respective gold holdings. No disposition has been made in our zone of any gold held under military government law 53.

We are now holding the following quantities of gold:

A. Ten bars of 11.735 KG referred to in para 1 of urad, which is part of 241 KG reported to you by para 2 (A) of ourad March 48, CC-3450.

B. 229.757~~16~~ (KG 229.7) KG of gold in bars of which 135.83506 KG was deposited by major refining companies. This is the remaining part of the 241 KG referred to in (A) above.

C. There is indication that the other gold reported to you by ourad March 48, CC-3450 is of commercial or numismatic nature.

Before commenting on your para 4 we feel we should investigate to determine whether in fact any of the 241 KG of gold falls within the TGC definition of "Monetary gold". We will advise you of our finding as soon as this investigation is completed.

CM IN 18162 24 JAN 49

208398

DECLASSIFIED

Authority NN0968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NN 3-59-96-59  
Lot 62D15 Box 9

SECRET  
PRIORITY

REVIEWED BY E- DATE 3/27/49  
RDS  or XDS  EXT. DATE  
TS AUTH. REASON(S)  
ENDORSE EXISTING MARKINGS   
DECLASSIFICATION PRACTICABLE   
DENIED   
PA OR FOI EXEMPTIONS

From: OMGUS Berlin, Germany sgd Hayes

To: Dept of Army for OSCAD

Info: EUCOM

Nr. CC 7527

23 January 1949

Reurad WX-82855

Your para 1 noted and agreed.

Reur para 2. "monetary gold" shipped to TGC did not include gold deposited under military government law 53.

Reur para 3. While we may hold on deposit under military government law 53 certain gold which might have a "monetary gold" appearance, all such gold was deposited primarily by the refining companies, in particular by Heracuss and Degussa. We will ask British and French again for their respective gold holdings. No disposition has been made in our zone of any gold held under military government law 53.

We are now holding the following quantities of gold:

A. Ten bars of 11.735 KG referred to in para 1 of urad, which is part of 241 KG reported to you by para 2 (A) of ourad March 48, CC-3450.

B. 229.757~~56~~ (KG 229.7) KG of gold in bars of which 135.83506 KG was deposited by major refining companies. This is the remaining part of the 241 KG referred to in (A) above.

C. There is indication that the other gold reported to you by ourad March 48, CC-3450 is of commercial or numismatic nature.

Before commenting on your para 4 we feel we should investigate to determine whether in fact any of the 241 KG of gold falls within the TGC definition of "Monetary gold". We will advise you of our finding as soon as this investigation is completed.

CM IN 18162 24 JAN 49

208399

Authority NND968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NN 3-59-9C-59  
LOT 62D115 B-9

441

C  
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P  
Y

Ref. 174/77/48

DEPARTMENT OF STATE AFGC/MR

REVIEWED BY EC DATE 3/2/77/80

TS AUTH.  or XDS  EXT. DATE \_\_\_\_\_  
 ENDURE EXISTING MARKINGS  REASON(S) \_\_\_\_\_

DECLASSIFIED  RELEASEABLE   
 RELEASE DENIED  PA or FOI EXEMPTIONS Washington

Aug 2, 1948

Dear Otto,

When I saw you this morning, I promised to give you the views of His Majesty's Government on the distribution of gold collected under Law 53.

His Majesty's Government think that such gold should be excluded from the gold pool of the Tripartite Gold Commission.

The intention of the Final Act of the Paris Conference on Reparation was to use the monetary gold resources of the German State to return to the ex-occupied countries as much as possible of their losses by looting or wrongful removal from their central monetary authority by the Germans. Gold collected from private individuals cannot be considered to form part of the German State's gold resources, nor as having been taken from the Central Monetary Authorities of the occupied countries.

I look forward to receiving an expression of the views of the United States Government.

Yours sincerely,

/S/ Arthur Maddocks

(A. F. Maddocks)

Dr. Otto Fletcher,  
 Division of Financial Affairs,  
 Department of State,  
 Room 628, Potomac Park Apartments,  
 21st and C Streets, N.W.

