

# ELIMINATION OF GERMAN RESOURCES FOR WAR

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## HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE SEVENTY-NINTH CONGRESS FIRST SESSION PURSUANT TO **S. Res. 107** (78th Congress) AND **S. Res. 146** (79th Congress) AUTHORIZING A STUDY OF WAR MOBILIZATION PROBLEMS

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### PART 2

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#### TESTIMONY OF STATE DEPARTMENT

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JUNE 25, 1945

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Printed for the use of the Committee on Military Affairs



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1945

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MONDAY, JUNE 25, 1945

UNITED STATES SENATE,  
COMMITTEE ON MILITARY AFFAIRS,  
SUBCOMMITTEE ON WAR MOBILIZATION,  
*Washington, D. C.*

The subcommittee met at 10:40 a.m., pursuant to call of the chairman, in room 318, Senate Office Building, Senator Harley M. Kilgore, West Virginia (chairman) presiding.

Present: Senators Harley M. Kilgore, of West Virginia, James E. Murray, of Montana.

Also present: Dr. Herbert Schimmel, chief investigator.

The CHAIRMAN. The committee will come to order.

If you will come forward, Mr. Clayton, with such members of your staff as you may want with you, we will begin.

First, I want to put in the record the announcement of the hearings of this week, together with the documents released on last Thursday, as part of the record in lieu of an opening statement.

(The announcement referred to follows:)

## COMMITTEE ON MILITARY AFFAIRS, SUBCOMMITTEE ON WAR MOBILIZATION

### STATEMENT BY SENATOR HARLEY M. KILGORE

Senator Harley M. Kilgore (West Virginia), chairman of the War Mobilization Subcommittee of the Senate Military Affairs Committee, today announced that the subcommittee will hold a week of preliminary fact-finding hearings, beginning June 25, on the economic base for German aggression.

Subcommittee hearings will be preceded by the appearance of Bernard Baruch before the full Military Affairs Committee (Chairman Senator Elbert D. Thomas, Utah) on Friday, June 22, room 183 of the Senate Office Building, to testify on the same subject.

Witnesses who have been asked to testify before the subcommittee include Assistant Secretary of State William L. Clayton, who is scheduled for Monday, June 25, Senate Office Building, room 318; Foreign Economic Administrator Leo T. Crowley, on June 26 in room 357; Michael L. Hoffman, Acting Director, Foreign Funds Control, Treasury, June 27, room 357; Assistant Attorney General Wendell Berg, June 28, room 357; Maj. Gen. John H. Hilldring, head of the Civil Affairs Division, War Department, June 29, room 357. Other agencies, among them the Office of Alien Property Custodian and the Office of Strategic Services, have been asked to file statements and supporting materials which the subcommittee will make public.

In connection with the hearings, Senator Kilgore released a press story of a recent interview with the manager of the Krupp Works obtained by an American newspaperman, and a number of hitherto confidential documents which came to the attention of the subcommittee in the course of its investigations of German economic warfare. Senator Kilgore pointed out that these documents—a report on the postwar plans of the Krupp Armaments Works, a statement on the connections of its Essen manager, Eduard Houdremont, with the Nazi Government, and a memorandum on a secret meeting of German industrialists in August 1944 to discuss the post-defeat military revival of Germany—are evidence of how German industry worked hand in hand with the Nazi Party to unloose against the world a war of aggression.

The Senator stated further:

Documentary material of this type shows that with the defeat of the German Army and the discrediting of the Nazi Party, the German cartels are attempting to dissociate themselves from their coconspirators. Masquerading as "neutral" businessmen without political allegiance, they have already conceived vicious plans for a third attempt at world conquest.

Senator Kilgore explained that the subcommittee's interest in the economic base for German aggression is an outgrowth of its earlier investigations on cartels and national security.

The Senator quoted from a report on that subject issued by the subcommittee in November 1944:

At the end of the First World War Germany was outwardly a defeated nation. It was assumed that the sources of her military strength had been dried up when she was disarmed. But this was not the case. The war had greatly expanded the industries on which Germany had depended to supply the armaments, munitions, and raw materials for the German war machine. Defeat did not permanently reduce the productive capacity of these industries, nor did it alter their high degree of concentration or impair their position of dominance in the German economy. \* \* \* The German aggressors have begun to pursue a strategy which they found successful a quarter century ago; they are already deploying their economic reserves throughout the world in preparation for a third attempt at world domination.

Senator Kilgore expressed the hope that the witnesses to be heard by the subcommittee would give particular attention to the technological aspects of Germany's economy. He said:

Because of her tremendous technological advances, Germany for the past 50 years has been a leader in the development and sale of war material in time of peace.

The Senator added:

Germany must be deprived of the devices and techniques which she has used to menace world peace. Effective elimination of German economic warfare is not only a first step toward national security but is indispensable to world prosperity.

#### A REPORT ON A MEETING OF GERMAN INDUSTRIALISTS TO MAKE POSTWAR PLANS, STRASBOURG, AUGUST 10, 1944

NOVEMBER 7, 1944.

1. A meeting of the principal German industrialists with interests in France was held on August 10, 1944, in the Hotel Rotes Haus in Strasbourg, France. Among those present were the following:

Dr. Scheid, who presided, holding the rank of S. S. Obergruppen-führer and Director of the Hece (Hermadorff & Schenburg) Co.

Dr. Kaspar, representing Krupp.

Dr. Tolle, representing Rochling.

Dr. Sinceren, representing Messerschmitt.

Drs. Kopp, Vier, and Beerwanger, representing Rheinmetall.

Captain Haberkorn and Dr. Ruhe, representing Bussing.

Drs. Ellenmayer and Kardos, representing Volkswagenwerk.

Engineers Drose, Yanchew, and Koppshem, representing various factories in Posen, Poland (Drose, Yanchew & Co., Brown-Boveri, Herkuleswerke, Buschwerke, and Stadtwerke).

Captain Dornbursch, head of the Industrial Inspection Section at Posen.

Dr. Meyer, an official of the German Naval Ministry in Paris.

Dr. Strossner, of the Ministry of Armament, Paris.

2. Dr. Scheid stated that all industrial material in France was to be evacuated to Germany immediately. The battle of France was lost for Germany and now the defense of the Siegfried line was the main problem. From now on, also, German industry must realize that the war cannot be won and that it must take steps in preparation for a postwar commercial campaign. Each industrialist must take contacts and alliances with foreign firms, but this must be done individually and without attracting any suspicion. Moreover, the ground would have to be laid on the financial level for borrowing considerable sums from foreign countries after the war. As examples of the kind of penetration which had been most useful in the past, Dr. Scheid cited the fact that patents for stainless steel belonged to the Chemical Foundation, Inc., New York, and the Krupp Co. of Germany, jointly, and that the United States Steel Corp., Carnegie, Illinois, American Steel & Wire, and National Tube, etc., were thereby under an obligation to work with the Krupp concern. He also cited the Zeiss Co., the Leisa Co., and the Hamburg-American Line as firms which had been especially effective in protecting German interests abroad and gave their New York addresses to the industrialists at this meeting.

3. Following this meeting a smaller one was held, presided over by Dr. Bosse, of the German Armaments Ministry, and attended only by representatives of Hecho, Krupp, and Rochling. At this second meeting it was stated that the Nazi Party had informed the industrialists that the war was practically lost but that it would continue until a guaranty of the unity of Germany could be obtained. German industrialists must, it was said, through their exports increase the strength of Germany.

They must also prepare themselves to finance the Nazi Party which would be forced to go underground as Maquis (in Gebirgsverteidigungsstellengehen). From now on the Government would allocate large sums to industrialists so that each could establish a secure postwar foundation in foreign countries. Existing financial reserves in foreign countries must be placed at the disposal of the party so that a strong German empire can be created after the defeat. It is also immediately required that the large factories in Germany create small technical offices or research bureaus which would be absolutely independent and have no known connections with the factory. These bureaus will receive plans and drawings of new weapons as well as documents which they need to continue their research, and which must not be allowed to fall into the hands of the enemy. These

offices are to be established in large cities where they can be most successfully hidden, as well as in little villages near sources of hydroelectric power, where they can pretend to be studying the development of water resources. The existence of these is to be known only by very few people in each industry and by chiefs of the Nazi Party. Each office will have a liaison agent with the party. As soon as the party becomes strong enough to reestablish its control over Germany the industrialists will be paid for their effort and cooperation by concessions and orders.

4. These meetings seem to indicate that the prohibition against the export of capital which was rigorously enforced until now has been completely withdrawn and replaced by a new Nazi policy whereby industrialists with Government assistance will export as much of their capital as possible. Previously exports of capital by German industrialists to neutral countries had to be accomplished rather surreptitiously and by means of special influence. Now the Nazi Party stands behind the industrialists and urges them to save themselves by getting funds outside Germany and at the same time to advance the party's plans for its postwar operation. This freedom given to the industrialists further cements their relations with the party by giving them a measure of protection.

5. The German industrialists are not only buying agricultural property in Germany but are placing their funds abroad, particularly in neutral countries. Two main banks through which this export of capital operates are the Basler Handelsbank and the Schweizerische Kreditanstalt of Zurich. Also there are a number of agencies in Switzerland which for a 5-percent commission buy property in Switzerland, using Swiss cloak.

6. After the defeat of Germany, the Nazi Party recognizes that certain of its best known leaders will be condemned as war criminals. However, in cooperation with the industrialists it is arranging to place its less conspicuous but most important members in positions with various German factories as technical experts or members of its research and designing offices.

#### REPORT ON THE PREPARATION OF KRUPP WORKS FOR POSTWAR USE

*Step I.*—The Krupp Works were recently returned to "private" ownership. It is the hope of the Germans that under the conventional international law concepts "private" property would have an excellent chance of remaining untouched by the Allied occupation forces.

*Step II.*—Germans anticipated that private ownership alone might not be enough. The occupation forces might be directed to take severe measures against Nazi ownership and control of industrial organizations. With this in mind, the Nazis are reported to have issued a decree prohibiting all Nazi Party officials and all persons who held Government posts to which they had been appointed by the Nazi Party from holding any official or managing position in any business undertaking, regardless of whether such position carried with it any remuneration or not.

*Step III.*—Not wholly satisfied that property which was both privately owned and was not controlled or owned by Nazis would escape the Allied controls, a further precaution was taken to make

assurances doubly sure that the really important industries would be saved from Allied destruction or control. Germans have reported on several occasions that Gustav Krupp von Bohlen and Halbach, the head of the great Krupp munitions combine, who was instrumental in bringing Hitler into power, was arrested for making defeatist utterances and for organizing anti-Nazi resistance groups. Thus the Krupp Works, one of the backbones of German aggression, is now "private property," owned and controlled by persons who not only are not Nazi Party members or Government officials, but who are seemingly in disfavor of the Nazi Government.

The Krupp example is but one illustration in a pattern of behavior. The Krupp case is too obvious to fool many people—other cases will be less obvious. The underground which will keep the Nazi fire burning will be nourished and supported by the trustees of German heavy industry and the trustees of German economic and financial interests within and outside Germany. They are the true underground.

Incidentally, step III above is a favorite Nazi device for screening the true character of potential underground leaders. Hjalmar Schacht, former president of the Reichsbank, who but recently was sufficiently in favor with the Nazis to be assigned to special missions, has been reported several times under arrest and later released. Similar reports have been circulated regarding Alfred Krupp and George van Schnitzer, one of the ardently pro-Nazi executives of I. G. Farben. Other evidence indicates that minor officials reported executed for treason are reappearing in neutral countries with fake passports.

#### EDUARD HOUDREMONT

Eduard Houdremont, managing director of the Krupp Armaments Works, is also an official of the Ministry of Armaments and Munitions headed by Albert Speer holding the post of Special Deputy for Metal Substitutes. In this post Houdremont is director for the coordination of all private, semipublic, and public agencies (cartels, groups, etc.) engaging in finding substitutes for scarce metals.

#### *Ministry of Armaments and Munitions*

The Ministry of Armaments and Munitions must properly be classified as a military institution. Its functions consist exclusively of the control of the sector of the German economy that is concerned with the manufacture and distribution of combat material in the widest sense. The Ministry achieved its predominant position in the spring of 1942 when, under the impact of the defeat suffered in Russia, a reorganization of the German economy was undertaken. At that time the Ministry of Armaments and Munitions took over from the Office for War Economy and Armaments the control of armaments inspections. Thus the Speer Ministry obtained a highly developed management for the control of armament production and full control of the military sector of the German economy.

Houdremont appears to have no connections other than those mentioned above.

The CHAIRMAN. I want to introduce into the record also a statement from the Bureau of the Budget listing all Government agencies participating in the controls which are now in effect, and giving the

extent of their responsibilities in that control. I am introducing this before the testimony of Mr. Clayton and the witnesses who will follow him so that it will be very easy to see whose responsibility is involved in any given case.

(The document referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
*Washington, D. C.*

MY DEAR SENATOR KILGORE: This is in response to your request of June 14, 1945, for information with respect to the Federal agencies concerned with German occupation and control problems. You will find attached as tab A a list of the agencies involved in the control of Germany and Austria, together with statements concerning their responsibilities, their sources of information, and the means for co-ordinating their activities.

If at any time we can be of further assistance to you and to the members of your committee do not hesitate to call on us.

Very truly yours,

HAROLD D. SMITH, *Director.*

TAB A: UNITED STATES AGENCIES PARTICIPATING IN THE CONTROL  
OF GERMANY AND AUSTRIA

A. PARTICIPATING AGENCIES

*War Department*

1. Responsibilities:

(a) Subject to established United States policies, has operating responsibility for this Nation's participation in German and Austrian control. This includes United States collaboration with control authorities of Britain, Russia, and France where quadripartite control is exercised. All activities of the United States military in Germany and Austria and of civilian personnel representing the various Washington agencies are coordinated by and under the direction of the United States military commanders.

(b) Has major responsibility for planning, organizing and recruiting military and civilian personnel for the United States groups for the occupation and control of Germany and Austria. (Other Federal agencies assist in recruiting civilian personnel as indicated below.)

(c) Assumes the major financial responsibility for operations and personnel in Germany and Austria.

(d) Provides civilian supplies under the "disease and unrest formula" for the United States zones in Germany and Austria.

(e) The War Department is one of the chief participants in the interagency committees which deal with German and Austrian control matters.

2. Sources of information:

(a) Almost all information from Germany and Austria reaches Washington through War Department channels. The War Department receives information not only from its representatives in Europe, but also acts as the medium through which information is channelled to Washington for the use of other agencies and to Germany and Austria for use of the United States control groups.

*Navy Department*

## 1. Responsibilities:

(a) Participates in the coordination activities of the Joint Chiefs of Staff.

(b) Furnishes personnel for service with the United States control groups for Germany and Austria in several fields, notably disarmament and intelligence.

(c) Participates in interagency committees which consider German and Austrian control problems.

## 2. Sources of information:

(a) Receives information from Germany and Austria through military intelligence and War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

*State Department*

## 1. Responsibilities:

(a) Performs a leading role in the formulation of United States policies on German and Austrian control.

(b) Furnishes political advisers and their staffs to the United States commanders in Germany and Austria.

(c) Performs consular functions in controlled area.

(d) Assists the Civil Affairs Division of the War Department in the recruitment of civilian personnel for service in Germany and Austria, particularly in the political and political-economic fields.

(e) Participates in interagency committees which consider German and Austrian control problems.

(f) The State Department, through the Foreign Service, has responsibility for investigations in neutral and United Nations concerning concealed German and Austrian assets beyond their borders. Takes a leading role in the necessary background work in Washington.

## 2. Sources of information:

(a) Received information from Germany and Austria through War Department channels and directly from the political advisers to the United States commanders in Germany and Austria. World-wide coverage through the Foreign Service.

(b) Shares in the exchange of information among agencies in Washington.

*Treasury*

## 1. Responsibilities:

(a) Assists the Civil Affairs Division in the recruitment of civilian personnel for service in Germany and Austria, particularly in the fields of finance, fiscal policy, and control of enemy assets.

(b) Participates in interagency committees concerned with the formulation of United States control policies.

## 2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

*Foreign Economic Administration*

## 1. Responsibilities:

(a) Takes a leading role in the collection of data and in making technical studies in Washington on German and Austrian economics and technical means of carrying out United States policies.

(b) Assists the War Department in the recruitment of civilian personnel for the United States control groups for Germany and Austria, particularly in the economic field.

(c) Assists in Washington studies of concealed Axis assets in Germany and Austria and the transfer of such assets to neutral or Allied countries.

(d) Participates in interagency committees which deal with German and Austrian control problems.

(e) Provides a chairman, the secretariat, and administrative personnel for the Technical Industrial Intelligence Committee discussed below.

(f) Provides a secretariat and administrative personnel for the Technical Industrial Disarmament Committee discussed below.

## 2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information received from a variety of sources by Washington agencies.

*Justice*

## 1. Responsibilities:

(a) Assists the Civil Affairs Division in the recruitment of civilian personnel for the United States control staff in Germany and Austria, particularly in the fields of restrictive trade organizations and the detection of Axis assets.

(b) Participates in interagency committees which consider German and Austrian control problems within its fields of interest.

## 2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

*Agriculture*

## 1. Responsibilities:

(a) Assists the Civil Affairs Division in the recruitment of civilian personnel for the United States control groups in Germany and Austria, particularly in the field of agriculture and food production.

## 2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

*Department of Commerce*

## 1. Responsibilities:

(a) No formal responsibilities have been assigned to the Department of Commerce, but representatives of the Department participate on an ad hoc interagency committee concerned with concealed German assets.

2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

*Office of Price Administration*

1. Responsibilities:

(a) Has been requested to supply civilian personnel for duty with the United States control group in Germany.

*Alien Property Custodian*

1. Responsibilities:

(a) No formal responsibilities, but representatives of this office participate on an ad hoc interagency committee concerned with concealed German and Austrian assets.

2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

*Office of Strategic Services*

1. Responsibilities:

(a) Assists the military in intelligence functions in Germany and Austria.

2. Sources of Information:

(a) From the customary sources available to other agencies and from certain confidential sources.

*Office of War Information*

1. Responsibilities:

(a) Assists the military in the development and execution of information policies and programs in Germany and Austria.

(b) Currently furnishes civilian specialists, technicians, and special supplies and equipment for the operation of information control by the Psychological Warfare Division, SHAEF.

2. Sources of Information:

(a) Receives information through military channels.

(b) Shares in the exchange of information among Washington agencies.

B. COORDINATION OF AGENCY ACTIVITIES

1. *Interagency Committees*.—The activities of the various Federal agencies concerned with the occupation and control of Germany and Austria are coordinated primarily by the following interagency committees:

(a) *The Joint Chiefs of Staff (War and Navy Departments)*.—Coordinate activities of military forces and issues directives to the United States commanders in Germany and Austria. Certain papers and directives prepared by other interagency committees are referred to the Joint Chiefs for final clearance.

(b) *State, War and Navy Coordinating Committee.*—The problems concerning the occupation and control of Germany and Austria represent only a part of the subjects dealt with by this committee. However, certain directives concerning Germany and Austria are cleared through it.

(c) *Informal Policy Committee on Germany (State, War, Navy, Treasury, and Foreign Economic Administration).*—This committee, chaired by State, is chiefly responsible for the formulation of policy and clearance of directives on other than purely military matters pertaining to the occupation of Germany and Austria. This committee uses the secretariat of the State, War, and Navy Coordinating Committee.

(d) *Technical Industrial Disarmament Committee.*—This is an inter-departmental committee, consisting of representatives from Commerce, State, Interior, War, Navy, OSS, OSRD, and WPB, which prepares studies, reports, and recommendations for the control of the enemy economy from the standpoint of industrial disarmament.

(e) *Technical Industrial Intelligence Committee.*—This is an inter-departmental committee, consisting of representatives of WPB, OSRD, OSS, PAW, State, and FEA, working under the Joint Intelligence Committee of the Joint Chiefs of Staff. The committee obtains information on industrial processes of the enemy to aid United States war production, assist military government in the control of German economic potential, and obtain information on new techniques that may be turned over to United States industry. The work of field investigators, jointly operating with the British, are coordinated with other intelligence operations by SHAEF. Such activities as may be continued in the field will require coordination by the United States groups of the control councils.

(f) *Interdepartmental Board on Prisoners of War (State, War, and Navy).*—This committee is responsible for coordinating activities of the three departments with reference to matters affecting United States prisoners of war.

2. *Civil Affairs, Division, War Department.*—Coordinates the staffing of the United States control group for Germany and Austria. Coordinates activities within the War Department.

3. *Foreign Economic Administration.*—Coordinates the activities of the interagency Technical Industrial Disarmament Committee and the Technical Industrial Intelligence Committee.

4. *The States Department.*—Coordinates interagency activities in Washington with respect to concealed German assets in foreign countries.

*N. B.* The foregoing does not include international committees and agencies.

The CHAIRMAN. Mr. Clayton, will you go ahead with your statement in your own way, and then we have some questions which we want to ask you.

#### STATEMENT OF HON. WILLIAM L. CLAYTON, ASSISTANT SECRETARY OF STATE

Mr. CLAYTON. Mr. Chairman, I have a prepared statement which I will file with the reporter, and then I have a summary of that.

The CHAIRMAN. We will introduce your complete statement in the record as though it were read, and then you may go ahead with your summary.

(Mr. Clayton's prepared statement follows:)

PREPARED STATEMENT BY HON. WILLIAM L. CLAYTON, ASSISTANT  
SECRETARY OF STATE

In all questions affecting the treatment of Germany, the Department of State has one paramount objective—security against a renewed German aggression. And security can be assured only so long as there is agreement with our allies on the basic principles of the treatment of Germany.

We have reached that agreement as far as the basic objectives of the occupation of Germany are concerned. The late President Roosevelt, Prime Minister Churchill, and Premier Stalin jointly announced, in the communique from Yalta:

We have agreed on common policies and plans for enforcing the unconditional surrender terms which we shall impose together on Nazi Germany. \* \* \*

It is our inflexible purpose to destroy German militarism and nazism and to insure that Germany will never again be able to disturb the peace of the world. We are determined to disarm and disband all German armed forces; break up for all time the German General Staff that has repeatedly contrived the resurgence of German militarism; remove or destroy all German military equipment; eliminate or control all German industry that could be used for military production; bring all war criminals to just and swift punishment and exact reparation in kind for the destruction wrought by the Germans; wipe out the Nazi Party, Nazi laws, organizations, and institutions, remove all Nazi and militarist influences from public office and from the cultural and economic life of the German people; and take in harmony such other measures in Germany as may be necessary to the future peace and safety of the world.

The task of destroying the economic basis of German aggression is one that requires vigorous, simultaneous action along a number of lines. I am very glad to discuss this morning those three aspects of this problem on which your committee has asked me to report. These are, first, the serious problem of Axis economic penetration in Latin America; second, the problem of tracking down and frustrating German efforts to hide abroad a stake for another gamble of aggression; and third, the question of the treatment of German cartels, combines, and technology.

I. AXIS REPLACEMENT AND PROCLAIMED LIST PROGRAM IN LATIN AMERICA

The unity in the Western Hemisphere which has been achieved by the American republics over the course of the past years has been not less remarkable than important. When the suspicion and mistrust with which the United States was regarded in the other republics not many years ago is recalled, it seems all the more remarkable that several of the other republics declared war on Japan after the treacherous attack on Pearl Harbor, even before the United States did. It is a tribute to the wisdom of the good neighbor policy and the strength of our friendly relations with the republics to the south that cooperation and mutual interest in the defense of the hemisphere should have marked all of the difficult years since Nazi aggression was first loosed on the world.

The importance of the other American republics to the defense of the United States of America can hardly be overemphasized. No testimony of mine is necessary to show the extent to which the United States has profited in obtaining bases and support in other of the American republics, or how much we might have been imperiled by enemy radio stations operating in countries from which it would have been extremely easy to follow the movements of our merchant ships, particularly in those crucial days when submarine warfare was at its most successful peak.

The problem of Axis penetration in the American republics was, both in 1939 and in 1941, a very serious one. In the United States, although we had our Bund, our Fritz Kuhns, and our similar rabble, our economic system was not under the domination of such persons, nor was it likely to be gravely shaken by the elimination of these persons from our business economy.

Some of the companies which have been vested by the Alien Property Custodian as German dominated or controlled are highly important in the American industrial picture, but they are not dominant concerns. Nor did our richly developed industrial system feel the problem of replacing undesirable personnel, however highly qualified for technical positions they may have been.

In the other American republics, or at least in many of them, the problem was quite different. In the field of drugs and pharmaceuticals, for example, the Bayer, Merck, and Schering companies enjoyed a virtual monopoly. I. G. Farben subsidiaries had a firm hold on the dye and chemical market. German enterprises such as Tubos Mannesmann, Ferrostaal, AEG, and Siemens-Schuckert played a dominant role in the construction, electrical, and engineering fields. Shipping companies and, in some areas, German air lines, were well entrenched. In addition, other strong pro-German firms were engaged in miscellaneous types of business, some of which were partly or wholly owned from Germany and some of which were wholly owned by persons of German origin who had acquired citizenship in one of the American republics. The Staudt companies, which were large dealers in wool, are typical examples of this type of enterprise.

In all of these cases, German capital represented a large proportion of the total business investment, and in many cases there were no competitive industries which were capable of serving the essential requirements of the local economy. The economic importance of German industry to the other American republics and the difficulties of eliminating and replacing that industry were, therefore, apparent.

The selection and designation of important enemy firms to be eliminated also presented serious political problems, particularly in those countries which had strong opposition parties in the legislature. In some cases the other American republics had taken steps short of war against the Axis, such as the severance of all commercial and political intercourse with Axis territory. Others had declared a state of belligerency. In the countries which took steps short of war, the constitutional authority of the administration to proceed with an elimination program was open to serious question. In many cases the worst of the Axis firms were incorporated under local law and well able to claim the protection of the courts. In some cases it was claimed that the beneficial ownership was not German, which made it necessary laboriously to trace ownership through a maze of dummies

and holding companies. Furthermore, many of the other American republics, perhaps to an even greater relative degree than the United States, have large numbers of citizens of German descent. In most cases these persons were loyal to the country of their domicile, just as most of those who live here are loyal Americans; but in each country there were, particularly under the impetus of Nazi successes, certain numbers of these persons who were willing to believe the pompous rantings of Hitler and his aides and who were trying to lead the countries in which they lived to the objectives envisaged by the Nazis.

The Department of State, throughout this period, has had to take full account of the many factors which make the eradication of Axis influence in the American republics a difficult and arduous job. In the first place, it was necessary to avoid putting the United States in the position of the whipcracking "colossus of the North." More has been achieved by means of cooperation and an honest attempt to understand the problem of the other fellow than could have been achieved by dictation; and our long-range objective of sound and good neighborly relations has not been imperiled. In the second place, we have had to understand problems which do not appear to be very important when one is thousands of miles away, but which are seen to be very serious when one is on the scene. We have had to bear in mind that large bodies of Latin-American citizens of German descent were present in many of the other American republics and that these persons, although perhaps loyal citizens, tended to regard as less dangerous than did we or did the local government the activities of German business houses and of Germans who had been resident for many years in the country.

Realizing also the difficulties of eliminating important business enterprises in economies which did not possess substitute enterprises, we have tried to work with the local governments in building up substitute enterprises.

We have tried also to make sure that these successor enterprises remain in the hands of local nationals. We have been careful to avoid actions which would afford the slightest justification for an accusation that the United States used economic warfare controls in order to further the economic interests of its nationals.

Another problem which we had to contend with in the early days of the war was the difficulty of obtaining proof of Axis ownership, and of the extent of the inimical activities of these Axis spearheads, sufficient to support proceedings for their nationalization in a court of law. Our own ability to produce such evidence was limited since we did not then have access to the records of these firms in Germany, nor were we able to seize the books and records of the firms in the other American Republics. The cooperation of the other American Republics and of our allies was invaluable in making possible a mutual interchange of information concerning inimical activities in the hemisphere. The local police were able, on numerous occasions, to uncover evidence in spite of the elaborate security precautions which the Nazis had taken.

I should like to cite an illustration of this kind of cooperation. An agency of the Government of Uruguay seized the books and records of the Banco Aleman. The findings of that agency are summarized in English in a report which is contained in exhibit 1. The extent of the participation of these spearhead firms in the Nazi plan, the value of their contribution to that plan, and the insidious nature of their

operations are clearly shown in this summary. Doubtless the full story will be forthcoming from an inspection of the records in Germany.

Through the cooperation of our British allies, we obtained access to a large cache of mail from the Bayer subsidiary in Argentina to I. G. Farbenindustrie, Leverkusen, Germany, which was intercepted in 1943 at Gibraltar. Of particular interest are two letters from the Argentine subsidiary which summarize the position of the important Bayer companies as of mid-1943. English translation of the text of these two letters are available in exhibit 2.

Another example of the cooperation between this Government and the other American republics is the work of the small mission which visited one of the Latin-American Republics in the fall of 1943. This mission, aiding those officers of the Embassy who had already been working on this problem, presented a set of objectives to the local government—a sort of statement of principles. After this was subscribed to by the local government, the members of the mission, together with officers of the Embassy, sat down at the conference table with officials of that government interested in the control of enemy business enterprises and in production and distribution in the country. In the mission were officers of the Department of State, of the Office of Alien Property Custodian, and independent experts who had been retained for the purpose by the Custodian. The result of this work over a period of a few weeks was a comprehensive report which went into the business of each of the important Axis companies in the country, indicated the manner in which those companies might be replaced without loss to the local economy, and mentioned those American companies which could make available either supplies or technical assistance in working out the replacement of the Axis concerns.

The basis for cooperation in the elimination of Axis-dominated companies was laid in the Rio de Janeiro Conference in January 1942. Resolution V of that Conference, recalling the declaration of the previous Conference in July 1940, that an attack by a non-American state on one of the American republics would be considered as an attack on all of them, recommends the elimination of all commercial and financial intercourse between the Western Hemisphere and the Axis. The resolution contemplated the elimination of "all other financial and commercial activities prejudicial to the welfare and security of the American republics." At the Conference held in Washington in June and July of 1942, these matters were elaborated and it was recommended that the businesses of any persons who were acting against the political and economic independence or security of the American republics "shall be the object of forced transfer or total liquidation." Under certain circumstances, these companies may be the "object of blocking, occupation, or intervention." I offer copies of the resolutions of both these Conferences as exhibits 3 and 4.

The adoption of these recommendations was not empty phrase-making. The resolutions were followed by action in almost all of the other American Republics. Some of the legislation which was drafted in these other republics was based upon United States legislation in the field or was drafted with the assistance of United States experts. The legislation adopted in most countries was extremely effective and thoroughgoing. I am submitting for purposes of illustration, as

exhibits 5 and 6, copies of legislation enacted in Mexico and in Brazil, which, I believe, compare favorably with that of the United States.

Our missions in Latin America have, of course, worked energetically and zealously in following the progress made under this legislation, in discussing individual cases with the commissions, and working out with them particular methods of eliminating spearhead companies. In general, the policy has been to liquidate those spearhead firms whose disappearance would not injuriously affect the local economy. Whenever the enterprise was essential to the local economy, the procedure has usually been either to vest the business with all its assets in much the same way that the Alien Property Custodian has moved against enemy property in this country, or to force the undesirable owner to sell to satisfactory purchasers. In many cases, of course, only some of the partners or stockholders were undesirable; and in these cases only the undesirable interest has been eliminated—either by a partial vesting of the assets of the firm or by a forced sale of the undesirable interest to a satisfactory purchaser. In all of these cases the practice has been to block the payments accruing to the former owners.

This Government has also rendered such services as the issuance of a booklet giving medical equivalents for German products which were in common use in particular countries. Since German medicinals occupied a very important place in many of these countries, the issuance of such a booklet made simpler the problems of local doctors who were eager to cooperate by prescribing products manufactured by American or local concerns, but who were so accustomed to the German product that they often did not know whether an equivalent existed or was sold in the particular country.

A very good idea of what our goal has been and what has been actually accomplished can be gained from a list of the enterprises in the other-American republics which are regarded as spearhead in character and the progress which has been made toward their total and permanent elimination. Such a list, compiled on a country-to-country basis, has been offered as exhibit 7.

An examination of this document will, I believe, support the conclusion that encouraging results have been realized in the job of eliminating Axis spearhead firms in Latin America. We naturally expect to continue to press for the elimination of such firms in those countries where the task is not already substantially accomplished.

The Department of State has, of course, given much thought to the possibility that some of these Axis spearheads will survive the program which I have described, and to the related possibility that some of the former German owners may find ways to regain their control over enterprises from which they have been ousted. Steps have been taken to guard against these possibilities by the addition of paragraphs in the various national laws on the subject to the effect that the assets in question may be transferred only to a national of the country concerned; or to the effect that such assets may not be transferred to German nationals. Assurances have been received from various American Republics that the return of these properties to their former owners will not be allowed, and that the replacement program will continue unabated. Moreover, the Department of State has followed, on a case-by-case basis, the transfer of all Axis spearheads, as well as

other Proclaimed List properties, to make sure that the transfer was bona fide in each case. No man can look too far in the future. It seems a safe prediction, however, to say that German economic and political penetration in this hemisphere has, for the most part, been dealt a blow from which it will probably not recover; and that the prospects are reasonably bright for the substantial elimination of Axis spearhead firms even in the areas where they still survive.

The fact that the United Nations are now in possession of the head offices of these Axis concerns in Germany would, moreover, seem to put it within their power to take over any Axis firms that should remain untouched by the nationalization program. This is an approach which is now being considered in relation to the whole question of reparations and war claims. The present cooperative program of the other American Republics to discover and block German and Japanese assets in this hemisphere—a matter which I shall discuss in some detail at a later point—strengthens the probability of further action and is a logical consequence of the replacement program which I have described.

At this point, I want to say a few words about one of the weapons of economic warfare which has been wielded by the United States and which has been a most effective supplement in accomplishing the elimination of Axis influence in the Americas. This instrument, which has been used in consultation with the Governments of Great Britain and Canada, is the Proclaimed List. The list is designed to specify publicly those persons whom this Government considers to be undesirable and whom it, therefore, proscribes from communication or dealing with United States nationals under the Trading With the Enemy Act. The list contains the names of all kinds of persons—individuals whose political views publicly expressed are antagonistic to the Allied war effort as well as Axis branch companies. In the main, however, the list has been used as an instrument to designate those persons with whom trade was undesirable or prohibited. As a trading weapon, it has been much more effective than it would have been had it been used chiefly to designate persons who, for one reason or another, were undesirable, or persons who, however undesirable, carried on no business.

It should be understood, however, that the list is not a perfect weapon. Where local cooperation was not forthcoming, the list was much less effective than in those places where there was good local cooperation. If the citizens of a community insist on trading with a particular person, even if he is on the Proclaimed List, the efforts of the United States to prevent him from getting goods from Allied sources and to deny him other commercial facilities do not have the maximum effect.

The chief problem in maintaining an effective Proclaimed List has been that of preventing goods from reaching the hands of Proclaimed List nationals through dummies. If a listed individual or concern attempts to order goods from the United States, he cannot receive them because all shipments of goods abroad are screened against the Proclaimed List. The Proclaimed List national therefore tries and tries again to order goods through dummies or cloaks. These dummies may be minor employees or insignificant individuals whose listing would cause them no real concern. Consignees are sometimes fictitious people, people who have long been dead, etc. Purchase of

goods in the local market is another way of obtaining goods. These local purchases may, in the case of indigenous products, be made from the original producer; in the case of imported goods, purchases are made through cloaks so that often legitimate importers of United States goods innocently make sales which benefit Proclaimed List nationals.

The Department and the other agencies charged with the administration of the Proclaimed List have, in cooperation with the governments operating similar lists, made determined efforts to prevent any goods from reaching Proclaimed List nationals with the aim of depleting stocks and ultimately forcing liquidation or bankruptcy. The size of the task is illustrated by charts, offered as exhibit 8, showing the total number of persons and firms on the list in this hemisphere and in each country in this hemisphere. For purposes of comparison, a similar chart of the listings in this hemisphere in the last war is offered as exhibit 9, although I believe this chart does not reflect the size of the list in the last few weeks of that war. In addition to approximately 8,000 names on the list for this hemisphere, there are more than 5,000 names on the list for the European neutrals.

Because of our controls over shipping and supply, and because of the alert work of our missions in the field, I am glad to say that the Proclaimed List has been far more effective in this war than in the last and that, as a result of its operations, hundreds of firms have been reorganized so as to eliminate undesirable elements, or have been forced to shut down.

Only a small fraction of goods from this country ever reached Proclaimed List hands, and in the Western Hemisphere at least, the task of acquiring goods locally was made so difficult and expensive as to be generally prohibitive. The fear of inclusion in the list also has a strong deterrent effect on many whose cupidity might otherwise have led them into the enemy camp.

It has been necessary to keep in mind the desirability of using the list only insofar as local controls were not effective to do the job. It has often been pointed out to us by our neighbors in the other American Republics that we do not maintain a Proclaimed List in Great Britain or in Canada or in many other Allied Nations.

Our reply has been that the list is not maintained in those countries where local controls are so effective as to make the list unnecessary; and as a corollary we have undertaken in public statements to withdraw the list first and most rapidly from those countries which cooperate with us in the elimination of Axis spearhead concerns. We have said, in effect, that if a country completely eliminated Axis influence in a firm like Bayer or Anilinas, we would be able to take off the Proclaimed List for that country not only the name of that reorganized company but also the names of a large number of people who had been listed for the offense of cloaking for the previous Axis company. In other words, we have said to the other American Republics that if their controls were effective, in the same manner that Great Britain's are effective, we would then be prepared to withdraw the list from those countries.

Withdrawal in this manner does not imply in any way a whitewashing of all the persons taken from the list. It does not mean that a particular German national who has been on the list for 2 or 3 years has suddenly changed his stripes. It only means that we are

carrying out the promise which necessarily had to be made to the other American Republics that we would gradually withdraw the list from those countries which imposed effective local controls, and that we would then expect the local government to deal with the local undesirables.

I want to be extremely explicit about this point, lest it be mistakenly construed as an indication of softness or weakness in our economic policies. The policy stated in May and in September 1944 (and I attach as exhibit 10 copies of these statements) is neither soft nor weak. It is based on realistic and hard-headed recognition of the fact that local controls are much more effective than those imposed from a distance of thousands of miles. It is based on realization that the list is not liked by the other American Republics and that, if we were proposing to continue the list without regard to local controls, they would have ample justification for complaining against our policy. It is based on the knowledge that our willingness to discuss the conditions under which we would be willing to withdraw the Proclaimed List, and to turn the situation over to local controls, accelerates the implementation of these local controls and the elimination of the dangerous Axis spearheads. Pursuant to this policy, the list in such countries as Mexico and Chile has been quite drastically cut in recent months. It may be cut again in the months to follow. All that these cuts mean is that local controls are considered effective, at least under conditions presently existing, and that we are carrying out our long-standing commitment to withdraw the list first from those countries which had imposed effective local controls. The others which have not imposed effective local controls may expect continuation of the list for some time to come.

Finally, I should like to point out that our so-called economic warfare objectives in the Western Hemisphere tend to change with changing war conditions. We no longer have to worry about blockade, about the dangerous Axis companies receiving supplies from Germany, or even, since we can handle the problem from Germany, about the reestablishment of trade relationships between the Western Hemisphere and Germany. What we do have to worry about are those persons who may be hiding Nazi loot or flight capital, and about the control of German investments in all of the republics. We are attacking these problems cooperatively with the other American Republics just as we have cooperated in our economic warfare measures. The Mexico City Conference on Problems of War and Peace adopted a resolution in this connection which I should like to introduce as exhibit 11.

The resolution, which was sponsored by Mexico, refers to documents which have been issued by some or all of the United Nations and adopts and reaffirms the principles and objectives of these documents. The documents in question are the declaration with respect to Axis acts of dispossession issued on January 5, 1943, the Gold Policy Declaration of February 22, 1944, and resolution VI of the Bretton Woods Conference. The resolution resolves that the American republics will maintain existing measures in force so far as applicable and will take further measures to attain the objectives of these declarations and resolutions including specific further measures along lines stated in the resolution. I should like to quote two paragraphs

from the Mexico City Resolution XIX, which I believe to be as good a statement of the problem as I have seen:

There are reasons to believe that Germany and Japan will again attempt, in spite of their certain defeat, to conceal their property, and property which they have unjustly obtained and which they have placed in other countries in order to finance, during the postwar period, activities of every sort inimical to the security and safety of the Western Hemisphere and of the world in general;

The peace and welfare of the postwar world must be based on justice and an organization that assures justice, and that, therefore, all necessary steps must be taken in a manner consistent with the laws and practices of each country to facilitate the location and restitution of property unjustly taken from the peoples of occupied countries, and the uncovering and treatment of hidden property, directly or indirectly originating in Germany or Japan or which is owned or controlled by Germany or Japan or by individuals and entities within such countries, all for the purpose of making it impossible again for Germany and Japan to be able to provoke and make war.

## II. THE SAFEHAVEN PROGRAM

The Department of State has abundant evidence that the Nazis, in anticipation of military defeat, made careful plans to carry on in foreign countries a wide range of activities necessary to support an eventual resurgence of German power. For this purpose plans were made, and carried out in part, to transfer abroad sufficient funds and specially trained personnel to carry on pan-German activities, even while the Allied armies were in occupation of Germany.

These instrumentalities through which the Germans planned to rebuild their military, economic, and political strength in foreign countries were principally the following: First, the large foreign industrial concerns owned or controlled by such firms as I. G. Farben, Siemens, Bosch, and Telefunken; second, scientific research laboratories located in foreign countries for the development of new weapons and new industrial processes important to war; third, subsidized colleges, technical schools, high schools, and elementary schools to spread pan-German doctrines; fourth, German owned or controlled newspapers, magazines, and radio stations to spread antidemocratic propaganda and to create disunity among the peace-loving nations of the world.

The nature, scope, and complexity of this program for the re-creation of German military might has required, during recent months, and will require for some time in the future, a carefully organized effort on the part of the United Nations to eliminate this German threat to international security. Although my remarks today will be almost wholly confined to the economic aspects of the problem, I want to assure you that this Government, in conjunction with other United Nations, is actively engaged in an integrated external security program aimed at frustrating the German plan.

The success of German efforts to carry on in foreign countries activities inimical to the United Nations must depend on their ability to mobilize funds to support the execution of their plans. Consequently, they have made strenuous efforts to move abroad assets of all kinds which can be converted into funds for the financing of hostile activities.

Our safehaven program is a combined effort of the Department of State, the Treasury Department, and the Foreign Economic Administration to forestall German attempts to hide assets outside of Germany,

particularly in the European neutral countries. I should like to describe in some detail the policies which we are putting into practice in the implementation of this program.

The safehaven program has the same general objective as the replacement program which I have already discussed. The object of both is to deny to Germany the economic bases of future aggression.

Operationally, both programs draw upon the vast amounts of information compiled by the Department of State during the war years, especially in its files developed for the administration of the proclaimed list and related controls. A master index, containing approximately 500,000 names of individuals and concerns abroad, affords a ready reference for investigation of the relation of old cases to new transactions, and provides the focal points for the maintenance of vigilance over the scattered scraps of information which regularly come to our attention.

The replacement and safehaven programs are both based upon the common knowledge that totalitarian Germany was able to marshal the ostensible private interests of German nationals abroad for the purpose of waging economic war. The replacement program was an earlier phase. Because of the cooperation of the other American Republics, it was possible through the replacement program to combat German economic power in most American countries at a relatively early date after we entered the war. Moreover, the Western Hemisphere was isolated from German-occupied European areas by communications, blockade, and financial controls. Essentially, therefore, the problem in the other American republics has been one of reducing and eliminating the prewar economic potential of totalitarian Germany.

In neutral Europe the problem was to prevent growth as well. During the war, the Germans were able to siphon wealth out of Germany and occupied areas to neutral countries, because geographic contiguity greatly lessened the effect of controls of the sort that I have enumerated above. Germans passed from enemy Europe to the neutral countries completely free of Allied control over movement. Communications were open. It was not practicable until recently to turn the blockade against the importation into a neutral country of goods and other wealth from Germany. The presence in the neutral countries of German diplomatic missions, all swelled to abnormal proportions, was a tremendous additional advantage to Germany in furthering its objective of hiding a stake for another gamble.

Another difference between the replacement and safehaven programs is that the former was voluntary, based upon the freely given commitments of the Western Hemisphere nations. The neutrals, however, resisted our requests for adequate local controls over German schemes, until our economic bargaining power and the obvious decline of Germany's military strength convinced them that another course was desirable.

The safehaven program concerns itself with denying to Germany, in the interests of justice and future security, the economic power arising from (a) the organized looting of occupied countries, (b) the flight of German capital in anticipation of defeat, and (c) the German capital investment already located abroad when the war began. Our chief efforts in this connection are directed against areas which have not cooperated in the extirpation of prewar, and the prevention of

wartime, Axis economic penetration. In the Western Hemisphere, safehaven is of primary importance only where the replacement program has lagged or where there is reason to believe that blockade controls have been evaded with some frequency.

Perhaps it would be helpful at this point to illustrate the ways in which Germany sought to build up and safeguard its foreign holdings of the types of property mentioned above. To demonstrate the possibilities inherent in intercorporate manipulation of German interests, I need only refer to the I. G. Farben empire, which the committee has previously studied.

The extent to which holding companies within a single country can be misused to evade controls and hide true ownership is known to all of us from certain pages of the financial history of this country; we can, therefore, appreciate the possibilities when incorporations in several nations are employed. German enterprises frequently masked the true extent of German control in a particular country through the incorporation of holding companies in other countries, through the use of cloaks to hold German stock interests, and even by abandoning formal voting control but retaining a firm grip on the local industry through domination of technical processes used in manufacture.

The Germans have been aided in their attempts to mask the German interests in corporations chartered in neutral countries by the European preference for bearer shares and the restrictive requirements of certain European tax systems, which have made it customary for majority foreign interests in domestic corporations to be understated as minorities.

The potentialities of bearer shares are readily seen if it is recalled that such shares are negotiable by delivery and that it is exceedingly difficult to trace the chain of title to a particular bearer share. Thus it was possible for the Germans to loot securities in bearer form in occupied territory and turn them over to an agent, who would then appear in a neutral country, posing as a valiant national of the occupied country, and proceed to exercise voting control of the local subsidiary, to the covert advantage of the Third Reich. Obviously, the bearer share seriously complicates the problem of achieving restitution of looted securities.

The importance of national taxation laws in relation to the concealment of true control is illustrated by the case of Spain. Since 1921 Spain's tax laws have made it expedient for foreign capital to show no more than a 25-percent interest in domestic corporations, since the tax on foreign corporations was prohibitive. As a consequence, techniques were evolved long before the war for concealing the true facts of ownership, and the Germans made full use of such devices.

During and after the war, these schemes became expedient for safehaven reasons as well. Moreover, business customs and practices in the interests of ordinary commercial secrecy have been used to advantage by the Germans.

All this is not to say that the laws of the various neutral states have designedly favored German schemes. Rather, the Germans have been clever enough to take advantage in this instance, as they have in so many others, of the liberality of foreign laws and practices. The Germans have also taken advantage on occasion of administrative inefficiency, nonfeasance, and corruption. The extent to which this can be said in every neutral country to have been the fault of private individuals alone is problematical.

The Germans systematically looted all manner of valuable property, not only to satisfy the esthetic sensibilities of such celebrated collectors as Goering, but to acquire wealth cheaply for concealment abroad. Looting reached its nadir when gold was picked from the teeth of gas-chamber victims. A more subtle form of looting was outright "purchase" with occupation currency from fearful vendors.

The Nazis during their occupation of Belgium, the Netherlands, and France, confiscated or looted by various devices in contravention of the Hague Regulations of 1907, paintings and objects of art worth considerable sums. It is estimated that the value of such objects looted in Holland alone reaches approximately 200,000,000 guilders, or \$136,000,000. The total value of works of art confiscated or acquired by fictitious purchase in paper marks by the Nazis is estimated at more than a billion and a half dollars.

Among the German "buyers" or recipients of these works of art have been Goering, Hitler, Goebbels, and von Ribbentrop. The methods of acquisition included forced purchases with "occupation guilders," or with German marks pumped into the circulation of the occupied country. Some paintings were seized as Jewish property. Three of the agents engaged in acquiring works of art for Goering and the others were Alois Miedel in the Netherlands, Dr. Hans Wendland in France, and Andreas Hofer, the Berlin art dealer.

The Department of State has been active in liaison with the Roberts Commission, OSS, FEA, and the British Ministry of Economic Warfare in discovering, identifying, and listing these looted art objects with a view to aiding in their restitution to their rightful owners in accordance with the Hague regulations. Looted art objects, because of the ease with which they can be concealed and smuggled, constitute one means by which the Nazis could transmit property abroad to be converted into cash for use in armament research and development, espionage, or propaganda.

The case of Alois Miedel furnishes an example of the successful discovery, identification, and immobilization of a valuable shipment of looted art. After the German occupation of Holland, in May 1940, Miedel went to that country and acquired by the methods described above, on behalf of Goering and the others, a number of art collections, including the Goudstikker collection of Amsterdam. On July 24, 1944, three cases of paintings from France were deposited in the name of Alois Miedel in the free port of Bilbao, Spain, by the German firm of Bacquera, Kusche & Martin, a firm which was on the British Statutory List and the United States Proclaimed List for trading with the enemy. Ramon Talasac (also on the Proclaimed List) was the agent of B. K. & M. in depositing the cases at Bilbao.

Confidential sources identified the shipment as including paintings from the Gouldstikker collection confiscated by Miedel in 1940. It was reported that Miedel was engaged in smuggling looted works of art from France into Spain, and endeavoring to dispose of them in Spain. As the result of confidential information transmitted to the Embassies at London and Madrid, Miedel was placed on both the British Statutory List and the United States Proclaimed List for Spain. It was reported that in November or December 1944 the Spanish police issued an order for Miedel's arrest. Miedel had been arrested by Maquis on the French side of the border, but escaped back to Spain and disappeared.

In March 1945 the American Embassy in Madrid secured from the Spanish Foreign Office permission for a representative of the Embassy and for the Dutch Minister to inspect the paintings deposited at Bilbao. The American representative photographed the pictures. Of the 22 paintings, 10 were identified as belonging to the Goudetikker collection, one to the Van Oalst collection, and one to the Valkenburg collection. Among the artists represented were Corot, David, and Van Dyck.

The Dutch Minister was of the opinion that he would be able to repossess the paintings on the basis of the evidence thus secured.

The problem becomes more complex when the looting action rests upon the ostensible authority of a puppet government in enemy-occupied or enemy-dominated territory, and when neutral nationals acquire an interest in the property under color of being bona fide purchasers for value.

The following is a classic example: Under the Vichy equivalent of the Nuremberg anti-Jewish laws, certain furs belonging to Simon Freres, Paris, were seized and sold at public auction to a collaborationist, one Radenac. These furs then appeared at the free port of Barcelona, Spain. By this time Radenac had acquired a prominent Spanish co-adventurer. As soon as the case came to the attention of the American Embassy at Madrid, the Embassy invoked the Inter-Allied Declaration Against Acts of Dispossession, which I shall discuss later, by calling the matter to the attention of the Spanish Government. Radenac was called into the American consulate general at Barcelona to explain. His explanations were unconvincing, and he was black-listed by the British and ourselves. The word was spread around that a similar fate awaited those who might buy the looted furs from him. Moreover, the effect of the Inter-Allied Declaration was to make it clear to potential purchasers that the United Nations would not recognize the validity of a title through Radenac. The French Mission was kept fully informed; and as France regained her diplomatic powers, she was able to take over the case herself vis-à-vis the Spanish and press for rectification of rights. The case is now before the courts in Spain, with the French claimant adequately represented by counsel. For the period of over 12 months between the arrival of the goods in Spain and this proceeding, dissipation was prevented by the efforts of the American Missions in Spain and their British and French colleagues.

Having mentioned some of the schemes by which German external assets were cloaked and looted property turned to German economic advantage, I should like to discuss the third phase of safehaven, the detection and control of German flight capital. It is not possible yet to state at exactly what time an official policy of hiding assets abroad was embraced by the Reich. Certainly such a policy was not generally adopted until after the flush of earlier blitz victories had well worn off.

Since the flight of Axis capital is the most recent and covert phase of German efforts to achieve safehaven, you will understand that a great many cases are presently under active investigation, both in Germany and elsewhere, and that I must exercise care in mentioning names or localities. I should like, however, to illustrate some of the devices or techniques used to foster the flight of German economic power to neutral countries.

1. In some countries, such as Switzerland, a bank account may be kept by number rather than by name, and heavy penalties face the banker who violates the secrecy rule and discloses the identity of the owner of the account. Shifts from one numbered account to another within a single country can be confusing enough, to say nothing of movements between two countries where such systems exist, especially in view of the fact that the persons who are listed as the owners of the numbered accounts may themselves be only cloaks for others. In our recent negotiations with Switzerland, we pressed for the lifting of the bank secrecy law. The Swiss decree, however, did not go beyond authorizing Swiss officials to conduct investigations regarding the identity of the owners of numbered accounts. Whether this change will yield beneficial results is yet to be seen.

2. Germans have also achieved foreign haven for flight capital by preventing the normal repatriation of German foreign earnings. German corporations have either not declared dividends or have not sought to convert them into marks. For example, the Deutsche Bank and Deutsche Orient Bank (Dresden Bank) branches located in Istanbul, Turkey, followed the policy of accumulating in Turkey rather than transmitting to their parent company in Germany their annual profits during their last 8 years of operation.

3. Another device for achieving the same result was that of building up credits for Germans in neutral countries by deferring the payment for German exports. We have reports that Germans have dumped goods in neutral countries, granting very liberal credit terms. Lest this be too obvious, a two-price system was sometimes used, whereby lower fictitious prices would be paid through the clearing at the time of importation and sale, while the difference between the simulated price and the real price would remain a postwar credit in favor of the German shipper. Checking these reports indicates that the latter variation was sometimes used for heavy industrial exports of great value. There is little to show that Germany was able to dump consumers' goods in foreign markets in volume during the war. Germany did, however, strive to maintain the prestige and morale of her export organization, with the result, for example, that German radio and photography shops in neutral countries were well stocked in comparison with the bare shelves of American outlets.

4. During the war years, German investment in neutral countries showed itself particularly disposed to enter concerns in which there was a substantial increment of neutral capital. It seems fairly obvious that one reason for this was the expectation that in case of German disaster the neutral governments would be more reluctant to take measures against such concerns than against those in which neutral interests were less involved.

5. German liquid balances in neutral countries, particularly the earnings of Germans located in those countries, were frequently invested in income-producing real estate. This, again, is symptomatic, for neutral reluctance to interfere with existing titles to land at the instance of foreign states is based on inferences from the concept of sovereignty itself. Moreover, land cannot easily be frozen in a blocked account.

6. Finally, a very simple evasive tactic, time tested by the last war, rests upon the short memory of man and his soon tiring of controlling Germany and Germans. The scheme was simply to dispose

of property by a written instrument, absolute on its face, but delivered on a secret, oral understanding that it would become void in 5 years or so. Our reports indicate that the Germans as a general rule thought that 5 years was allowing enough time for this purpose.

Flight of capital is not of treasure alone; the brains and skills of men are also the subjects of German efforts to save potential strength for another war. This is especially true of German scientific and managerial personnel. We need only recall the flight of German technicians to surrounding areas after the First World War to appreciate the existence of a similar danger today. The problem is complicated by the fact that many German technicians have assumed, with fraudulent intent, citizenship in other countries. Moreover, there may be greater neutral reluctance to permit the extradition or repatriation of Germans not regarded as war criminals than to recognize Allied competence with respect to German assets abroad.

I should like to cite a few cases which illustrate these dangers. In a certain neutral country, the German electrical company, Telefunken, bought a plant in the summer of 1943. The plant was immediately modernized and enlarged. It now has complete facilities for testing the most intricate short-wave radio equipment, and magnificently equipped laboratories for research in the ultra short-wave and tone-frequency field. As late as April of this year negotiations were in progress for the importation of skilled German technicians to work in this plant.

In another neutral country, the government was eager to encourage the growth of manufacturing in the national economy. A semiofficial German organization presented a proposal to the government of this neutral country for the equipment and establishment of a technical school system. A representative of an Allied government has seen the 5-volume dossier containing the German offers. The Germans proposed to supply a very large quantity of machinery and equipment for purposes of production, research, and teaching. In addition, they proposed to construct a fully equipped plant for the production of machine tools.

The acceptance of this offer by the neutral government would have necessitated the employment of a large number of German teachers and technicians. The offer certainly did not arise out of simple commercial motives, for the Germans were willing to guarantee delivery within 3 months at the very time when German war industry was losing the battle of production. It seems clear that the plan was intended to establish a nucleus of German personnel and equipment beyond the reach of the Allies.

Aircraft repair establishments in the same neutral country ordered certain specialized machines from German suppliers in 1941. They were unable to obtain delivery until late in 1943, at which time they received, not the amount of equipment that they ordered, but five times as much. Much of this machinery, adaptable to the large-scale manufacture of aircraft, rests today in this neutral country, still uncrated.

Germans in foreign countries, who have now been cut off from their connections with German industry, may be expected to try to turn to United Nations trade as a means of preserving their position. They did this after the last war, and they have had some experience along these lines in this war.

In one neutral country, Germans actually managed to derive large profits from the popularity and strong drawing power of American motion pictures. Their scheme was ingenious, and too long for recital here. They dealt with the unsuspecting American producers through a series of cloaks, and managed to get control of the exhibition rights of American films. The arrangement was broken up by a vigilant American diplomatic mission, which used its control over the importation and distribution of American raw film stock to forestall the dubbing and copying of films whose exhibition rights were German-held.

The United Nations have been alive to the dangers of German safehaven efforts throughout the war. It has been necessary, however, to adjust precautionary steps to particular stages of the war. The earliest economic security measures designed to extirpate Axis influence were those taken in the other American Republics pursuant to the replacement program which I have already discussed. The next was the United Nations declaration of January 5, 1943, a copy of which is herewith submitted for the record as exhibit 12.

This declaration made it quite clear that the United Nations would not recognize the validity of property transfers in enemy-occupied Europe based upon Axis acts of spoliation.

The declaration was given wide publicity and was presented by the American missions abroad in a formal diplomatic manner to the various governments not then members of the United Nations. Others of the United Nations made parallel diplomatic presentations. The American Embassies and Legations throughout the world have been instructed, moreover, to invoke this declaration in bringing to the attention of each foreign government the fact that certain property located within its area is asserted to be loot. In this way, it has been possible to forestall defenses based upon the doctrine of innocent purchaser for value. This policy was further implemented by vigorous blacklisting action. Individuals and concerns contemplating the purchase of looted property were warned that the consequences of their act would be certain inclusion in the American Proclaimed List and the British Statutory List.

Later, on February 22, 1944, the United States sponsored a specialized declaration, a copy of which I offer for the record as exhibit 13, relating to looted gold. Studies by the Foreign Economic Administration indicated that by the time of that declaration, Germany had more than exhausted all of her gold on hand when she entered the war, with the result that any gold thereafter purchased by the neutral countries from Germany would be presumed to be looted gold and hence within the nonrecognition principle of the earlier United Nations' declaration. The Gold Declaration was given publicity and diplomatic presentation similar to that of the January 5, 1943, declaration.

The next step was the inclusion in the Bretton Woods agreement of Resolution VI, a copy of which is offered as exhibit 14. This resolution broadened the scope of the earlier declarations to include enemy flight capital as well as looted property, thus illustrating a new danger that was beginning to arise as German defeat became more certain. This resolution has been given wide publicity and urged upon the United Nations for adoption as the general principle for dealing with flight capital and looted property.

Resolution XIX of the Mexico City Conference on Problems of War and Peace, which I have previously discussed, pledged the combined efforts of freedom-loving Western Hemisphere nations to forestall Axis concealment of assets abroad.

As the safehaven problem grew more acute with time, and as the German position deteriorated, it was possible to bring additional pressure to bear on the neutral countries to recognize the expressions of basic policy which I have outlined above. For some time prior to Mr. Lauchlin Currie's mission to Switzerland, representatives of the State Department, the Treasury Department, and the Foreign Economic Administration had been studying proposals for linking up safehaven objectives with Anglo-American supply purchase negotiations with the European neutrals. It was decided as a matter of basic policy that attainment of safehaven objectives should be sought in such negotiations.

I should like to introduce for the information of the committee as exhibit 15 a model note addressed to a neutral country regarding these objectives. In general, the neutral governments were called upon to subscribe to the principles of the declarations and resolutions mentioned heretofore and were requested to take the following implementing measures: (1) To freeze all German assets; (2) to investigate transactions since 1939 between persons subject to the laws of the particular country and persons in Axis or Axis-controlled territory; (3) to make the results of these investigations available to the United States Government; (4) to conduct a census to determine the extent of German ownership of assets located in the neutral country; and (5) to provide the United States with full information regarding persons of Axis nationality who entered the neutral country since 1939 and who are still there.

The Swiss negotiations resulted in the enactment of a Federal law in Switzerland providing for the blocking of German accounts and the initiation by the Swiss of a census of German property in that country. A copy of the Swiss decree is offered herewith as exhibit 16. The collapse of Germany speeded the enactment of control legislation in Spain and Portugal.

The Spanish laws are herewith introduced as exhibit 17. The Spanish decree of May 5, 1945, adhered to the principles of Bretton Woods Resolution VI and provided for a general freezing control over the assets in Spain of subject of Axis or Axis-dominated countries and gave broad discretion to the Minister of Foreign Affairs with respect to the implementation of the policy thus expressed. The Minister of Foreign Affairs, acting under this delegation of authority, has required corporations domiciled in Spain to report the capital therein owned by all nationals of Axis or Axis-dominated countries. A licensing system is provided for, and without a license all payments of dividends, debts, etc., to the nationals of Germany or territory formerly dominated by Germany are forbidden. The Portuguese decree is similar in tenor, but its operative effect is confined to the nationals of Germany, unlike the Spanish law which affects all Axis nationals or the nationals of any country which the Germans had occupied during the war. Negotiations with the Swedish Government are proceeding relatively satisfactorily, according to our Legation at Stockholm. Sweden had suspended commercial and financial transactions with Germany prior to the latter's capitulation.

With German assets now frozen in the European neutral countries and Allied investigating teams scouring Germany for evidence of the German side of safe-haven transactions, it is expected that rapid and substantial progress will be made in isolating Germans from the economic power they have sought to maintain through illegal movements in neutral countries. A great deal, however, remains to be done. The Department of State is determined to press forward, in conjunction with the other executive agencies operating in this field, in order that economic security objectives may be attained and German property outside of Germany subjected to just claims against it.

It is the objective of the United States, regarding property looted from territories occupied by the Germans, to lend every assistance to the country from which the property was taken in order to obtain return of the property for adjudication of present rights to it. German capital abroad, whether flight capital or traditional German foreign investment, must bear its full share of German responsibility for this war. I am not in a position to make any additional statement regarding the ultimate disposition of German external assets until after discussions with our allies regarding fundamental reparations and German control policies have been completed. In the interim period, one of the most important tasks in which the Department of State is collaborating with the other civilian agencies is the study of evidence available in Germany regarding German economic penetration into the neutral countries and the Western Hemisphere.

During this period, also, the Foreign Service abroad, the Department of State, and other interested agencies in Washington will continue their efforts to obtain information outside of Germany regarding the nature and extent of German holdings, to press for neutral controls which will immobilize German interests without prejudicing their ultimate disposition, and to formulate and study the principles which should govern the final settlement, to the end of assuring that Germany may never again be able to mobilize external assets for aggressive purposes

### III. CARTELS, COMBINES, AND TECHNOLOGY

I should like to turn now to the question of German participation in international cartels. The development of an effective policy on this question requires parallel action with respect to German domestic cartels and combines, international combines in which German nationals have an interest, and the treatment of German technological information.

Our policy toward German participation in international cartels is governed by two considerations. The first follows from our general opposition to cartels as devices for the regulation of world trade, while the second follows from our knowledge of the special uses to which Germany has put the international cartel system.

Studies undertaken by the State Department and other Government agencies have shown that the so-called normal operation of cartel arrangements has had undesirable and dangerous economic consequences. Private agreements of a restrictive character which fix prices, allocate markets, determine the conditions of technological interchange, and establish production quotas have operated to curtail the availability of goods and services to the consumer, to enhance prices, and to curtail employment and purchasing power. We hope

to achieve the concurrence of other governments in an agreement prohibiting participation of commercial enterprises in contracts or combinations which restrain international trade, restrict access to international markets, or foster monopolistic control in international trade.

Testimony previously presented to this committee and to other congressional committees has shown that the prewar cartel system was used by Germany as an instrument of political and economic aggression. In our view the disarmament of Germany and the promotion of effective measures to prevent future military aggression by Germany requires that German participation in international cartels be promptly and effectively terminated, and that any future attempts to establish such relationships be prevented.

To put this policy into effect, we are proposing immediate action along several lines.

First, we propose to terminate German participation in all cartel contracts which fall within the following classes:

(a) Agreements between two or more sellers or between two or more buyers which provide for, or have the effect of, fixing prices or terms of sale, dividing or allocating markets or fields, assigning quotas or controlling production, capacity, sales, purchases, exports, or imports;

(b) Agreements between a buyer and one or more sellers or between a seller and one or more buyers which go beyond simple purchase and sale transactions or agency agreements and which accomplish any of the foregoing results;

(c) Agreements pertaining to patents which go beyond simple grants of exclusive or non-exclusive rights and which accomplish any of the foregoing results;

(d) Any other agreements, without limitation, which come within the scope of certain German laws which provided the legal framework for cartels.

Secondly, in order that we may have a complete inventory of all international cartel agreements to which German nationals were parties, we are planning to require the registration of all international cartel agreements in effect in Germany at any time and for any period after January 1, 1933. A comprehensive collection of international cartel agreements should prove of immense value to us in revealing the location and magnitude of Germany's foreign assets and in disclosing in greater detail the extent of German economic penetration in foreign countries.

Thirdly, our proposal to terminate German participation in international cartels and similar organizations would be of little value if we did not take adequate steps to prevent the resumption of such relationships. Accordingly, not only do we intend to declare such resumption of cartel relationships to be illegal, but we also intend to press for the establishment of a system of policing all business communications between Germany and other countries. Under the proposed arrangements, all international business communications would come under military government surveillance, and all persons who are permitted to enter Germany during the occupation period, no matter what their official or semiofficial status, would be required to submit all private business communications through official channels.

The failure to adopt such precautions would not only jeopardize the success of our security policy, but would also enable German firms to effect concealed transfers of foreign property to cartel partners or affiliated interests abroad in order to frustrate seizure.

It is a common observation that one country's domination of an international cartel is facilitated when all of the producers within that country act in unison. Such united action may be, and usually is, a consequence of the rigid cartelization of the domestic economy, or of the ownership by combines of all or predominant parts of the production facilities of major industries.

Consequently, the internal unification of the German economy will always entail the threat that the German economic strength may be wielded as a weapon of coercive power in international markets. Moreover, the concentration of business control in Germany would preserve the great economic and political power which rests in the hands of those same industrialists who financed Hitler and supported him until it became clear that he had lost his great gamble.

These considerations have led us to the conclusion that German domestic cartels, and other related German associations which have the character of cartels, such as economic groups, should be dissolved by the military government authorities.

It is recognized that German cartels and economic groups have, to an increasing extent under the Nazi regime, been used as semi-autonomous public organs to aid in the administration of Government procurement, allocation, price stabilization, and standardization and rationalization programs in the field of production. However, insofar as these functions must be performed during the occupation period, it is our view that they should be performed, not by cartels, but by public administrative authorities, under the close supervision of military government.

As I have already suggested, Germany's position in international cartels, and the organization of her domestic economy through cartels and cartel-like organizations, is closely related to the existence within Germany of large business aggregates such as combines, communities of interest, and trusts. It would be unrealistic for us to advance a policy calling for a prohibition on German participation in international cartels, and dissolution of German domestic cartels, unless we were also prepared to deal with these other forms of business centralization. This problem is receiving our serious attention, to the end that decisive action may be taken to eliminate the dangers of German corporate combination.

Certain additional actions, which will be taken without primary reference to the policy I am now advancing, will have the direct effect of disestablishing German industrial control aggregations. To the extent that Germany is deprived of certain parts of her territory, the international distribution of industrial units will be changed; disarmament and the prohibition on production of war materials will cause the elimination of many facilities which now form the main assets of certain combines; Allied administration of certain strategic industries such as coal, iron, electrical power, and transportation may deprive a number of combines of control over their main economic assets and thereby contribute to their dissolution. There will, however, be a considerable field in which we must take affirmative action in cooperation with other governments in order that the control which

the larger industrial aggregates have exercised over the German economy shall be broken.

Although this aspect of the problem has been inadequately publicized, it has seemed to many of us that Germany's successful penetration of foreign economic systems has been achieved through the control of international corporate combines as often as through participation in international cartels. It is our view that continued German participation in such combines involves the same dangers to future security as does German participation in international cartels, and we take the view that equally firm defensive action is necessary in this field.

The first steps toward the dissolution of German international combines have already been taken. The various nations at war with Germany have vested or reduced to their control German interests in properties within their jurisdiction. Furthermore, we have reason to anticipate that properties in which German nationals have an interest and which are located in countries not at war with Germany will be claimed by the appropriate Allied Powers either in the name of the Allied Control Council or the Allied Reparations Commission. Thus, the financial and corporate interests of German nationals located outside of Germany either have been seized or will be subject to seizure.

I should like now to turn to certain questions related to German technological information and scientific research. If we are prepared to acknowledge that German research and scientific development have been important in the past, we must also be prepared to draw the obvious conclusion that the exclusive possession or control of certain kinds of advanced technology by German nationals involves a possible danger to our security and provides German nationals with important assets which in the past have induced other parties to join them in international cartel arrangements.

Our intentions with respect to German research and scientific information may be summarized as follows:

1. We intend to secure the full disclosure of all existing German technology and invention for the benefit of the United Nations.
2. Through seizure by the governments of the United Nations of German-owned patent rights on inventions developed before and during the war, we shall be able to withhold from German nationals the usual technological assets which have proved to be the main inducements for other parties to join the Germans in international cartel arrangements.

3. We intend to allow organized research and invention in Germany during the period of military occupation only when we are fully satisfied that such research will not contribute to Germany's future war potential.

German technology developed prior to the war and disclosed in one manner or another in countries outside of Germany has already been subject to extensive action by the various United Nations. This Government and other governments with which Germany has been at war have reduced to their control inventions and designs both patented and unpatented which were owned and controlled by German nationals at the time of the outbreak of war.

The United States Alien Property Custodian has taken over all United States patents formerly owned and controlled by enemy

nationals and has, in accordance with his general policy, extended non-exclusive royalty-free licenses on many such patents to any United States party making application. Although the ultimate disposition of these enemy inventions is a matter to be determined by the Congress of the United States, it is probable that no steps will be taken by either the legislative or executive branch of this Government which would have the effect of returning such rights to the former German owners. These matters will undoubtedly be discussed in detail in the statement which will be submitted to this committee by the Alien Property Custodian.

As to the ultimate disposition of enemy-controlled assets now under the control of the other United Nations, it is believed that the general attitude of these governments will be to prevent such assets from again coming within the control of German nationals. When this Government through the Congress has made explicit its policy with respect to the disposition of enemy technological information, it is our view that it would be desirable to insure through diplomatic action the maximum degree of coordination between our policies and those of the other governments.

We may assume that the bulk of German inventions made before the war was disclosed in one manner or another in all the United Nation countries. We are aware, however, that the prosecution of the present war has caused an immense acceleration in industrial and scientific research in Germany and that the normal channels which made German technology available to us have been closed during the war.

It is our view that we and the United Nations generally have an equitable claim against all German inventions made during the war, since the main reason for such research and subsequent development was to overthrow by military force the Government of the United States and its Allies. We have therefore taken certain steps to assure that important German scientific advance made during the war shall be known to us and put to such use as we deem desirable.

At the present time this Government, in conjunction with the Government of the United Kingdom, has dispatched to Germany a group of industrial experts whose task it is to acquire all technological information available in Germany which could be used in the prosecution of the war against Japan. Although these groups will be primarily concerned in acquiring those instruments, apparatus, and processes which are usually defined as war matériel, it is well known that the extent and scope of modern war is such that almost all technological inventions are relevant to its successful prosecution. We may, therefore, anticipate that the joint United Kingdom-United States technological missions will inspect, make inventories of, and acquire most of the important technological inventions made by our enemy during the war, and such other inventions as have not been disclosed in the United States and elsewhere through the issuance of patents to German nationals. We have already begun to receive information from our missions in Germany which indicates that scientific information of considerable value is being obtained.

Under existing arrangements a joint United Kingdom-United States group undertakes to acquire information at the request of various governmental agencies in the two countries. When the information is disseminated to the agencies involved, the responsibility of the acquiring group ceases. The policy to be pursued in disclosing and

distributing the acquired information to civilian parties and organizations remains the responsibility of the government agencies who receive the information.

Naturally, a considerable portion of the acquired enemy technology has been assigned secret status by the United Kingdom-United States military authorities, since it is in the interest of the two Governments that certain classes of information should not be directly or indirectly disclosed to our remaining enemy.

I may report, however, that various Government agencies concerned with the problems relating to enemy technology have been meeting on an informal basis to study the general policy which should govern the dissemination and disclosure of this information in the United States, the problems which might be encountered in such disclosures, and the question of agreements on these matters with other United Nations.

The tentative policies which have been adopted by the interested Government agencies relating to the disclosure of enemy technological information to the public are as follows:

1. Technological information acquired in enemy territories by our military forces or other agencies may legitimately be used not only in the furtherance of our war effort against Japan, but also for postwar civilian purposes.

2. The security classifications which are necessary for reasons I have indicated should be abandoned from case to case as soon as it is assured that the disclosure of such information would not benefit our remaining enemy.

3. Subject to such limitations as may be required in the interest of security, all technological information collected in enemy countries or received as a result of exchanges with other Allied Powers should be promptly and publicly disseminated within the United States. Furthermore, information which for security reasons may be temporarily withheld from public dissemination should be promptly disclosed when the security consideration ceases to apply.

The foregoing discussion summarizes our views of the problems raised by German cartels, combines, and technology, and indicates in broad terms the action we are taking and which we propose to take. We are, I believe, alive to the importance of these questions as they affect our national defense, and the protective measures to which we are committed have an important place in our broader program to checkmate German plans for a rebirth of German economic and military power.

(End of prepared statement.)

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Mr. CLAYTON. In all questions affecting the treatment of Germany, the Department of State has one paramount objective—security against a renewed German aggression. And security can be assured only so long as there is agreement with our allies on the basic principles of the treatment of Germany.

We have reached that agreement as far as the basic objectives of the occupation of Germany are concerned. The late President Roosevelt, Prime Minister Churchill, and Premier Stalin jointly announced in the communiqué from Yalta:

We have agreed on common policies and plans for enforcing the unconditional surrender terms which we shall impose together on Nazi Germany \* \* \*.

It is our inflexible purpose to destroy German militarism and nazism and to ensure that Germany will never again be able to disturb the peace of the world.

We are determined to disarm and disband all German armed forces; break up for all time the German General Staff that has repeatedly contrived the resurgence of German militarism; remove or destroy all German military equipment; eliminate or control all German industry that could be used for military production; bring all war criminals to just and swift punishment and exact reparation in kind for the destruction wrought by the Germans; wipe out the Nazi Party, Nazi laws, organizations, and institutions; remove all Nazi and militarist influences from public office and from the cultural and economic life of the German people; and take in harmony such other measures in Germany as may be necessary to the future peace and safety of the world.

The task of destroying the economic basis of German aggression is one that requires vigorous, simultaneous action along a number of lines. I am very glad to discuss this morning those three aspects of this problem, on which your committee has asked me to report. These are, first, the serious problem of Axis economic penetration in Latin America; second, the problem of tracking down and frustrating German efforts to hide abroad a stake for another gamble of aggression; and, third, the question of the treatment of German cartels, combines, and technology.

The earliest phase of our continuing efforts to destroy the economic basis of German aggression was related to the problem of Axis economic penetration in Latin America. Not only was German economic power in the other American Republics alarmingly great, but it was all too frequently used to support antidemocratic political and propaganda activities which jeopardized the unity of this hemisphere and directly threatened the security interests of the United States.

The great German combines were the spearheads of Axis economic penetration in the other American republics. In the field of drugs and pharmaceuticals the Bayer, Merck, and Schering companies enjoyed a virtual monopoly. I. G. Farben subsidiaries had a firm hold on the dye and chemical market. German enterprises such as Tubos Mannesmann, Ferrostaal, A. E. G., and Siemens-Schuckert played a dominant role in the construction, electrical, and engineering fields. Shipping companies and, in some areas, German air lines, were well entrenched. In addition, other strong pro-German firms were engaged in miscellaneous types of business, some of which were partly or wholly owned from Germany and some of which were wholly owned by persons of German origin, who, without changing their basic allegiance, had acquired citizenship in one of the American Republics.

This Government soon determined that German enterprises could not be permitted to survive as hostile centers of Axis influence in this hemisphere. The replacement program was accordingly evolved as a means of bringing about the elimination of German enterprises and of German interests.

The obstacles to the achievement of the goals of this program were numerous. In some countries German capital represented a large portion of the total business investment, and in some important industries there were no non-German companies to serve the essential requirements of the local economy.

In those countries which took steps short of war against Germany, the constitutional authority of the Administration to proceed with an elimination program was open to serious question. In the case of some enterprises, it was claimed that the beneficial ownership was not German, which made it necessary laboriously to trace ownership through a maze of dummies and holding companies. Furthermore,

the relatively large numbers of citizens of German descent in some Latin-American countries were sometimes a political obstacle to the adoption of a satisfactory elimination program.

The CHAIRMAN. Have you not found it a practice of German companies to get their people naturalized in foreign countries, including the United States, and then under the theory of dual citizenship to operate under the protection of the chosen citizenship, but really keeping their allegiance to Germany?

Mr. CLAYTON. That is often the case, Mr. Chairman. The Germans were people who emigrated to these countries and set themselves up in business, and very soon they married some woman of the country to which they had gone, and then they became naturalized, and so they infiltrated their economy and their political ideologies in a way quite different from English or American people.

The CHAIRMAN. But they still retained allegiance to the Fatherland?

Mr. CLAYTON. For the most part I think that was true; yes, sir.

The Department of State, throughout this period, has had to take full account of the many factors which make the eradication of Axis influence in this hemisphere a difficult and arduous job. It was necessary to avoid putting the United States in the position of the whip-cracking "colossus of the north." More has been achieved by means of cooperation and an honest attempt to understand the problems of other governments than could have been achieved by dictation; and our long-range objective of good-neighborly relations has not been imperiled.

Moreover, in those countries which lacked substitutes for Axis enterprises, we have tried to work with the local governments in building up new enterprises, and we have tried to make sure that the successor enterprises remain in the hands of local nationals. We have been careful, furthermore, to avoid actions which would afford the slightest justification for an accusation that the United States used economic-warfare controls to further the economic interests of its nationals.