208400

DECLASSIFIED  
Authority NND968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NW 3-59-96-59  
LOT 620115 Box 9

*Return to Mrs. Will*

# INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS      TELEGRAPH BRANCH  
REPRODUCTION OF ARMY DEPT MESSAGE TO STATE FOR INFO

1

Info:

UE  
O  
EUR  
L  
OCD  
OFD  
FC

SECRET

Paraphrase not required.

|                                                       |
|-------------------------------------------------------|
| Division of Far East and<br>Austrian Economic Affairs |
| FILE COPY                                             |
| Please Return To<br>GA                                |

|                                                                                                  |                     |
|--------------------------------------------------------------------------------------------------|---------------------|
| DEPARTMENT OF STATE A/CDC/MR                                                                     |                     |
| Control 4558                                                                                     | EC DATE 3/27/48     |
| REVIE ED BY                                                                                      |                     |
| PDS                                                                                              | Rec'd March 12 1948 |
| TS AUTH.                                                                                         | 5:24 p.m. REASON(S) |
| ENDORSE EXISTING MARKINGS                                                                        |                     |
| DECLASSIFIED <input checked="" type="checkbox"/> RELEASEABLE <input checked="" type="checkbox"/> |                     |
| RELEASE DENIED <input type="checkbox"/>                                                          |                     |
| PA or FOI EXEMPTIONS                                                                             |                     |

FROM: CSCAD cite ECON  
TO: OMGUS Berlin Germany  
NO: WARX 97336

10 March 1948

Reurad Feb CC 3275. Delivery of monetary gold coin to Tripartite Gold Commission is subj.

1. Dorr has submitted to State text ltr to be addressed to 3 commissioners jointly by US, UK, French Govts. Text which has been apd by State fols:

"The govts of the US, UK and of France have decided that for purposes of facilitating the distribution of the pool of monetary gold established by Part III of the Paris Agreement on Reparation, that portion of the pool presently held by their several representatives in Germany should be removed to the Bank of England, London, England and to the Fed Reserve Bank, NY, NY, USA.

"The three govts have decided to entrust to the Tripartite Commission for the Restitution of Monetary Gold the responsibility for determining which elements in the pool of monetary gold presently held by their representatives in Germany should be transferred to each of the designated repositories and for making the arrangements necessary to effect the transfers.

"You are therefore auth, in concert with the representatives of the UK and of France to issue delivery orders to the custodians of the gold in the several zones of occupation, to execute receipt forms in the name of the Commission and to enter into other arrangements appropriate to the

purposes indicated."

SECRET

INFORMATION COPY

208401

Authority NND968106  
By JW NARA Date 6-3-99RG 59 TGC  
NN 3-59-9G-59  
Lot 62015 Box 9

SECRET

-2- #MARK 97336, 10 March, to Berlin

purposes indicated."

2. You are herewith auth release balance monetary gold held by you including monetary gold coins on order of the Tripartite Gold Commission to Bank of England and/or Fed Res NY and/or any other place desired by the Commission. Release not applicable to gold deposited under Law 53 as to which we await your comments as stated ourad 97105, 6 Mar.

3. foregoing decision is based on Part III Paris Reparations Agreement and terms of reference for the establishment of Tripartite Commission for Restitution of Monetary Gold, Sept 27, 1946 implementing Part III of Paris Agreement. Para 3 (e) of aforementioned terms provides for directives by 3 govts to Commission such as one contained in ltr quoted in para 1 above.

NOTE: SC 3275 is CM IN 4084 (Feb)

ORIGINATOR: CAD

CM OUT 97336 (Mar 46)

WH

SECRET

INFORMATION COPY

208402

Authority NND968106  
By JW NARA Date 6-3-99RG 59 TGC  
NL 3-59-9G-59  
Lot 620115

B-9

OEF file

## INCUMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS

17

Info:  
UE  
O  
EUR  
OCD  
OFD  
FC

REPRODUCTION OF ARMY DEPT MESSAGE TO STATE FOR

SECRET  
Paraphrase not required

TELEGRAPH BRANCH

OFFICE OF FINANCIAL AND  
DEVELOPMENT POLICY  
MAR 11 1948

DEPARTMENT OF STATE

Control 3671

Rec'd March 10, 1948  
5:20 p.m.