In obtaining information about the scope and character of German economic activity in this hemisphere, we received invaluable cooperation from the other American Republics, as well as from our British allies. For example, an agency of the Government of Uruguay seized the books and record of the Banco Aleman. The findings of that agency are summarized in a report which is contained in exhibit 1.

(The report referred to was marked "Exhibit No. 1," and appears on p. 85.)

Mr. CLAYTON. This report shows clearly the extent of the participation of spearhead firms in the Nazi plan, the value of their contribution to that plan, and the insidious nature of their operations.

Through the cooperation of our British allies, we obtained access to a large cache of mail from the Bayer subsidiary in Argentina to I. G. Farbenindustrie, Leverkusen, Germany, which was intercepted in 1943 at Gibraltar. Of particular interest are two letters from the Argentine subsidiary which summarize the position of the important Bayer companies as of mid-1943. English translations of the entire text of these two letters are available in exhibit 2.

The CHAIRMAN. Will you insert those letters in the record at this point, as I may have some questions to ask about them a little later? (The Bayer letters were marked "Exhibit No. 2," and follow:)

### EXHIBIT No. 2

#### LETTER FROM THE BAYER SUBSIDIARY IN ARGENTINA TO FARBENINDUSTRIE IN LEVERKUSEN, GERMANY

The information we have sent you by telegraph from time to time has kept you more or less informed as to the situation in the various Latin American countries. Nevertheless we want to take this opportunity to give you an over-all picture of the position of our affiliates, especially in regard to their supplies.

We should like to make it clear that with regard to the shipment of goods to our sister firms we have tried to be as helpful as possible to the business, within bounds, by considering the countries where continued activity and the defense of our trade-marks is possible. Our shipments must be restricted further to those products which we can make from local raw materials or which Institute Behring can deliver.

Unfortunately, therefore, we have only been able to export goods when there have been no notable difficulties to local manufacture, or when you supplied us so richly with the necessary elements that we did not have to worry about our own supply position for the foreseeable future. Only in these cases could we deliver goods on the request of our sister firms.

Apart from this we have, of course, taken the greatest care that our shipments should not entail additional financial risks. We have especially tried, whenever possible, to use these deliveries to withdraw from the foreign countries funds of high foreign exchange value which would otherwise eventually have been frozen or have been subject to various measures with the entry of the country into the war.

Following these fundamental rules we have for over a year not exported goods unless the payment for them was absolutely certain. Finally, we have tried, so far as possible, to reduce the amounts of the shipments to the point where each delivery contained only about a 3-month supply of the product.

So far as the situation in each particular country can be forecast for the near future, we adapted these general rules to the situation in such a way as best to serve the general interests of all concerned.

Carrying out this policy has been made more difficult by the recent tightening up of the administration of the export control here since the change of government. For a long time most of our applications for export permits were granted. More recently a much more thorough examination has been made, particularly in regard to products made up from raw materials. The clear purpose of this change was to restrict the reexport of important goods coming originally from the United States. We are afraid that this tendency is going to make itself felt in the near future in ways that will make it uncomfortable for us, with the result that our ability to ship goods to the other companies will be steadily reduced even when our own supply situation is relatively good.

Following this general discussion we can give you a short description of the situation in individual countries.

*Mexico.*—Our deliveries stopped before the end of 1941. During 1942 we made another attempt to ship certain products of which we had a very good supply but these plans were not successful. We hear practically nothing, any more, about the Mexican company which has been placed completely under governmental control.

*Central America.*—Since the outbreak of war with the United States we have had no information at all either from the top management or the various agents. The chief personnel of our main company there have been taken off to prison.

*Colombia.*—The sister firm in this country has been under direct control of a governmental interventor since the beginning of 1942 and can openly carry on normal business in a relatively unhindered manner. The personnel of German citizenship are subject to considerable restrictions on their movements.

For a long time we have been able to maintain shipments of necessary goods against specific payments.

*Venezuela.*—The last word we received directly from Caracas was that the situation there was about the same as in Colombia, and that continuation of the

business was almost entirely a matter of supply. Because of technical transport considerations it is extremely difficult for us to ship the desired products to Venezuela.

From a press telegram that has just come in we see that the enemy's agitation has reached the point where Mr. Madamovsky has been sent out of Caracas and forced to live in a place in the interior of the country, so that his continued management of the company will be made difficult.

*Ecuador.*—In this country the United States got the general controls in their hands immediately after the declaration of war and have effectively hindered the further shipment of goods to the company there. There was no alternative but slowly to sell out the stocks on hand at this time.

*Peru.*—In Peru, also, the enemy have the controls fast in their hands and can prevent any shipment of goods. From earlier letters which we sent to you you will have learned of the law calling for the nationalization, that is, the expropriation, of all Axis firms which was passed by the end of May. Except for Herr A., all the other German men were either repatriated or carried off to prison camps in the United States. Apart from the monthly statements of turn-over which we have sent on to you, we hear practically nothing from Lima.

*Chile.*—Up until the breaking off of relations our sister firm in Chile was able to operate and import virtually unhindered. Since that time the operation of North American control officials has virtually eliminated the possibility of importing. As a result our affiliate has had to fall back entirely on its supplies of that date, which are shrinking to a minimum. All of the men of German nationality who are important to the company have been forced to transfer their domiciles to towns far from Santiago and are thus cut off from working with the firm.

(Marginal note.) As a result of a conversation with Mr. Hofmann we believe that in spite of everything we have found a way to help Chile further.

*Bolivia.*—In Bolivia the situation was about normal up until a short time ago. We hope that even after our representative there was placed under the control of a Government interventor we will be able to deliver goods (against payment), at least for some time.

*Paraguay.*—Until recently the Paraguay business could be fully maintained, especially since the export control here permitted larger shipments to this neighboring country, which is virtually dependent on Argentina in economic matters, than it did to other countries.

However, in view of the ever increasing rumors that Paraguay will be forced to declare war we have taken steps to see that the present supplies in Asunción are sold as rapidly as possible to reduce the risk there.

*Uruguay.*—Even though the sister firm in this country did not suffer from any official interference with its imports from Argentina, enemy propaganda has had such great effort in Uruguay that the acceptance of our goods among doctors has been reduced to a minimum. Virtually no druggist is willing to sell our products. In these circumstances the supplies on hand in Uruguay will last for much longer than was originally expected.

*Brazil.*—As you know, our affiliated firm in this country was first placed under governmental control and since the beginning of the year completely under Government administration. In the interests of protecting our trade-marks, and also to secure the exchange of caffeine, we decided to ship against high payments certain goods which we could manufacture entirely out of native raw materials. At the beginning of May the governmental administrator of the firm in Brazil informed us that the company could not continue its relations with us, so that we no longer have any business with them.

In every country the tendency is for the North Americans to make a special point of laming our organization. Even though we have succeeded so far in holding the field, in many cases there can be no doubt that time is working against us, and that we will not be able to prevent one after another of the countries from falling away. All along we have done what was in our power to put off the time when this would happen, and within the rather narrow limits possible to us we shall continue to do so.

#### LETTER FROM THE BAYER SUBSIDIARY IN ARGENTINA TO FARBENINDUSTRIE IN LEVERKUSEN, GERMANY

Following we give you a short survey of the position of your Latin American agencies, as far as it is known to us at present:

*Mexico.*—Since the end of 1941, we have not heard about the condition of your Mexican agency, and consequently made no more deliveries.

*Central America.*—We are also without news about Central America since America's entry into the war.

*Colombia.*—We still keep in touch with Colombia and believe that your products will remain in the market for some time. Only recently (see letter No. 27-A of June 4, 1943), we shipped additional supplies to them.

*Venezuela.*—Since shipment No. 1818, of which you were informed by letter No. 46-A of June 26, 1942, we neither prepared further deliveries for Venezuela nor received any news from there. However, as the shipment in question was comparatively large, we assume that the market will be provided for some time. Payment for this merchandise was, as you know, made to us.

*Ecuador.*—Since it is absolutely impossible to send any additional supplies to Ecuador, the business there may either have ceased to exist or may expire after the sale of the balance of the small stocks which may remain.

*Peru.*—Although all gentlemen known to you have been deported, your Peruvian agency remains in good hands, and Messrs. Krefft supervise the liquidation from their neighboring country. The last time we sent them goods was in February 1943, having received in advance the relevant payment. We understand that after this delivery the market is provided for until about the end of the current year. There is hope that when the time comes, ways and means will be found to send further supplies to Peru. •

*Chile.*—So far, our sister company there has been able to carry on rather undisturbed. However, the United States authorities active in the country are increasingly endeavoring to make further imports of supplies impossible and to destroy the internal organization of the firm. Consequently, it is impossible to predict whether in the long run the business can be continued.

*Bolivia.*—We wrote you in detail in letter No. 33-A of June 28, 1943.

*Paraguay.*—So far, it has been possible to carry on business unhampered.

*Uruguay.*—Although our sister company is still able to receive supplies, the pressure of the enemy propaganda brought on physicians and apothecaries is making itself felt especially strongly in Uruguay. As a result, the prescriptions have substantially fallen off.

*Brazil.*—For a long time we have been without news of your agency there. Our sister firm officially broke off relations with us at the beginning of May 1943, so that it has become impossible for us to secure any news about the daughter company which holds your representation.

As far as circumstances permitted, we have done everything possible to enable the agencies in each country to continue business. As far as our supply of raw materials is concerned, we shall also be able to do so in the future. However, we are afraid that the circle of our customers will continually decrease with the longer duration of the conflict, in addition, the export regulations are now being handled more strictly in this country, so that the export of your products, which all contain ingredients which are difficult to obtain, will meet with ever increasing difficulties. Naturally, we shall do our very best to master these difficulties also, and to comply with any demands made on us.

We should like to refrain from a detailed description of the development of the business in this country, since you are informed in every detail from the monthly sales statements which you receive. In any case, we hope that we shall be able to carry on the local business also in the future. As far as supplies of raw material are concerned, we should absolutely be able to do so. All the other difficulties have, so far, been overcome and we hope that somehow they will also be solved in the future.

Mr. CLAYTON. The basis for cooperation in the elimination of Axis-dominated companies was laid in the Rio de Janeiro Conference of January 1942. A resolution of that conference recommends the elimination of all commercial and financial intercourse between the Western Hemisphere and the Axis, and contemplated the elimination of "all other financial and commercial activities prejudicial to the welfare and security of the American Republics." At the conference held in Washington in June and July of 1942, it was recommended that the business of any persons who were acting against the political and economic independence or security of the American republics should be the object of blocking, occupation, intervention, forced transfer, or total liquidation.

The adoption of these recommendations was not empty phrase-making. The resolutions were followed by action in almost all of the other American republics. Some of the legislation which was drafted in these other republics was based upon United States legislation in the field or was drafted with the assistance of United States experts. The legislation adopted in most countries was extremely effective and thorough-going.

Our missions in Latin America have, of course, worked energetically and zealously in following the progress made under this legislation, in discussing individual cases with the commissions and working out with them particular methods of eliminating spearhead companies. In general, the policy has been to liquidate those spearhead firms whose disappearance would not injuriously affect the local economy. Whenever the enterprise was essential to the local economy, the procedure has usually been either to vest the business with all its assets in much the same way that the Alien Property Custodian has moved against enemy property in this country, or to force the undesirable owner to sell to satisfactory purchasers.

A very good idea of what our goal has been and what has been actually accomplished can be gained from a list of the enterprises in the other American Republics which are regarded as spearhead in character and the progress which has been made toward their total and permanent elimination. Such a list, compiled on a country-to-country basis, has been offered as exhibit 7.

An examination of this document will, I believe, support the conclusion that encouraging results have been realized in the job of eliminating Axis spearhead firms in Latin America. We naturally expect to continue to press for the elimination of such firms in those countries where the task is not already substantially accomplished.

The CHAIRMAN. Mr. Clayton, haven't you found that these spearhead firms have been used wherever possible to build up distrust, in the Latin-American countries, of our motives in dealing with them?

Mr. CLAYTON. Undoubtedly.

The CHAIRMAN. To build up the feeling that we are the colossus of the North, trying to take their business and exploit them?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. We found in some steel hearings, for instance, that early in the game German firms were buying inferior grades of steel from American companies and telling the South American Republics, "This isn't up to the steel we make, but this is what the United States passes off on you as the same quality steel—" building up an idea that our companies were trying to cheat the South Americans in the steel dealings.

Mr. CLAYTON. Oh, they did everything they could to discredit us politically and economically and commercially.

The Department of State has, of course, given much thought to the possibility that some of these Axis spearheads will survive the program which I have described; and to the related possibility that some of the former German owners may find ways to regain their control over enterprises from which they have been ousted. Steps have been taken to guard against these possibilities by the addition of paragraphs in the various national laws on the subject to the effect that the assets in question may be transferred only to a national of the

country concerned; or to the effect that such assets may not be transferred to German nationals. Assurances have been received from various American republics that the return of these properties to their former owners will not be allowed, and that the replacement program will continue unabated. Moreover, the Department of State has followed, on a case-by-case basis, the transfer of all Axis spearheads, as well as other Proclaimed List properties, to make sure that the transfer was bona fide in each case. No man can look too far in the future. It seems a safe prediction, however, to say that German economic and political penetration in this hemisphere has, for the most part, been dealt a blow from which it will probably not recover, and that the prospects are reasonably bright for the substantial elimination of Axis spearhead firms, even in the areas where they still survive.

The second matter I should like to discuss relates to the current and urgent problem of frustrating German attempts to hide abroad a stake for another gamble at world domination.

The Department of State has abundant evidence that the Nazis, in anticipation of military defeat, made careful plans to carry on in foreign countries a wide range of activities necessary to support an eventual resurgence of German power. For this purpose plans were made, and carried out in part, to transfer abroad sufficient funds and specially trained personnel to carry on pan-German activities, even while the Allied armies were in occupation of Germany.

The success of German efforts to carry on in foreign countries activities inimical to the United Nations must depend on their ability to mobilize funds to support the execution of their plans. Consequently, they have made strenuous efforts to move abroad assets of all kinds, which can be converted into funds for the financing of hostile activities.

Our safehaven program is a combined effort of the Department of State, the Treasury Department, and the Foreign Economic Administration to deny to Germany, in the interests of justice and future security, the economic power arising from (a) the organized looting of occupied countries, (b) the flight of German capital in anticipation of defeat, and (c) the German capital investment already located abroad when the war began.

Our investigations have yielded a considerable amount of information which indicates the schemes and devices which the Germans planned to use in order to safeguard their foreign holdings and transfer additional property abroad. In many cases they have concealed their interests in foreign properties through holding companies and cloaks. In other cases they have abandoned formal voting control but retained a firm grip on manufacturing concerns through domination of technical processes. They have transformed their holdings into bearer shares in order to take advantage of the fact that the title to such shares can be traced only with extreme difficulty. Moreover, the Germans have also taken advantage in some countries of administrative inefficiency and corruption. The extent to which this can be said in every neutral country to have been the fault of private individuals alone is problematical.

The Germans systematically looted all manner of valuable property, not only to satisfy the esthetic sensibilities of such celebrated collectors as Goering, but to acquire wealth cheaply for concealment abroad

Looting reached its all-time low when gold was picked from the teeth of gas-chamber victims. A more subtle form of outright looting was outright "purchase" with occupation currency from fearful sellers.

Since the flight of Axis capital is the most recent and covert phase of German efforts to achieve safe haven, you will understand that a great many cases are presently under active investigation, both in Germany and elsewhere, and that I must exercise care in mentioning names or localities. I should like, however, to illustrate some of the techniques used to foster the flight of German economic power to neutral countries.

1. In some countries, such as Switzerland, a bank account may be kept by number rather than by name, and heavy penalties face the banker who violates the secrecy rule and discloses the identity of the owner of the account. Transfers from a numbered account in one country to a numbered account in another country are extremely confusing, especially in view of the fact that the persons who are listed as the owners of the numbered accounts may themselves be only cloaks for others.

2. Germans have also achieved foreign haven for flight capital by preventing the normal repatriation of German foreign earnings. For example, the Deutsche Bank and Deutsche Orient Bank (Dresden Bank) branches located in Istanbul, Turkey, followed the policy of accumulating in Turkey rather than transmitting to their parent company in Germany their annual profits during their last 8 years of operation.

3. Another device for achieving the same result was that of building up credits for Germans in neutral countries by deferring the payment for German exports. We have reports that Germans have dumped goods in neutral countries, granting very liberal credit terms. Lest this be too obvious, a two-price system was used, whereby lower fictitious prices would be paid through the clearing at the time of importation and sale, while the difference between the fake price and the real price would remain a postwar credit in favor of the German shipper.

4. During the war years, German investment in neutral countries showed itself particularly disposed to enter concerns in which there was a substantial increment of neutral capital. It seems fairly obvious that one reason for this was the expectation that in case of German disaster the neutral governments would be more reluctant to take measures against such concerns than against those in which neutral interests were less involved.

5. German liquid balances in neutral countries, particularly the earnings of Germans located in those countries, were frequently invested in income-producing real estate. This, again, is symptomatic, for neutral reluctance to interfere with existing title to land at the instance of foreign states is based on inferences from the concept of sovereignty itself. Moreover, land cannot easily be frozen in a blocked account.

6. Finally, a very simple evasive tactic, time-tested by the last war, rests upon the short memory of man and his soon tiring of controlling Germany and Germans. The scheme was simply to dispose of property by a written instrument, absolute on its face, but delivered on a secret, oral understanding that it would become void in 5 years or so.

Our reports indicate that the Germans as a general rule thought that 5 years was enough time for this purpose.

The CHAIRMAN. In other words, they would go through the motions of selling something and deliver a document with the understanding the title would vest back in the grantor, feeling that in time all efforts to control the transaction would die down and the grantor would not be molested?

Mr. CLAYTON. That is right.

A few concrete cases will illustrate the devices which the Germans have used. In a certain neutral country, the German electrical company, Telefunken, bought a plant in the summer of 1943. The plant was immediately modernized and enlarged. It now has complete facilities for testing the most intricate short-wave radio equipment, and magnificently equipped laboratories for research in the ultra short-wave and tone frequency field. As late as April of this year negotiations were in progress for the importation of skilled German technicians to work in this plant.

In another neutral country, the Government was eager to encourage the growth of manufacturing in the national economy. A semi-official German organization presented a proposal to the government of this neutral country for the equipment and establishment of a technical school system. A representative of an Allied Government has seen the 5 volume dossier containing the German offers. The Germans proposed to supply a very large quantity of machinery and equipment for purposes of production, research, and teaching. In addition, they proposed to construct a fully equipped plant for the production of machine tools.

The acceptance of this offer by the neutral government would have necessitated the employment of a large number of German teachers and technicians. The offer certainly did not arise out of simple commercial motives, for the Germans were willing to guarantee delivery within 3 months at the very time when German war industry was losing the battle of production. It seems clear that the plan was intended to establish a nucleus of German personnel and equipment beyond the reach of the Allies.

Aircraft repair establishments in the same neutral country ordered certain specialized machines from German suppliers in 1941. They were unable to obtain delivery until late in 1943, at which time they received, not the amount of equipment that they ordered, but five times as much. Much of this machinery, adaptable to the large-scale manufacture of aircraft, rests today in this neutral country, still uncrated.

Germans in foreign countries, who have now been cut off from their connections with German industry, may be expected to attempt to turn to United Nations trade as a means of preserving their position. They did this after the last war, and they have had some experience along these lines in this war.

In one neutral country, Germans actually managed to derive large profits from the popularity and strong drawing power of American motion pictures. Their scheme was ingenuous, and too long for recital here. They managed to conceal their dealings from the American producers through a series of cloaks, and managed to get control of the exhibition rights of American films.

The arrangement was broken up by a vigilant American diplomatic mission, which used its control over the importation and distribution of American raw film stock to forestall the dubbing and copying of films whose exhibition rights the Germans had secured.

The United Nations have been alive to German safehaven efforts throughout the war. As early as January 1943, we put the world on notice that we would not recognize the validity of property transfers in enemy-occupied Europe based upon Axis acts of spoilation. This declaration was subsequently broadened in the Gold Declaration of February 1944, and in resolutions of the Bretton Woods Conference and the Mexico City Conference.

You doubtless remember, Mr. Chairman, that the Gold Declaration of February 1944 stated that the Germans had undoubtedly used up all the gold long since that they had at the beginning of the war, and whatever gold they were using now and thereafter, when the declaration was issued, would be looted and stolen gold, and all nations were put on notice it would be so regarded. The Germans did not have title to it.

As the German position deteriorated, it became possible to bring greater pressure to bear on neutral countries. Our safehaven objectives were linked with our supply-purchase negotiations with neutral countries.

I have introduced as exhibit 15 a model note addressed to a neutral country regarding our safehaven objectives. In general, the neutral governments were called upon to subscribe to the principles of the declarations and resolutions mentioned heretofore and were requested to take the following implementing measures: (1) to freeze all German assets; (2) to investigate transactions since 1939 between persons subject to the laws of the particular country and persons in Axis or Axis-controlled territory; (3) to make the results of these investigations available to the United States Government; (4) to conduct a census to determine the extent of German ownership of assets located in the neutral country; and (5) to provide the United States with full information regarding persons of Axis nationality who entered the neutral country since 1939 and who are still there.

So far our negotiations with the neutrals have resulted in the enactment of a Swiss law providing for the blocking of German accounts and a census of German property; in the issuance of a Spanish decree providing, among other things, for a general freezing control over the assets in Spain of the nationals of Axis or Axis-dominated countries; and in the enactment of a Portuguese decree similar to the Spanish but applicable only to German nationals. We are informed by our Legation in Stockholm that negotiations with Sweden are proceeding satisfactorily.

Since this statement was prepared, Mr. Chairman, we have been informed that the Swedish Parliament is now considering a bill concerning these matters, but we have not yet received full particulars of the bill.

With German assets now frozen in the European neutral countries and Allied investigating teams scouring Germany for evidence of the German side of safehaven transactions, it is expected that rapid and substantial progress will be made in isolating Germans from the economic power they have sought to maintain through illegal movements in neutral countries.

A great deal, however, remains to be done. The Foreign Service abroad, and the Department of State and other interested agencies in Washington, will continue their efforts to obtain information outside of Germany regarding the nature and extent of German holdings, to press for neutral controls which will immobilize German interests without prejudicing their ultimate disposition, and to formulate and study the principles which should govern the final settlement, to the end of assuring that Germany may never again be able to mobilize external assets for aggressive purposes.

I should like to turn now to the question of German participation in international cartels. The development of an effective policy on this question requires parallel action with respect to German domestic cartels and combines international combines in which German nationals have an interest, and the treatment of German technological information.

Our policy toward German participation in international cartels is governed by two considerations. The first arises from our general opposition to cartels as devices for the regulation of world trade. The second follows from our knowledge of the special uses to which Germany has put the international cartel system.

Testimony previously presented to this committee and to other congressional committees has shown that the prewar cartel system was used by Germany as an instrument of political and economic aggression. In our view the disarmament of Germany and the promotion of effective measures to prevent future military aggression by Germany requires that German participation in international cartels be promptly and effectively terminated, and that any future attempts to establish such relationships be prevented.

To put this policy into effect, we are proposing immediate action along several lines.

First, we propose to terminate German participation in all cartel contracts which fall within certain broadly defined classes. Secondly, we plan to require the registration of all international cartel agreements in effect in Germany at any time and for any period after January 1, 1933. Thirdly, we intend to press for the establishment of a system under which all international business communications to and from Germany would come under military government surveillance.

The failure to adopt such precautions would not only jeopardize the success of our security policy, but would also enable German firms to effect concealed transfers of foreign property to cartel partners or affiliated interests abroad in order to frustrate seizure.

It is a common observation that one country's domination of an international cartel is facilitated when all of the producers within that country act in unison. Such united action may be, and usually is, a consequence of the rigid cartelization of the domestic economy, or of the ownership by combines of all or predominant parts of the production facilities of major industries.

Consequently, the internal unification of the German economy will always entail the threat that German economic strength may be wielded as a weapon of coercive power in international markets. Moreover, the concentration of business control in Germany would preserve the great economic and political power which rests in the

hands of those same industrialists who financed Hitler and supported him until it became clear that he had lost his great gamble.

These considerations have led us to the conclusion that German domestic cartels and other related German associations which have the character of cartels, such as economic groups, should be dissolved by the military government authorities.

The CHAIRMAN. Mr. Clayton, did you know that in attempting to get coal, of which there is the most stringent shortage on the European continent at the present time, we have been unable to get the management of the individual mines to do anything unless we deal through the cartel? We have to deal through the domestic coal cartel of Germany in order to get skilled men for the mines. They seem to control every skilled technician and engineer and everything in Germany that has to do with the coal business, and we have had to go to their head offices in order to get anything done.

Mr. CLAYTON. I am sure that is true. Of course, those mines are under the control of the military now.

The CHAIRMAN. Yes; but it shows how closely knit the domestic coal cartel was when the cartel had taken the management of the mines away from the owners of the mines. The owner got the profit, but the cartel exercised management over the mines.

Mr. CLAYTON. I am sure that is true. They were large exporters of coal, of course, always, and I am sure that the whole coal producing and distributing system was so closely integrated that you couldn't go outside of it and get any help at all in that country.

The CHAIRMAN. That is right.

Mr. CLAYTON. As I have already suggested, Germany's position in international cartels, and the organization of her domestic economy through cartels and cartel-like organizations, is closely related to the existence within Germany of large business aggregates such as combines, communities of interest, and trusts. It would be unrealistic for us to advance a policy calling for a prohibition on German participation in international cartels, and dissolution of German domestic cartels, unless we were also prepared to deal with these other forms of business centralization. This problem is receiving our serious attention, to the end that decisive action may be taken to eliminate the dangers of German corporate combination.

Although this aspect of the problem has been inadequately publicized, it has seemed to many of us that Germany's successful penetration of foreign economic systems has been achieved through the control of international corporate combines as often as through participation in international cartels. It is our view that continued German participation in such combines involves the same dangers to future security as does German participation in international cartels, and we take the view that equally firm defensive action is necessary in this field.

The first steps toward the dissolution of German international combines have already been taken. The various nations at war with Germany have vested or reduced to their control German interests in properties within their jurisdiction. Furthermore, we have reason to anticipate that properties in which German nationals have an interest and which are located in countries not at war with Germany will be claimed by the appropriate Allied Powers either in the name of the

Allied Control Council or the Allied Reparations Commission. Thus, the financial and corporate interests of German nationals located outside of Germany either have been seized or will be subject to seizure.

I should like now to turn to certain questions related to German technological information and scientific research. If we are prepared to acknowledge that German research and scientific development have been important in the past, we must also be prepared to draw the obvious conclusion that the exclusive possession or control of certain kinds of advanced technology by German nationals involves a possible danger to our security and provides German nationals with important assets which in the past have induced other parties to join them in international cartel arrangements.

Our intentions with respect to German research and scientific information may be summarized as follows:

1. We intend to secure the full disclosure of all existing German technology and invention for the benefit of the United Nations.

2. Through seizure by the governments of the United Nations of German-owned patent rights on inventions developed before and during the war, we shall be able to withhold from German nationals the usual technological assets which have proved to be the main inducements for other parties to join the Germans in international cartel arrangements.

3. We intend to allow organized research and invention in Germany during the period of military occupation only when we are fully satisfied that such research will not contribute to Germany's future war potential.

The foregoing discussion summarizes our view of the problems raised by German cartels, combines, and technology, and indicates in broad terms the action we are taking and which we propose to take. We are, I believe, alive to the importance of these questions as they affect our national defense, and the protective measures to which we are committed have an important place in our broader program to checkmate German plans for a rebirth of German economic and military power.

**The CHAIRMAN.** Mr. Clayton, I have a few questions.

Can you tell the subcommittee how the Banco Aleman Transatlantico of Montevideo acted as an intermediary for the contributions of German-owned firms in Uruguay to Nazi institutions and propaganda in that country?

**Mr. CLAYTON.** That bank, Mr. Chairman, seems to have been the spearhead of all German activities in that country, and we have here a pretty complete list of the many different organizations, political and economic, national and private, which carried accounts in that bank.

The exhibit shows, for example, that the funds which were deposited there from abroad for the German Legation rose from a total of about \$28,000 in 1936 to a total of \$590,000 in 1941. The exhibit shows, for example, the listed transactions between the Banco Aleman Transatlantico and the German Legation which did not pass through the Bank of the Republic control, the majority of which were affected as sales of bills by means of cash transactions, in which the name of the Legation did not figure—numerous transactions in 1939, 1940, and on through 1941.

The exhibit shows payments made by the bank in respect of political current accounts other than those of the German Legation totaled, beginning in 1935, up to 1941, over \$300,000.

It shows payments of so-called subsidies to German schools beginning in 1935, up to 1941, totaled \$463,000, and various other data of that character.

The CHAIRMAN. From a tabulation I have here, I see that Uruguay, in which this bank had its headquarters, has 27 Axis economic spearheads on which we haven't been able to take any action in eliminating. We are actively engaged in trying to eliminate one, and none have been eliminated. The bank was apparently very powerful in Uruguay.

Mr. CLAYTON. It undoubtedly was. You know, of course, that the bank is in process of being eliminated.

Dr. SCHIMMEL. It is still not eliminated?

Mr. CLAYTON. Not completely, but it is in process.

The CHAIRMAN. Do you have any information on the present whereabouts or activities of Max Schmidlein?

Mr. CLAYTON. No, sir; I have not.

The CHAIRMAN. Wasn't he the key figure in that bank operation?

Mr. CLAYTON. He is a very prominent citizen of Uruguay, and was the ostensible agent of the concordium of German companies effecting the Hydroelectric Works of Rio Negro, which was a big power project in Uruguay for which the Germans contracted to furnish most of the machinery.

The CHAIRMAN. It is interesting to contemplate the fact that they were putting their money in power projects in South America at the same time that they were busily engaged in selling as many power bonds as they could in the United States. I know people who lost a lot of money on some of those power projects in Germany, and at the same time Germany was making a spearhead in South America.

Mr. CLAYTON. They used some of our money, I suppose, for those purposes.

The CHAIRMAN. Undoubtedly.

Turning to exhibit 2, the Bayer letters to which you referred, could you describe for us German operations during the war as revealed by those documents?

Mr. CLAYTON. First of all, the letters show very clearly that the measures which were taken in Latin America, with the aid of other American Republics, to control the operations of these concerns and limit their operations, were pretty effective.

The letters make that statement frequently throughout in referring to the business of the Bayer subsidiaries in different Latin-American countries. They show that the continuation of their business was made possible only because they had set up large stock piles of goods before it was impossible any longer to get shipments, and they were continuing to operate on stock piles rather than on current replacements.

The two letters which are filed here as exhibit 2 were written in the form of reports made by the Argentine subsidiary of the Bayer industry in Germany, and indicate that this subsidiary was in the nature of a kind of parent organization of the Latin-American countries and was coordinating their activities and taking actions to help one out to get one to help the other, and so on.

The CHAIRMAN. Isn't it a fact, also, that when the blockade made it difficult to get shipments, they endeavored to act through their cartel associates or former cartel associates in the United States to get American goods, which they relabeled, to supply their market there?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. Bayer, particularly, played a large part in that in the matter of drugs, taking American goods and selling them as German goods in South America?

Mr. CLAYTON. I understand that was done whenever they could.

The CHAIRMAN. These letters tend to show that Argentina was in the center of these activities, particularly during the war period and just before the war. I am not saying that as a reflection on the Argentine people, but that Germany centered her activities in Argentina more than any place else.

Mr. CLAYTON. It certainly shows it in this case. There was a certain laxity of Argentine controls which contributed to the success of that policy, of course, and it would have been natural if that were not the situation in the beginning, that as time progressed it would more and more get to be the case.

The CHAIRMAN. For instance, quoting from one part of one of the Bayer letters:

The sister firm in this country—  
that has to do with the Colombian Bayer firm—

has been under the direct control of a Government intervener since the beginning of 1942 and can openly carry on normal business in a relatively unhindered manner.

It is a rather interesting comment, I think.

Would you not agree that this document shows that at least in certain instances, intervention is a totally inadequate method of combating Nazi economic pressure?

Mr. CLAYTON. Oh, yes; intervention has proved a pretty feeble effort to control.

The CHAIRMAN. Frequently intervention furnishes a cloak under which to operate?

Mr. CLAYTON. It could easily do it; yes.

The CHAIRMAN. I have had prepared a summary of your exhibit No. 7 on the elimination of enemy interests in spearheads of Axis economic penetration. I would like to introduce the summary in the record at this point. It shows the extent of elimination, and shows that in certain countries like Brazil we have been very successful, while in others we have not been so successful.

(The summary follows:)

*The elimination of enemy interests in spearheads of Axis economic penetration*

	Spearheads completely eliminated	Spearheads in process of elimination	Spearheads in which no action or nonelimination action has been taken to date
Argentina	0	4	104
Bolivia	6	12	
Brazil	48	70	0
Chile	22	23	10
Colombia	4	5	10
Costa Rica	4	0	0
Dominican Republic	10	0	1
Ecuador	19	0	2
Guatemala	16	272	0
Haiti	25	0	0
Honduras	3	10	3
Mexico	57		3
Nicaragua	10		3
Panama	5	0	0
Paraguay	0	1	5
Peru	10	11	4
El Salvador	7	0	9
Uruguay	0	1	
Venezuela	13	2	27
			5

The CHAIRMAN. Do you care to comment on the summary, Mr. Clayton?

Mr. CLAYTON. One comment appears to me to be desirable, and that is, in the case of Guatemala you will note 272 spearhead concerns in process of elimination. That large number is due a good deal to the fact that the coffee business in Guatemala is nearly altogether in the hands of the Germans, and each separate coffee plantation is listed as an entity or as a spearhead company, so that accounts for it.

The CHAIRMAN. So in the case of Guatemala the situation is not as bad as it first appears.

Mr. CLAYTON. No, sir.

The CHAIRMAN. Are there any other countries where such a condition exists?

Mr. CLAYTON. I believe not. I think this tabulation which you have had prepared makes a pretty good record on what has been accomplished in this work. You have to bear in mind, Senator, that the situation in these countries, as I said in my statement, is entirely different from what it is in the United States. In some of these countries, German interests have almost a dominating part in the economy of the country, and if at any moment you would have eliminated all of them you could almost have stopped the economy of the country in some cases.

The CHAIRMAN. One of the causes for that dominance was the fact that many of our American corporations doing business in Latin America, instead of establishing their own agencies, dealt with German agencies; isn't that correct?

Mr. CLAYTON. A good many of them did.

The CHAIRMAN. That gave Germany American money to draw on through those agencies, and American material to dispose of through the agencies, and the Latin American didn't realize he was really getting American material. That could largely be eliminated if we could

get our companies to set up their own agencies there and deal directly with Latin America, could it not?

Mr. CLAYTON. Mr. Chairman, a program along that very line was started here as early as the fall of 1940, and a mission was sent down and a thorough survey and investigation was made and efforts were made to get representation changed in Latin-American countries of American interests. A good deal of success was achieved. Of course, it was a very difficult question.

Certainly before we got into the war it was extremely difficult, because in many cases the only sales agencies in these countries were German, and to replace them meant that American concerns would have to send their own people down and establish their own agencies, and in some cases the volume of their business didn't justify it.

The CHAIRMAN. And because the average European is somewhat of a linguist, it was easier for Germany to staff those agencies with people who could speak the language. It was more difficult for us to get people who could speak the language and knew South American business customs to go in there.

Mr. CLAYTON. That is very true.

The CHAIRMAN. Would it not be to our advantage to train our people so that we can more fully staff foreign agencies?

Mr. CLAYTON. There is no doubt of it, and a good deal is being done in that direction. As you probably know, there is a semi-governmental agency in operation now which is training foreigners in this country in our ways, which I think is a very useful thing. It is called an International Training Administration, and it is conducted largely with private funds, some Government funds. In time it will probably be conducted entirely by private funds. They are bringing the young men of other countries here who want to get training in American technology and American ways of industry and commerce, and they are placing them in business concerns throughout the country. They get their training and learn the American ways; and I think it is a very useful thing.

The CHAIRMAN. I think so, too.

Mr. CLAYTON. We are doing more all the time in training our own young men, too, for foreign service. There is a new school established here in Washington, the Foreign Service Educational Foundation.

The CHAIRMAN. I think that is a very good start, but all that must be expanded tremendously if we are going to take advantage of international conditions.

Mr. CLAYTON. We must. It is highly important.

The CHAIRMAN. One thing I have noted about bringing boys in from other countries, they often want to stay here after they have been trained.

Mr. CLAYTON. Oftentimes they do, but they find opportunities in their own country very good after they get training here for a year or 18 months.

The CHAIRMAN. Would you agree that with the defeat of Germany, through vesting by Allied authorities of German-owned corporations at their home offices, we would be in a position by direct legal means to require the elimination of all known German interests in Latin America? I don't like to say "require"; I would say to "effect," rather, through cooperation with the Latin-American countries.

Mr. CLAYTON. Just what the legal situation is and what our legal rights are there, I don't know. They probably vary with different sets of conditions, but undoubtedly you know that we are occupying Germany, and our military people will have access to the records there, and they can put themselves or put us in a position to do a much better job in this matter than we were in before, and that is a matter, of course, of very active consideration; we are doing that very thing right now, getting all the information we can about these foreign countries.

The CHAIRMAN. Don't you think it is of vital importance for us to get copies of those records for study in order that we may know how to deal with the situation? I believe it is one of the most vital things we have going on over there.

Mr. CLAYTON. Yes, sir, our military are instructed to get all that information they can and send it to us.

The CHAIRMAN. Do you know from your records what, if any, countries have protested against the continued use of the Proclaimed List?

Mr. CLAYTON. I don't think I would like to say, if you don't mind, Mr. Chairman. I hate to bring these names in and make invidious comparisons. Of course, a good many countries, for the reasons I have mentioned, don't particularly like the Proclaimed List because it interferes very greatly with their trade, and, as I say, in a good many cases German nationals and German companies of one kind or another form such a large part of the commerce and the industry and the economy of the country, banking concerns, insurance companies, and what have you; it has worked very considerable hardship on a good many of these companies to cooperate with us to the extent they have, and I think they are deserving of a great deal of credit for what they have done.

The CHAIRMAN. One of our troubles was that for a long time we didn't have the shipping to make complete replacements of what the Proclaimed List enumerated.

Mr. CLAYTON. That is undoubtedly true.

The CHAIRMAN. The sinkings in the Caribbean and the fact that we needed so much of our shipping elsewhere kept us from getting in and taking over that market.

Mr. CLAYTON. That is undoubtedly true, yes, sir. It was very serious in 1942 and 1943.

The CHAIRMAN. It is interesting to note that Argentina has eliminated no spearheads. There are four in process of elimination and 104 in which nothing has been done as yet. Argentina practically had a German-dominated economy at the outbreak of the war, did it not?

Mr. CLAYTON. I couldn't say that that was a fact, Mr. Chairman, but it was certainly a very important part of the economy. The German interests formed a very important part.

Senator MURRAY. I understand that they used to subsidize education of citizens of Argentina in Germany and used to send military people from Argentina over to Germany for education.

Mr. CLAYTON. That is done a good deal, Senator Murray, from a good many of those countries down there, and the Germans contributed in many cases to the expense. It was done very largely from South-American countries. Their young men would go and get education in German universities, and things of that kind. The German Government carried on a great deal of that sort of activity.

Senator MURRAY. In that way they gained very powerful control over the culture of the country.

Mr. CLAYTON. They gained a great influence, there is no doubt of it.

The CHAIRMAN. I have heard that practically every German embassy and consular office in South America ran schools, and that children of the leaders of the South American countries were permitted to go to those schools which were ostensibly run for the education of the children of the German group. Do your records show anything on that?

Mr. CLAYTON. Yes; that has been true in several countries.

I called attention to the fact that the Banco Aleman of Uruguay had paid out so-called subsidies to German schools in 6 or 7 years amounting to nearly \$500,000.

The CHAIRMAN. Of course, there is another feature. At the end of World War I, the younger German officers were sent out on missions to the South American countries, even as far north as Mexico, to train their armies. I think that was a voluntary service on the part of Germany, and naturally they worked their way into the confidence of those people.

I would like to quote from page 8 of your long statement these words: "Withdrawal" (that is, withdrawal of the Proclaimed List from a country)—

does not imply in any way a whitewashing of all the persons taken from the list. It does not mean that a particular German national who has been on the list for 2 or 3 years has suddenly changed his stripes.

If, then, the withdrawal of the list might still leave in operation German-dominated firms, what safeguards would you propose to prevent the continuance and growth of Nazi influence?

Mr. CLAYTON. I think this, Mr. Chairman, refers mostly to what we would call small fry that didn't amount to very much.

The CHAIRMAN. Like all the coffee plantations in Guatemala?

Mr. CLAYTON. Maybe not even as important as that, but small fellows, individuals, largely, that might be spreading German propaganda that didn't amount to very much. We wouldn't take off of any list of spearheads, any big concern.

The CHAIRMAN. Do you know whether or not the withdrawal of the list from any South American country is under consideration in the Department?

Mr. CLAYTON. The complete withdrawal?

The CHAIRMAN. Yes.

Mr. CLAYTON. I am informed that it is not under consideration, Mr. Chairman. Of course, you know that we have had an understanding with these countries that as they become more proficient in exercising the necessary controls themselves and taking the necessary measures, we will reduce the lists and reduce our activities in the matter—

The CHAIRMAN. As they take over?

Mr. CLAYTON. As they take over, and in some cases we have had such fine cooperation and effective cooperation—I will put it that way—that we have felt justified in considerably reducing the size of the list.

The CHAIRMAN. Would it be diplomatic to name any of the countries that have been giving us such good cooperation, or is that best left off the record?

Mr. CLAYTON. I would rather not do that, Mr. Chairman. Of course, this list that you have is pretty good.

Dr. SCHIMMEL. Mr. Clayton, I gather from your earlier statements that you get the greatest pressure to end the Proclaimed List from those countries where the German industry is most important, and that seems to me to be very significant if any consideration is given to eliminating these Proclaimed Lists at the request of the various South American countries.

Mr. CLAYTON. I don't believe we have had any very great pressure to eliminate the list completely. In some cases, I can say that the countries themselves have taken the position that they would like not to see that done, that they want the list continued and want us to help in every way we can to control the activities of these firms.

Dr. SCHIMMEL. Mr. Clayton, you spoke earlier of the injury which was done to the economy of some of these countries by the Proclaimed List because of the prominence of German industry there. The removal of the Proclaimed List would, of course, remedy that injury, but it would leave German industry there intact.

Mr. CLAYTON. That is correct.

Dr. SCHIMMEL. Don't you think we ought to go slowly and make sure we have a real replacement program as the shipping increases and as the supply of material increases?

Mr. CLAYTON. Indeed I do. I think that we don't want to be too quick to remove names from the lists or to kill the list entirely, or anything of that kind. I think we have to be pretty deliberate about that and make sure that we are right before we do it.

It isn't possible to separate the German industrial and commercial and financial hierarchy from the German political machine. It is all, according to my view, pretty much one and the same thing. We want to take every measure that we can, every reasonable measure, to see that Germany cannot again begin to make war, and she undoubtedly was being greatly helped in both World Wars, World War I and World War II, by her penetration of these other neutral countries and the aid and help that she has gotten from the existence of banking and insurance and commercial and industrial interests in those countries.

The CHAIRMAN. It is difficult to say whether German industry dominated the Government, or the Government dominated business.

Mr. CLAYTON. Under the Hitler regime it was practically one thing.

The CHAIRMAN. Let me sketch what I think we could do. Say there is a manufacturing company in New England that makes machetes. They should study the need for machetes in South America. They should send their own men to South America. Their label on machetes could easily become the only one acceptable to South American users because of the quality of the American item. But the need would have to be studied, and an item designed to fill the need.

Mr. CLAYTON. Undoubtedly we must, and I think we will. I think we will give a great deal more attention to foreign trade in the future

than we have in the past. The reason the Germans got such important interests in these different countries abroad and made such great progress is not because they were smarter than we were or that they could do things, make things better than we; it was not that, at all; it was just that it was more essential for them to do it than it was for us. We had such a large domestic trade that our people didn't give the same interest to business abroad that the Germans had to give, and I think in the future we will give a great deal more attention than we have in the past.

The CHAIRMAN. In other words, we are sort of like the hibernating bear; we could live on our own fat, practically, and didn't need to go abroad.

Mr. CLAYTON. We realize the importance of it, I think, now, and I think we will go abroad more than before.

The CHAIRMAN. To get back to the safehaven activities of the Department, it seems to me that they are crucial in eliminating the Nazi influence. In regard to these Bayer stock certificates and these numbered bank accounts, from what I can see—and I want to ask you if I am right—if an American could legitimately invest in a lot of these certificates through some bank that is neutral, then we face the situation of our Reparations Commission having to decide as between the true owners and the people who bought in good faith and put out their good money. It makes a very dangerous situation for the Reparations Commission to settle.

Mr. CLAYTON. It makes a dangerous proposition for the fellow who figures on investing his money, too. He had better be very careful.

The CHAIRMAN. What I am getting at is this: Is the safehaven thing sufficiently publicized to American investors; is the effort to stop that strong enough to keep them from using their system to get American credits?

Mr. CLAYTON. Maybe not. We ought to consider that, I think.

The CHAIRMAN. It seems to me it is very crucial to peace and war.

Mr. CLAYTON. Of course, you know I am reminded that the Foreign Funds Control is pretty effective in stopping that kind of transaction.

Dr. SCHIMMEL. That is, once you discover it?

Mr. CLAYTON. Yes.

Dr. SCHIMMEL. The purpose of the safehaven program is to discover the situation and then the Treasury Department can move in and tell the investors about it.

The CHAIRMAN. I ran into the numbered bank account matter in Frankfurt. All kinds of loot, women's rings and brooches, and even fillings removed from victims' teeth, had been deposited under numbers at Frankfurt. Apparently we have been unable so far to locate the code which would reveal the name of the criminal who deposited the loot under a number.

Mr. CLAYTON. Mr. Chairman, I would like for Mr. Oliver to explain the operation of the Foreign Funds Control in respect to preventing the matter which we discussed.

Mr. C. T. OLIVER (Acting Chief, Division of Economic Security Controls, State Department). I just wish to mention that no American investor could buy stock in a neutral corporation without a license from the Treasury Department ab initio. That would have to be

done before the American could invest, so it is not a question of a technical transaction already done, but it is stopping one before it begins.

The CHAIRMAN. In other words, I must get a certificate from the Treasury Department before I can make the investment?

Mr. OLIVER. Yes.

Senator MURRAY. I was going to inquire what program, if any, is under consideration to enable the small business concerns of this country to get into South American trade. Is there any program of setting up an agency in South American countries that would furnish information, for instance, to American concerns of what demand there would be for their products, and so forth?

Mr. CLAYTON. I think, Senator Murray, that the Department of Commerce has information of that kind that is available and is collecting it all the time, so that it is available to small business concerns that want to expand their markets for their products.

Senator MURRAY. Of course, the Germans were able to get in there and get such a powerful control because their Government assisted them, backed them up in their efforts.

Mr. CLAYTON. That is true, more, perhaps, than the government of any other country.

Senator MURRAY. The State Department has not taken any special interest nor intends to promote any program for the purpose of assisting small business concerns directly in this field?

Mr. CLAYTON. No, sir, I don't think we have any program, any actual program, for assisting them. Of course, we will be glad to assist anyone that we can in any way, but I think the logical department, the department where they can get the information about the markets, and that sort of thing, quickest, is from the Department of Commerce. I know that they have been making a very extensive investigation about markets, and so on, with that object in mind.

Senator MURRAY. And furnishing that information to the business concerns?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. Mr. Clayton, isn't it a fact that Commerce, Treasury, and other departments have representatives in each Embassy?

Mr. CLAYTON. Yes, sir; we have commercial attachés at each Embassy, who send information to us, and we send it over to the Commerce Department.

The CHAIRMAN. And you have Treasury representatives in a lot of them, too, don't you?

Mr. CLAYTON. In a good many of them, yes, sir. There is a large mass of that information that is already collected and is being currently collected.

The CHAIRMAN. Is there anything else you have, Mr. Clayton?

Mr. CLAYTON. I don't believe so, Mr. Chairman.

Dr. SCHIMMEL. I have one question. Will there be an increase in the number of commercial attachés in order to meet the need which Senator Murray has outlined, that is, to obtain better information in this country on the economic opportunities for American business in South America?

Mr. CLAYTON. I think we have excellent information now, that comes up all the time. I don't know that there would be any better job that could be done than is being done at the present time.

Dr. SCHIMMEL. Then the German penetration in South America was not a matter of their having superior informational facilities?

Mr. CLAYTON. No.

Dr. SCHIMMEL. We must, rather, develop additional techniques for the promotion of trade?

Mr. CLAYTON. With the Germans it was not a matter of information, it was largely a matter of necessity. I mean, they had to have foreign trade, they had to export in order to live. The country has, as you know, very little natural resources. The only natural resources of any consequence that they have are coal and potash, and they had to export manufactured goods in order to acquire the raw materials that they needed in their economic life, in their industry, and foreign trade was an absolute necessity for the Germans.

Dr. SCHIMMEL. That is, it was a necessity if they were to be a dominant world power? It would not be a necessity for a peaceful Germany which may be projected for the future?

Mr. CLAYTON. They had to do it if they were going to be an industrial nation, and that is what they set out to be, and of course the harm of the whole thing was, as I said a moment ago, that they used all of that to promote their political ambitions as well, and so closely knit the whole thing together in national politics and international trade, commerce, finance, insurance, industry, and everything, that you couldn't separate them.

Dr. SCHIMMEL. Can you afford to gamble that they will change their spots in the next 10 or 20 years?

Mr. CLAYTON. I wouldn't gamble that they would, at all.

Senator MURRAY. Mr. Clayton, I would like to ask if you think this country would eventually get into that situation that you described prevailed in Germany.

Mr. CLAYTON. Not as long as we are a democracy, Senator, I don't think we would.

Senator MURRAY. If we made this country totally an industrial nation, manufacturing, having foreign trade, and not having developed our own raw material resources and maintained as much as possible our supply of raw materials from our country, wouldn't we eventually get into the situation that Germany was in?

Mr. CLAYTON. I doubt it, Senator. It would take a long, long time, because we have so much more of natural resources than the Germans have in their country that I doubt it. It would be a long, long time before we would be so much dependent in order to maintain our industrial supremacy on outside help, as the Germans were—outside trade, I should say, as the Germans were.

I think that more and more we will go in for foreign trade, and I think we should.

Senator MURRAY. Do you think that your present trade policies would eventually bring about serious injury to such as the wool business in this country, the wool trade?

Mr. CLAYTON. No, sir; I don't think that that will happen. That gets into the discussions we had on the reciprocal trade agreements program, of course.

Senator MURRAY. Of course, if we greatly reduce the duties on wool, wouldn't that mean that the wool producers in this country would eventually go out of business?

Mr. CLAYTON. It conceivably would, but we are committed on that, Senator Murray, as you know, not to take any action which will seriously endanger any American industry or any segment of American agriculture or labor. The President himself, as you know, wrote a letter to Speaker Sam Rayburn in which he said that that sort of action would not take place under his administration.

Senator MURRAY. It is going to be a very difficult thing for you to control, it seems to me. If you greatly reduce the duties, there won't be enough incentive in this country to continue an industry such as the wool industry, if it was going to have such a small margin of profit; it wouldn't justify them in continuing if they were going to be in such competition.

Mr. CLAYTON. I take it, Senator, that the commitment obligates us not to take any actions in respect of reduction in duties which would seriously endanger any American industry or segment of agriculture, as, for example, the wool producing business.

Senator MURRAY. And it is the same with reference to minerals and metals, I suppose.

Mr. CLAYTON. I think it would be the same with respect to any commodity or any article.

The CHAIRMAN. Mr. Clayton, thank you very much for the very careful work that has been done on this. We appreciate it very much.

(The following exhibits were handed to the reporter by the committee counsel, and follow: Axis replacement and proclaimed list program in Latin America: Exhibits 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11. Safe-haven program; exhibits 12, 13, 14, 15, 16, 17.)

The CHAIRMAN. We will recess now, and we will have another meeting at 10:30 tomorrow, when Mr. Crowley will be here, in room 357.

(Whereupon, at 12 m., the hearing recessed until 10:30 a. m., Tuesday, June 26, 1945.)

#### EXHIBIT No. 1

##### SUMMARY OF THE FINDINGS OF A REPORT ON THE EXAMINATION OF THE AFFAIRS OF THE GERMAN TRANSATLANTIC BANK (BANCO ALEMAN TRANSATLANTICO) IN MONTEVIDEO

I. Accounts were opened in the Banco Transatlantico Aleman in the names of the following organizations regarded as of active political character, "admitting the new undisputed principle that the whole organization of Third Reich institutionalism is fundamentally a function of Nazi political intent (in spite of the social aims, apparent from their titles and objects, in juxtaposition with which politics rank in greater or lesser degree, abroad as in Germany due to the policy of conquest)."

1. "Deutsche Zentralstelle, Hilfskasse" (Punto Central Aleman de la Caja de Ayuda—German Center, Mutual Aid).

2. "Deutsche Zentralstelle, Garantiefonds" (Punto Central Aleman del Fondo de Garantia—German Center Guarantee Fund).

3. "Nationalsozialistische Volkswohlfahrt in Uruguay" (Organizacion de Beneficencia del Partido Nacional Socialista Aleman en el Uruguay—National Socialist Peoples Welfare in Uruguay).

4. "Nationalsozialistische Volkswohlfahrt in Uruguay, Cuenta C." (Organizacion de Beneficencia del Partido Nacional Socialista en el Uruguay, Cuenta C.—National Socialist Peoples Welfare in Uruguay, Account C.)

5. "Nationalsozialistische Volkswohlfahrt in Uruguay, Garantiefonds" (Organizacion de Beneficencia del Partido Nacional Socialista Aleman en el Uruguay, Fondo de Garantia—National Socialist Peoples Welfare in Uruguay, Guaranty Fund).

6. "Nacionalsocialistische Volkswohlfahrt in Uruguay, Baufond Kinderheim" (Organizacion de Beneficencia del Partido Nacional Socialista Aleman en el Uruguay, Fondo para Hogar Infantil—National Socialist Peoples Welfare in Uruguay, Children's Home Building Fund).
  7. German Legation, "Fuersorge" (Legacion Alemana, Cuenta Beneficencia—Relief Fund Account).
  8. German Legation, "Baufond Kinderheim" (Children's Home Building Fund).
  9. German Legation, "Deutsche Sammlung" (Colecta Alemana—German Collection).
  10. "Verband Deutscher Vereine in Uruguay" (Federacion de las Sociedades Alemanas en el Uruguay—Federation of German Associations in Uruguay).
  11. "Verband Deutscher Vereine in Uruguay No. 2" (Federacion de las Sociedades Alemanas en el Uruguay No. 2—Federation of German Associations in Uruguay No. 2).
  12. "Federacion de las Sociedades Alemanas en el Uruguay, Fondo de Reserva" (Federation of German Associations in Uruguay, Reserve Fund).
  13. "Federacion de las Sociedades Alemanas en el Uruguay, Socorro para necesitados No. 1" (Federation of German Associations in Uruguay, Poor Relief No. 1).
  14. "Federacion de las Sociedades Alemanas en el Uruguay, Socorro para necesitados No. 2" (Federation of German Associations in Uruguay, Poor Relief No. 2).
  15. "Federacion de las Sociedades Alemanas en el Uruguay, Socorro para necesitados No. 3" (Federation of German Associations in Uruguay, Poor Relief No. 3).
  16. "Winterhilfswerk 1936-1939" (Obra de ayuda de Invierno 1936-39—Winter Help Work 1936-39).
  17. "Federacion de las Sociedades Alemanas en el Uruguay" (Federation of German Associations in Uruguay).
  18. (Number omitted.)
  19. "Nacionalsocialistische Deutsche Arbeiter Partei, Stuetzpunkt 'Obra rio Negro'" (Partido Nacional Socialista Obrero Aleman, Punto de Apoyo Obra R. Negro—German National Socialist Labor Party, Support Point at Rio Negro works).
  20. "Nacionalsocialistische Deutsche Arbeiter Partei, Landekreis Uruguay" (Partido Nacional Socialista Obrero Aleman, Circulo territorial Uruguay—German National Socialist Labor Workers' Party, Uruguay Territorial Circle).
  21. "Nacionalsocialistische Deutsche Arbeiter Partei, Kamaradschaft" (Partido Nacional Socialista Obrero Aleman, Agrupacion de Camaradas—German National Socialist Workers' Party, Comradeship Society).
  22. "Auslandsorganisation der N. S. D. A. P. Landesgruppe Uruguay" (Organizacion en el Extranjero del Partido Nacional Socialista Obrero Aleman, Agrupacion territorial Uruguay—Foreign Organization of the N. S. D. A. P. Uruguay Territorial Group).
  23. "Deutsche Arbeitsfront, Auslandsorganisation, Ortsgruppe Montevideo" (Frente Aleman de Trabajo, organizacion en el Extranjero, Agrupacion local Montevideo—German Labor Front, Foreign Organization, Montevideo District Group).
  24. "Deutsche Arbeitsfront, Auslandsorganisation, 1938" (Frente Aleman de Trabajo, organizacion en el Extranjero, 1938—German Labor Front, Foreign Organization, 1938).
- The foregoing all considered by the investigating auditor as political accounts.
- II. The report draws attention to the following accounts and transactions which are described "as if not exclusively political, excite comment as being connected with the Nazi organization for political purposes."
- Account "Deutscher Schulverein" (Sociedad Escolar Alemana—German School Society).
- Account "Deutscher Schule Palermo" (Escuela Alemana Palermo—Palermo German School).
- Account "Hans Tessdorf v/o Luisa Will de Tessdorf." It is believed that Herr Tessdorf exercises the functions of schoolmaster at Rincon del Bonete (site of the hydroelectric works of Rio Negro) and is associated with the financing of Siemens Bauunion and G. E. O. P. E.
- Account "Max Schmidlein." Engineer Herr Schmidlein acted as the ostensible agent of the Consortium of German Companies effecting the hydroelectric works of Rio Negro, in their subventions to the political organization of National Socialism in Uruguay.
- Account "Walter Seidlitz." Herr Seidlitz held the Transocean agency or acted as its agent, and the account shows remittances to his credit from Berlin by the D. U. B. (Deutsche Uberseeische Bank).

Letter from the "Deutsche Ueberseeische Bank" (Banco Aleman Transatlantico de Berlin). Crediting subvention in favor of Engineer Otto Klein, and later in the name of his wife, for account of the Reich Committee for Translation of German Standards.

Letter to the firm, Muenchmayer & Co., of Hamburg, stating that by telegraphic order of the D. U. B., the sum of \$25,191.85, which had been credited to them by order of Bayer & Co., of Montevideo, is debited for delivery to the German Legation. Attention is called to this transaction which calls for investigation under the payments agreement with Germany, because of its bearing upon the financing of funds for the German Legation in Uruguay.

Letter appearing on the files, amongst correspondence from Nazi political organizations, in which the head of the Uruguay Territorial Circle of the N. S. D. A. P. acknowledges receipt of a pecuniary contribution for the payment of the wireless broadcast effected on the occasion of Mussolini's visit to Berlin (letter bears date September 24, 1937).

Letter appearing on the files, amongst others from Nazi political organizations, in which Engineer Otto Klein requests that his address and his account for reception of funds be kept secret.

III. In regard to the direct connection of the bank with the Nazi Government and its condition as virtually an official organization or dependency, the reporter's comment is as follows:

The following letter appears on the files of the bank: "The speech of the Reich Minister Dr. Goebbels made on Labor Party Day 1937, The Truth about Spain, appeared in pamphlet form in nearly all languages. We have received 100 copies in the Spanish language (La verdad sobre Espana) for distribution to our agencies, and we have sent them under separate cover 15 copies for due distribution."

Proof exists that the National Socialist Labor Party, Foreign Organization, Uruguay Territorial Circle, was on May 1, 1939 raised to the category of Territorial Group, according to headed letter paper signed "Julius Dalldorf," chief of the Territorial group, after the ceremonial "Heil Hitler." Proof also exists that the German Legation, in the superior official organ of the Third Reich in Uruguay, acting with supreme authority, that it orders and disposes that the German bank, as agent of the political treasury, shall effect all transfers from accounts of the various Nazi organizations, and a letter from Verband Deutscher Vereine in Uruguay (Federation of German Societies in Uruguay) by which, under date September 11, 1941, the will of the Legation is obeyed with respect to such transfers, signifies basically the fundamental Nazi political structure of all the German organizations implicated.

Photostatic copies reveal a complex banking operation which calls for submission to the analysis of the Bank of the Republic. Therein the German Legation appears as purchaser of a draft for \$19,961.87 (\$55,810.20 Uruguayan currency) drawn by the Bank of the Republic on the Guaranty Trust Co. of New York, by order of the Administracion Nacional de Combustible Alcohol y Portland (ANCAP), which check figures by endorsement as received by Riberena del Plata, Compania Sudamericana de Comercio, S.A., sold by the bank. This operation of December 16, 1939, is related to a letter from the bank to the Legation of the same date, of which record is made. This in turn is connected with a letter of December 12, 1939, which is recorded by photostatic copy, by which the German Legation in Montevideo is informed that a delivery order has been received for \$43,304.88, Argentine currency, from the Banco Germanico de la America del Sud de Buenos Aires (German South American Bank in Buenos Aires), which letter is again related to one, of which photostatic copy is recorded, informing the German Legation that telegraphic instruction has been received to deliver, by order of the Ministry of Foreign Affairs in Berlin, RM 40,000.00, equivalent to \$23,432, Uruguayan currency, from the sale of exchange of November 28, 1939.

IV. The following extracts from the report are particularly interesting: Total of visible financial resources of foreign origin managed by the German Legation in Uruguay through the intermediary of the Banco Aleman Transatlantico de Montevideo, from 1939 to 1941, with exclusion of the funds of political accounts of Nazi organisms in the country, and which may be considered as local tribute to Nazism:

These financial resources are qualified as "visible" because, the reporter points out, there may exist others which are "invisible," outside the German bank, or through another bank, or even within the German bank itself which he had omitted or did not discover, because firstly, he declared it practically impossible to carry the inspection as far as a total revision of the banking operations, which would occasion undue delay, and secondly, he declares, accountancy practices commented upon elsewhere, in connection with the existence of an unrubricated

cash book, in roughly sewn reams of paper, may amount to an occultation of movement of the bank's funds, only conceivable as of political intent.

Moreover there may exist invisible resources outside the sphere of banking, of unimaginable character, in the international financial underworld, politically directed by institutions or nations of world ramification, and which subjugate all moral and legal conceptions to the desired political ends, as appears unquestionably demonstrated by renowned actions of the Third German Reich.

With this possibility in view it must be affirmed that the German Legation in Uruguay gave impulse to its activities, and manipulated them financially, with the following resources which are attested in the accountancy of the Banco Aleman Transatlantico de Montevideo, so far as we were able to establish, as money received from abroad by the Legation in the years indicated, completely excluding funds originating internally in Uruguay, which are the proceeds of the political accounts already mentioned:

Funds received, 1936-----	\$27, 863. 70
Funds received, 1937-----	38, 946. 98
Funds received, 1938-----	47, 059. 42
Funds received, 1939-----	303, 085. 53
Funds received, 1940-----	593, 793. 42
Funds received, 1941-----	590, 865. 14
 Total amount of funds received from abroad-----	 1, 601, 614. 28

Taking the figures for 1936 as the index equivalent to 100, the visible reception of funds from abroad by the German Legation in Uruguay grows in the subsequent years as indicated by the following percentage indexes:

	Percent	Percent
1936-----	100	1, 081
1937-----	139	2, 131
1938-----	169	2, 120

These resources are detailed by years and analyzed by items under "A" statement, of which record exists.

What regular, normal, or ordinary justification can be given for such enormous growth in the mobilization of resources of the German Legation in Uruguay?

Germany's external commerce has been frozen by Uruguay since the end of 1940. No official movement of supplies, or loans, links Uruguay with Germany; to the best of the reporter's knowledge, because all such are contrary to the respective political positions.

That such growth of funds should be proved in respect of other legations, as, for instance, those of Britain and the United States of America, would be explicable by reason of provisioning of ships, etc., but in no case in respect of Germany, as far as ordinarily is known, unless it be for political activities here, contrary to the orientation and tendencies of the country, inasmuch as, in normal prewar years, the movement was only some thirty to forty thousand pesos per annum.

V. The report draws attention to the following transactions between the Banco Aleman Transatlantico and the German Legation which did not pass through the Bank of the Republic control, the majority of which were effected as sales of bills by means of cash transactions, in which the name of the Legation did not figure.

#### Cash book No. 50:

July 10, 1939. Bills purchased, p. 594-----	\$10, 752. 09
July 28, 1939. Bills purchased, p. 629-----	10, 722. 22
Aug. 8, 1939. Bills purchased, p. 653-----	1, 114. 21
Aug. 22, 1939. Bills purchased, p. 682-----	27, 716. 19
Aug. 23, 1939. Bills purchased, p. 684-----	27, 322. 40
Aug. 23, 1939. Bills purchased, p. 684-----	82, 056. 89
Aug. 31, 1939. Bills purchased, p. 699-----	1, 210. 72

#### Cash book No. 50A:

Sept. 20, 1939. Bills purchased, p. 39-----	5, 520. 00
Sept. 22, 1939. Bills purchased, p. 42-----	7, 981. 03
Nov. 28, 1939. Bills purchased, p. 168-----	23, 432. 00
Dec. 16, 1939. Bills purchased, p. 198-----	27, 325. 38
Dec. 28, 1939. Bills purchased, p. 265-----	7, 732. 56
Jan. 8, 1940. Bills purchased, p. 235-----	23, 432. 00
Jan. 8, 1940. Bills purchased, p. 235-----	18, 485. 00
Jan. 26, 1940. Bills purchased, p. 261-----	23, 432. 00

## Cash book No. 50A—Continued.

Feb. 19, 1940.	Bills purchased, p. 26-----	\$23, 432. 00
Mar. 26, 1940.	Bills purchased, p. 70-----	23, 432. 00
Apr. 18, 1940.	Bills purchased, p. 105-----	23, 432. 00
May 26, 1940.	Bills purchased, p. 150-----	14, 660. 34
May 28, 1940.	Bills purchased, p. 151-----	33, 708. 00
June 24, 1940.	Bills purchased, p. 181-----	33, 708. 00
July 11, 1940.	Bills purchased, p. 208-----	53, 371. 00
July 23, 1940.	Bills purchased, p. 213-----	6, 150. 96
Aug. 2, 1940.	Bills purchased, p. 226-----	89, 807. 00
Aug. 6, 1940.	Bills purchased, p. 229-----	90, 909. 00

## Cashbook No. 51:

Sept. 3, 1940.	Bills purchased, p. 256-----	53, 371. 00
Oct. 15, 1940.	Bills purchased, p. 300-----	12, 229. 36
Oct. 26, 1940.	Bills purchased, p. 313-----	67, 416. 00
Jan. 4, 1941.	Bills purchased, p. 396-----	2, 376. 06
Mar. 5, 1941.	Bills purchased, p. 487-----	84, 270. 00
Apr. 5, 1941.	Bills payable, p. 198-----	15, 816. 68
Apr. 16, 1941.	Bills purchased, p. 501-----	1, 515. 98
Apr. 18, 1941.	Bills payable, p. 503-----	4, 000. 55
Apr. 21, 1941.	Bills payable, p. 505-----	150, 000. 00

Reporter's remarks are as follows:

Within the mass of resources of the Legation, excepting only certain of specific origin, the most voluminous arise directly from bills sold to the German bank, which the bank registers as cash operations, without identifying the Legation in a current account. Are all these banking operations correct from the point of view of the payment agreement with Germany and the regulations for the control of exchange?

Totalized by years, these resources of the German Legation appearing as bought or discounted by the German bank show the following increase since the beginning of the war:

July to December 1939-----	\$232, 885. 69
January to December 1940-----	590, 985. 66
January to April 1941-----	260, 850. 68
<b>Total-----</b>	<b>1, 084, 722. 03</b>

VI. The payments made by the bank in respect of political current accounts other than those of the German Legation were comprised as follows, from 1935 onward:

1935-----	\$7, 860. 00	1940-----	\$42, 679. 42
1936-----	21, 558. 64	1941-----	144, 202. 86
1937-----	25, 364. 92		
1938-----	31, 895. 02		
1939-----	27, 413. 01		
		<b>Total payments-----</b>	<b>300, 973. 33</b>

VII. So-called subsidies to German schools. The contributions of the German Government to German schools and educational objects since 1935 have been as follows:

1935-----	\$58, 137. 92	1940-----	\$78, 348. 69
1936-----	50, 930. 90	1941-----	82, 044. 52
1937-----	58, 168. 06		
1938-----	63, 970. 50		
1939-----	70, 289. 08		
		<b>Total-----</b>	<b>463, 389. 67</b>

In this total of payments there are funds deposited by the German Legation in the Schools Society account, of which photostatic record has been taken, to the following amounts:

1935-----	\$11, 634. 00	1940-----	\$43, 662. 50
1936-----	10, 941. 00	1941-----	42, 490. 00
1937-----	21, 415. 99		
1938-----	24, 458. 33		
1939-----	37, 367. 59		
		<b>Total-----</b>	<b>191, 369. 41</b>

Reporter's comment as follows:

Nazi generosity for the diffusion of a system through "education" is extraordinary, and should in our opinion act as a warning to the democracies to organize their defense.

It is clear that in giving they give much which is extraneous, expropriated, or despoiled from their international economic program, and given with the final intention of a political inversion of capital to be repaid, with handsome interest, under the lash and heel of Aryans of pure lineage, when these infrahuman races of America shall have become transformed into agricultural and pastoral colonies of the German Third Reich, in the geopolitics matured by Rosenberg.

Can a Nazi Legation contribute such subventions to the education of a small American people, such as that of Uruguay, which possibly has no more than 7 or 8 thousand Germans in its midst, without the intention to disintegrate the national spirit?

VIII. German firms and institutions contributing to the Nazi effort. The following is a list included in the report:

Compania Platense de Electricidad, 16/163, 553.

Siemens Schuckert S. A., 18/163.

Siemens Bauunion, 16/163, 553, 19/669, 925, 20/510, 780, 24/176.

Anilinas Alemanas, 16/258, 19/505, 20/59, 348, 768, 24/647, 25/574.

Bennitt & Cia., 16/363, 18/716, 20/26, 30/924.

Federico Clarfeld & Cia., 16/385.

Circulo Aleman, 16/386, 965, 23/179, 24/466, 25/902, 28/902, 30/970, 31/665, 32/403.

Liceo Aleman, 16/432.

Sociedad Tubos Mannesmann, 16/553.

Cia. Telefonica Montevideo, 16/563, 19/432, 906, 20/401, 24/647, 25/128, 455, 871.

Liga Deportiva Alemana, 16/573, 18/126, 19/332.

Eugenio Barth & Cia., 16/589, 18/716, 20/3, 348, 730, 25/82.

Sociedad Escolar Alemana, 16/664, 21/20, 22/367, 29/644.

Club Aleman, 16/694, 20/146, 929, 21/3, 31/459.

Imprenta Germano Uruguayana, 16/751, 21/467, 560.

Sociedad de Ingenieros Alemanes, 16/787, 30/742.

Mutualista Alemana, 16/830, 21/354, 27/57, 32/499.

Lahusen & Cia. Ltda., 16/895.

Camara de Comercio Alemana, 16/923, 20/248, 486, 895, 24/681, 466, 25/171, 29/438, 31/456.

Arturo Strauch, 18/684.

Staudt & Cia., 18/716, 19/582, 20/120, 186.

Consal, 18/862, 20/88, 486, 21/83, 24/187, 479.

Bayer & Cia., 18/894; 19/432, 24/360.

Ernesto Quincke S. A., 18/894, 20/43, 445.

La Quimica Bayer, Westkott y Cia., 19/458.

Banco Aleman Transatlantico, 18/8, 862, 10/669, 898, 20/44, 317, 21/331, 560.

G. E. O. P. E., 20/348, 700, 24/176, 25/108.

Otto Rabe y Cia., 20/656.

Cervecerias del Uruguay, 20/656.

A. Buch, 20/730, 18/563.

Congregacion Evangelica Alemana, 20/800, 28/989.

Riberena del Plata, 20/929.

Cia. de Construccion, Industria, Representaciones (C. I. R.), 21/612, 23/684.

Osten y Cia, 19/415.

H. Beramendi y Cia., 24/668.

Compania General de Obras Publicas, 26/559.

Circulo Alpinista, 18/108, 27/57, 32/695, 33/121.

Agrupacion Coral Alemana, 27/169, 32/653.

S. A. Financiera y Comercial Guhrmann Lda., 27/635.

Club Deportivo Aleman, 32/281.

Federacion de las Sociedades Alemanas en el Uruguay, 32/296.

IX. The report specially refers to the contributions made in the name of Max Schmidlein, manager of the Rio Negro hydroelectric works, who frequently and with copious funds appears in the documents of the Banco Aleman Transatlantico, for the German National Socialist Labour Party, Support Point Rio Negro. His domicile is Rincon del Bonete, at which place the German Consortium is constructing the hydroelectric works at Rio Negro. It is noted that the deposits commenced on March 26, 1938, \$88.10, in favour of the "German Labour Front, Foreign Organization, Local Montevideo Group," for account of "Rio Negro

**Works—Paso de los Toros**" (*Pas de los Toros* is the township adjacent to the works).

X. Siemens and G. E. O. P. E. (Compania General de Obras Publicas) contractors of the Rio Negro hydroelectric works, and the methods of concealment of their contributions to the Nazi organizations in Uruguay.

Separate paragraphs are devoted to these matters as follows:

Photostatic proofs are appended revealing that Ignacio Max Schmidlein, in all or nearly all of his dealings, appears as a responsible intermediary for the perception and inversion of funds for account of third persons who avail themselves of his name as a bridgehead for the provision of funds to the German National Socialist Party in Uruguay. Ample proofs, amongst many, of this statement are appended in the form of photostatic copies of a number of operations.

The presumptive role of intermediary, concealing the true origin of the contributions of Siemens Bauunion and G. E. O. P. E. to the resources of the Nazi Organization in Uruguay, was corroborated in the subsequent examination of correspondence, which confirms the reality of the use of this screen.

On the file attached to the report are photostatic copies of incoming correspondence of the bank. A letter exists dated July 23, the initial half of the first page being a letterhead reading as follows: "German National Socialist Labor Party, Foreign Organization, Uruguay Territorial Circle, Support Point Rio Negro Works, Paso de los Toros—Telegrams Schmidlein—Paso de los Toros—Correspondence—Dipl. (diplomado). Ingeniero Max Schmidlein—Paso de los Toros—Rio Negro Works." In this letter there appears the following:

"As Siemens G E O P E do not wish to make deposits in the name and under the designation of the German National Socialist Labor Party, Support Point Rio Negro Works, I shall remit in future amounts destined for this account under the designation 'Cuenta Corriente, Max Schmidlein' (Current account, Max Schmidlein), whereas deposits in my savings account will be effected under the designation 'Savings Account 7169, Max and/or Maria Schmidlein.' Heil Hitler."

There is a pencil confirmation on the letter, which appears in the photostatic copy, made by responsible employees of the bank, which reads "and the deposits will be transferred automatically in his current account to the account N. S. D. A. P., Support Point Rio Negro Works."

The transformation of the "Winterhilfswerk" into a mutual aid society, following the enactment of the law of illegal associations, is clearly shown:

From 1934-35 to 1938-39 Werner Forker, representing the German National Socialist Party, Uruguay Territorial Circle, and Adolf Sommer, (E. Quincke & Co.), administered the funds of the party.

In November 1939 the Winterhilfswerk disappeared from the books, being substituted by the German Legation's "German collections" account, in charge of the German Minister and the first secretary of the German Legation.

In February 1940 the chief of the German Central Office in Uruguay of the Beneficent Fund of the National Socialist Party notified the bank that: "with the approval of the German Legation of Montevideo I shall be glad if you would be good enough to transfer the balance of the account of the N. S. V. to the German Legation as follows: N. S. V. in Uruguay Children's Home account, to the account German Legation Children's Home Fund account and accounts N. S. V. in Uruguay Account C and current, to the account German Legation Beneficent Account (Fuersorge). From now onwards I shall be glad if you will be good enough to send me a statement of the beneficent account monthly instead of quarterly as heretofore. Heil Hitler. (Signed) P. Claas."

This was confirmed by a letter from the Legation giving P. Claas and Otto Hahn powers to draw checks.

## EXHIBIT No. 2

### BAYER LETTERS

LETTER FROM THE BAYER SUBSIDIARY IN ARGENTINA TO FARBENINDUSTRIE IN LEVERKUSEN, GERMANY

JULY 1, 1943.

The information we have sent you by telegraph from time to time has kept you more or less informed as to the situation in the various Latin-American countries. Nevertheless we want to take this opportunity to give you an overall picture of the position of our affiliates, especially in regard to their supplies.

We should like to make it clear that with regard to the shipment of goods to our sister firms we have tried to be as helpful as possible to the business, within bounds, by considering the countries where continued activity and the defense of our trade-marks is possible. Our shipments must be restricted further to those products which we can make from local raw materials or which Instituto Behring can deliver.

Unfortunately, therefore, we have only been able to export goods when there have been no notable difficulties to local manufacture, or when you supplied us so richly with the necessary elements that we did not have to worry about our own supply position for the foreseeable future. Only in these cases could we deliver goods on the request of our sister firms.

Apart from this we have, of course, taken the greatest care that our shipments should not entail additional financial risks. We have especially tried whenever possible to use these deliveries to withdraw from the foreign countries funds of high foreign-exchange value which would otherwise eventually have been frozen or have been subject to various measures with the entry of the country into the war.

Following these fundamental rules we have for over a year not exported goods unless the payment for them was absolutely certain. Finally we have tried so far as possible to reduce the amounts of the shipments to the point where each delivery contained only about a 3-month supply of the product.

So far as the situation in each particular country can be forecast for the near future, we adapted these general rules to the situation in such a way as best to serve the general interests of all concerned.

Carrying out this policy has been made more difficult by the recent tightening up of the administration of the export control here since the change of Government. For a long time most of our applications for export permits were granted. More recently a much more thorough examination has been made, particularly in regard to products made up from raw materials. The clear purpose of this change was to restrict the reexport of important goods coming originally from the United States. We are afraid that this tendency is going to make itself felt in the near future in ways that will make it uncomfortable for us, with the result that our ability to ship goods to the other companies will be steadily reduced even when our own supply situation is relatively good.

Following this general discussion we can give you a short description of the situation in individual countries.