FROM: OMGUS Berlin Germany signed Hays

TO: Chief of Staff for CSCAD

NO: CC 3450

9 March 1948

PRIORITY

Reurad WX 97165.

1. Definition of monetary gold contained in urad November WX 90566 necessitates new survey of gold collected under Law 53 since present records do not indicate origin.

2. As of 31 December 1947 following quantities had been delivered in United States Zone except United States Sector of Berlin: Gold bars, 241 kilograms. Gold pieces, 73 (148) kilograms. Leaf gold, 391 grams. Dental gold, 2.4 kilograms. Wire gold, 2.8 kilograms. Commercial gold, 280 kilograms. Other 1.9 kilograms.

3. Information from other zones and sectors will be requested and forwarded as soon as available.

4. Disposition on monetary gold including deposits under Law 53 being dealt with in separate reply urad WX 90566.

ACTION: CAD

CM IN 1869

(10 Mar 48)

CTW

|                                                                                                                               |                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| DEPARTMENT OF STATE A/CDC/MR                                                                                                  |                                                                                       |
| REVIEWED BY                                                                                                                   | DATE <u>3/27/83</u>                                                                   |
| RDS <input type="checkbox"/> or XDS <input checked="" type="checkbox"/> EXT. DATE                                             | REASON(S) _____                                                                       |
| IS AUTH? <input type="checkbox"/>                                                                                             | ENDORSE EXISTING MARKINGS <input type="checkbox"/>                                    |
| SECRET <input type="checkbox"/> DECLASSIFIED <input checked="" type="checkbox"/> RELEASED <input checked="" type="checkbox"/> | RELEASE DENIED <input type="checkbox"/> PA or FOI EXEMPTIONS <input type="checkbox"/> |

INFORMATION COPY

208403

Authority NN0968106  
By JW NARA Date 6-3-99RG 59 TGC  
NN 3-59-9C-59  
LOT 620115 Box 9DEPARTMENT OF THE ARMY  
STAFF MESSAGE CENTER  
INCOMING CLASSIFIED MESSAGE

SECRET TOT

PARAPHRASE NOT IN R&D. HANDLE AS SECRET COMM. CONFERENCE  
PER PARAS 511 and 60a (4) AR 380-5From: OIGUS Berlin sgd Hays  
To: Chief Staff for SMC con  
Mr: CC 2407

5 December 1947

Reurads CL 87966 and CL 80729 and ourad May, CG 9160,  
Disposition of monetary gold at foreign exchange depository  
is subject.

1. Have been advised by tripartite gold commission to prepare for shipment of balance monetary gold from foreign exchange depository to central bank or banks prior to further allocations by commission. Since this represents change from previous plan to make all preliminary distributions from R&D foreign exchange depository, request your approval of our shipping balance of gold as instructed by commission.
2. We do not plan to include in present shipment any gold deposited under Law 53. Will send separate cable regarding this matter.
3. Commission has requested inclusion in shipment of Italian alloy bars described our May CG 9160. In your CL 80729 you stated tentative conclusion that silver content of these bars was to be restituted to Italy. In view of this fact, should we comply with commissions request?

End.

NOTE: CG 9160 not identified in SMC

ACTION: C.D.

INFO: CAD(State), OUS, FO

CM IN 1058

( 6 Dec '48 47)

DTG: 051455 Z

DEPARTMENT OF STATE A/CDC/MR

DATE 3/27/88

SECRET

R-VIE ED BY EC

|                                                                                                  |                                 |                 |
|--------------------------------------------------------------------------------------------------|---------------------------------|-----------------|
| RDS <input type="checkbox"/>                                                                     | or XDS <input type="checkbox"/> | EXT. DATE _____ |
| IS AUTH. <input type="checkbox"/>                                                                |                                 | REASON(S) _____ |
| ENDORSE EXISTING MARKINGS <input type="checkbox"/>                                               |                                 |                 |
| DECLASSIFIED <input checked="" type="checkbox"/> RELEASEABLE <input checked="" type="checkbox"/> |                                 |                 |
| RELEASE DENIED <input type="checkbox"/>                                                          |                                 |                 |
| PA OR FOI EXEMPTIONS _____                                                                       |                                 |                 |

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U.S.C. 50, 31 AND 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

GPO 0-16-53106-1 THE MAKING OF AN EXACT COPY OF THIS MESSAGE IS FORBIDDEN

COPY NO.