*Mexico.*—Our deliveries stopped before the end of 1941. During 1942 we made another attempt to ship certain products of which we had a very good supply but these plans were not successful. We hear practically nothing any more about the Mexican company which has been placed completely under governmental control.

*Central America.*—Since the outbreak of war with the United States we have had no information at all either from the top management or the various agents. The chief personnel of our main company there have been taken off to prison.

*Colombia.*—The sister firm in this country has been under direct control of a governmental interventor since the beginning of 1942 and can openly carry on normal business in a relatively unhindered manner. The personnel of German citizenship are subject to considerable restrictions on their movements.

For a long time we have been able to maintain shipments of necessary goods against specific payments.

*Venezuela.*—The last word we received directly from Caracas was that the situation there was about the same as in Colombia and that continuation of the business was almost entirely a matter of supply. Because of technical transport considerations it is extremely difficult for us to ship the desired products to Venezuela.

From a press telegram that has just come in we see that the enemy's agitation has reached the point where Mr. Madamovsky has been sent out of Caracas and forced to live in a place in the interior of the country so that his continued management of the company will be made difficult.

*Ecuador.*—In this country the United States got the general controls in their hands immediately after the declaration of war and have effectively hindered the further shipment of goods to the company there. There was no alternative but slowly to sell out the stocks on hand at this time.

*Peru.*—In Peru also the enemy have the controls fast in their hands and can prevent any shipment of goods. From earlier letters which we sent to you you will have learned of the law calling for the nationalization, that is, the expropriation, of all Axis firms which was passed by the end of May. Except for Herr A. all the

other German men were either repatriated or carried off to prison camps in the United States. Apart from the monthly statements of turn-over which we have sent on to you, we hear practically nothing from Lima.

*Chile.*—Up until the breaking off of relations our sister firm in Chile was able to operate and import virtually unhindered. Since that time the operation of North American control officials has virtually eliminated the possibility of importing. As a result, our affiliate has had to fall back entirely on its supplies of that date which are shrinking to a minimum. All of the men of German nationality who are important to the company have been forced to transfer their domiciles to towns far from Santiago and are thus cut off from working with the firm.

(Marginal note:) As a result of a conversation with Mr. Hofmann we believe that in spite of everything we have found a way to help Chile further.

*Bolivia.*—In Bolivia the situation was about normal up until a short time ago. We hope that even after our representative there was placed under the control of a Government interventor we will be able to deliver goods (against payment) at least for some time.

*Paraguay.*—Until recently the Paraguay business could be fully maintained especially since the export control here permitted larger shipments to this neighboring country, which is virtually dependent on Argentina in economic matters, than it did to other countries.

However in view of the ever-increasing rumors that Paraguay will be forced to declare war we have taken steps to see that the present supplies in Asuncion are sold as rapidly as possible to reduce the risk there.

*Uruguay.*—Even though the sister firm in this country did not suffer from any official interference with its imports from Argentina, enemy propaganda has had such great effect in Uruguay that the acceptance of our goods among doctors has been reduced to a minimum. Virtually no druggist is willing to sell our products. In these circumstances the supplies on hand in Uruguay will last for much longer than was originally expected.

*Brazil.*—As you know, our affiliated firm in this country was first placed under governmental control and since the beginning of the year completely under Government administration. In the interests of protecting our trade-marks and also to secure the exchange of caffeine we decided to ship against high payments certain goods which we could manufacture entirely out of native raw materials. At the beginning of May the governmental administrator of the firm in Brazil informed us that the company could not continue its relations with us so that we no longer have any business with them.

In every country the tendency is for the North Americans to make a special point of laming our orgnaization. Even though we have succeeded so far in holding the field in many cases there can be no doubt that time is working against us, and that we will not be able to prevent one after another of the countries from falling away. All along we have done what was in our power to put off the time when this would happen and within the rather narrow limits possible to us we shall continue to do so.

LETTER FROM THE BAYER SUBSIDIARY IN ARGENTINA TO FARBENINDUSTRIE IN LEVERKUSEN, GERMANY

JUNE 30, 1943.

Following we give you a short survey of the position of your Latin American agencies, as far as it is known to us at present:

*Mexico.*—Since the end of 1941, we have not heard about the condition of your Mexican agency, and consequently, made no more deliveries.

*Central American.*—We are also without news about Central America since America's entry into the war.

*Colombia.*—We still keep in touch with Colombia and believe that your products will remain in the market for some time. Only recently (see letter No. 27-A of June 4, 1943), we shipped additional supplies to them.

*Venezuela.*—Since shipment No. 1818, of which you were informed by letter No. 46-A of June 26, 1942, we neither prepared further deliveries for Venezuela nor received any news from there. However, as the shipment in question was comparatively large, we assume that the market will be provided for some time. Payment for this merchandise was, as you know, made to us.

*Ecuador.*—Since it is absolutely impossible to send any additional supplies to Ecuador, the business there may either have ceased to exist or may expire after the sale of the balance of the small stocks which may remain.

*Peru.*—Although all gentlemen known to you have been deported, your Peruvian agency remains in good hands, and Messrs Krefft supervise the liquidation

from their neighboring country. The last time we sent them goods was in February 1943, having received in advance the relevant payment. We understand that after this delivery the market is provided for until about the end of the current year. There is hope that when the time comes, ways and means will be found to send further supplies to Peru.

*Chile.*—So far, our sister company there has been able to carry on rather undisturbed. However, the United States authorities active in the country are increasingly endeavoring to make further imports of supplies impossible and to destroy the internal organization of the firm. Consequently, it is impossible to predict whether in the long run the business can be continued.

*Bolivia.*—We wrote you in detail in letter No. 33-A of June 28, 1943.

*Paraguay.*—So far, it has been possible to carry on business unhampered.

*Uruguay.*—Although our sister company is still able to receive supplies, the pressure of the enemy propaganda brought on physicians and apothecaries is making itself felt especially strongly in Uruguay. As a result, the prescriptions have substantially fallen off.

*Brazil.*—For a long time we have been without news of your agency there. Our sister firm officially broke off relations with us at the beginning of May 1943, so that it has become impossible for us to secure any news about the daughter company which holds your representation.

As far as circumstances permitted, we have done everything possible to enable the agencies in each country to continue business. As far as our supply of raw materials is concerned, we shall also be able to do so in the future. However, we are afraid that the circle of our customers will continually decrease with the longer duration of the conflict. In addition, the export regulations are now being handled more strictly in this country, so that the export of your products, which all contain ingredients which are difficult to obtain, will meet with ever-increasing difficulties. Naturally, we shall do our very best to master these difficulties also, and to comply with any demands made on us.

We should like to refrain from a detailed description of the development of the business in this country, since you are informed in every detail from the monthly sales statements which you receive. In any case, we hope that we shall be able to carry on the local business also in the future. As far as supplies of raw materials are concerned, we should absolutely be able to do so. All the other difficulties have, so far, been overcome and we hope that somehow they will also be solved in the future.

#### EXHIBIT No. 3

#### EXCERPTS FROM THE REPORT ON THE THIRD MEETING OF THE MINISTERS OF FOREIGN AFFAIRS OF THE AMERICAN REPUBLICS, RIO DE JANEIRO, BRAZIL, JANUARY 15 TO 28, 1942

##### SUBVERSIVE ACTIVITIES

In addition to its far-reaching psychological effect, the adoption of the resolution on the severance of diplomatic relations was inspired by certain definite practical considerations. The continued presence on the American Continent of diplomatic and consular representatives of the Axis Powers constituted a very real danger to the American Republics engaged in war with those powers, and the severance of diplomatic relations will serve to eliminate centers of propaganda, espionage, and subversive activities which heretofore have been able to operate under the cloak of diplomatic immunity.

Supplementing this general resolution were a number of specific recommendations designed to control the activities of aliens who may be operating against the security of the American Republics. Principal among these is the resolution on Subversive Activities, which reaffirms the determination of the American Republics to prevent individuals or groups from engaging in activities detrimental to their individual or collective security; recommends the adoption of legislative measures to prevent or punish as crimes, acts against the democratic institutions of the states of the Continent; and the control of organizations directed by elements of non-American states whose activities are harmful to American security. To study and coordinate the measures recommended in this resolution the governing board of the Pan American Union is requested to designate, prior to March 1, 1942, a committee of seven members to be known as The Emergency Advisory Committee for Political Defense, to determine the functions of the Committee, prepare its regulations, and fix its budget of expenditures. (Resolution XVII, below.)

## XVII. SUBVERSIVE ACTIVITIES

Whereas: 1. Acts of aggression of the nature contemplated in Resolution XV adopted by the Second Meeting of the Ministers of Foreign Affairs of the American Republics at Habana have now taken place against the integrity and inviolability of the territory of an American Republic;

2. Acts of aggression of a nonmilitary character, including systematic espionage, sabotage, and subversive propaganda are being committed on this Continent, inspired by and under the direction of member states of the Tripartite Pact and states subservient to them, and the fate of numbers of the formerly free nations of Europe has shown them to be both preliminary to and an integral part of a program of military aggression;

3. The American Republics are determined to maintain their integrity and solidarity, in the emergency created by aggression by non-American states, and to give the fullest cooperation in the establishment and enforcement of extraordinary measures of continental defense;

4. The second meeting of the Ministers of Foreign Affairs of the American Republics recommended that the necessary steps be taken to prevent the carrying on of such subversive activities in the resolutions entitled:

"II. Norms Concerning Diplomatic and Consular Functions."

"III. Coordination of Police and Judicial Measures for the Defense of Society and Institutions of Each American State."

"V. Precautionary Measures With Reference to the Issuance of Passports."

"VI. Activities Directed From Abroad Against Domestic Institutions."

"VII. Diffusion of Doctrines Tending to Place in Jeopardy the Common Inter-American Democratic Ideal or To Threaten the Security and Neutrality of the American Republics."

5. The gravity of the present emergency requires that the American states, individually and in concert, take additional and more stringent measures to protect themselves against groups and individuals that seek to weaken their defenses from within,

The third meeting of the Ministers of Foreign Affairs of the American Republics resolves:

1. To reaffirm the determination of the American Republics to prevent individuals or groups within their respective jurisdictions from engaging in activities detrimental to the individual or collective security and welfare of the American Republics as expressed in resolutions II, III, V, VI, and VII of the second meeting of the Ministers of Foreign Affairs of the American Republics.

2. To recommend to the governments of the American Republics the adoption of similar legislative measures tending to prevent or punish as crimes, acts against the democratic institutions of the states of the continent in the same manner as attempts against the integrity, independence or sovereignty of any one of them; and that the governments of the American Republics maintain and expand their systems of surveillance designed to prevent subversive activities of nationals of non-American countries, as individuals or groups of individuals, that originate in or are directed from a foreign country and are intended to interfere with or limit the efforts of the American Republics individually or collectively to preserve their integrity and independence, and the integrity and solidarity of the American Continent.

3. To recommend to the American Republics that they adopt in conformance with their constitutions and laws, regulatory provisions that are, as far as possible, in keeping with the memorandum which is attached to this resolution for purposes of information.

4. To recommend, according to resolution VII of the Habana meeting on the subject of antidemocratic propaganda, that the governments of the American Republics control, within their respective national jurisdictions, the existence of organizations directed or supported by elements of non-American states which are now or may in the future be at war with American countries, whose activities are harmful to American security; and proceed to terminate their existence if it is established that they are centers of totalitarian propaganda.

5. That, to study and coordinate the measures recommended in this resolution, the Governing Board of the Pan American Union shall elect, prior to March 1, 1942, a committee of seven members to be known as the Emergency Advisory Committee for Political Defense.

6. The Governing Board of the Pan American Union, after consulting the Governments of the American Republics, shall determine the functions of this committee, prepare the regulations which shall govern its activities, and fix its budget of expenditures.

*Attachment to Resolution XVII*

## MEMORANDUM ON THE REGULATION OF SUBVERSIVE ACTIVITIES

It is recommended to the American Republics that, as far as practicable in view of present conditions and those which may be foreseen, they take comprehensive regulatory measures, that are not in conflict with their respective constitutional provisions, and that these measures include the following, it being recognized that many of them are already in force:

## (a) To control dangerous aliens by:

1. Requiring that all aliens register and periodically report in person to the proper authorities and exercising a strict supervision over the activities and conduct of all nationals of member states of the Tripartite Pact and states subservient to them; communicating immediately to other American Republics information that may be obtained relative to the presence of foreigners suspect with relation to the peace and security of such other Republics.

2. Establishing procedures whereby such nationals of the aforesaid states as are deemed dangerous to the country of their residence shall during their stay therein remain in detention or be restricted in their freedom of movement.

3. Preventing such nationals from possessing, trading in or making use of aircraft, firearms, explosives, radio-transmitting instruments, or other implements of warfare, propaganda, espionage, or sabotage.

4. Limiting internal travel and change of residence of those aliens deemed dangerous insofar as such travel may be incompatible with national security.

5. Forbidding the participation by such nationals in organizations controlled by or acting in the interest of member states of the Tripartite Pact or states subservient to them.

6. Protecting all aliens not deemed dangerous from being deprived of adequate means of livelihood, unfairly discriminated against, or otherwise interfered with in the conduct of their normal social and business activities.

## (b) To prevent the abuse of citizenship by:

1. Exercising that redoubled vigilance which the circumstances demand in the naturalization of aliens, with particular reference to denying citizenship to those who continue in any way to retain allegiance to, or to recognize citizenship in, the member states of the Tripartite Pact or states subservient to them.

2. Causing the status of citizenship and the inherent rights with respect thereto of those citizens of non-American origin who have been granted the privilege of becoming citizens of an American state to be forfeited if, by acts detrimental to the security or independence of that state or otherwise, they demonstrate allegiance to a member state of the Tripartite Pact or any state subservient to them including the termination of the status of citizenship of such persons recognizing or attempting to exercise dual rights of citizenship.

## (c) To regulate transit across national boundaries by:

1. Exercising strict surveillance over all persons seeking to enter or depart from the country, particularly those persons engaged in the interests of member states of the Tripartite Pact or subservient to them, or whose point of departure or destination is such a state, without prejudice, however, to the maintenance of the most liberal practices consistent with local conditions for the granting of safe refuge to those persons who, as victims of aggression, are fleeing from oppression by foreign powers, and by cooperating fully in the exchange of information on the transit of persons from one state to another.

2. Strictly regulating and controlling the entry and departure of all persons as to whom there are well founded and sufficient grounds to believe that they are engaged in political activities as agents or in the interest of member states of the Tripartite Pact or states subservient to them.

## (d) To prevent acts of political aggression by:

1. Establishing penalties for acts designed to obstruct the war or defense efforts of the country concerned or its cooperation with other American Republics in matters of mutual defense.

2. Preventing the dissemination by any agent or national of or by any political party organized in any member state of the Tripartite Pact or any state subservient to them, or by any other person or organization acting at the behest or under the direction thereof, of propaganda designed to impair the security of any of the American Republics or the relations between them, to create political or social dissension, to intimidate the nationals of any American Republic, or to influence the policies of any American state.

3. Requiring the registration with an appropriate agency of Government or otherwise regulating any persons or organizations seeking to act in any way on

behalf of, or in the political interest of, any non-American state which is not engaged at war on the side of an American Republic; or of a political party thereof, including clubs, societies, and institutions, whether of a social, humanitarian, sporting, educational, technical, or charitable nature, which are directed or supported by nationals of any such states; requiring the full and constant public disclosure to the people of the country in which they are carried on, of the identity and nature of all activities of such persons and organizations, and maintaining constant surveillance of all such persons and members of such organizations, whether citizens or aliens.

4. Punishing acts of sabotage, injury to and destruction of essential defense materials, factories, buildings, areas, and utilities for manufacture and storage, public services, means of transportation and communication, and water-front areas and facilities; punishing acts of espionage and the collection and communication of vital defense information for hostile purposes; and anticipating and forestalling acts of sabotage and espionage by measures to protect and safeguard vital documents, installations, and operations.

5. Supervising all communications to and from states subservient to or in communication with member states of the Tripartite Pact, in order to censor any information or intelligence of use to any such state in the execution of hostile designs against any of the American Republics, or in activities otherwise detrimental to the security of any or all of the American Republics.

#### EXHIBIT No. 4

#### FINAL ACT OF THE INTER-AMERICAN CONFERENCE ON SYSTEMS OF ECONOMIC AND FINANCIAL CONTROL, WASHINGTON, JUNE 30-JULY 10, 1942

The Inter-American Conference on Systems of Economic and Financial Control met at the Pan American Union in Washington from June 30 to July 10, 1942, pursuant to invitations extended by the Inter-American Financial and Economic Advisory Committee to the Governments of the American Republics, with the following representatives in attendance:

*Argentina.*—Delegate: Edmundo Gagneux, assistant general manager Central Bank of the Argentine Republic. Advisers: Edgardo Grumbach, chief, foreign exchange department, Central Bank of the Argentine Republic; José Julio Brignoli, Central Bank of the Argentine Republic.

*Bolivia.*—Delegate: Humberto Cuenca, general manager, Central Bank of Bolivia.

*Brazil.*—Delegate: Francisco Alvesdos Santos, Jr., director of exchange, Bank of Brazil. Adviser: Achilles Moreaux, official, Bank of Brazil.

*Chile.*—Delegate: Pedro Enrique Alfonso, counselor of the Central Bank of Chile. Adviser: Ramon Rojas Castro, official of the Central Bank of Chile.

*Colombia.*—Delegates: Alberto Bayón, chief, office of exchange and export control, Bank of the Republic; Antonio Puerto, member of the governing board of the bank of the Republic.

*Costa Rica.*—Delegates: Julio Peña, general manager, National Bank of Costa Rica; Raúl Gurdián; J. Rafael Oreamuno, representative of Costa Rica on the Inter-American Financial and Economic Advisory Committee; member and vice chairman of the Inter-American Development Commission.

*Cuba.*—Delegate: Rámiro Guerra y Sánchez, representative of Cuba on the Inter-American Financial and Economic Advisory Committee. Advisers: Raoul Herrera-Arango, second secretary, Cuban Embassy, Washington; Felipe Pazos y Roque, commercial attaché, Cuban Embassy, Washington.

*Dominican Republic.*—Delegates: Harry E. Henneman, special representative of the Ministry of Finance and Commerce and of the Reserve Bank of the Dominican Republic; H. Murray-Jacoby, commercial adviser, Consulate General of the Dominican Republic, New York; Rafael A. Espaillat, commercial attaché, Legation of the Dominican Republic, Washington.

*Ecuador.*—Delegates: Eduardo Icaza, president, Central Bank of Ecuador; Alberto Alcívar, general manager, Central Bank of Ecuador; Luis Eduardo Lazo, chief statistician, Central Bank of Ecuador.

*El Salvador.*—Delegate: Carlos Adalberto Alfaro, Chargé d'Affairs, a. i., of El Salvador, Washington.

*Guatemala.*—Delegate: Luis Beltranena, dean, School of Economic Sciences, University of Guatemala.

*Haiti.*—Delegate: Abel LaCroix, Minister of Finance.

*Honduras.*—Delegate: Julián R. Cáceres, Minister of Honduras in Washington.

*Mexico.*—Delegates: Eduardo Villaseñor, director general, Bank of Mexico; Antonio Carrillo, director general of credit, Ministry of Finance and Public Credit. Advisers: Raul Martínez Ostos, legal adviser, Bank of Mexico; Victor L. Urquidi, economist, Bank of Mexico.

*Nicaragua.*—Delegates: Leon DeBayle, Minister of Nicaragua in Washington; Rafael A. Huezo, general manager, National Bank of Nicaragua.

*Panama.*—Delegate: Ricardo Marciacq, Comptroller General of the Republic. Adviser and alternate delegate: Bey M. Arosemena, commercial counselor, Embassy of Panama, Washington.

*Paraguay.*—Delegate: Harmodio González, manager, Bank of the Republic.

*Peru.*—Delegates: Manuel C. Gallagher; Alfredo Alvarez Calderon.

*United States of America.*—Delegate: Edward H. Foley, Jr., general counsel, Department of the Treasury. Advisers: Emilio G. Collado, special assistant to the Under Secretary of State; Donald Hiss, Chief, Foreign Funds Control Division, Department of State; Edward G. Miller, Jr., Foreign Funds Control Division, Department of State; Harry D. White, Assistant to the Secretary of the Treasury; Bernard Bernstein, assistant general counsel, Department of the Treasury; John W. Pehle, assistant to the Secretary of the Treasury; L. Werner Knoke, vice president, Federal Reserve Bank of New York. Secretaries: Guillermo Suro, Chief, Central Translating Office, Department of State; Josiah E. DuBois, Office of General Counsel, Department of the Treasury.

*Uruguay.*—Delegate: Roberto MacEachen, Minister of Uruguay to Cuba. Secretary, Carlos M. Fernández Goyechea, financial attaché, Embassy of Uruguay in Washington.

*Venezuela.*—Delegates: Diógenes Escalante, Ambassador of Venezuela in Washington; José J. González Gorrono, director of the Central Bank; president of the Import Control Board of Venezuela. Adviser: Manuel Pérez Guerrero, secretary, Import Control Board of Venezuela. Secretary: Luis E. Gómez Ruiz first secretary, Embassy of Venezuela, Washington.

The opening session of the Conference was held in the Hall of the Americas of the Pan American Union on June 30, under the provisional presidency of the Honorable Sumner Welles, Chairman of the Inter-American Financial and Economic Advisory Committee, who delivered an address of welcome. A welcome on behalf of the Pan American Union was also extended to the delegates by the Director General, Dr. L. S. Rowe, and the response on behalf of the delegates was made by the representative of Peru, Dr. Manuel C. Gallagher. At this session the delegate of the United States of America, Mr. Edward H. Foley, Jr., was elected chairman, and the representative of Brazil, Dr. Francisco Alves dos Santos, Jr., Vice Chairman of the Conference.

The program and regulations had been formulated by the Inter-American Financial and Economic Advisory Committee to give effect to the purposes of the Conference as set forth in resolutions V and VI of the Third Meeting of the Ministers of Foreign Affairs of the American Republics, and were approved at the inaugural session of June 30. To facilitate the work of the Conference two committees were appointed to consider, respectively, the topics in the agenda relating to international transactions and those pertaining to domestic transactions. All countries were represented on each of the two committees which, at their first sessions held on July 1, elected the following officers:

Committee I, International Transactions: Chairman, Raúl Gurdíán (Costa Rica); vice chairman, Pedro Enrique Alfonso (Chile); reporting delegate, Ramiro Guerra y Sánchez (Cuba).

Committee II, Domestic Transactions: Chairman, Alberto Bayón (Colombia); vice chairman, Edmundo Gagneux (Argentina); reporting delegate, Eduardo Villaseñor (Mexico).

A Coordination Committee was also appointed in accordance with the regulations, consisting of one representative for each of the official languages of the Conference, as follows: Achilles Moreaux (Brazil), Ramiro Guerra y Sánchez (Cuba), Abel LaCroix (Haiti), Emilio G. Collado (United States of America).

In accordance with the regulations and on the basis of a proposal of the Director General of the Pan American Union, the following were named to constitute the Secretariat of the Conference: Secretary General, William Manger; Secretary of Committee I, Francisco J. Hernandez; Secretary of Committee II, Luis Delgado Gardel.

The Inter-American Conference on Systems of Economic and Financial Control, considering that the American republics, in accordance with recommendations V and VI of the Third Meeting of the Ministers of Foreign Affairs of the American Republics held at Rio de Janeiro in January 1942, have the most firm intention

to adopt the measures that may be necessary to impede all operations of a commercial and financial character contrary to the security of the Western Hemisphere, adopts the following recommendations:

#### I. FINANCIAL AND COMMERCIAL TRANSACTIONS WITH AGGRESSOR NATIONS AND NATIONS DOMINATED BY THEM

The Inter-American Conference on Systems of Economic and Financial Control recommends:

That the Governments of the American Republics, pursuant to resolution V of the Third Meeting of the Ministers of Foreign Affairs of the American Republics, held at Rio de Janeiro, adopt and put into effect as soon as possible, effective measures to achieve the following purposes:

(a) To block effectively the use, transmission, or transfer of funds, securities, and property within the American Republics now held by nations which have committed acts of aggression against the American Continent, or subsequently acquired for their account, as well as the funds, securities and property now held by a real or juridical person within such aggressor nations or in the territories dominated by them, or subsequently acquired for the account of such persons.

(b) To prevent any real or juridical person within the jurisdiction of an American republic from engaging in any financial or commercial transaction which involves the exportation of any property of any nature whatsoever, the remittance of any funds, or orders or instructions to persons under the jurisdiction of aggressor nations or those dominated by them, whether such exportation or remittance be made, or such orders or instructions be given, directly or indirectly.

There shall be excepted remittances (i) for living expenses of citizens of such American republic residing within the aggressor nations or in the territories dominated by them, and (ii) for the expenses of representing the governmental interests of such American republics in the aggressor nations or in the territories dominated by them, including the care and safeguarding of the property of the Governments of such American republics. The said payments can only be made directly by the Government of the respective American republic, or through the Government representing its interests in such aggressor nations, or in the territories dominated by them.

(c) To prevent any real or juridical person within the jurisdiction of an American republic from engaging in any financial or commercial transaction which involves the importation of any property of any nature whatsoever or the receipt of any funds, or the acting upon any order or instruction from any person within the jurisdiction of the aggressor nations or nations dominated by them, whether such importation, receipt of funds, or compliance with such order or instruction be made directly or indirectly.

There shall be excepted the remittances which each Government in its discretion may authorize (i) for living expenses of citizens of such aggressor nations or nations dominated by them, residing within the American republics, and (ii) for expenses of representing the governmental interests of the aggressor nations or nations dominated by them, in the American republics, including the care and safeguarding of the property of the Governments of said aggressor nations or the nations dominated by them.

Except in cases of effective reciprocity, the exceptional payments referred to in the preceding paragraph shall in no case be made out of blocked funds or other assets which the aggressor nations or the nations dominated by them may have in the American republics, but shall only be made out of unblocked funds of foreign ownership originating in territory outside the American republics. Remittances for said payments shall be received only directly by the Government of the respective American republic, or through the intermediary of the Government which represents in such American republic the interests of said aggressor nations or of nations dominated by them.

#### II. FINANCIAL AND COMMERCIAL TRANSACTIONS WITH COUNTRIES OUTSIDE THE WESTERN HEMISPHERE

The Inter-American Conference on Systems of Financial and Economic Control recommends:

That the Governments of the American Republics, in addition to cutting off all financial and commercial transactions with the aggressor nations and the nations dominated by them, adopt as soon as possible, endeavoring not to cause unnecessary damage to neutral nations, appropriate measures with respect to their

financial and commercial relationships with all of the other nations outside the Western Hemisphere, in order to:

(a) Supervise adequately the funds and property within their respective jurisdictions now held or hereafter acquired by or for such other nations outside the Western Hemisphere or real or juridical persons within such nations, except those nations which have cut off commercial and financial transactions with the aggressor nations.

(b) Prevent any real or juridical person within the jurisdiction of such American republic from engaging in any commercial or financial transaction which involves the exportation or importation of any property of any nature whatsoever to or from nations outside the Western Hemisphere, or the remittance of funds to or from any person in such other nations outside the Western Hemisphere, when such exportation, importation, or remittance is of benefit to the aggressor nations or to nations dominated by them.

(c) Prevent all transactions between the American Republics and nations outside the Western Hemisphere involving any real or juridical person within any nation outside the Western Hemisphere whose activities are deemed by the respective American Republic concerned to be inimical to the security of the Western Hemisphere.

### III. TRANSACTIONS AMONG THE AMERICAN REPUBLICS

The Inter-American Conference on Systems of Economic and Financial Control recommends:

That, to prevent financial and commercial transactions which are of benefit to any of the nations which have committed acts of aggression against the American Continent, and transactions undertaken by any real or juridical person within the American Republics whose activities are inimical to the security of the Western Hemisphere, the Governments of the American Republics adopt, as soon as possible, measures to:

(a) Establish between the American Republics an interchange of information with respect to commercial and financial transactions undertaken with real or juridical persons within other American Republics so that each nation, within its jurisdiction and in the exercise of its own authority, may prevent any transaction which would benefit the aggressor nations, the nations dominated by them, or persons whose activities are inimical to the security of the American Continent.

(b) Prevent any transaction, subject to the jurisdiction of an American Republic, undertaken by real or juridical persons within nations outside the Western Hemisphere which have not cut off commercial and financial transactions with the aggressor nations, involving the monetary unit of another American Republic; except a transaction which, together with the report necessary to establish its nature, is undertaken through a bank of the American Republic whose monetary unit is involved in the transaction.

(c) Prevent any transaction, subject to the jurisdiction of an American Republic, involving real or juridical persons within nations outside the Western Hemisphere which have not cut off commercial and financial relations with the aggressor nations, and real or juridical persons within another American Republic, unless such transactions are performed with the approval of the latter Republic.

### IV. CONTROL OF MOVEMENT AND TRANSFER OF SECURITIES

The Inter-American Conference on Systems of Economic and Financial Control recommends:

That the Governments of the American Republics, in order to prevent transactions in securities for the benefit of the aggressor nations, adopt appropriate measures to—

(a) Establish a precautionary blocking of securities which directly or indirectly are imported into the American Republics from countries outside the Western Hemisphere, as well as their coupons, interests, and dividends, until it is determined that the aggressor nations, or the nations dominated by them, or persons within such nations, have not or have not had any interest in them since the beginning of the present emergency.

Nonbearer securities imported into American nations from countries outside the Western Hemisphere after the beginning of the present emergency, likewise may be subjected to precautionary blocking.

(b) To supervise transactions of any nature whatsoever by persons within an American Republic in securities, or interests therein, which are located outside

the Western Hemisphere, so as to prevent transactions in which persons in aggressor nations or nations dominated by them have an interest or have had an interest since the beginning of the present emergency; or those from which they may derive some benefit direct or indirect.

(c) Require registration, or adopt any other appropriate measures, in order to determine if any person within the aggressor nations or the nations dominated by them, has any interest in securities issued or payable in any of the American Republics.

#### V. STANDARDS FOR THE APPLICATION OF FINANCIAL AND ECONOMIC CONTROLS WITHIN THE AMERICAN REPUBLICS

The Inter-American Conference on Systems of Economic and Financial Control recommends:

1. That the application of the economic and financial controls of the governments of the American Republics, during the present emergency, should have as one of its objectives the control of the property and transactions of all persons, real or juridical, residing or situated within their respective jurisdictions, regardless of nationality, who by their conduct are known to be, or to have been, engaging in activities inimical to the security of the Western Hemisphere.

2. That each of the governments of the American Republics, through the application of its economic and financial controls, eliminate from the economic life of the respective country all undesirable influence and activity of those persons, real or juridical, residing or situated within the American Republics, who are known to be, or to have been, engaging in activities inimical to the security of the Western Hemisphere.

#### VI. STANDARDS OF EFFECTIVE BLOCKING

The Inter-American Conference on Systems of Economic and Financial Control recommends:

1. That the governments of the American Republics that have not already done so adopt, in accordance with their constitutional principles, measures to carry out the effective blocking of assets belonging to real or juridical persons, whatever may be their nationality, when these persons are deemed by the respective government to act in a manner contrary to the security or the national economies of the American Republics; these measures shall not exclude other measures which may be taken by the governments with regard to commercial, industrial, agricultural, financial, or other enterprises, which measures are recommended elsewhere.

2. That blocking shall include all cash, securities, income or other assets of any other kind, including the proceeds of the sale or liquidation of assets or firms.

3. That blocked assets may not be disposed of without the authorization of the respective government or agencies. Any transaction contrary to these provisions shall be null and void.

4. That all blocked cash or securities shall be deposited in the central bank or in approved banks, or in appropriate organizations, subject to provisions adopted by the respective government.

5. That the governments shall not permit disposal of blocked assets if such action benefits, directly or indirectly, the interests of the aggressor nations or the nations dominated by them, whether such disposal takes place in the country in which the transaction originates or in any other country affected by the operation; or if such action is contrary to the fundamental purpose expressed in the first paragraph of this recommendation.

6. That the governments may authorize the disposal of blocked funds when the applicant proves that such funds are essential to his subsistence and that of his family; but such authorization shall not exceed the maximum periodical amount fixed by the respective government.

#### VII. CONTROL OF BUSINESS ENTERPRISES

The Inter-American Conference on Systems of Economic and Financial Control recommends:

1. That, in accordance with the constitutional procedure of each country, all necessary measures be adopted as soon as possible, in order to eliminate from the commercial, agricultural, industrial and financial life of the American Republics, all influence of governments, nations, and persons within such nations who, through natural or juridical persons or by any other means are, in the opinion of

the respective government, acting against the political and economic independence or security of such Republics, and that to this end the following measures be adopted:

(a) The business, properties and rights of any real or juridical person included within the terms of the foregoing paragraph, whatever their nationality, shall be the object of forced transfer or total liquidation; and, if this should not be desirable in the opinion of the government of each country, they shall be the object of blocking, occupation or intervention in order to give effect to the purposes of this recommendation.

(b) The officers and employees of any real or juridical persons, whose actions may be contrary to the purposes set forth in paragraph 1 of this recommendation, shall be removed from their positions and the severance payments to which they may be entitled shall be blocked; and the salaries and other remuneration of those who temporarily continue in service shall be limited and supervised, in order to comply with the afore-mentioned purposes.

(c) The contracts of such real or juridical persons which may be directly or indirectly contrary to the purposes set forth in the first paragraph of this recommendation, shall be rescinded; and in applying the measures set forth in paragraph (a), the contracts entered into by them and the concessions granted to them for the exploitation of natural resources and public services, such as land, mines, water rights, transportation, and other similar activities, may also be considered rescinded and without effect.

(d) The following shall be effectively blocked in accordance with the regulations pertaining to blocking: the proceeds of the sale of transferred properties and rights; the profits accruing from intervened or supervised businesses; and the funds derived from total liquidations.

(e) The alienation, in any form, of the said properties and rights in accordance with paragraph (a), can only be made to nationals of the respective country or to juridical persons formed by them. In the establishment of the conditions of these acquisitions or in the selection of the buyers, the Government of the country in which the transaction takes place shall not permit any direct or indirect participation by any real or juridical person whose activities are deemed contrary to the principles set forth in the first paragraph of this recommendation.

2. Each country shall designate one or more organizations to be in charge of the administration of the aforementioned measures.

3. The American Republics shall maintain an exchange of information on the measures adopted pursuant to this recommendation.

#### VIII. RECIPROCAL COOPERATION AMONG THE AMERICAN REPUBLICS

The Inter-American Conference on Systems of Economic and Financial Control recommends:

That the Governments of the American Republics lend each other the greatest measure of cooperation in the formulation and application of systems and procedures which will facilitate placing in effect, within their jurisdictions and in the exercise of their authority, Recommendations V and VI adopted by the Third Meeting of the Ministers of Foreign Affairs of the American Republics, the consequent recommendations adopted by this Conference, and measures which have been or may be taken by the Governments of the American Republics.

That in consequence the aforesaid Governments endeavor to establish an interchange of information and consultation which will afford knowledge of the experience acquired by each one of them.

#### IX. VOTE OF THANKS

The Inter-American Conference on Systems of Economic and Financial Control resolves:

To extend a vote of thanks to the personnel of the Pan American Union for the efficient manner in which they have collaborated, and the facilities that have been made available which to such a great degree have contributed to the success of the Conference.

The Conference wishes especially to record its appreciation to Dr. L. S. Rowe, Director General of the Pan American Union, who for so many years has contributed to the cause of inter-American understanding; to Dr. William Manger,

Secretary General of the Conference, and to Mr. Francisco J. Hernández and Mr. Luis Delgado Gardel, secretaries of committees I and II, respectively, as well as to the personnel of the secretariat, for their whole-hearted cooperation in the work of the Conference.

In witness whereof, the undersigned representatives sign the present final act. Done in the city of Washington this 10th day of July 1942, in the English, French, Portuguese, and Spanish languages.

**Argentina:**

La Aprobación de la Delegación del Banco Central de la República Argentina a estas recomendaciones debe considerarse sujeta a los términos de la Recomendación V de la Reunión de Consulta de Ministros de Relaciones Exteriores de las Repúblicas Americanas, celebrada en Río de Janeiro, tal como ésta fué aceptada por la Delegación Argentina.

(The approval of these recommendations by the delegation of the Central Bank of the Argentine Republic must be considered subject to the terms of recommendation V of the meeting of Ministers of Foreign Affairs of the American Republics, held at Rio de Janeiro, as that recommendation was accepted by the Argentine delegation.)

E. GAGNEUX.

H. CUENCA.

F. ALVES FILHO.

**Bolivia:**

**Brazil:**

**Chile:**

Firmo como Delegado del Banco Central de Chile en la inteligencia de que estas recomendaciones no alteran los compromisos derivados para mi país de la Recomendación V de la III Reunión de Consulta de Ministros de Relaciones Exteriores de las Repúblicas Americanas, efectuada en Rio Janeiro.

(I sign as the delegate of the Central Bank of Chile, with the understanding that these recommendations do not alter the obligations devolving upon my country as a result of recommendation V of the third meeting of the Ministers of Foreign Affairs of the American Republics, held at Rio de Janeiro.)

PEDRO ENRIQUE ALFONSO.

ALBERTO BAYÓN.

ANTONIO PUERTO.

JULIO PEÑA.

RAÚL GUARDIÁN.

J. RAFAEL OREAMUNO.

RAMIRO GUERRA.

H. E. HENNEMAN.

H. MURRAY-JACOBY.

RAFAEL A. ESPAILLAT.

E. ICAZA.

A. ALCÍVAR.

LUIS EDUARDO LAZO.

C. A. ALFARO.

LUIS BELTRANENA.

ABEL LACROIX.

JULIÁN R. CÁCERES.

E. VILLASEÑOR.

A. CARRILLO.

LEÓN DEBAYLE.

R. A. HUEZO.

RICARDO MARCIACQ.

BEY M. AROSEMENA.

H. GONZÁLEZ.

MANUEL C. GALLAGHER.

A. ALVAREZ CALDERÓN.

E. H. FOLEY, JR.

R. C. MAC EACHEN.

DIÓGENES EXCALANTE.

J. J. GONZÁLEZ.

**Colombia:**

**Costa Rica:**

**Cuba:**

**Dominican Republic:**

**Ecuador:**

**El Salvador:**

**Guatemala:**

**Haiti:**

**Honduras:**

**Mexico**

**Nicaragua:**

**Panama:**

**Paraguay:**

**Peru:**

**United States of America:**

**Uruguay:**

**Venezuela:**

## EXHIBIT No. 5

## BLOCKING RESOLUTIONS

[*Diario Oficial, Mexico, D. F., Mexico, December 17, 1941, Vol. CXXIX, No. 39, The Ministry of Finance and Public Credit*]

**Resolution limiting the control of Japanese subjects over their funds on deposit in this country**

**RESOLUTION**

Whereas (I) Article 27 of the Constitution lays down the principle that the Nation has at all times the right to impose upon private property the stipulations it may deem necessary for the welfare of the public. Administrative regulations giving effect to this premise have contemplated on their part, as a matter of public concern the national defense and the maintenance of public order, and establish that limitation of rights of control will be in order when this is deemed essential for the aims of the Government, or for the well-being of the public.