F1

208404

Authority NND968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NW3-59-2G-59  
LOT 62D115 B&W

Law 53  
455

## BRITISH EMBASSY,

WASHINGTON 8, D. C.

July 30th, 1947

Ref: 4118/167/47

Dear Dr. Fletcher,

You asked me some time ago how much gold had been recovered in the British Zone of Occupation in Germany.

There were no German bank gold reserves found at the time of occupation, as the Reichsbank holdings were deposited in Frankfurt.

Monetary Gold held by the Reichsbank under Law No.53.

- (a) Bars.....fine weight.....kilos 422,769
- (b) Coins.....fine weight.....kilos 851,176

Information regarding the total volume of monetary gold held in the British Zone is obtained from declarations and deposits under Military Government Law 53 and a proportion may well be returnable to legitimate foreign owners in due course.

The above figures do not include certain gold bars and coins of unknown standards, of which the amount is comparatively small.

Yours sincerely,

208405

Authority NND968106  
By JW NARA Date 6-3-95RG 59 TGC  
NN 3-59-9C-59  
LOT 620115 Box 9**INCOMING TELEGRAM**

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS

TELEGRAPH BRANCH

DE-REPRODUCTION OF STATE A/CDC/MR  
DEFENSE DEPT MESSAGE TO STATE FOR INFO1 REVIEWED BY Ec DATE 5/27/47 CONFIDENTIALINFO:  or XDS  EXT. DATE Paraphrase not requiredS/S AUTH. REASON(S)U-E ENDORSE EXISTING MARKINGS A-H DECLASSIFIED  RELEASEABLE EUR RELEASE DENIED 

LE PA or FOI EXEMPTIONS

OCD FROM: WSSCA ECON

ITP TO: OMGUS BERLIN GERMANY

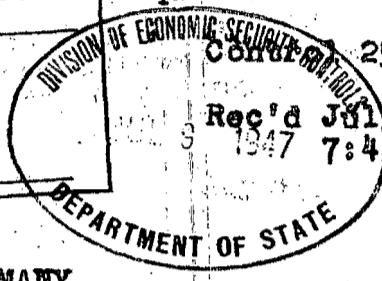
ESP NR: WARK 81518

OFD

PC

OIC

CONFIDENTIAL 2522

Rec'd July 8, 1947  
1947 7:41 p.m.

5 July 1947

Reurad May CC 9170 and ourad April WX 96350 and previous re return of Danish commercial gold.

In view this govt's commitment to Danish Govt, request that you return all Danish commercial gold mentioned in USPOLAD's cable 2229, Sept 46 if you are satisfied that under German Legal System Danes still have legal title and not merely monetary claim and that brought in with intent to reexport after completion of processing.

State Dept reviewing views stated ourad and decision deferred pending clarifying detail.

1. What is background in law regulations and commercial practice maintenance of title by foreign supplier to property sent in for repair, processing or manufacturing and reexport of end product? Would such title stand in German court? Is there distinction in law and practice between (A) property at all stages identifiable, e.g., semi-manufactured items and (B) raw materials sent in for complete processing, e.g., raw cotton for finishing into textiles.
2. What is legal mechanism and justification under which pymt is reqd for property title to which is recognized as held by foreigner if owner is the payer?
3. On analogy bankrupt estate, suggest that claims to specific property may be determined in advance of monetary claims. If so appropriate now to consider which such specific claims will be recognized. In add to category of goods sent in for processing with intent to reexport, consideration is desirable in near future of cases of non-commercial pers property which owners now resident outside

Germany

CM OUT 81518 (July 47)

CONFIDENTIAL

208406

INFORMATION COPY

DECLASSIFIED

Authority NND 968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NN 3-59-96-59  
Lot 62015 B-9

CONFIDENTIAL

-2- Control 2522, from War Department

Germany desire to recover for own use, also cases of pre-war fully paid undelivered purchases where title may have passed in Germany by terms of purchase contract.

Note: CG 9170 is CM IN 2482, (15 May )

ORIGINATOR: CAD

CM OUT 81518

(July 47)

CWD

CONFIDENTIAL

208407

DECLASSIFIED

Authority NND 968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NW 3-59-96-59  
Lot 620115 Bx 9

DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

467 INFORMATION

COPY

DEPARTMENT OF STATE

REPRODUCTION OF STATE A/CSC/MR  
INCOMING TELEGRAM

3. X

Info: S U U-E A-H EUR LE CCD ITP ESP OFD FC OIC

REVIEWED BY EC  
RDS  or XDS  EXPIRE CONFIDENTIAL  
IS AUTH. REASONS not required  
ENDORSE EXISTING MARKINGS   
DECLASSIFIED  RELEASEABLE   
RELEASE DENIED   
FROM: FOI EXEMPTIONS

Control 3753

Rec'd December 12, 1946  
6:47 p.m.

TO: War Department  
INFO: USFET Frankfurt  
NO: CG 7152

29 November 1946

WX 85336 is the reference

A. Our understanding of above cable is that you are instructing us to make restitution to Danes of identifiable commercial gold now in Germany, title of which Danes hold, to be returned free of payment.

B. Established policy which other countries now accept is contravened by these instructions, it should be noted. Policy is that there shall be no exporting of identifiable property now in Germany, title of which is held abroad without payment in full of dollars at current international value. When property is taken for export, payment in marks is made to owner in Germany, where marks are blocked.

It can be appreciated by you that authorization of exports from Germany of very great value without compensating foreign exchange accruals would result from development of the policy which your instruction represent. Largest categories which such a policy would affect would be:

1. Goods which were imported into Germany for further manufacturing processes, the title of which continued to be held by the foreign supplier, by German law.
2. Equipment and goods which foreign firms ordered and made advance payment on.

The first category mentioned is of great interest to the Netherlands, and Sweden in the second category. Policy outlined

CM IN 5194

(29 Nov 46)

CONFIDENTIAL

208408

DECLASSIFIED

Authority NND 968/06  
By JW NARA Date 6-3-99

RG 59 TGC  
NW 3-59-9G-59  
Lot 620115 Bx 9

CONFIDENTIAL

-2- Control 3753, from Berlin

outlined in paragraph (B) has been agreed to by both countries. The realization that strict foreign exchange measures are necessary for German economy in view of its present weakness was doubtless responsible for this agreement.

E. The result of the releasing of this sort of property without requiring payment would be that additional means other than from proceeds of exports would have to be used for payment of necessary imports.

F. Only items which were forcefully imported into Germany should be considered as clearly returnable to a foreign owner, in our opinion. Identifiable property sent in for repairs, is only case where we believe the return of non restitutable goods should be considered, other than through procedure which paragraph (B) outlines. Where such is the case, a case by case basis export against payment in dollars of the value of repairs only is agreeable to us.

G. Only commercial gold sent by Danes to Germany for repair or alteration will be considered by us, with your permission, in view of above USPOLAD'S telegram 2229 sets this forth in category C.

CM IN 5194

(29 Nov 46)

EFG

CONFIDENTIAL

208409

Authority NN0968106  
By JW NARA Date 6-3-99RG 59 TGC  
NN 3-59-9C-59  
Lot 62015 B-9DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

DEPARTMENT OF STATE

INFORMATION  
COPY

## OUTGOING TELEGRAM

473

Paraphrase before com-  
municating except to  
Government Agencies.

CONFIDENTIAL

USPOL.D,

13

ALL

2007

Control 663

Oct. 2, 1946

7 p.m.

LE  
EUR  
DC/L  
OFG  
A  
OCD  
FC  
CY

Action-ESP  
Info:  
Dent assumes Danish gold had not been located by  
CIGS at time UNIL 2229 Sep 24 was dispatched. pls  
advise whether search still being made and additional  
info obtained. (Sent USPOL.D as 2007 and rtd Russells  
for Dorr as 1108.) Dent must rely Danish note this  
subject. Dent agrees that I.M. not appropriate agency  
for determining question inclusion or non-inclusion  
non-repatriable funds and also agrees general line CIGS  
interpretation law 53.