Whereas (II) The international situation, in the judgment of the Executive, fully justifies the limitation of the control by Japanese subjects or firms composed of these nationals, or enterprises in which such subjects or firms have an interest, over their funds, in order that they may not dispose of such funds on deposit in credit institutions, nor of negotiable securities they may own nor effect foreign exchange transactions or purchase and sale of foreign exchange, without an express authorization therefor from the Ministry of Finance;

This Ministry, exercising the powers vested in it by the legal provisions invoked and the authority given to it by article 4, sections XII and XIII, of the Law of Ministries of the State, in representation of the Federal Executive, has seen fit to issue the following:

**Resolution**

I. There is declared as of public utility the limitation of the control exercised by Japanese subjects, or firms of the same nationality or enterprises in which such nationals or firms have an interest or of whom it is presumed with good reason that they operate in the name or to the benefit of or by instruction of Japanese subjects or firms, in the following terms:

(a) For disposing of funds deposited by them in credit institutions of the country;

(b) for disposing of the negotiable securities owned by them; and

(c) for effecting foreign exchange transactions or buying or selling foreign exchange.

The acts specified in this section may only be effected (by Japanese) upon express authorization from the Ministry of Finance and Public Credit.

II. Any case of doubt on the part of any public or private institution, or of any interested party regarding whether or not any operation or payment is governed by the provisions of this resolution should be referred to the aforesaid Ministry for decision.

III. Communicate this resolution to the National Banking Commission so that it, in turn, may transmit the resolution to all the credit institutions of the country and also especially communicate it to the Bank of Mexico, S. A.

IV. Violations by any credit institution of the provisions contained in this resolution shall be penalized in the terms of article 152 of the General Law of Credit Institutions and Auxiliary Organizations. Violations committed by private parties shall be subject to the respective legal provisions; and

V. Publish this resolution in the *Diario Oficial* of the Federation for the corresponding legal effects.

Effective suffrage. No reelection.

Mexico, D. F., December 7, 1941.

The Minister of Finance and Public Credit, Eduardo Suárez.

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**Resolution limiting the control of German and Italian subjects over their funds on deposit in this country**

**RESOLUTION**

Whereas (I) Article 27 of the Constitution lays down the principle that the Nation has at all times the right to impose upon private property the stipulations it may deem necessary for the welfare of the public. Administrative regulations giving effect to this premise have contemplated on their part, as a matter of public concern, the national defense, and the maintenance of public order, and establish

that limitation of rights of control will be in order when this is deemed essential for the aims of the Government, or for the well-being of the public.

Whereas (II) The international situation, in the judgment of the Executive, fully justifies the limitation of the control by Italian and German subject or firms composed of these nationals, or enterprises in which such subjects or firms have an interest, over their funds, in order that they may not dispose of such funds on deposit in credit institutions, nor of negotiable securities they may own nor effect foreign exchange transactions or purchase and sale of foreign exchange, without an express authorization therefor from the Ministry of Finance.

This Ministry, exercising the powers vested in it by the legal provisions invoked and the authority given to it by article 4, sections XII and XIII, of the Law of Ministries of the State, in representation of the Federal Executive, has seen fit to issue the following resolution:

I. There is declared as of public utility the limitation of the control exercised by Italian and German subjects, or firms of the same nationalities or enterprises in which such nationals or firms have an interest or of whom it is presumed with good reason that they operate in the name or to the benefit of or by instruction of Italian or German subjects or firms, in the following terms:

(a) For disposing of funds deposited by them in credit institutions of the country;

(b) For disposing of the negotiable securities owned by them; and

(c) For effecting foreign exchange transactions or buying or selling foreign exchange.

The acts specified in this section may only be effected (by Italians or Germans) upon express authorization from the Ministry of Finance and Public Credit; including the disposal of negotiable securities and money deposited in safe-deposit boxes.

With regard to the safe-deposit boxes, the respective institutions shall be responsible for seeing, when the boxes are opened, that only those articles not enumerated in this resolution are withdrawn.

II. Any case of doubt on the part of any public or private institution, or of any interested party regarding whether or not any operation or payment is governed by the provisions of this resolution should be referred to the aforesaid Ministry for decision.

III. Communicate this resolution to the National Banking Commission so that it, in turn, may transmit the resolution to all the credit institutions of the country and also especially communicate it to the Bank of México, S. A.

IV. Violations by any credit institution of the provisions contained in this resolution shall be penalized in the terms of article 152 of the General Law of Credit Institutions and Auxiliary Organizations. Violations committed by private parties shall be subject to the respective legal provisions; and

V. Publish this resolution in the Diario Oficial of the Federation for the corresponding legal effects.

Effective suffrage. No reelection.

México, D. F., December 11, 1941.

The Minister of Finance and Public Credit, Eduardo Suárez.

Resolution adding to the one which limited control of Japanese subjects over their funds on deposit in Mexico

(In the margin a seal which reads: "Federal Executive Power, United Mexican States, México, Ministry of Finance and Public Credit, Head Office of Credit.")

#### RESOLUTION

The resolution of December 7, 1941, relative to the limitation of the control by Japanese subjects or firms and other enterprises referred to therein, is amended by adding the following paragraph which shall form part of insert (c) of section I:

"Safety-deposit boxes are included in this section. The respective institutions shall be responsible, when the boxes are opened, for seeing that only articles not enumerated in this resolution are withdrawn therefrom."

Be informed heretof and have it published..

Effective suffrage. No reelection.

The Minister of Finance and Public Credit, Eduardo Suárez.

Manuel Avila Camacho, Constitutional President of the United Mexican States, to his people—

Know ye that section XIII of article 73 of the Constitution empowers Congress to "decree laws according to which prizes on land and sea may be declared valid or invalid." According to this precept, both international law as well as Mexican jurisprudence give the Government the right, in time of war, to confiscate property of the enemy; therefore, with every reason, the power of the Government is unquestionable to subject enemy property to vigilance and control and, even seizure, to the extent that the security of the country requires.

By virtue of, and in exercise of the special powers which have been invested in the President by decree of June 1, 1942, I have seen fit to decree the following:

#### LAW GOVERNING ENEMY TRADING AND PROPERTY

ARTICLE 1. Except by express permission of the Chief Executive, trade between any Mexican or person domiciled or resident in National Territory and countries which are enemies of the United Mexican States, their nationals, or those subject by law to the same treatment as the latter, is prohibited. The permissions to which this paragraph refers may be general or related to concrete cases.

Without prejudice to the penalties fixed by this law, no acts which violate this article, nor those consummated abroad by enemy countries, their nationals, or those subject by law to the same treatment as the latter, shall have any effect whatsoever, without judicial resolution being necessary. The Chief Executive can extend the above provisions of nullification to acts or operations entered into prior to this law, but after December 6, 1941, when it is seen from the circumstances of the case that such acts were concluded or agreed to in view of the international situation and for the purpose of evading the dispositions which might be decreed by the Mexican Government.

ART. 2. An enemy country is one that is in a state of war with the United Mexican States.

ART. 3. For the purposes of this law, nationals of an enemy country are the following:

I. Individuals or corporations and any other association domiciled within the territory of an enemy country or in that of a country occupied by an enemy country, if, in the latter case, the Chief Executive so decides.

II. Public corporations created by an enemy country or who function as agents, either direct or indirect, of such country.

III. Citizens, subjects, or natives of an enemy country, whatever their nationality, who reside in the United Mexican States, provided that the President of the Republic determines that this is demanded by the interest or the security of the Mexican Republic.

ART. 4. The following are subject to the same rules as are nationals of an enemy country:

I. Individuals or corporations and any other associations resident outside of the United Mexican States who operate within the jurisdiction of the enemy country without being domiciled therein.

II. Individuals or corporations, whatever their nationality and their place of residence who operate or who are believed with reason to operate in the name or for the benefit of or upon instructions of an enemy country or of its nationals. The Chief Executive shall declare what persons are included within the provisions of this subsection.

The resolutions which the Chief Executive may dictate, in the exercise of the power to which the previous paragraph refers, as well as the final section of article 3, must be published in the Diario Oficial of the Federation.

ART. 5. For the effects of this law, all acts dealing with the disposition or delivery of property, whatever its nature, as well as the execution of agreements or contracts, or the creation or acknowledgment of obligations by voluntary unilateral declarations, the execution or renewing of titles, the granting of guarantees, or the completion, novation, cancellation in whole or part of obligations, shall be regarded as acts of trade.

ART. 6. Transactions in foreign moneys and exchange, as well as all those transactions relating to the trading, holding or exporting of gold, currency and national or foreign moneys, and securities, shall be subject during the period of war to the regulations which the Chief Executive may establish.

All persons are obliged to furnish under oath the information which they may be called upon to give by the Chief Executive regarding the transactions above specified, whatever the character of their participation in the transaction.

ART. 7. The President of the Republic is empowered:

I. To seize property of any kind belonging or presumed to belong to an enemy country or its nationals, as well as those properties in which the enemy countries or their nationals have an interest even though title is vested in a third person; provided that, in this latter instance, it is in the interest of the safety of the United Mexican States. The seizure may cover all the property, or the part or interest belonging to the enemy. Amounts indispensable to personal subsistence will be fixed by general regulations.

II. To designate permanent auditing investigators in companies operating in national territory, whatever the nationality of their owners may be, when in his judgment it is in the interest or safety of the United Mexican States. The auditing investigators shall have the powers established in the regulations to be issued by the President of the Republic.

III. To request or, if necessary, order the removal of officials, employees, representatives or agents from the enterprises referred to in the preceding subsections.

ART. 8. The powers granted by this law to the President of the Republic may be exercised directly or through the agency or agencies that he may name or create. Those powers relating to the administration of properties or the auditing investigation of firms, must be exercised through national credit institutions qualified to operate as fiduciaries which in turn shall function under the direction of a Government board. The powers of the fiduciary shall be governed by the respective contract.

Every local or Federal authority, whether judicial or administrative shall respect and, whenever necessary, execute the rulings which the President, or the agency or entity delegated by him, may decree in accordance with this law, without prejudice to the terms of article 16.

ART. 9. Properties seized in accordance with section I of article 7 shall continue to be operated unless, by resolution of the President, their sale is deemed advisable.

Such sale must be by public auction and in no case will the transfer of the property be legally effective unless it be to a native-born Mexican citizen or to a company composed exclusively of native-born Mexicans.

The President may, in his discretion, order that the transfer be not approved even though the best bid be submitted by a native-born Mexican citizen or by a company composed exclusively of native-born Mexicans, whenever he considers such action in the best public interest.

ART. 10. The following must declare holdings of money, other properties and rights as set forth in subsection I of article 7, give information, show documents and comply, in each case, with the orders the President may issue:

I. Proprietors or holders of any property even though their title be secure or insecure.

II. Firms issuing shares and obligations in regard to the holders of such assets.

III. Credit institutions, insurance companies, warehouses.

IV. Debtors, codebtors, cosigners, or endorsers.

V. Judges and liquidators.

VI. Those who doubt whether they are included in the previous dispositions.

Once the information is given, and while the Chief Executive has not made a decision, the rights inherent in that property will be held in suspense.

No authority, functionary, or governmental agency, nor notaries, may authorize, approve, visé, or register public or private contracts in which the parties involved are nationals of enemy nations without first obtaining the approval of the proper authority, which in turn will fix the conditions to which the authorization or registration of the contract must be subjected in each case.

The supplying of information, the showing of documents, the payment or delivery of property by the persons designated in this article, will not cause them civil or penal responsibility, unless they resort to falsehood or concealment.

The discharge of employees referred to in subsection III of article 7 will not be a cause of liability, but, the Executive may authorize the voluntary payment of compensation.

ART. 11. When the seizure of intangible assets is ordered, if it is not possible to take physical possession of the evidences of ownership, the issuing party or any of the obligated parties must replace them. The seizure order will ipso facto have the effect of canceling the original evidences of ownership. The foregoing instruction will be published in the Diario Oficial but the date of publication will not affect the validity of the substituted evidences of ownership.

ART. 12. The moneys received by the Government from the obligated parties or custodians (after the ordinary expenses of the business have been covered) and

that from sales made in accordance with article 9, shall be deposited in the Bank of Mexico, which shall immediately invest them in any bonds of the Federal Government not in default. Profits or dividends shall not be included in the ordinary expenses of seized firms, unless an express resolution by the President to the contrary authorizes their reinvestment in the business; nor will salaries of personnel, unless the employee in question be Mexican by birth or a native of an American country, be considered ordinary expense whenever they exceed the amounts referred to in the last part of section I of article VII.

ART. 13. Those persons not included under articles 3 and 4 who are privileged to assert their rights regarding the properties referred to in subsection I, final part, of article VII, shall be privileged to make complaint against the person who is in charge of the administration of said properties on behalf of the Government, save in cases where they have been sold, in which event the complaint shall be made to the Executive power through the appropriate agency in compliance with article VIII.

ART. 14. The Executive may at his discretion permit the payment of unsecured debts contracted in good faith prior to the passage of this law by the proprietors or holders of seized property or by those who have actual rights therein.

ART. 15. The fiscal exemptions enjoyed by the Federal Government do not have force in respect to seized property.

ART. 16. The resolutions relative to concrete cases which the Executive may dictate under his authority granted by article 1, second paragraph; article 3, subsection III; article 4, subsection II, and article 7, subsections I and III, and final part, may be appealed to the Executive by anyone who may have a direct and real interest.

Only the following allegations may be made in the appeal:

(a) That the persons regarded as or in comparable status to a national of an enemy country, or a person whose discharge has been effectuated for such reason, is, because of his origin, antecedents, ties, or because of other circumstances revealed in affirmative acts, undoubtedly not to be regarded as one linked to an enemy country, nor as one who, should the occasion arise, would work against the interests of Mexico; or

(b) That those persons mentioned in articles 3 and 4, or in the final subsection of article 7, have no interest in the property.

The appeal should be presented not later than the fifteenth working day following publication in the Diario Oficial, or, if not of the category that requires such publication, the fifteenth working day after the issuance of the seizing order; it will not suspend that order, but while it is pending the sale authorized by article 9 shall not be made, except in the case of perishable articles or articles which are clearly deteriorating in value. All proof submitted during the period of time fixed in accordance with the circumstances by the interested authorities, shall be admitted. Thereafter there will be given a period of 5 days for presenting evidence and judgment will be rendered 15 days thereafter. The evaluation of the proofs shall be discretionary and may not be modified in any collateral attack.

If the decision should be adverse, the interested party cannot renew the claim, but the Executive by virtue of his office shall always have the right to revoke the order of seizure objected to if he finds sufficient motive to do so. By the same authority he shall have the power to revoke the orders of seizures which have not been contested.

ART. 17. Refusal to comply with the concrete orders, issued on the basis of this law, respecting the delivery of money or other properties or documents, as well as resistance to the exercise of their duties by the auditing investigators appointed under the provisions of subsection II of article 7 shall be punished by imprisonment of from 3 to 10 years, according to the circumstances of the case. If such resistance is offered by a corporation the penalty shall be imposed on the management.

This same penalty shall likewise be invoked if property, under circumstances defined in article 9, is acquired with funds provided by an alien, whether or not an enemy alien, or, when it is acquired with the intention of turning the property over to an alien at a later date. It shall be presumed that such is the intention if the property passes to an alien through one or more hands, during the course of the war or within 2 years after its conclusion.

Any other infraction of the provisions of this law shall be punished with a fine of from 100 to 10,000 pesos. The property or rights involved in an operation contrary to the provisions of this law shall be legally forfeited to the national domain.

The judicial authority shall intervene to impose the penalties provided for in the first two paragraphs of this article and the administrative authority to fix and

enforce the sanctions and, when necessary, to make the declaration of forfeiture referred to in the preceding paragraph.

Reserving the right to take such precautionary measures as it may deem fitting, this latter body will grant hearings to the interested parties before making the respective decisions.

ART. 18. All claims, distinct from those provided for in articles 13 and 16, which may be brought against the Federal Government or against its authorities by reason of the application of this law, shall be handled, adjusted, and liquidated according to the procedure which the Congress may fix, after the termination of the state of war. The Congress shall likewise determine the final disposition of the goods seized and of the money received, in those cases in which no claim is made.

#### TRANSITORY

ARTICLE 1. Without prejudice to the provisions of paragraph 2 of article 1, this law shall become effective in the whole Republic on the day of its publication in the Diario Oficial.

ART. 2. The statements referred to in article 16 shall be made not later than June 30, 1942. Thereafter, the statement must be made within 15 days following the date on which the situation in question arises, or, the date on which it comes to the knowledge of the person who is obligated to report it. A voluntary statement shall not be penalized if it is made before the authorities have knowledge of the matter.

(Usual end of promulgation.)

(Signed) MANUEL AVILA CAMACHO.

JUNE 11, 1942.

#### REGULATION OF THE RESPECTIVE LAW

(Usual form of promulgation.)

\* \* \* in exercise of the power conferred upon me by section I of article 89 of the Constitution, I have seen fit to issue the following:

Regulation of Article 8 of the law governing enemy trading and property

ARTICLE 1. The powers that the law governing enemy trading and property confers upon the President of the Republic, except those set forth in the following article, are delegated without prejudice to the provisions of article 8, to a board composed of the Ministers of Government, of Foreign Relations, of Finance and Public Credit, and of National Economy, and the Attorney General of the Republic.

The Board may function with three of its members present, and it will make its decisions by majority vote. It will have a secretary and such auxiliary personnel as the Board may recommend.

ART. 2. A Board of Administration and Vigilance of foreign property is created, and it shall be composed of six persons appointed by the President of the Republic, one of whom shall always be the director general of the Banco de México. The Board shall have the following powers:

I. To appoint the fiduciary institution that will take charge of the administration of the properties seized according to subsection I of article 7 of the law, to make on behalf of the executive power, fiduciary contracts, and to act as technical committee within the limits of the last part of subsection IV, article 45, of the General Law of Credit Institutions and Auxiliary Organizations, and of the contracts cited.

II. To appoint the auditing investigators referred to in subsection II of article 7 of the law, once the Board mentioned in the foregoing article has decided that a firm should be subjected to an audit investigation and to prepare for the approval of the said Intersecretarial Board the rules governing the powers of the auditor investigators.

III. To propose to the Board mentioned in the foregoing article, the sale of the properties, according to article 9 of the law.

IV. To oversee the fulfillment of article 12 of the law.

## TRANSITORY

ARTICLE 1. This regulation shall become effective all over the Republic the day of its publication in the Diario Oficial.

ART. 2. The boards established by this decree shall formulate their respective budgets and afore-mentioned regulations. But the lack of such budgets and regulations shall not prevent them from exercising immediately their corresponding powers.

(Usual end of promulgations.)

(Signed) MANUEL AVILA CAMACHO.

JUNE 11, 1942.

## EXHIBIT No. 6

## BRAZIL BLOCKING DECREE

[Translation]

Establishes protection measures to safeguard the interests of foreigners during the present emergency \* \* \* using the powers conferred upon him by virtue of article No. 180 of the Constitution, and taking into consideration the situation created by latest international developments and the necessity of establishing a regime of protection and financial security to safeguard legitimate foreign interests, decrees:

ARTICLE 1. All operations involving persons natural or juridical of countries not belonging to the American Continent and which are in state of war, will require a previous license from the banking fiscalization department of the Bank of Brazil.

ART. 2. The Minister of Finance is hereby authorized to issue instructions for the execution of this decree-law.

ART. 3. This decree-law will be effective on the date of its publication, all dispositions to the contrary being hereby revoked.

Rio de Janeiro, December 9, 1941, one hundred and twentieth year of Independence and fifty-third of Republic.

## BRAZILIAN INDEMNIFICATION DECREE

Using the powers conferred upon him by article 180 of the Federal constitution, combined with article 166, paragraph 2, the President of the Republic signed the following decree-law, which took No. 4,166:

Whereas acts of war are being committed against the American Continent;

Whereas Brazil, while respecting with the utmost exactness and fidelity the rules of neutrality universally accepted under international law, had one of its vessels, the *Taubaté*, attacked in the Mediterranean by the armed forces of Germany;

Whereas the German Government, having solemnly assumed the obligation of making reparations for the damages caused by this act, has not yet fulfilled this commitment:

Whereas, following the union of the efforts of the American Republics in the defense of their sovereignty, their territorial integrity, and their economic interests, unarmed units of the Brazilian merchant marine, engaged in peaceful commerce, were attacked and sunk, violating in this way consecrated juridical norms;

Whereas such acts constitute an unprovoked aggression which results in threats to Brazilian shipping and in direct loss to the vital interests of Brazil;

Whereas information in the possession of the Government indicates that the responsibility for these attempts is attributable to the German armed forces, but, on the other hand, the alliance, for war purposes, which exists between Germany, Japan, and Italy necessarily consolidates these powers in aggression;

Whereas, for over a century, Brazil has afforded to the nationals of those States a close participation in its economy;

Whereas, in modern warfare, civilians are closely united to the fate of the armed forces and their activities are, more than ever before in history, a determining factor in the success of war operations:

The President of the Republic decrees:

ARTICLE 1. The properties and rights of German, Japanese, and Italian subjects, whether physical or juridical persons, shall respond for the damages to the properties and rights of the Brazilian state and to the life, properties, and rights of physical or juridical Brazilian persons domiciled or resident in Brazil, which have resulted, or which may result, from acts of aggression committed by Germany, Japan, or Italy.

ART. 2. There shall be transferred to the Bank of Brazil, or, where this bank has no agency, to the tax-collecting offices of the union, a part of all the bank deposits, or obligations of a patrimonial nature in excess of two contos of reis, owned by German, Japanese, and Italian subjects, whether physical or juridical persons.

The part of deposits or obligations covered by this article shall be as follows:

Ten percent of deposits and obligations up to 20:000\$000;

Twenty percent of deposits and obligations up to 100:000\$000;

Thirty percent of deposits and obligations the amount of which exceeds 100:000\$000.

Paragraph 1: The whole amount of obligations of the Brazilian Government to German, Japanese, and Italian subjects, physical or juridical persons, shall be deposited.

Paragraph 2: The collection shall be made against a receipt exempt from the stamp tax, and the amounts collected shall be placed in a special account and may only be withdrawn by order of the Federal Government.

ART. 3. The income of the properties on deposit shall serve to guarantee the payment of indemnities owed as a result of acts of aggression mentioned in article 1, if the responsible government does not fully pay such indemnities.

Sole paragraph: The indemnities under this law shall be paid in accordance with the plan which will be established by the Government, taking into consideration the value of the properties on deposit as previously appraised.

ART. 4. German, Japanese, and Italian subjects, and other persons possessing properties belonging to such subjects, shall within 15 days after the publication of this law, communicate to the offices responsible for the collection the nature, quality, and probable value of the properties under reference.

ART. 5. Fraudulent or culpable actions or omissions which result in the diminution of the property of German, Japanese, or Italian subjects, or which tend to defeat the objectives of this law, are punishable by a penalty of from 1 to 5 years of imprisonment and a fine of from 1 to 10 contos of reis, unless more drastic penalty is applicable.

Paragraph 1: Any reduction, contrary to local uses and customs, of the value of payments due to such subjects is considered a fraudulent action for the purposes of this article.

Paragraph 2: Administrators and managers of juridical persons shall be jointly responsible with them.

Paragraph 3: The judge may resort to analogy in determining the nature of the crime.

ART. 6. On payment of more than 2:000\$000 to German, Japanese, and Italian subjects, mention of the deposit covered by article 2 shall be made.

ART. 7. Whenever an obligation to a German, Japanese, or Italian subject is not payable in currency, the office charged with the collection shall estimate the value thereof in money, in accordance with the criteria applied by the Treasury in assessing payments.

ART. 8. Executions against the property of German, Japanese, and Italian subjects may be based only on debts duly proven in a legal manner to have been contracted prior to the date of this law, except for civil liability resulting from an illegal act.

ART. 9. Excepting the cases of judicial executions founded on titles established prior to the date of this law, there is hereby prohibited the transfer, or encumbrance in any manner, of real estate, nominative bonds, and shares and property in general of substantial value, belonging to German, Japanese, and Italian subjects, whether physical or juridical persons, any transfer or encumbrance effected after the date of this law being null and void.

Sole paragraph: Business transactions, usually undertaken in the interest of the maintenance and prosperity of the organization, are exempted from this prohibition. However, of the net profits as verified from the quarterly balance sheets, there shall be paid into deposit the part stipulated in article 2.

ART. 10. German, Japanese, and Italian subjects may not refuse donations, inheritances, or legacies which are not onerous.

ART. 11. The property of States (public corporations) which commit the acts of aggression to which article 1 of this law refers, as well as the property of their subjects, whether juridical or physical persons, domiciled abroad, and which property is not in the possession of Brazilians, shall be administered by the Federal Government.

Sole paragraph: The properties of cultural and recreational societies composed of Germans, Japanese, and Italians may, with the authorization of the Minister of Justice and Interior Affairs, be utilized in the public interest.

ART. 12. The Ministries of Justice and Interior Affairs and of Finance shall issue the instructions which may be necessary for the execution of this law.

ART. 13. This law will come into effect on the date of its publication, all provisions to the contrary being hereby revoked.

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#### BRAZILIAN LAW GOVERNING ENEMY PROPERTIES

The President of the Republic signed the following decree-law creating the Economic Defense Commission:

ARTICLE 1. The Economic Defense Commission is hereby created, being directly subordinated to the President of the Republic for the objectives herein prescribed.

ART. 2. The Economic Defense Commission shall be composed of five members: one from the Ministry of the Treasury, one from the Ministry of Foreign Affairs, one from the Ministry of Justice and Internal Affairs, one from the Ministry of War, and one from the Ministry of Labor, Industry and Commerce, all named by the President of the Republic, who will also indicate who shall exercise the functions of President of the Commission.

1. The members of the Economic Defense Commission will receive no remuneration for the services rendered in the exercise of their duties on this Commission; however, salaries and other benefits being received at the time of their entrance upon their duties shall be guaranteed to them.

2. Services being rendered by the members of the Economic Defense Commission shall be considered of great importance to the country.

ART. 3. The deliberations of the Economic Defense Commission taken in the form of resolutions shall be enforced throughout the national territory and shall be executed by the Federal, State, or municipal authority, or by a governmental or similarly recognized entity under whose jurisdiction the activity or person involved is most directly subordinated, this being indicated in the resolution.

ART. 4. The duties of the Commission shall be as follows:

(a) To determine, in accordance with the individual case, the supervision, administration, liquidation, or expropriation of properties and rights of natural and juridical persons, subject to decree-law No. 4166 of March 11, 1942.

(b) To arrange for the sale of such properties and rights, through public tender, to Brazilians and reputable enterprises in which Brazilians are in the majority.

(c) To arrange for the expropriation and sale of materials deemed strategic or essential, which may be withheld.

(d) To decide, through petition or "ex officio" the rescinding or type of liquidation of contracts involving persons whose economic activities it may be deemed necessary to repress.

(e) To determine the expropriation or temporary use of patents and trademarks belonging to natural or juridical persons whose activities are contrary to the national security.

ART. 5. Natural or juridical persons of any nationality whose activities may be considered contrary to the national security will be subject to the jurisdiction of the Economic Defense Commission and to the provisions of decree-laws Nos. 3911 and 4166.

ART. 6. The Economic Defense Commission shall henceforth exercise the powers attributed to the Indemnization Fund Commission (Comissao do Fundo de Indenizacoes) by instructions No. 5408 of April 28, 1942, and 87 of June 30, 1942, issued by the Ministry of Justice and Internal Affairs and the Ministry of Finance.

ART. 7. The Economic Defense Commission, with the approval of the President of the Republic, shall determine the natural and juridical persons to be included under or excluded from the provisions of the present decree law.

Sole paragraph: The Economic Defense Commission shall issue general or special licenses to facilitate transactions between persons included under the repressive measures of this decree, whenever such transactions shall be deemed beneficial to the national security or economy.

ART. 8. The Economic Defense Commission shall have a staff constituted of public employees and employees from autonomous government or similarly established entities, obtained in accordance with the legislation in effect, and also additional personnel admitted under the terms prescribed by law.

Sole paragraph: The activities of this staff shall be directed by a public official procured for this purpose by the President of the Economic Defense Commission in accordance with existing legislation.

ART. 9. The Economic Defense Commission may establish representatives as and where it may deem advisable for the proper execution of its duties.

ART. 10. In carrying out its duties the Economic Defense Commission may enter into direct negotiations with Federal, State, municipal, or other governmental and similarly recognized authorities, requesting from them whatever information or assistance may be deemed necessary for the proper performance of its mission.

ART. 11. The supervisors, administrators, or liquidators referred to in letter A of article 4 shall be named by the President of the Republic at the solicitation of the Economic Defense Commission.

Sole paragraph: The benefits accruing to these supervisors, administrators and liquidators shall be fixed by the Economic Defense Commission and approved by the President of the Republic.

ART. 12. The Economic Defense Commission shall review all appointments made by State or Federal administrative agencies prior to this decree law.

ART. 13. Noncompliance with the resolutions of the Economic Defense Commission shall be considered an offense against the national security, liable to judgment by the Tribunal de Segurança Nacional.

ART. 14. There is hereby opened a special credit of Rs. 250:000\$000 (two hundred and fifty contos of reis) in the Ministry of Finance to cover the expenses (services and duties) relative to the installation and functioning of the Economic Defense Commission during the current year.

Sole paragraph: The credit herein referred to shall be delivered to the National Treasury at the disposition of the President of the Economic Defense Commission, who will make the necessary payments and advances.

ART. 15. Within 10 days of its constitution the Economic Defense Commission shall submit its respective statutes to the approval of the President of the Republic.

ART. 16. The present decree-law shall become effective upon the date of its publication, all dispositions to the contrary being hereby revoked.

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#### AMENDMENT OF BRAZILIAN DECREE GOVERNING ENEMY PROPERTY

The President of the Republic, making use of the powers conferred upon him by article 180 of the constitution, decrees:

ART. 1. The powers defined in articles 4, 5, and 6 of decree-law No. 4807, of October 7, 1942, pass to the competency of the Bank of Brazil S. A., as special agent of the Federal Government.

ART. 2. The Economic Defense Commission (Comissão de Defesa Econômica) created by decree-law No. 4807, of October 7, 1942, is abolished, and its records shall be delivered to the Bank of Brazil S. A.

ART. 3. The liquidation of the properties and rights of natural or juridical persons included under the provisions of decree-law No. 4166, of March 11, 1942, will depend upon express statutory determination in each case.

ART. 4. The fiscals, administrators, or liquidators referred to in article 4 of Decree-Law No. 4807, of October 7, 1942, shall be named by the President of the Republic.

Sole paragraph. The present fiscals, administrators, or liquidators will continue in the exercise of their functions pending further deliberation of the Government.

ART. 5. It shall be incumbent upon the Minister of State of the Treasury to orient the application of the present decree-law and to contract with the Bank of Brazil S. A., which is hereby authorized to act in that capacity, for the execution of the respective services.

**ART. 6.** For the expenses resulting from the execution of the services to which the next preceding article relates, there shall be opened opportunely in the Ministry of the Treasury the necessary special credits.

**ART. 7.** This decree-law shall take effect from the date of its publication, provisions to the contrary being hereby revoked.

Rio de Janeiro, July 12, 1943, 122d year of independence, and the 55th of the Republic.

GETULIO VARGAS  
A. DE SOUZA COSTA  
ALEXANDRE MARCONDES FILHO.

#### DECREE SUPPLEMENTING PRIOR BRAZILIAN MEASURES FOR THE CONTROL OF ENEMY PROPERTIES

Decree-Law No. 5777 of August 26, 1943. Provides for the expropriations and liquidations resulting from the execution of Decree-Law No. 4807 of October 7, 1942, and makes other provisions.

The President of the Republic, making use of the powers conferred upon him by article 180 of the Constitution, decrees:

**ART. I.** The following are included within the measures of economic defense authorized by article 5 of Decree-Law No. 4807, of October 7, 1942:

(a) Juridical persons which are organized in conformity with Brazilian laws but which are subordinated administratively or financially, even indirectly, to German, Italian, or Japanese enterprises situated in their countries of origin or in any other country;

(b) Brazilian natural or juridical persons which maintain understandings, considered contrary to national security, with subjects of the Axis, natural or juridical persons, domiciled within or outside the country.

(1) The liquidations or expropriations which are to be effected as a result of this decree-law will depend, in accordance with article 3d of Decree-Law No. 5661, of July 12, 1943, upon decrees of the President of the Republic.

(2) The proceeds of sale, whether by public or administrative sale (concorrencia pública ou administrativa), of the properties or rights expropriated or of the assets liquidated, shall be deposited in the indemnity fund (Fundo de Indenizações) in the cases coming under paragraph (s), or deposited in the Bank of Brazil S. A. in a special account, which may be drawn upon only in the manner established in Decree-Law No. 3991, of December 9, 1941, in the cases coming under paragraph (b).

(3) A liquidation may be suspended if the holders of nominative and bearer shares, or of quotas or other social rights (proprietary interests in firms or companies), alienate their securities and rights to third parties, natural or juridical persons, who have requested and obtained authorization to acquire them, the price being deposited in accordance with the terms of the preceding paragraph.

**ART. II.** Expropriations of patents and trade-marks required for the economic defense of the country in accordance with the terms of paragraph (1) of the preceding article and of article 4 of Decree-Law No. 4807, will be processed administratively by the Bank of Brazil, S. A., the indemnization to be deposited after the alienation of properties or rights expropriated or after their incorporation into the patrimony of the Union.

**ART. III.** The expropriations, effected in the public interest, of property of subjects of the Axis or of juridical persons, national or foreign, which are subject to the terms of this decree-law, will be carried out in accordance with the respective laws, but the power to determine whether the proceeds deposited should be carried to the indemnity fund or placed in a special deposit as specified in paragraph (2) of article I, shall rest with the Bank of Brazil, S. A.

**ART. IV.** The fiscals, administrators, and liquidators appointed to carry out the provisions of letter (a) of article 4 of Decree-Law No. 4807 shall exercise their functions with such powers and in such manner as shall be indicated in the instructions which they receive from the Bank of Brazil, S. A. in accordance with the circumstances.

(1) The remuneration to which they are entitled will be paid by the Bank of Brazil, S. A., to which the respective companies will pay corresponding amounts.

**ART. V.** For the proper execution of Decree-Law No. 5661, of July 12, 1943, the powers conferred by the sole paragraph of article 7 of Decree-Law No. 4807, of October 7, 1942, are vested in the Bank of Brazil, S. A.

ART. VI. This decree-law becomes effective on the date of its publication.  
Rio de Janeiro, August 26, 1943, 122d year of independence, and 55th year of  
the Republic.

GETULIO VARGAS  
A. DE SOUZA COSTA  
ALEXANDRE MARCONDES FILHO.

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EXHIBIT No. 7

THE ELIMINATION OF ENEMY INTERESTS IN SPEARHEADS OF AXIS ECONOMIC  
PENETRATION

ARGENTINA

- I. Completely eliminated: None.
- II. In process of elimination:
- Ficopa Consorcio Financiero y Comercial Sudamericano S. A.  
Fincosa S. A. Comercial Industrial y Financiera Argentina.  
Impa, Industria Metalúrgica y Plástica Argentina.  
Thyssen-Lamental S. A. Industrial Mercantil.
- III. Intervention:
- Anilinas Alemanas S. A.  
A. E. G. Compáñia Argentina de Electricidad.  
Aceros Roechling-Buderus S. A.  
Agfa Argentina—Dr. Kurt Oppenheim y Cia.  
Aceros Styria S. R. L.  
Aceros Poldi S. R. L.  
Aceros Schoeller Blechmann S. R. L.  
Afa-Tudor-Varta S. A. Fábricas Reunidas de Acumuladores.  
Amme, Giesecke y Konegen, S. R. L.  
Arbizu y Cervino S. A.  
Banco Alemán Transatlántico.  
Banco Germánico de la America del Sud.  
Bromberg y Cia. S. A. Comercial.  
Boker y Cia. S. R. L.  
Bosch, Robert—Compañía Sudamericana de Magnetos y Equipos Eléctricos S. A.  
Beiersdorf, S. R. L.  
Bruttmesson y Cia.  
Balneario Parque Lujan S. R. L.  
Compañía Argentina Comercial e Industrial de Pesqueria (CACIP) S. A.  
Compañía Anan, Credito y Finanzas S. A.  
Curt Berger y Cia. S. R. L.  
Calera Avellaneda.  
Clarfeld y Cia., Federico Ltda. S. A.  
Casa Denk—Aceros Boehler, S. A. Com. e Ind.  
Comparex, Compañía Argentina Exportadora de Cereales S. A. Comercial.  
C. A. E. Compañía Argentina Electro Mecánica S. A. Ltda.  
Casa Montagna, S. A. Comercial e Industrial.  
C. I. N. C. O. Corporación de Ingenieros Constructores.  
Compañía Argentina de Mandatos S. A.  
Crefin, Créditos y Financiaciones.  
Deutz Otto Legitimo S. A. Compañía Argentina de Motores.  
Dillenius y Cia.  
Dyckerhoff y Widmann.  
Establecimientos Klockner S. A. Industrial Argentina.  
Engelbert Hardt y Cia.  
Fuhrmann Ltda. S. A. Financiera y Comercial.  
Ferrostal S. A.  
Fominco S. A. Comercial.  
G. E. O. P. E. Compañía General de Obras Pública S. A.  
Gruen y Bilfinger S. R. L.  
G. E. C. O. Compañía Industrial y Comercial S. A.  
Harari e Hijos.  
Hara y Cia.

Hugo Stinnes Ltda. S. A. Comercial e Industrial.  
 Iida y Cia. Ltda. "Takashimaya."  
 Inag-Siemens, Fabricas Reunidas de Utiles Sanitarios, S. A.  
 Indunidas, S. A. Mercantil de Industrias Unidas.  
 Instituto Behring de Terapeutica Experimental.  
 Katsuda y Cia.  
 Kirschbaum y Cia.  
 La Quimica Bayer, S. A.  
 Lahusen y Cia. Ltda. S. A. de Exportación e Importación.  
 Liebl, Jose.  
 La Union Bulonera.  
 Laboratorio Quimico Biologico S. A.  
 Lloyd Norte Aleman.  
 Merck Quimica Argentina S. A.  
 Martinez y Cia., Ignacio P.  
 Martens, Thilo.  
 Meyer y Cia., Diego—S. A. Comercial.  
 Meyer y Cia., L. D.—S. A. Comercial e Industrial.  
 Mitsubishi Argentina S. R. L.  
 Motte y Cia. Ltda., Otto—S. A. Com. e Ind.  
 Noss, Augusto.  
 Oberst Hermanos.  
 Omura Matsutaro.  
 Orbis S. A., Industrial Metalúrgica.  
 Orenstein y Koppel, S. A.  
 Pallavicini y Cia., E. S. A.  
 Perfumerias Tosca S. A.  
 Patow y Cia. Sociedad en Comandita.  
 Prescher, Carlos Federico.  
 Quimica Schering S. A.  
 "Rhodius" S. A. Comercial y Financiera.  
 Riberena del Plata S. A.  
 Rhodius y Cia.  
 Rhienmetall-Borsig Compañía Argentina de Máquinas, S. R. L.  
 Rappard, Gustavo A.  
 Roemmers y Cia., A. J.  
 Sadao Ando y Cia.  
 Siemens Schuckert S. A., Compañía Platense de Electricidad.  
 Siemens y Halske.  
 Siemens Bauunion, Compañía Platense de Construcciones.  
 Staudt y Cia. S. A. Com.  
 S. E. M. A. Sociedad Electro Metalúrgica S. A.  
 Springer y Moller S. A.  
 Schaack, Luis Raul.  
 Stover Argentina S. A.  
 Speratti y Romanelli S. R. L.  
 Sofimar S. A. Financiera, Industrial y Mercantil Argentina.  
 Sesgo S. A. de Industrias Textiles.  
 Sociedad Argentina de Ceramica Femix.  
 Tubos Mannesmann Ltda. S. A.  
 Thorhauer y Cia. S. R. L.  
 T. A. E. M. Talleres Argentinos Electro-Metalúrgicos.  
 Treuhand S. A. Sociedad de Administración y Mandatos.  
 Tsusi, S. R. L.  
 Van der Velde y Cia. S. R. L. Sociedad Comercial y Exportadora.  
 Wayss y Freytag S. A.  
 Walser, Wald y Cia. S. R. L.  
 Wite, Max.  
 Wasser, Rodolfo.  
 Yamada S. y Cia. S. R. L.  
 Zeiss Argentina S. A., Carl.