|                           |                                     |      |                          |
|---------------------------|-------------------------------------|------|--------------------------|
| REVIEWED BY               | E.C.                                | DATE | 3/27/86                  |
| RDS                       | <input type="checkbox"/>            | XDS  | <input type="checkbox"/> |
| EXT. DATE                 |                                     |      |                          |
| IS AUTH.                  | REASON(S)                           |      |                          |
| ENDORSE EXISTING MARKINGS | <input type="checkbox"/>            |      |                          |
| DECLASSIFIED              | <input checked="" type="checkbox"/> |      |                          |
| RELEASE DENIED            | <input type="checkbox"/>            |      |                          |
| PA or FOI EXEMPTIONS      |                                     |      |                          |

CCDL.OC : Please send foregoing to USPOL.D serial no 2007  
and repeat to Russells for Dorr as 1108.

G.J.J. Todd:ml

10-1-46

TJ

208410

DECLASSIFIED

Authority NND968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NN 3-59-96-59  
LOT 62015

B+9

5 Years

1 FR

14

|                                                                        |                                                    |
|------------------------------------------------------------------------|----------------------------------------------------|
| PARAPHRASE OF TELEGRAM RECEIVED                                        |                                                    |
| FROM:                                                                  | US Mission, Berlin (via War)                       |
| TO:                                                                    | Secretary of State, Washington                     |
| DATED:                                                                 | September 24, 1946                                 |
| NUMBER:                                                                | 2229                                               |
| DEPARTMENT OF STATE A/CDC/MR                                           |                                                    |
| REVIE ED BY                                                            | EC                                                 |
| DATE 3/3/88 1946                                                       |                                                    |
| RDS <input type="checkbox"/> or XDS <input type="checkbox"/> EXT. DATE | REASON(S)                                          |
| 1S AUTH. <input type="checkbox"/>                                      | ENDORSE EXISTING MARKINGS <input type="checkbox"/> |
| DECLASSIFIED <input checked="" type="checkbox"/>                       | RELEASEABLE <input checked="" type="checkbox"/>    |
| CONFIDENTIAL <input type="checkbox"/>                                  |                                                    |
| PA or FOI EXEMPTIONS                                                   |                                                    |

In connection with the following message, please refer to Department's cable of September 3, Number 1819, which was repeated as Number 982 to Brussels for attention of Dorr.

Those comments on the Department's proposed definition of non-monetary gold which are contained in cable of August 22, Number 9112, are being cleared with Office Military Government, US (the economic, finance, property control, and legal divisions thereof). It is expected that reply in detail will be cabled in a few days to the War Department.

With regard to the question of Danish gold, the Office of Military Government US is of the opinion that IARA is not the proper agency for determining whether this gold should go to non-repatriable fund or not. Into this fund, whose title and jurisdiction are outside IARA, goes non-monetary gold.

Danish gold disposition is dependent upon a number of factors with regard to its actual form and history and upon how it fits in with Law 53's interpretation by OMGUS.

In the case of Danish gold, Law 53 is interpreted as stated below:

(a) Those gold products whose value contains at least 25% processing and labor costs will not become a part of non-monetary gold -- they are commercial gold. (That gold which, although it is of commercial origin,

contains less

208411

2229 from Berlin (via War) Page # 2

contains less than 25% processing and labor value will become a part of this fund and will be considered non-monetary gold.)

(b) As above defined, commercial gold will not be so under Law 53 but can be returned to the companies or to the persons depositing such gold and upon payment and receipt of export license, can be exported.

(c) If they can be identified, gold products sent to Germany for alteration or repair will be released from Law 53 and can be restituted to the Danish owner or otherwise returned to him.

None of the gold which resides in foreign exchange depository in Frankfurt can be identified as being of Danish origin; presumably, the Danish gold in question has, under Law 53, been called in from concerns holding it and deposited in local Reichsbanks pursuant to this law.

The following constitute the Danish claim which has been presented to the finance division of CMGUS:

- (one) At Degussa, Frankfurt, 411.70 G gold.
- (two) At Degussa, Frankfurt, 1072.33 G gold.
- (three) At W. Gamerafrus, Hanau/Main, 341.61 G pure gold.
- (four) At Dietz Beierl and Company,urenberg, 100.00 G pure gold.
- (five) 1 bar of 1259.00 G with fineness 26 gold, 406 silver 0/000; 1 bar of 546.45 G with fineness 549 gold, 175 silver 0/000; 1 bar of 596.80 G with fineness 585 gold, 210 silver 0/000; 1 bar of 307.00 G with fineness 62 gold, 290 silver 0/000, equal to 95.96 fine gold, and fine silver 819.70.
- (six) At Rodi and Wienerberger, Pforzheim, 57.70 G fine gold.