## BOLIVIA

I. Completely eliminated by action of the government or by force of other sanctions:  
 Rud. Borgolte.  
 Lindemann & Wilke.  
 Drogueria Hamburgo (E. Schilling).

Drogueria Albrecht (A. & M. Plattner Sucrs.).

Botica Germania (H. M. Kummel Sucrs.).

La Papelera de J. Von Bergen.

II. Spearheads which remain to be eliminated:

• Zeller, Mozer y Cía. (Zeller de Mozer y Cía.).

Kyllmann, Bauer y Cía.

Juan Elsner y Cia.

Schweitzer y Cia.

Fabrica de Conservas de Jorge Stege.

Ferreteria Findel.

C. F. Gundlach (Casa Gundlach).

Sickinger y Cía.

Salchicheria y Gabrica de Conservas Cochabamba (Ricardo Dillmann).

Gustavo Schomann y Cía.

Mining and commercial interests of Juan C. Becker.

Quidde y Cia.

#### BRAZIL

I. Completely eliminated by action of the government or by force of other sanctions.

A. Ultraferramenta Ltda.

A. E. G. Sul Americana de Electricidade.

"Aachener & Muenchener" Feuer-Versicherungs-Gesellschaft.

"Albingia" Versicherungs-Aktien-Gesellschaft (Cia. de Seguros Albingia).

Banco Alemao Transatlantico.

Banco America do Sul Ltda.

Banco Germanico da America do Sul.

Casa Lohner S. A. Medico-Tecnica.

Charutos Dannemann, Cia. de.

Comercia e Industria Malburg, Cia.

Condor Ltda., Servicos Aereas.

Constructora Nacional S. A., Cia.

"Deutz Otto" Legitimo Ltda., Soc. de Motores.

Electro-Chimica Fluminense, Cia.

Empresa Constructora Brasileira Gruenbilf Ltda.

Empresa Sul Brasileira de Electricidade S. A.

Fabrica de Machinas Raimann Ltda.

Fabrica de Tecidos Werner S. A.

Fabrica Gunther Wagner Ltda.

Fabrica Nacional de Tambores Ltda.

Fabrica Rio Grandense de Adubos e Productos Chimicos S. A.

Feco Industria Mecanica Ltda.

Federal de Fundicao, Cia.

Galeria Carioca de Modas S. A.

Graphicor Consentra Hartmann Irmaos S. A.

Hoepcke S. A. Comercio e Industria, Carlos.

Holzgrefe e Cia.

Industrias Brasileiras Textis-Quimica Ltda.

Industrias Chimicas Geronazzo Ltda.

Industria de Electro-Acos Plangg Ltda.

International de Seguros, Cia.

Jimmi Ltda., Soc.

Laboratorio Zambeletti Ltda.

Machinas Ltda. "Alnorma" Soc. de.

Mannheimer Versicherungs-Gesellschaft.

Metalurgica Otto Bennach, S. A.

"National" Allgemeine Versicherungs-Aktien-Gesellschaft (Cia. de Seguros Gerais "National" S. A.).

Nord-Deutsche Versicherungs Gesellschaft.

Oficina Mecanica Magirus Deutz-Deisel Ltda.

Ozalid Brasil-Fabrica Nacional de Papeis Heliographicos Ltda.

Quebracho Brazil S. A.

Raimann e Cia. Ltda.

Regnier de Maquinas e Baterias Electricas, S. A.

Riedel—E. de Haen e Cia. Ltda., J. D.

Schaeffer e Cia. (Uniao de Ferros).

Schering Productos Quimicos e Farmaceuticos S. A.

"SIDAPAR" S. A. Usina Siderurgica e Laminadora Nossa Senhora da Aparecida.

Wilffmetal Ltda.

II. In process of elimination—(a) to be nationalized, i. e., sold to purchasers who will continue firms in operation:

A Chimica Bayer (and affiliate firms).  
Acidos S.A., Cia. de.  
Accumuladores Varta do Brasil Ltda.  
Allianca Commercial de Anilinas Ltda.  
Bremensis Ltda., Sociedade Technica (and affiliate firms).  
Chimica "Merck" do Brasil S.A., Cia.  
Corneta Ltda.  
Dima S.A. Distribuidora de Maquinas Brasileiras Fabrica de Maquinas "Helo" S.A.  
Farmacia e Laboratorio Homeoterapico Ltda.  
Fazenda Barra Mansa.  
Filippone e Cia., G.  
Fogoes Junker e Ruh Ltda.  
Galeria Paulista de Modas S.A.  
Hachiya Industria e Comercio S.A.  
Industrial Amazonense S.A., Cia.  
Lapis Johann Faber Ltda.  
Nitihaku Takushoku Kaisha.  
Petersen e Cia. Ltda. (and affiliate firm).  
Productos Chimicos Industriais M. Hamers, •Cia. de (and affiliate firm).  
Siemens-Schuckert S.A. Companhia Brasileira de Electricidade.  
Tintas Victoria Ltda.  
Ultragaz S.A., Cia.

(b) To be liquidated, i. e., sold piecemeal so that they will no longer exist as entities:

Acos Marathon do Brasil Ltda.  
Acos Phenix Ltda.  
Acos Roechling-Buderus do Brasil Ltda.  
Algodoxeira do Sul Ltda.  
Ando e Cia. Ltda.  
Arens & Langen.  
Auto Distribuidora Ltda., Soc.  
Auto-Union Brasil Ltda.  
Berringer e Cia.  
Casa Bancária Immigratória Ltda.  
Casa Bratac Ltda. (and affiliate firms.)  
Casa Rosito.  
Casa Tozan Ltda. (and affiliate firms).  
Commercial de Tintas Ltda., Soc.  
Distribuidora Brasileira de Ferros S.A.  
El Fenix Sudamericano Cia. Argentina de Seguros Terrestres e Marítimas.  
Empreza de Propaganda "Productos Knoll."  
Fiduciária Brasileira, Cia.  
Geco Ltda., Soc.  
"Geobra"—Cia. Geral de Obras e Construções S.A.  
Hachiya Irmaoes e Cia. Ltda.  
Hama e Companhia.  
Hamburgueza Sul-Americana, Cia.  
Hanseatische Kolonisations Gesellschaft.  
Hara e Companhia Ltda.  
Hasenclever e Cia.  
Kaigai Kogyo Kabushiki Haisha (and affiliate firms).  
Konishi e Companhia Ltda.  
Ludemann e Cia., W.  
Meridional Tintas e Composições Ltda.  
Michahelles e Cia. Ltda.  
Nebiolo S. A.  
Niponica de Plantacão do Brasil S. A., Cia.  
Nishitani e Cia. Ltda.  
Nitsche-Guenther-Busch do Brasil Ltda.  
Osaka do Brasil Ltda., Sociedade de Navegacão.  
Perfumaria Dralle do Brasil Ltda.  
Ranniger e Cia.  
Roth e Cia., G.

Stahlunion Ltda.  
 Simonini, Toschi & Guidi (Casa Rosita).  
 Steffen e Cia. Ltda., Arnaldo.  
 Stoltz e Cia., Hermann.  
 Tintas Sprimo S. A.  
 Westphalen e Cia.  
 Wille e Cia. Ltda., Theodor.  
 Yokohama Specie Bank Ltda.  
 Zeiss Sociedade Optica Ltda., Carl.

## CHILE

## I. Completely eliminated by action of the government or by force of other sanctions:

Banco Aleman Transatlantico.  
 Banco Germanico.  
 Allianz and Stuttgarter.  
 Geco Ltda.  
 Mitsubishi-Chile.  
 "Italmar."  
 Agencia Maritima Koamos.  
 Aachen and Munich.  
 Albingia.  
 Mannheimer.  
 Nord-Deutsche.

Casa Itoh Ltda.  
 Chileno Oriental.  
 Nippon Yuson Kaisha.  
 Nippon Trade Agency.  
 Mitsui y Cia.  
 Dauelsberg y Cia.  
 Mitsubishi, S. K.  
 Greiner y Cia.  
 Norddeutscher Lloyd.  
 Sindicate Condor.  
 Deutsche Lufthansa.

## II. In process of elimination:

Establecimientos Pelikan.  
 Ferrostaal G. m. b. H. Essen.  
 Anilinas y Productos Quimicos.  
 Quimica Bayer.  
 Schering-Chile.  
 Merck, Quimica Chilena.  
 A. E. G.  
 Osram.  
 Siemens-Schuckert.  
 Staudt y Cia.  
 Manufactura Textil.  
 Unitas.

Sedylan.  
 Tubos Mannesmann.  
 Estadio Los Leones.  
 Deutscher Sports Verein.  
 Transportes Maritimos.  
 Hamburg-Amerika Line.  
 Kraemer y Cia.  
 Kulenkampff, Knoop & Co.  
 Organizacion Minimax Contra Incendios.  
 Radios Telefunken.  
 Tejidos Tres Coronas.

## III. Intervention or other non-elimination action:

Bruchert y Cia.  
 Stubenrauch y Cia.  
 Elten y Schaale.  
 Construcciones del Peru.  
 Hamdorf y Cia.

"La Alcancia."  
 Explotadora de Manganeso.  
 Nevermann y Cia.  
 Oberpaar.  
 Radio Maipo.

Twenty-nine news organs, presses, and propaganda media are considered spearheads, seven of which are described as active and the balance as inactive. The Controls Commission has not taken any action with respect to these enterprises since virtually all of them have been nonexistent for many months because of inability to obtain newsprint, news service, advertising and supplies. Only two or three of them now appear at all and only irregularly.

There are no other spearheads with respect to which some type of action has not been taken.

## COLOMBIA

## I. Completely eliminated by government expropriation, force of proclaimed list sanctions, voluntary dissolution or sale to satisfactory Colombians:

Empresa Hanseatica.  
 Almacen Telefunken.

Salchicheria Boston.  
 Anilinas Alemanas.

## II. Were legally in process of liquidation under government decree, but no action was taken against them:

Quimica Bayer.  
 Instituto Behring.  
 Quimica Schering.

Colombiana de Colorantes.  
 Merck Colombiana.

**III. Intervention or other nonelimination action:**

Almacenes Hilda  
Colombiana de Máquinas Pfaff.  
Ed. Victor Sperling Ltda.  
Casa Telefunken.  
Casa Japonesa.

Eikhof y Cia.  
Joyería Fux.  
Optica Alemana.  
Reger & Cia., Carlos.  
Takeshima, Yuzo.

The foregoing takes into account all spearhead concerns in Colombia.

**COSTA RICA****I. Completely eliminated:**

Guillermo Niehaus & Co.  
F. Riemers & Co.

Cia. Agricola de Acosta.  
Hubbe Hijos.

**II. There are no other spearheads in Costa Rica.****CUBA****I. Completely eliminated:**

Biederlack, Eberhard.  
Biederlack, Hans.

Hamburg-Amerika, Compañia de Vapores.  
Merck, E.

**II. Remaining spearheads:** The foregoing names represent the only proclaimed list spearhead interests known to have existed in Cuba.

The Cuban Government has placed under administrative control approximately 40 nonspearhead proclaimed list enterprises and has interned 11 of their owners.

**DOMINICAN REPUBLIC****I. Completely eliminated:**

Cibao Comercial.  
Hartmann, Frederick Wilhelm.  
Ultramar Comercial C. por A.  
Hertel, Carl.  
Jürgens, Kurt.

Knebol, Martín.  
Agencia Antillana.  
Barkhausen, Hermann.  
Dohse, Ernst Heinrich.  
Dohse Jorge, Ernesto.

**II. Intervention of other nonelimination action:** The Dominican Government has not yet eliminated the interest of Notebohm & Co. of Hamburg in the Proclaimed List firm Cia. Comercial C. por A. This interest has however been blocked for the duration.

There are no spearheads with respect to which some type of action has not been taken.

**ECUADOR****I. Completely eliminated:**

S. A. I. C. E. (Sociedad Anonima Industrial Corozo Ecuador S. A.).  
Industrial Boco C. A., Soc.  
"Ecuapetrol" Cia. Petrolera y Comercial S. A.  
Casa Tagua S. A.  
Almerini, Fossati y Cia.  
Ferrari, Herederos de Luis.  
Stamer & Co.  
Alemana de Agencias C. A. "Cialda"  
Ultramares Trading Co. S. A.

Brauer, Gehin, Hnos.  
Boschetti, Tulio T.  
Cia. Comercial Inmobiliaria Alemana.  
Muller, Alejandro.  
Panse, Eduardo and Ernesto.  
Quimica Schering Ecuatoriana.  
Schoeneck, Arturo B. H.  
Yannuzzelli, Donato.  
Begue y Cia., A.  
"Cintela" C. A. Fabrica Nacional de Cintas y Telas.

**II. Intervention or not likely to be eliminated:**

Bazar y Joyería Queirolo.  
Joyería "El Brillante".

There are no spearheads with respect to which some type of action has not been taken.

**GUATEMALA****I. Completely eliminated:**

Commercial y Agrícola de Guatemala, Cia.  
Finca "Los Castaños."  
Finca "Castaños."  
Hoepfner Sucrs., Hermann.  
Finca "San Rafael Panán."  
Finca "Soledad."  
Finca "El Potosi."  
Finca "Florida."

Finca "Las Sabanetas."  
Albrecht, Jorge y Fritz.  
Finca "Cafetal Hamburgo."  
Köper, Lottmann & Co.  
Finca "La Concha."  
Finca "Sibaja."  
Finca "El Cacahuito."  
Ferrocarril Verapaz y Servicios Anexos.

## II. Process of elimination:

- A. E. G., Almacén Eléctrico General.  
 Albingia Versicherungs A. G.  
 Bohnenberger, Otto.  
 Central American Trading Company.  
 Deutsche Zeitung Guatemala.  
 Dieseldorf y Cia., Sucrs.  
 Diestel, Hastedt & Co.  
 El Fénix Sudamericano.  
 Fresse & Rubien.  
 Gees, Hand (Dr.).  
 Gerlach & Co., Sucrs.  
 Hapag-Lloyd Agency.  
 Herring, Alfonso.  
 Hertzsch, Enrique.  
 Hoepker, Henry.  
 Kaltwasser, Hermann.  
 Kaltwasser y Cia., Hermann.  
 Köper, Lottmann & Co.  
 La Perla S. A.  
 Laeisz y Cia., Sucrs.  
 Lindener & Co.  
 Nottebohm, Federico.  
 Nottebohm, Karl Heinz.  
 Nottebohm, Kurt.  
 Nottebohm, Mary Stoltz de.  
 Nottebohm Banking Corporaion.  
 Nottebohm & Co., Kurt.  
 Nottebohm, Hermanos.  
 Riege & Co.  
 Sapper & Co., Ltda.  
 Sauerbrey, Otto.  
 Seguros Albingia, Cia. de.  
 Thomae & Koegler.  
 "Transocean" Servicio Noticioso.  
 Transportes Diesel M. A. N.  
 Trennert, Gustav.  
 Wulff, Kurt.  
 Zuckau, Guillermo.  
 Administración General Fincas "La Aurora," "El Edén," "Nuevo Edén," and "Camelia."  
 Administradora "Cecilia" Ltda., Cia.  
 Agrícola Viñas Zapote, Soc.  
 Albrecht, Jorge y Fritz.  
 Allgemeine Elektricitaets Gesellschaft.  
 Almacén "Colibri."  
 Almacén Eléctrico General.  
 Almacén La Perla.  
 Almacén "La Retalteca"  
 Alte Leipziger.  
 Asseburg, Adolf.  
 Asseburg, Wilhelm.  
 Asseburg & Company.  
 Asseburg Hermanos (See 2272 of 3-19-45.)  
 Augustynski, Max.  
 Bär, Hans J.  
 Beyer, Pablo.  
 Boehm, Jorge.  
 Braeuner y Cia., R. O.  
 Brandenburg, Juan.  
 Brueckner, George.  
 Buechsel, Gerhard.  
 Buechsel & Co.  
 Bunge, Rodolfo.  
 Christ, Alfredo.
- Christ, José.  
 Comercial y Agrícola de Guatemala, Cia.  
 Deutsche Lufthansa, A. G.  
 Diestel, Eberhardt.  
 Dicht, José (Jr.).  
 Döacher, Paul.  
 Droege, Hugo.  
 Pedersen, Teodoro.  
 Felsmann, Erica Niederer Bornholdt de.  
 Felsmann, Kurt.  
 Felsmann y Cia., Kurt.  
 Ferretería "La Guatemalteca."  
 Fickert Forst, Emma viuda de.  
 Finca "Actelá."  
 Finca "Argentina."  
 Finca "Bola de Oro."  
 Finca "Cafetal Hamburgo."  
 Finca "Camelias."  
 Finca "Campur."  
 Finca "Candelaria-Xolhuitz."  
 Finca "Castaños."  
 Finca "Cecilia" y Anexos.  
 Finca "Cerro Redondo."  
 Finca "Chiacán."  
 Finca "Chicoj."  
 Finca "Chicoyonito."  
 Finca "Chilte."  
 Finca "Chimax."  
 Finca "Chimo."  
 Finca "Chinama."  
 Finca "Chinasajub."  
 Finca "Chirrepec."  
 Finca "Chulac."  
 Finca "Concepcion."  
 Finca "El Carmen."—Tajumulco, San Marcos.  
 Finca "El Edén."  
 Finca "El Jocote."  
 Finca "El León."  
 Finca "El Perú."  
 Finca "El Pino."  
 Finca "El Potosí."  
 Finca "El Recuerdo."  
 Finca "El Rosario Bola de Orc."  
 Finca "El Zapote."  
 Finca "Florida."  
 Finca "Guaxpom."  
 Finca "Jalaute."  
 Finca "Joya Grande."  
 Finca "La Aurora."  
 Finca "La Concha."  
 Finca "La Esperanza."  
 Finca "La Fama."  
 Finca "La Fe."  
 Finca "La Suiza."  
 Finca "La Suiza."  
 Finca "Las Camelias."  
 Finca "Las Sabanetas."  
 Finca "Las Viñas."  
 Finca "Los Brillantes."  
 Finca "Los Castaños."  
 Finca "Medio Día."  
 Finca "Medio Día, Filipinas y Monte Cristo."  
 Finca "Monte Blanco."

## II. Process of elimination—Continued.

Finca "Monte Limar."	Krische Hermanos
Finca "Mundo Nuevo."	"La Bodega"
Finca "Nuevo Edén."	"La Diadema"
Finca "Pachilha."	Lange, Oscar
Finca "Pancuz."	Leber, Joseph
Finca "Pantic."	Leber & Co.
Finca "Pavón."	Lewald, Willy
Finca "Sacoyou."	Lindener, Kurt
Finca "Sacsamani."	Liscutín, Antonio
Finca "Salitrillo."	Lottmann, Guillermo
Finca "San Basilio."	Lütjens, Ingrid Renate
Finca "San Carlos Chucul."	Lütjens, Juan A.
Finca "San Dionisio."	Luttmann, Guillermo.
Finca "San Francisco Pecul."	"Luz."
Finca "San Javier."	Mahler, Herederos de Max.
Finca "San Juan."	Mann, Jorge.
Finca "San Julián."	Martín S., Juan
Finca "San Rafael Panán."	Meissner, Hans Fritz
Finca "San Vicente."	Mersiovsky, Juan
Finca "Santa Isabel."	Methe, Knedel & Co.
Finca "Santiago."	Moeschler, Enrique
Finca "Serilquiche."	Moeschler, Oscar
Finca "Sibaja."	Moll, Rodolfo
Finca "Soledad."	Müller, Kurt
Finca "Trece Aguas."	Nehlsen, Harold
Finca "Venecia."	Noack, Otto
Finca "Westfalia."	Noltenius, Wilhelm
Finca "Xicacao."	Ockelmann, Carl
Fleck, Arturo.	Ockelmann, Celina de
Franke, Conrado.	Paetau, Max
Franke y Cía., Canrado.	Paetau, Max (hijo)
Frey, Martin.	Paetau & Co., Max
Freyler, Erwin.	"Palacio de Cristal"
Ganzauge, Herbert.	Panadería y Pastelería "Viena"
Gieseiler, Carlos.	Peitzner, Guillermo (hijo)
Graf, Máximo.	Peitzner, Gustavo
Graf Weichert, Enrique.	Petersdorf Mahler, Federico
Graf & Co., Máximo.	Petersen, Teodoro
Greite, Wilhelm.	Pfister, W.
Grunau, Alberto.	Plantaciones "Concepción" de Guatemala, Cía de
Hahmann, Bruno.	Prem. Sucrs., Juan
Hartleben, Alberto.	"Pro-Salud"
Hartleben, Federico.	Quirós, Máximo
Hastedt, Herbert W.	"Radios Grunau"
Hegel, Carlos (Jr.).	Rausch, Enrique
Hegel, E. Enrique.	Reiffen, Rodolfo
Henequenera La Isla	Sak, Max.
Hermann, Rudolph	Salchichonería Germania
Hermann y Hnos., Herbert	Schellenberg, Walter.
Hoepfner Sucrs. Hermann	Scheuffler, Max.
Hotel Européo	Schieber, Eugenio
Huber, Francisco	Schilling, Alberto H.
Hussmann, Carlos	Schlatermund, Hans
Hussmann, Otto	Scholz, Juan
Hussmann Herederos	Schreckenbach, Hans M.
Industria Mate Guatemala	Schuster, Lisy
Ingenio Concepción	Stellreiter, José
Jaeger, Augusto L.	Sterkel, Emilio
Johansen y Cía., Sucrs.	Sterkel, Julio
Kaffee & Import, Ges	Sterkel, Rodolfo
Keller, Herederos de Federico	Stümpel, Hertha
Knoetzschi, Martin	Sundfeld, Antonio
Koegler, Enrique	Suse, Edmund T.
Köper, Frederico (hijo)	Tenería Moll
Krause, Hans	

**II. Process of elimination—Continued.**

Thomae, Fernando	Wagner, Reginaoldo (Same as E. R.)
"Thuringia" Salchichonería y Carnicería	Wagner 2272 of 3-19-45)
Tienda "La Fomosa"	Wahl, Eugenio
Tintorería Alemana	Wehner, Kurt C.
Tischler, Otto	Weller, Felipe
Von Scheven, Lother Peter Emil	Weller & Babozynsky
Voss, Walter	Wietfeldt, Hans.
Wagner, E. R.	Wulff, Federico
Wagner Hermanos	Zoller, Enrique

**III. Remaining spearheads: None.****HAITI****I. Completely eliminated:**

Andersen, Gunther E.	Leonhardt, Martin
Beck, Kuno.	Lüders, Ernst
Beck, Kurt.	Otte, Richard William
Beck, Vera Teuchler (Mme.).	Petersen, Johannes
Commerciale et Industrielle d'Haiti, Soc.	Reinbold, Georges
Grohl, Arthur Karl	Reinbold & Co.
Haitienne de Produits Pharmaceutiques, Soc.	Rieper, Joachim
Hamburg America S. S. Line	Rohlsen, Gustave
Hirsch & Lemke	Rosenthal, Albert
Horn S. S. Line	Schutt & Co., Otto
Kahl, Wilhelm	Seidel & Company, Karl
Kahl's Hotel	Siegel, Franz
	Teuchler, René

**II. Remaining spearheads: No Axis spearhead interests are known to remain in existence in Haiti.****HONDURAS****I. Completely eliminated:**

Bastel & Co., W.	Werner Fertsch & Company
Werner Fertsch	

**II. Intervention or other action expected to lead to elimination:**

Casa Konke S. A.	"Drogueria Rischbieth"
Erich George Wilhelm Paysen	Werner Rischbieth
Casa Rossner S. A.	Ernesto Siercke
Roberto Rossner	Francisco Siercke
Werner Rischbieth & Co.	Victor Siercke

**III. Remaining spearheads:**

Cornelsen Sucesores	"Drogueria Bayer"
Juan Doborow	

**MEXICO****I. Completely eliminated or in process of elimination:**

A. E. G., Cia Mexicana de Electricidad.	Behring, S. A., Instituto.
Agencia Comercial y Marítima; Heynen, Eversbusch y Cia., and all branches in Mexico.	Boesch Sucrs., S. en C., Guillermo.
Albert y Cia., Sucrs., Julio.	Boker, Casa.
Antiqua Ferretería de la Palma, S. A.	Buchenau y Cia., Sucrs.
Apolo, Las Fábricas.	Cram, Casa.
Banco Germánico de la América del Sud.	"Deutz, Otto," Legítmo, S. A., Cia. Mexicana de Motores, and all branches in Mexico.
Bayer, S. A., Casa (and all branches in Mexico).	Dittmer y Cia., Carlos.
Beick, Felix y Cia., S. en C. All branches and properties, including Fábrica de Acidos "La Viga."	Dorenberg, Petersen y Cia., Sucrs., S. en C.
	El Anfora, S. A., Fábrica de Loza.
	El Nuevo Japón, S. A.
	Ewald, Albert.

**I. Completely eliminated or in process of elimination—Continued.**

Finca "Argovia", Chicharras.	Hering y Cia., Carlos.
Finca "Chinenze."	Hintze y Cia.
Finca "E. Retiro."	Holck, Casa.
Finca "Germania."	Internacional de Comercio, S. A., Cia.;
Finca "Hannover."	International de Drogas, S. A.;
Finca "La Granja."	Gutiérrez y Cia., Eduardo.
Finca "La Libertad."	"La Reynera," Fábrica de Jabón, S. A.
Finca "La Paz."	Lammers, S. A., Casa.
Finca "Laguna."	Merck-Mexico, S. A.
Finca "Prusia."	Peters y Cia.
Finca "San Cristobal."	Peters y Cia., Guillermo.
Finca "San José."	Productos Químicos Oleaginosos.
Finca "San Nicolás."	Schering, S. A.
Finca, "San Vicente."	Siemens Mexico, S. A.
Finca "Violetas."	Sommer, S. A., Gustavo.
Fotomantel, S. A., and all branches in Mexico.	Sommer, Hermann y Cia., Sucrs., S. A.
General de Anilinas, S. A., Cia.	Stein y Cia., Carlos.
German Schools, Mexico, Monterrey, and Puebla.	Tamm y Cia.
Groth & Kuhlmann.	Trapeha, S. A.
	Unión Química, S. A.
	Veerkamp, S. A., Casa.

The Mexican Government has seized all of the above firms as well as some 250 nonspearhead Proclaimed List enterprises.

**II. Remaining spearheads: None..****NICARAGUA****I. Completely eliminated or in process of elimination:**

Agencia Bayer.	La Quimica Schering.
Agencia Merck.	Mitsui & Co., Ltd.
Almacen "La Ganga."	Nottebohn Hnos.
Deutsche Lufthansa A. G.	M. Puschendorf & Cia., Ltda.
La Quimica Bayer.	A. Reuter & Cia., Ltda.

**II. There are no other spearheads in Nicaragua.****PANAMA****I. Completely eliminated:**

Atlantis, S. A.	International Laboratories, Inc.
Hapag-Lloyd.	Tokalon Products, S. A.
Schering Kahlbaum A. G.	

**II. There are no other spearheads in Panama. .****PARAGUAY****I. Completely eliminated: None.**

**II. In process of elimination:** Banco Germanico de la America del Sud. Placed under intervention by Decree No. 2465 of February 12, 1942. Placed in liquidation by Decree-law 8815 of May 23, 1945.

**III. Noneliminative action:** Decree No. 7867 of March 23, 1945, provides for the intervention, and liquidation and sale at the decision of the Executive Power, of the assets and interests of Axis (Germany and Japan) nationals and of nationals of Axis-occupied countries.

A resolution of the Executive Power placed the following spearhead firms under control and intervention on April 28, 1945:

Ferreteria Alemana S. A.	Tubos Mannesmann Soc. Ltda. S. A.
Ferreteria Universal S. A.	"Unitas" S. A. Paraguaya Comercial y Financiera.
Staudt y Cia.	

**IV. Remaining spearheads: None.**

## PERU

## I. Completely eliminated by action of the government or by force of other sanctions:

Deutsche Lufthansa A. G., Peru.  
 Deutz-Diesel.  
 Emmel Hnos, S. A.  
 Banco Aleman Transatlántico.  
 Hilbeck Kuntze y Cía.

Franz Rotmann.  
 Southern Cotton Company.  
 "Taibo," Sociedad Anónima.  
 Ferrostaal A. G. Essen.  
 General de Anilinas S. A., Cía.

## II. Process of elimination:

Agricola "Retes" Ltda., Soc.  
 Emmel S. A. Ltda., Gernando.  
 Hardt y Cía., E.  
 La Quimica Bayer S. A.  
 Nonomiya Shoten S. A.  
 Ostern & Co. S. A.

Peru Menka Kabushiki Kaisha.  
 Roedinger y Cía. S. A., H.  
 Arens & Lessel, S. A., Ltda.  
 Casa Welsch.  
 Otten y Cía. S. A.

## III. Intervened or no action taken:

Casa Rehder.  
 Klinge y Cía. S. A., Ltda., F.  
 Telefunken Unión S. A., Radio Dis-  
 tribuidora.

Woyke y Cía.

It is estimated that up to the present time close to 400 firms have been subjected to such action, many of which were Japanese, and not listed here.

There are no spearhead interests in Peru other than those mentioned above.

## EL SALVADOR

## I. Completely eliminated through forced liquidation or voluntary termination of business activities:

Carlos A. Schmidt y Cia.  
 Gossman y Cia.  
 Luders y Cia., Sucrs. de Juan.  
 "Agfa."

Hamburg-Amerika Linie.  
 Italia S. A. Di Navigazione.  
 Norddeutscher Lloyd.

## II. Intervened and owners deported:

Beneficio "Los Ausoles" (Alberto Ben-  
 dix).  
 Deininger, Walter.  
 Deininger, Frieda.  
 Giessler, Federico.  
 Groskorth y Cia. (Fabrica de Jabon y  
 Velas La Salvadorena).

Beneficio "San Guillermo" (Schmidt,  
 Guillermo).  
 Joyeria "La Princesa" (August Mich-  
 iels and Felix Schafer).  
 Wilmes y Cía., H  
 Nottebohm Trading Co.

The foregoing takes into account all spearhead interests in El Salvador.

## URUGUAY

## I. Completely eliminated: None.

## II. In process of elimination:

Banco Aleman Transatlantico.

This bank was intervened under a Decree of December 12, 1941, and a Decree of October 19, 1942, provided for its virtual liquidation. The application of this decree has been very slow. This bank was again intervened under the decree of May 4, 1945.

## III. Non-eliminative action:

Banque Francaise et Italienne pour l'Amérique du Sud S. A.  
 This bank was intervened under a decree of December 12, 1941.

By a decree of May 4, 1945 the following firms were declared intervened and subject to control of officials whom the Executive may designate:

"Albingia" S. A.	"GEOPE" Cia. General de Obras Públicas S. A.
Anilinas Alemanas S. A.	Curt Berger y Cia.
Eugenio Barth y Cia., Sucrs.	Exito S. A., Cia.
La Quimica Bayer.	Lahusen y Cia. Ltda.
Weskott y Cia.	Sociedad Tubos Mannesmann.
Bernitt y Cia.	Ernesto Quincke S. A.
Consal Ltda, Consorcio Alemán para las Obras Hidroeléctricas del Río Negro.	Schering, Productos Farmacénticos.
Siemens Bauunion, Cia. Platense de Construcciones.	Staudt y Cia. S. A. C. "Unitas" S. A. Uruguaya.
	Omura, Matsutaro.
	Yamada y Cia.

#### IV. No action by Uruguayan Government:

Aceros "Styria" S. de R. L.	Frederico Clarfeld y Cia. S. A. Ltda.
Agencia Merck.	Fuhrmann, S. A. Financiera y Comercial.
Bayer y Cia (no connection with La Quimica Bayer, above).	"Ribereña del Plata" Cia. Sudamericana de Comercio S. A.
Brehmer y Cia.	

#### VENEZUELA

##### I. Spearhead firms which have been completely liquidated under government decree and their names deleted from the Proclaimed List:

Hermanos Nakata.	Watya y Cia., Sakae.
Horie Hermanos, Matuo.	Wolf y Cia., Sucrs., F.
Neigert, L., "Ocularium" Instituto Optico de.	Yokoy y Serizawa.
Sakakibara y Cia., Tatuzo.	Yonekura, Rizo.
Serizawa Hermanos "La Japonesa."	Yonekura y Cia., Y.
	Yonekura y Fukayama.

##### II. Spearhead firms completely reorganized under government decree:

Blohm & Company.	Van Dissel, Rode y Cia., Sucrs.
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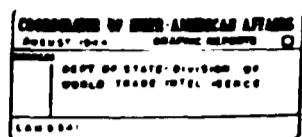
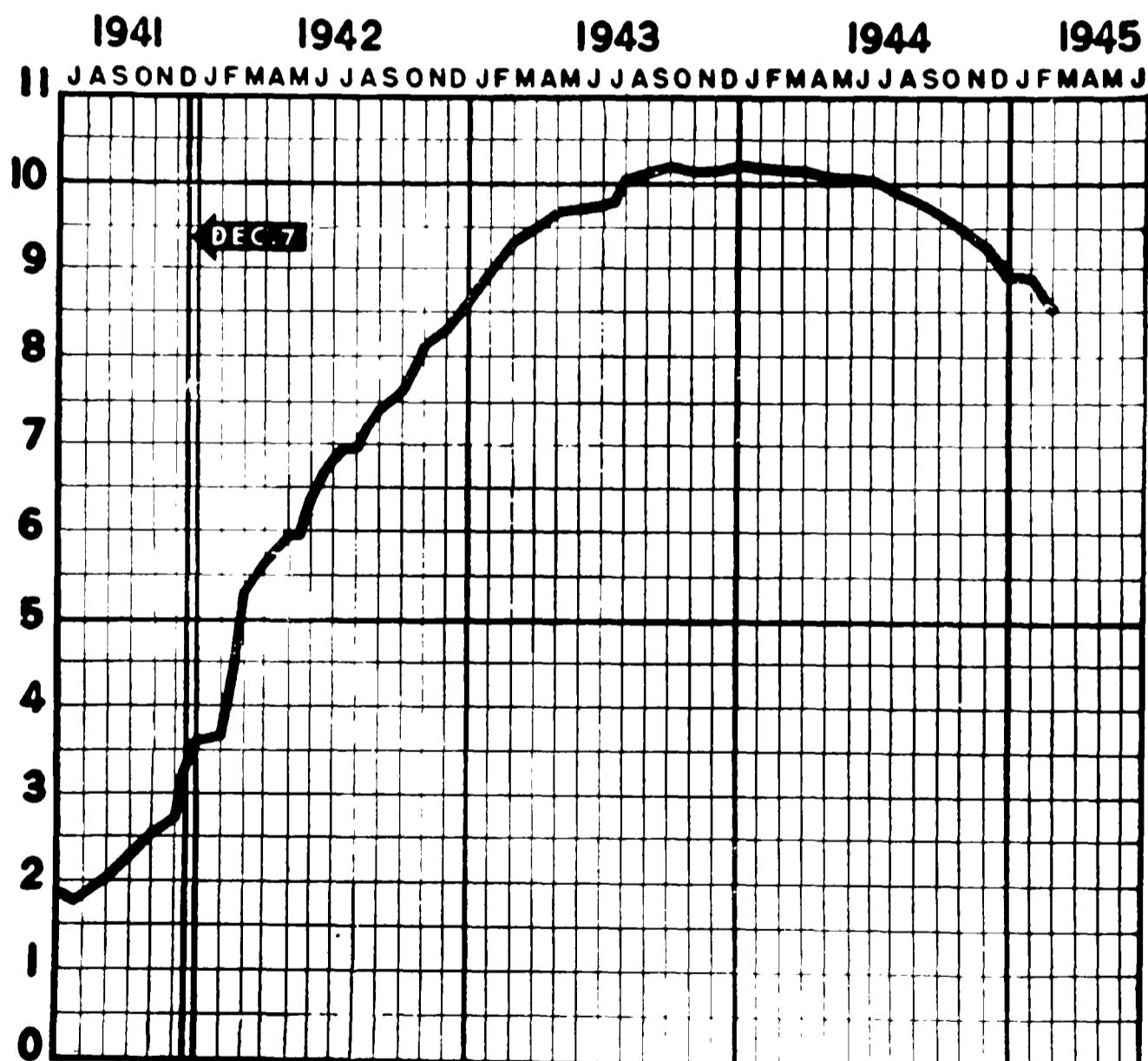
##### III. In process of liquidation under government decree:

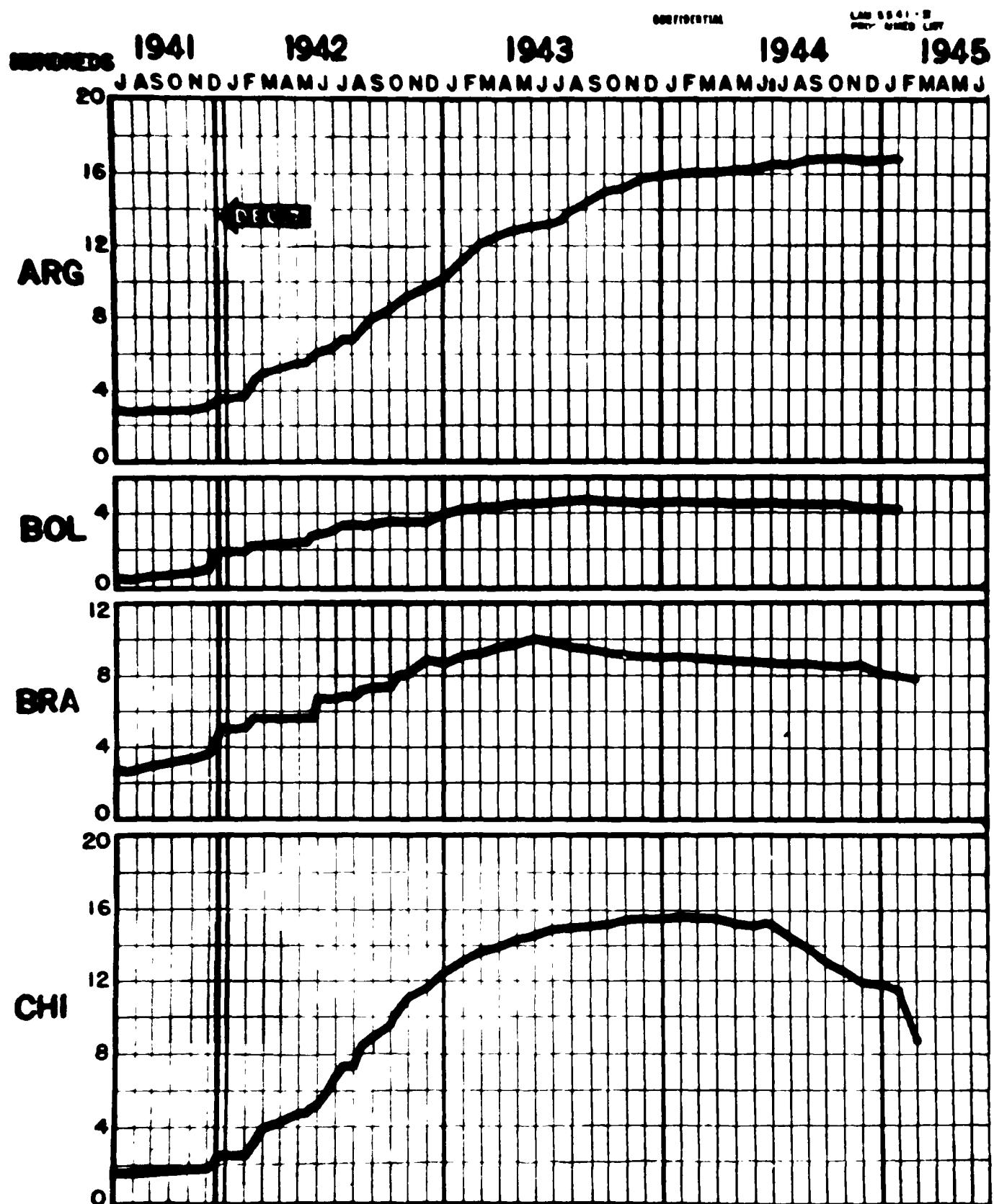
Aué y Cia., Ernesto.	Optica Alemana.
Beckmann y Cia.	Quimica Bayer-Weskott y Cia.
Breuer, Moller & Cia., Sucrs.	Quimica Schering, S.A.