(seven) At

208412

Authority NND968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NN 3-59-96-59  
LOT 62D15 Box 9

-3-

(seven) At I. Sostaedtler Murenberg, 1300 gold pens made of 325558 G fine gold.

(eight) At I. Sostaedtler Murenberg, 576 gold pens made of 132.172 G fine gold.

(nine) At Degussa, originally Pfersheim, now referring to Frankfurt/Main nine Weissfrauenstrasse, 127 defective gold pens.

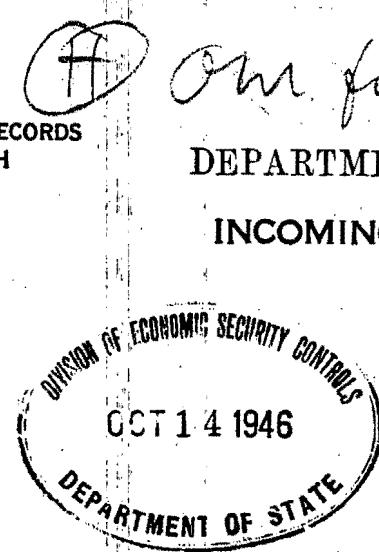
(ten) At Degussa, Frankfurt, 87 ditto eleven two gold bars 884. 66 G gold and 448 G silver.

Above message to the Department has been sent as Number 103 to Brussels for attention of Dorr.

MURPHY

*Lew*  
DC/L:LCW:ums 9-27-46

208413

Authority NND968106  
By JW NARA Date 6-3-99RG 59 TGC  
NN 3-59-96-59  
Lot 620115 Box 9DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCHDEPARTMENT OF STATE  
INCOMING TELEGRAMINFORMATION  
COPY

Fletcher  
475

CORRECTED COPY 9/26/46  
2:45 p.m.  
CORRECTIONS UNDERSCORED

15

Action: ESP  
Info:  
LE CONFIDENTIAL  
EUR  
DC/L Control 7694  
ITP  
OFD  
A-C  
A-H  
OCD  
FC  
DC/R

Berlin via War

Dated September 24, 1946

Rec'd 2:24 p.m., 24th

Paraphrase before communicating to anyone.

SECSTATE

(2229) September 24, 3 p.m.

REURTEL 1819, September 3; repeated Brussels for Dorr as 982.

Comments on Dept's proposed definition of non-monetary gold contained in 9112 August 22 being cleared with finance property control legal and economic divisions OMGUS. Expected detailed reply will be cabled to War in few days.

On question of Danish gold OMGUS feels IARA not appropriate agency to determine whether or not this gold should go to non-repatrifiable fund. Non-monetary gold goes into this fund, title and jurisdiction of which is outside IARA.

Disposition Danish gold depends on number of factors relating to its actual form and history and how it fits in with OMGUS interpretation of Law 53.

CONFIDENTIAL

|                                                                              |                                                    |
|------------------------------------------------------------------------------|----------------------------------------------------|
| DEPARTMENT OF STATE A/CDC/MR                                                 |                                                    |
| REVIEWED BY                                                                  | E-<br>Law 53<br>DATE 3/27/86                       |
| RDS <input type="checkbox"/> or XDS <input type="checkbox"/> EXT. DATE _____ | REASON(S) _____                                    |
| 1S AUTH. _____                                                               | ENDORSE EXISTING MARKINGS <input type="checkbox"/> |
| DECLASSIFIED <input checked="" type="checkbox"/>                             | RELEASEABLE <input checked="" type="checkbox"/>    |
| RELEASE DENIED <input type="checkbox"/>                                      | PA or FOI EXEMPTIONS _____                         |

W.W.W.

208414

Authority NND968106  
By JW NARA Date 6-3-95

RG 59 TGC  
NN 3-59-96-59  
Lot 620115 B+9

CONFIDENTIAL

-2-#2229, September 24, 3 p.m., from Berlin via War

Law 53 interpreted in case Danish gold as follows:

(A) Gold products the value of which contain at least 25 percent labor and processing costs are commercial gold and will not become part of non-monetary gold. (Gold although of commercial origin which contains less than 25 percent labor and processing value will be considered non-monetary gold and become part of this fund.

(B) Commercial gold as defined above will not be so under Law 53 but can be returned to person or firms depositing such gold and can be exported upon payment and receipt of export license.

(C) Gold products sent to Germany for repair or alteration if identifiable will be released from Law 53 and can be restituted or otherwise returned to Danish owner.

No gold residing in foreign exchange depository Frankfurt can be identified as of Danish origin. Danish gold in question presumably has been called in under Law 53 from firms holding it and deposited pursuant to this law in local Reichsbanks.

Danish claim presented to finance division OMGUS consists of following:

- (1) 411.70 G gold at Degussa Frankfurt
- (2) 1072.33 G gold ditto.
- (3) 341.61 G pure gold at W. Canerafrus, Hanau/Main.
- (4) 100.00 G pure gold at Dietz Beierl and Company Nuernberg.

(5) One bar of 546,45 G with fineness 549 gold 175 silver 0/000 one bar of 1259,00 G with fineness

26 gold

CONFIDENTIAL

208415

Authority NN0968106  
By JW NARA Date 6-3-99

RG 59 TGC  
NU 3-59-9G-59  
Lot 620115 Box 9

CONFIDENTIAL

-3-#2229, September 24, 3 p.m., from Berlin via War

26 gold 405 silver 0/000, one bar of 596.80 G with fineness 585 gold 210 silver, 0/000, one bar of 307.00 G with fineness 62 gold 290 silver 0/000, equal to soc 95.96 fine gold and 819.70 fine silver.

(6) 57.70 G fine gold at Rodi and Wienerberger, Pforzheim.

(7) 1300 gold pens made of 325558 G fine gold at I. Sostaedtler Nurenberg.

(8) 576 gold pens made of 132.172 G fine gold at I. Sostaedtler Nurenberg.

(9) 127 defective gold pens at Degussa originally Pforzheim now deferring to Frankfurt/Main nine Weissfrauenstrasse.

(10) 87 ditto eleven two gold bars 884. 66 G gold and 448 G silver at Degussa Frankfurt.

Sent Dept as 2229; repeated Brussels for Dorr as 103.

MURPHY

SM: JB  
JP: CTC

CONFIDENTIAL

208416

483 Ser 53

Revised Text  
20 July 1945

REVIEWED BY E-C  
 DEPARTMENT OF STATE A/CDC/MR  
 DATE 3/22/58  
 RDS  or XDS  EXT. DATE  
 TS AUTH.  ENDORSE EX STIC MARKINGS   
 DECLASSIFIED  RELEASE DENIED  FOI EXEMPTIONS  
XPA or PA  RELEASEABLE

MILITARY GOVERNMENT - GERMANY  
UNITED STATES ZONELAW NO. 53

## FOREIGN EXCHANGE CONTROL

## ARTICLE I

## Prohibited Transactions

1. Except as duly licensed by or on instructions of Military Government, any transaction involving or with respect to any of the following is prohibited:

- (a) Any foreign exchange assets owned or controlled directly or indirectly, in whole or in part, by any person in GERMANY;
- (b) Any property located in GERMANY owned or controlled directly or indirectly, in whole or in part, by any person outside GERMANY.

2. Any transaction with respect to or involving any of the following is also prohibited, except as duly licensed by or on instructions of Military Government:

- (a) Property wherever situated if the transaction is between or involves any person in GERMANY and any person outside GERMANY;
- (b) Any obligation of payment or performance, whether matured or not, due or owing to any person outside GERMANY by any person in GERMANY;
- (c) The importing or otherwise bringing into GERMANY of any foreign exchange assets, German currency, or securities issued by persons in GERMANY and expressed or payable in Germany currency;
- (d) The exporting, remitting, or other removal of any property from GERMANY.

3. All existing licenses and exemptions issued by any German Authority authorizing any of the aforesaid transactions are cancelled.