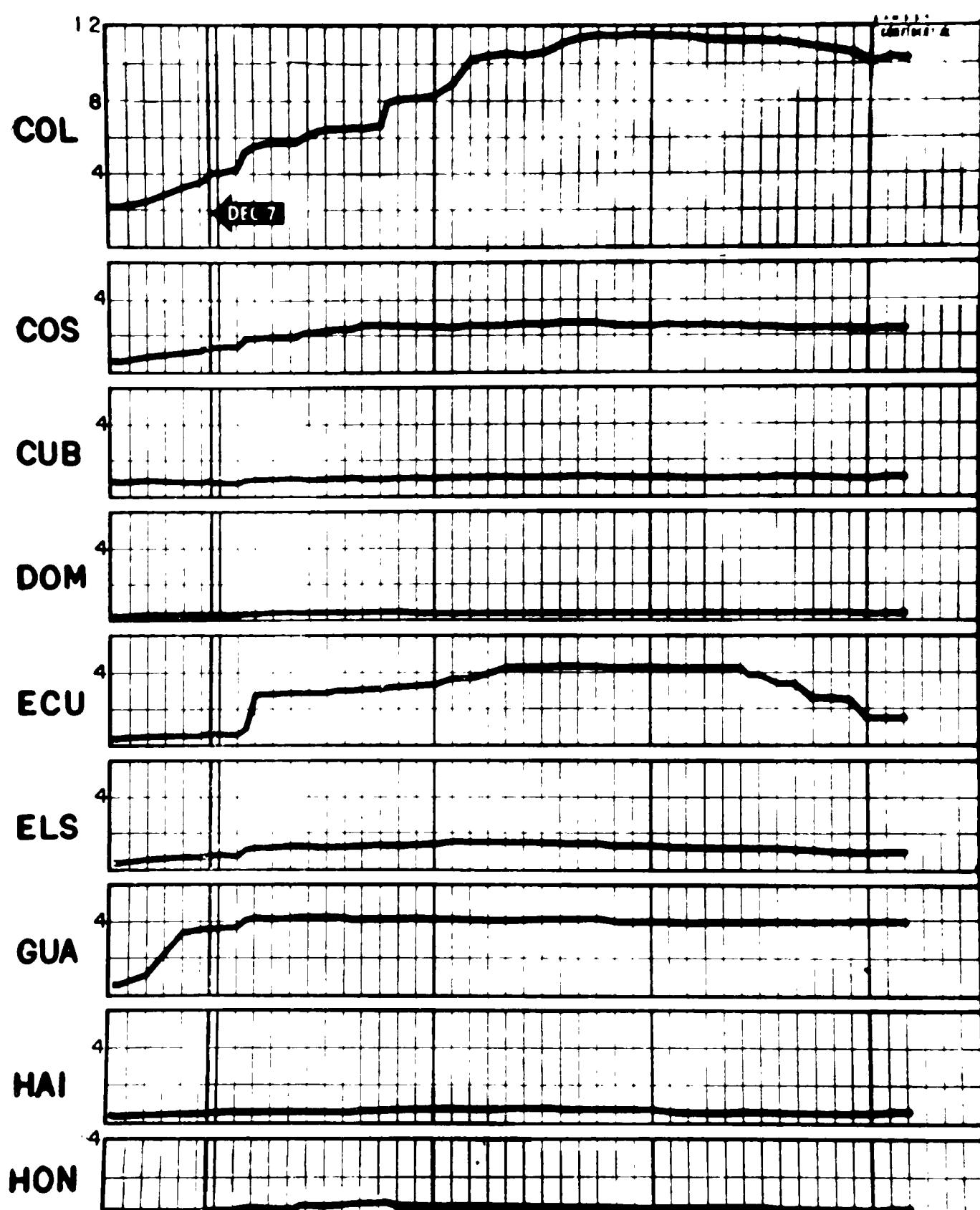
##### IV. Remaining spearheads which are actively being considered for reorganization or expropriation:

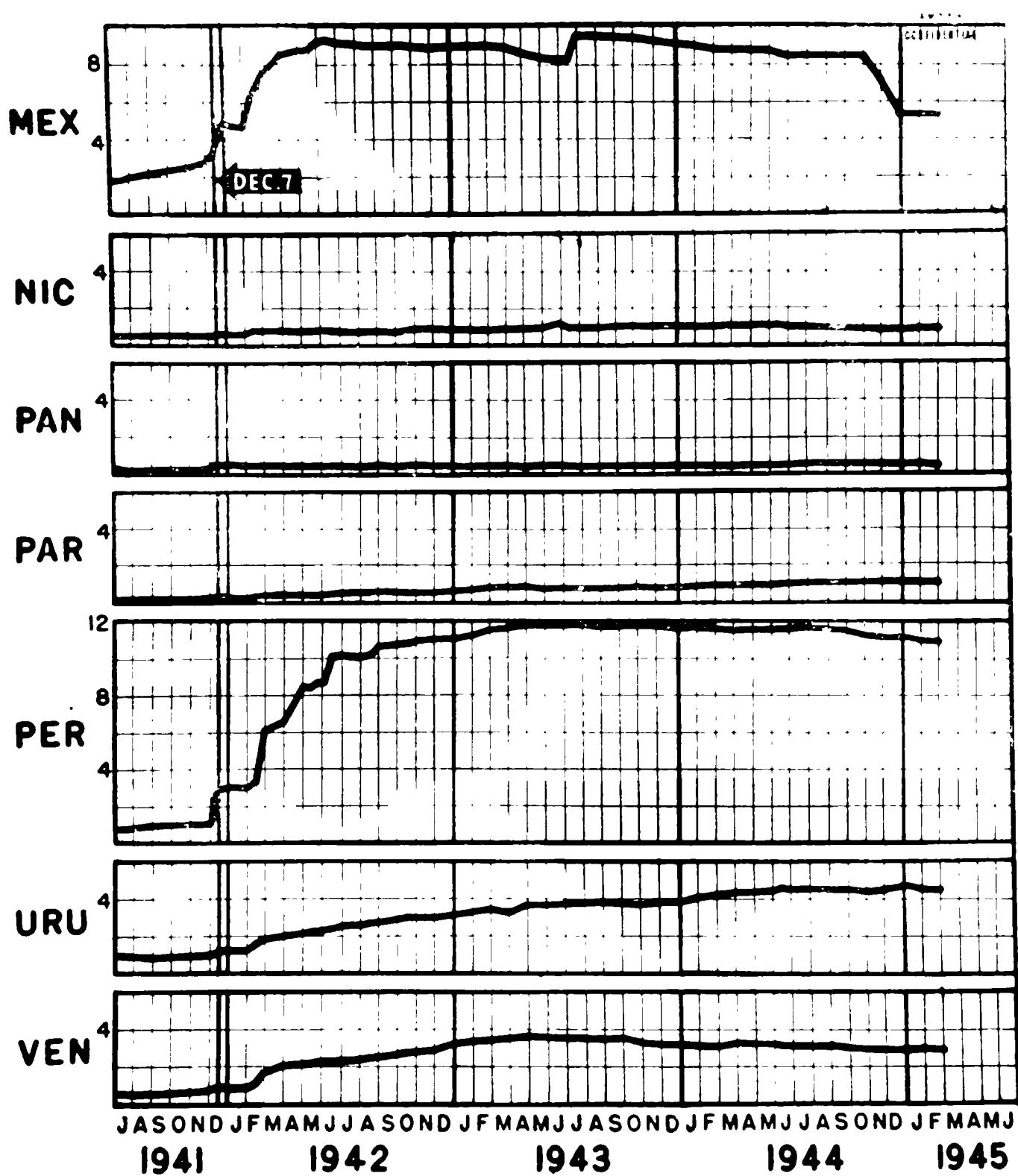
Gathmann Hermanos.	Valentiner & Cia.
Laboratorio Meyer, C. A.	Zingg y Cia., Gustavo.
Steinvorth y Cia.	

## EXHIBIT No. 8

**PROCLAIMED LIST****TOTAL LATIN AMERICA  
THOUSANDS OF NAMES**

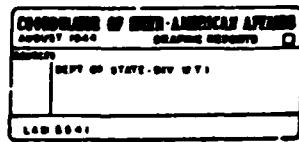






**EXHIBIT NO. 9**

# **ENEMY TRADING LIST**

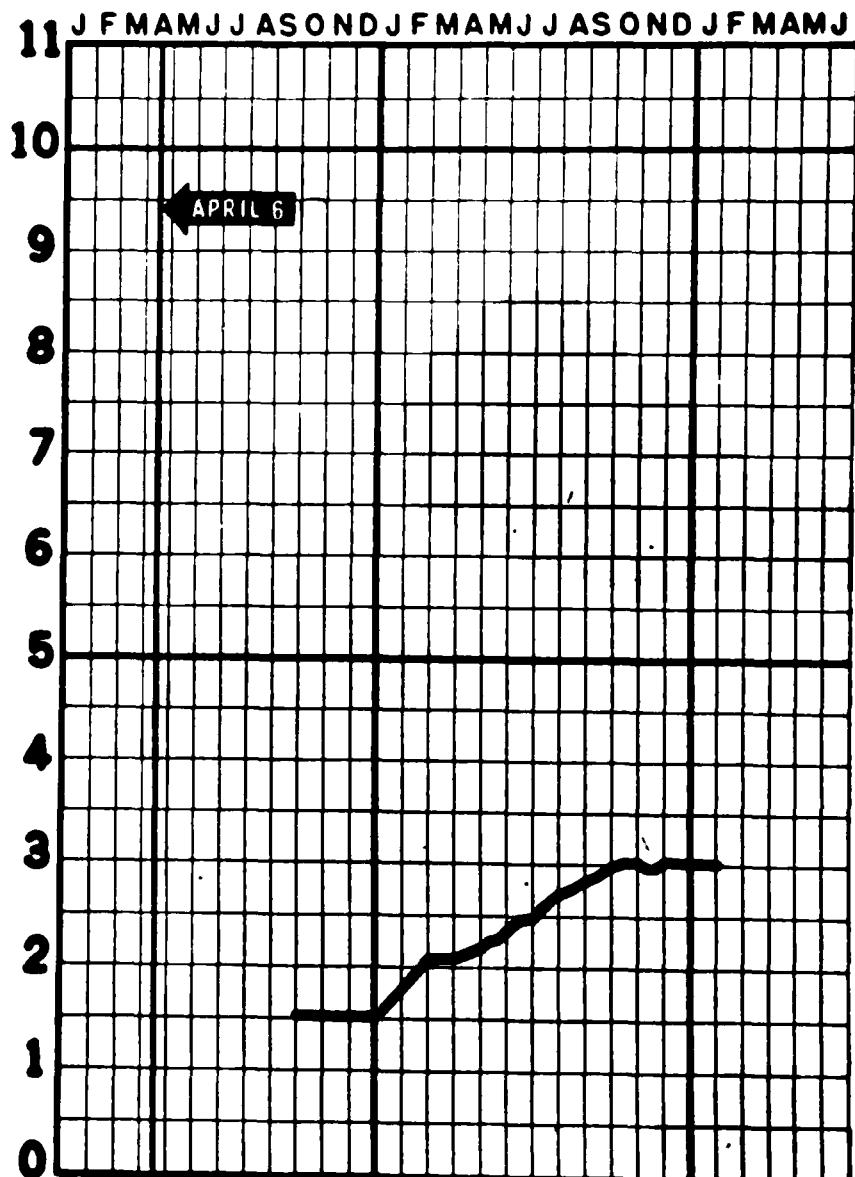


## **THOUSANDS OF NAMES**

1917

1918

1919



## EXHIBIT NO. 10

In an address at the annual meeting of the American Drug Manufacturers Association at Hot Springs, Va., on May 4, 1944, Mr. Francis H. Russell, Chief of the Division of World Trade Intelligence, Department of State, and Chairman of the Interdepartmental Committee on the Proclaimed List stated:

"It has apparently been assumed by some of the firms that have cooperated with the Axis that the Proclaimed List and the sanctions which are based upon it will terminate with the cessation of hostilities in Europe and that listed firms and individuals will then be restored to normal trade facilities. There is no basis for such an assumption. It need not be stated that this Government does not consider the Proclaimed List as an appropriate part of the type of normal peacetime trade policies which it hopes eventually will be established. It is clear, however, that there will inevitably be a transition period from war to peacetime conditions and that the list cannot be withdrawn upon the termination of armed conflict. In view of the total character of the present conflict and its vast impact upon commerce it will necessarily take time to effect adjustments of economic warfare controls. Such adjustments will be carried out with regard to specific circumstances. The problem of eliminating economic warfare controls and in particular the Proclaimed List is believed in general to be capable of prompt solution in regions far removed from the scene of conflict where the spearheads of Axis aggression have been eliminated. The withdrawal of such controls may be expected to be slower with respect to areas adjacent to the scene of conflict and particularly with respect to nationals of, or residents in, neutral countries who have engaged or who may engage actively in equipping or servicing the military machine of the enemy—which the Allied Governments are determined to destroy—or who have rendered other important aid to the enemy."

DEPARTMENT OF STATE,  
September 25, 1944.

Confidential release for publication in the morning newspapers of Tuesday, September 26, 1944, which do not appear on the streets before 12 midnight, eastern wartime, Monday, September 25, 1944. Not to be previously published, quoted from, or used in any way. Not to be transmitted out of the United States before 9 p. m., eastern war time, Monday, September 25, 1944

The Department of State issued the following statement on September 26:

"It has been determined by the United States Government and the British Government that the continuation of the proclaimed and statutory lists will be necessary following the cessation of organized resistance in Germany. This action is required in order to permit the Allied Governments to deal properly with firms which have been part and parcel of the Axis effort to gain world domination. Many of these firms have been controlled from Axis territory and have been utilized as instruments of the Axis war machine. Control over these Axis subsidiaries will be necessary as a supplement to allied control of the head offices of these firms in Germany until adequate measures are taken to prevent the further utilization of these firms as instruments of Axis policy. It will also be necessary to continue on the lists those firms that have sold themselves out to the Axis through their desire to make temporary exorbitant profits at the expense of the cause of democracy. The continuation of the lists is also necessary in order to maintain controls over foreign assets, which have been looted from their rightful owners by the Axis Governments, until steps are taken to deprive the Axis of this stolen property. Other firms on the lists constitute foreign investments by Axis leaders in an effort to finance themselves and their cause following the surrender of Germany. The lists will also constitute a means of furthering the wartime economic strangulation of Japan.

"While the lists will be maintained during the transition period from war to peacetime conditions wherever the remnants of Axis activity require, it is contemplated that the complete or virtual withdrawal of the lists will be possible at an early date with respect to those countries where adequate controls have been established and Axis spearhead firms have been eliminated.

"The United States Government expresses its hope that all governments and persons in support of the cause of democracy will cooperate to the end that these stated objectives shall be accomplished."

## EXHIBIT NO. 11

## FINAL ACT OF THE INTER-AMERICAN CONFERENCE ON PROBLEMS OF WAR AND PEACE

## RESOLUTION XIX. CONTROL OF ENEMY PROPERTY

Whereas the American Republics here represented have broken diplomatic, commercial, and financial relations with, and have declared war against, the common enemy in recognition of the principle that any act of aggression on the part of a non-American state against any of the American Republics must be considered as an aggression against all of them, and that the economic, political, and military activities of the enemy constitute a threat to the peace, welfare, and security of the American Republics.

There are reasons to believe that Germany and Japan will again attempt, in spite of their certain defeat, to conceal their property and property which they have unjustly obtained and which they have placed in other countries in order to finance, during the postwar period, activities of every sort inimical to the security and safety of the Western Hemisphere and of the world in general.

The peace and welfare of the postwar world must rest upon a foundation of justice and security and that, therefore, all necessary steps must be taken, in a manner consistent with the laws and practices of each country, to facilitate the location and restitution of property unjustly taken from the peoples of occupied countries, and the uncovering and treatment of property, directly or indirectly originating in Germany or Japan or which is owned or controlled by Germany or Japan or by individuals and entities within such countries all for the purpose of making it impossible again for Germany and Japan to be able to provoke and make war.

Each of the American Republics has adopted and put into practice various measures to accomplish the foregoing fundamental objectives pursuant to resolution V of the third meeting of Ministers of Foreign Affairs of the American Republics and the resolutions of the Inter-American Conference on Systems of Economic and Financial Control held in Washington in June-July 1942, the Inter-American Conference on Problems of War and Peace resolves:

1. That the American Republics here represented adopt and reaffirm the principles and objectives enunciated in the following:

(a) The declaration with respect to Axis acts of dispossession, issued by certain of the United Nations on January 5, 1943.

(b) The declaration on gold policy made by certain of the United Nations on February 22, 1944, and subsequently adhered to by other of the United Nations.

(c) Resolution VI of the United Nations Monetary and Financial Conference, held at Bretton Woods, in July 1944, and subsequently adopted by certain of the United Nations.

2. That the American Republics here represented maintain in force existing measures insofar as they are applicable and take such further measures as are feasible to attain the objectives of the above-mentioned declarations and resolutions, including:

(a) Measures to uncover, to disclose, to immobilize, and to prevent the concealment or transfer of property and rights located within the American Republics or held by or through any person or entity under their respective jurisdictions which property or rights in fact, whether or not in name, belong to or are controlled by or for the benefit of Germany or Japan or individuals or entities within those countries.

(b) Adequate measures to uncover, to disclose, and to prevent the transfer of any property unjustly obtained or taken in like manner by the enemy from other peoples and for the restoration of such property to its rightful owners; it being understood that the American Governments shall consult with one another as soon as possible for the purpose of defining the terms and conditions of such measures and establishing the most appropriate procedures for the adoption and execution of such additional measures as may be necessary.

(c) Measures to prevent, within their respective jurisdictions, all possibility that the American Republics may be used as a refuge for property unjustly obtained or taken in like manner from other peoples or the property of individuals or entities whose activities are inimical to the security of the Western Hemisphere and of the postwar world.

3. That the American Republics expressly agree that their rights in property vested, affected, seized, or intervened up to the present time or which may in the future, shall remain, with respect to the final disposition of each of such properties

or of their respective proceeds, in status quo, until the American Governments individually reach final decisions regarding such dispositions, or enter into international agreements in this respect, insofar as they consider it in their respective interests.

4. That the American Republics consider that the provisions of recommendation VIII of the Inter-American Conference on Systems of Financial and Economic Controls are applicable to the above-mentioned matters.

The phrase "property unjustly taken from other peoples" shall mean, in the present resolution, property, the control of which the enemy has obtained by dispossession, looting, violence, fraud, intimidation, and other like acts.

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#### EXHIBIT No. 12

##### INTER-ALLIED DECLARATION ON AXIS ACTS OF DISPOSSESSION

DEPARTMENT OF STATE,  
January 4, 1943.

Confidential release for publication in the newspapers of Tuesday, January 5, 1943, which do not appear on the streets before 7 a. m., eastern war time not to be previously published, quoted from or used in any way.

The Department of State made public today the text of a declaration on forced transfers of property in enemy-controlled territory which has been made by the United States and certain others of the United Nations. The text is as follows:

"The Union of South Africa, the United States of America, Australia, Belgium, Canada, China, the Czechoslovak Republic, the United Kingdom of Great Britain and Northern Ireland, the Union of Soviet Socialist Republics, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Yugoslavia, and the French National Committee:

"Hereby issue a formal warning to all concerned, and in particular to persons in neutral countries, that they intend to do their utmost to defeat the methods of dispossession practiced by the governments with which they are at war against the countries and peoples who have been so wantonly assaulted and despoiled.

"Accordingly the governments making this declaration and the French National Committee reserve all their rights to declare invalid any transfers of, or dealings with, property, rights, and interests of any description whatsoever which are, or have been, situated in the territories which have come under the occupation or control, direct or indirect, of the governments with which they are at war or which belong or have belonged to persons, including juridical persons, resident in such territories. This warning applies whether such transfers or dealings have taken the form of open looting or plunder, or of transactions apparently legal in form, even when they purport to be voluntarily effected.

"The governments making this declaration and the French National Committee solemnly record their solidarity in this matter."

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#### EXHIBIT No. 13

##### GOLD DECLARATION OF FEBRUARY 22, 1944

TREASURY DEPARTMENT,  
Tuesday, February 22, 1944.

Secretary Morgenthau today issued the following declaration:

On January 5, 1943, the United States and certain others of the United Nations issued a warning to all concerned, and in particular to persons in neutral countries, that they intend to do their utmost to defeat the methods of dispossession practiced by the governments with which they are at war against the countries and peoples who have been so wantonly assaulted and despoiled. Furthermore, it has been announced many times that one of the purposes of the financial and property controls of the United States Government is to prevent the liquidation in the United States of assets looted by the Axis through duress and conquest.

One of the particular methods of dispossession practiced by the Axis Powers has been the illegal seizure of large amounts of gold belonging to the nations they have occupied and plundered. The Axis Powers have purported to sell such looted gold to various countries which continue to maintain diplomatic and commercial relations with the Axis, such gold thereby providing an important

source of foreign exchange to the Axis and enabling the Axis to obtain much-needed imports from these countries.

The United States Treasury has already taken measures designed to protect the assets of the invaded countries and to prevent the Axis from disposing of looted currencies, securities, and other looted assets on the world market. Similarly, the United States Government cannot in any way condone the policy of systematic plundering adopted by the Axis or participate in any way directly or indirectly in the unlawful disposition of looted gold.

In view of the foregoing facts and considerations, the United States Government formally declares that it does not and will not recognize the transference of title to the looted gold which the Axis at any time holds or has disposed of in world markets. It further declares that it will be the policy of the United States Treasury not to buy any gold presently located outside of the territorial limits of the United States from any country which has not broken relations with the Axis, or from any country which after the date of this announcement acquires gold from any country which has not broken relations with the Axis, unless and until the United States Treasury is fully satisfied that such gold is not gold which was acquired directly or indirectly from the Axis Powers or is not gold which any such country has been or is enabled to release as a result of the acquisition of gold directly or indirectly from the Axis Powers.

It is understood that a similar declaration is being issued simultaneously by the United Kingdom Treasury, and by the Union of Soviet Socialist Republics.

#### EXHIBIT No. 14

##### BRETON WOODS RESOLUTION VI ADOPTED BY THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE AT BRETON WOODS, N. H.

Whereas in anticipation of their impending defeat, enemy leaders, enemy nationals, and their collaborators are transferring assets to and through neutral countries in order to conceal them and to perpetuate their influence, power, and ability to plan future aggrandizement and world domination, thus jeopardizing the efforts of the United Nations to establish and permanently maintain peaceful international relations.

Whereas enemy countries and their nationals have taken the property of occupied countries and their nationals by open looting and plunder, by forcing transfers under duress, as well as by subtle and complex devices, often operated through the agency of their puppet governments, to give the cloak of legality to their robbery and to secure ownership and control of enterprises in the postwar period.

Whereas enemy countries and their nationals have also, through sales and other methods of transfer, run the chain of their ownership and control through occupied and neutral countries, thus making the problem of disclosure and disentanglement one of international character.

Whereas the United Nations have declared their intention to do their utmost to defeat the methods of dispossession practiced by the enemy, have reserved their right to declare invalid any transfers of property belonging to persons within occupied territory, and have taken measures to protect and safeguard property, within their respective jurisdictions, owned by occupied countries and their nationals, as well as to prevent the disposal of looted property in United Nations markets; therefore the United Nations Monetary and Financial Conference—

1. Takes note of and fully supports steps taken by the United Nations for the purpose of:

(a) Uncovering, segregating, controlling, and making appropriate disposition of enemy assets;

(b) Preventing the liquidation of property looted by the enemy, locating and tracing ownership and control of such looted property, and taking appropriate measures with a view to restoration to its lawful owners.

2. Recommends: That all governments of countries represented at this conference take action consistent with their relations with the countries at war to call upon the governments of neutral countries—

(a) To take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any—

(1) assets belonging to the Government or any individuals or institutions within those United Nations occupied by the enemy; and

(2) looted gold, currency, art objects, securities, other evidences of ownership in financial or business enterprises, and of other assets looted by the enemy;

as well as to uncover, segregate and hold at the disposition of the post-liberation authorities in the appropriate country any such assets within territory subject to their jurisdiction.

(b) to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any—

(1) assets belonging to, or alleged to belong to, the Government of and individuals or institutions within enemy countries;

(2) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators;

and to facilitate their ultimate delivery to the post-armistice authorities."

#### EXHIBIT No. 15. MODEL NOTE TO A NEUTRAL COUNTRY REGARDING SAFE-HAVEN OBJECTIVES

His Excellency the MINISTER OF FOREIGN AFFAIRS.

EXCELLENCY: I have the honor, under instructions from my Government, to make the following communication to Your Excellency:

As the Government of \_\_\_\_\_ is aware, the United Nations for some time have been deeply concerned with the possibility that the illegal and reprehensible activities of looting and depredation, which have been carried out by the Axis occupying authorities in the territories of Europe which were previously and some of which still are under their domination, would lead to attempts to consummate such transactions in other countries. Moreover, the United Nations have perceived cause for anxiety in the possible flight of Axis capital for the use of war criminals and other dangerous persons and other Axis manipulation of assets located abroad to the detriment of both the peace and security of the postwar world and the welfare of the country in which such assets were located.

The Government of the United States has indicated its strong interest in these matters by its subscription to the United Nations Declaration of January 5, 1945, to the Gold Declaration which was issued on February 22, 1944, and by its endorsement of Resolution VI adopted at the United Nations Financial and Monetary Conference held at Bretton Woods, New Hampshire. The Inter-American Conference on problems of war and peace has endorsed all these measures. Other neutral governments have also undertaken certain measures to attain the objectives discussed in this note. In these steps the United Nations have participated and cooperated and the interest of various of the United Nations in these measures has been directly expressed to the Government of \_\_\_\_\_.

On October —, 1944, the American Ambassador had the honor to present to Your Excellency a note which enclosed a copy of Resolution VI of the United Nations Financial and Monetary Conference, and which requested the Government of \_\_\_\_\_ to take steps to implement that resolution. On November —, 1944, there was addressed to the Minister of Foreign Affairs the Embassy's note No. — with respect to the statement of gold policy, in which assurances were requested that the Government of \_\_\_\_\_ would make no future purchases of gold in which there appeared any direct or indirect enemy interest.

The attention of the Government of \_\_\_\_\_ is again called to Bretton Woods Resolution VI and the statement of gold policy contained in the Embassy's note dated November —, 1944. Attention is also called to the United Nations Declaration of January 5, 1943, wherein the signatory nations, including the Government of the United States, expressed their intention to regard as invalid all transfers of looted property.

It is earnestly desired that the Government of \_\_\_\_\_ join other peace-loving nations in subscribing to the principles of, and in the full and effective implementation of the terms and spirit of these declarations. Such full and effective implementation would include the following action:

(1) That the Government of \_\_\_\_\_ announce publicly its intention to adhere fully to the terms and spirit of Bretton Woods Resolution VI, the Gold Declaration of February 2, 1944, and the principles enumerated in the United Nations Declaration of January 5, 1943.

(2) That the Government of \_\_\_\_\_ freeze immediately and simultaneously with the public announcement referred to in paragraph 1, all assets referred to in items 3 and 4 below, and such other assets as may be subsequently uncovered by the Government of \_\_\_\_\_ or brought to its attention by the Government of the United States. Further in this connection, that the \_\_\_\_\_ Government investigate all transactions involving the transfer of assets to \_\_\_\_\_ or a change in title in assets located in, or managed from, \_\_\_\_\_ which have occurred since September 1, 1939, between \_\_\_\_\_ subjects or persons subject to \_\_\_\_\_ law or

persons acting on behalf of such persons on the one hand, and persons or subjects of Axis or Axis-controlled countries, or persons, wherever situated, acting on their behalf, on the other hand, if such transactions involve sums exceeding \_\_\_\_\_ or the equivalent in foreign moneys, or assets valued at \_\_\_\_\_ or more or the equivalent in foreign moneys, regardless of the amount of money involved in such transactions. That the Government of \_\_\_\_\_ immobilize assets so transferred where there is evidence that persons or subjects of Axis or Axis-controlled countries or persons acting in their behalf have an interest in such assets, direct or indirect, or where there is an obligation, expressed or implied, owing to such persons or subjects arising out of such transactions. That the Government of \_\_\_\_\_ make available full details to the Government of the United States concerning any such transactions where there is evidence of such interest in the assets so transferred or where the assets were transferred without the payment of adequate and appropriate compensation.

That all future transactions in such assets be prohibited except under license by the Government of \_\_\_\_\_ and the principles for the licensing of transactions involving the assignment, transfer, withdrawal, payment, hypothecation, or other disposition of such assets shall be in accordance with such arrangements as are provided for by the Government of \_\_\_\_\_, in agreement with the Government of the United States. Any such arrangements shall provide for submission to the Government of the United States of full information on all licenses so issued.

(3) That in order to execute fully its controls, the Government of \_\_\_\_\_ immobilize and facilitate the return of any looted assets, as described in Bretton Woods Resolution VI, regardless of present ownership of such assets.

(4) That the Government of \_\_\_\_\_ conduct a detailed census of all assets, regardless of form, located in \_\_\_\_\_ or held abroad through persons or firms in \_\_\_\_\_ which, or any interest in which, direct or indirect, is owned or controlled or held by, in behalf of, or in the name of, persons and firms who are nationals or residents or domiciled in Axis countries or in countries at any time controlled by Axis countries. (The term "assets," as used in this connection, shall include, but not by way of limitation, any real property or interest therein, enterprise (commercial, industrial, financial or scientific), security, or interest therein, trademarks, corporate and contractual rights, including management contracts, patent licenses and arrangements, insurance policies and reinsurance contracts, bank accounts and deposits, including trusteeship accounts, safe deposit boxes, vaults, checks, drafts, credits, gold and other precious metals, options and any other types of arrangements or undertakings, written or unwritten.) Furthermore, that the Government of \_\_\_\_\_ provide that the penalty for failure to report fully or correctly will be sufficiently severe as to compel the submission of full and correct information even when large assets are involved, and that the Government of \_\_\_\_\_ make available to the Government of the United States the information obtained from the census.

(5) That the Government of \_\_\_\_\_ provide the Government of the United States with full information concerning all persons in \_\_\_\_\_ who possess the nationality of Axis countries and all such persons who have entered into \_\_\_\_\_ since September 1, 1939, and who are now in \_\_\_\_\_ regardless of present nationality. Such information shall include details as to their residence, occupation, travels from \_\_\_\_\_ made since initial entry into \_\_\_\_\_ and such other information as will be relevant to ascertaining whether such persons are or may be acting for or in the interests of Axis or Axis-controlled countries or who, in the period following the occupation of such countries by the United Nations may work against the interest of the occupying authorities. Also that the Government of \_\_\_\_\_ submit similar information on all persons who have come to \_\_\_\_\_ since September 1, 1939, from countries which were previously satellites of the Axis countries or from countries now or previously controlled by the Axis countries where the evidence reveals that such persons are or may have been acting for or in the interest of the Axis or Axis-controlled countries. It is further recommended that the Government of \_\_\_\_\_ submit similar information to the Government of the United States on all persons who, until the end of the period of hostilities, may enter \_\_\_\_\_ from Axis or Axis-controlled countries and on such other persons whose names may be referred to the Government of \_\_\_\_\_ by the Government of the United States.

(6) That the Government of \_\_\_\_\_ establish effective controls with respect to any transactions with the Axis or Axis-controlled countries, or the nationals of such countries in order to prevent entry into \_\_\_\_\_ from such countries of any assets or the removal from \_\_\_\_\_ to such countries of any assets. The principles

on which transactions shall be licensed will be in accordance with such arrangements as are provided for by the Government of \_\_\_\_\_ in agreement with the Government of the United States. Any such arrangement shall provide for the submission to the Government of the United States of full information on all such transactions which are authorized.

(7) That the Government of \_\_\_\_\_ after the foregoing measures have been put into effect, investigate all suspicious cases, including, but not limited to, cases referred to as being in such category by the Government of the United States and report the results of all such investigations to the Government of the United States.

(8) That the Government of \_\_\_\_\_ prosecute vigorously violations of the measures referred to in this agreement and take such other steps as are necessary to obtain rigid enforcement of such measures.

(9) That the Government of \_\_\_\_\_ forthwith establish a suitable procedure by which its officials concerned with the execution and operation of the foregoing measures may be consulted with at appropriate intervals by representatives of the Government of the United States regarding the implementation of such measures.

I understand that the British Chargé d'Affairs is addressing to Your Excellency a communication in similar terms.

Accept, Excellency, the assurances of my most distinguished consideration.

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#### EXHIBIT No. 16

[April 27, 1945, published May 1]

#### SWISS FEDERAL DECREE REGARDING PROVISIONAL MEASURES FOR REGULATION OF PAYMENTS BETWEEN SWITZERLAND AND GERMANY

Articles 1, 2, 3, 5, 8, 9, and 10 of Swiss Federal decree, February 16, 1945, establishing provisional measures regulating payments between Switzerland and Germany, are abrogated and replaced or supplemented as follows:

**ARTICLE 1.** Payments which are to be made, directly or indirectly, by natural or legal persons subject to public or private law by commercial companies or by community of persons domiciled in Switzerland in favor of natural or legal persons subject to public or private law or commercial companies or community of persons which have, or had, their domicile, seat, or commercial management in Germany or German occupied territories after February 16, 1945, must be paid through Swiss National Bank. Legal persons subject to public or private law or commercial companies or community of persons which have their domicile or commercial management in Switzerland and in which principal interest held by natural or legal persons subject to public or private law or commercial companies or community of persons which have or had their domicile, seat or commercial management in Germany or German occupied territories after February 16, 1945, may receive payments only with authorization of Swiss Compensation Office.

**ART. 2.** Orders for disposal of property of all kinds (Swiss or foreign money, securities, banknotes, gold, valuables, merchandise) irrespective of how and where deposited—for example, in open or closed deposits or in safes, claims and participations of all kinds, real estate, etc.) located or administered in Switzerland directly or indirectly for account of or in favor of natural or legal person subject to public or private law or commercial companies or community of persons which have or had their domicile, seat, or commercial management in Germany or German-occupied territories after February 16, 1945, may with reservation of article 5 be carried out only with authorization of Swiss Compensation Office. This provision also applies to property located and administered in Switzerland belonging to legal persons subject to public or private law or commercial companies or community of persons which have or had their domicile, seat, or commercial management in Germany or German occupied territories after February 16, 1945. Transfer of property listed in articles 2 and 3 to foreign countries is forbidden. Swiss Compensation Office may grant exceptions.

**ART. 3.** Provisions of present decree also apply to payments to German citizens in Switzerland and orders for disposal property belonging to such persons. German citizens may, nevertheless, receive payments and dispose of their property freely in normal carrying out of their professional activity and for satisfying their normal personal requirements. Swiss Compensation Office may grant more extensive exceptions. Legal persons or commercial companies or community of persons which have their seat or commercial management in Switzerland and in

which principal interest had directly or indirectly by German citizens in Switzerland may receive payments and dispose of their property only with authorization of Swiss Compensation Office.

ART. 5. Obligation regarding payment to Swiss National Bank likewise applies to proceeds from debtor lawsuits or bankruptcies provided creditor has or had his domicile, seat, or commercial management in Germany or German-occupied territories after February 16, 1945. If creditor is German citizen in Switzerland proceeds may be paid either to Swiss National Bank or into blocked account of Swiss bank. Pledges acquired before February 17, 1945, by creditors domiciled in Switzerland on property referred to in provisions of present decree may be realized by debtor lawsuits or bankruptcies without authorization. If pledge is realized, sum exceeding amount of credit for which pledge is given must be paid to Swiss National Bank insofar as this sum is due debtor or person domiciled in Germany or German occupied territory. Excess sum may also be paid into blocked account of Swiss bank if due German citizen in Switzerland.

ART. 8. Payments made contrary to provisions of present decree do not release from obligation to make payments to Swiss National Bank. Anyone disposing of property for own account, or as representative or trustee, contrary to provisions provided in present decree may be obliged to pay Swiss National Bank counter value as fixed by Swiss Compensation Office beneficiary and may likewise be obliged to make such payments to Swiss National Bank if article 10 is applicable.

ART. 9. Swiss Federal Department of Public Economy authorized to issue necessary regulations for execution of present decree. Swiss Compensation Office commissioned with execution of present decree and any regulations issued by Department of Public Economy. It is permitted to demand from anyone information which might reveal fact important for execution of present decree. It may undertake revision of accounts and carry out inspections, especially in case of firms or persons who upon its request give no information or only imperfect information and also in case of firms and persons suspected of having infringed upon provisions of present decrees. In order to assure execution of present decree, Swiss Compensation Office may, in urgent cases, order provisional payment to Swiss National Bank or provisional depositing of assets at Swiss National Bank or another place designated by it. It may demand assistance of police authorities in doubtful cases. It may, as safeguard, place payments and property under restrictions, provided for in articles 1 and 2 Bis, General Directorate of Customs, Postal and Telegraph Services, and Swiss shipping enterprises are required to take necessary measures to guarantee payment to Swiss National Bank, which must be made by debtor in Switzerland. Administrative and legal authorities of confederation, cantons, and communities are required to furnish Swiss Compensation Office all information which might reveal facts important for execution of present decree.

ART. 10. Anyone who for own account or as representative or trustee of natural or legal persons subject to public or private law or commercial company or community of persons domiciled in Switzerland or as member of branch of legal persons subject to public or private law makes payment referred to in present decree otherwise than through payment to Swiss National Bank, anyone who in capacity indicated first paragraph accepts such payment and does not turn it over immediately to Swiss National Bank or insofar authorized into blocked account, anyone who in capacity indicated first paragraph disposes of property contrary to provisions of present decree or accepts such property, anyone who infringes upon regulations issued by Federal Department of Public Economy or obstructs or attempts to obstruct measures decreed by authorities executing present decree through refusal to give information or through giving false information will be punished with fine maximum 10,000 francs or maximum 12 months' imprisonment. Both penalties may be inflicted simultaneously. General Regulations Penal Code of December 21, 1937, are applicable. Neglect is likewise punishable.

ART. 2. Decree effective April 30, 1945.

## EXHIBIT No. 17

## SPANISH BLOCKING DECREE

## OFFICE OF THE CHIEF OF STATE

**Decree-law of May 5, 1945, regarding adherence of Spanish Government to resolution VI adopted at the Financial and Monetary Conference of Bretton Woods, N. H., and subsequent blocking of foreign assets**

The Spanish Government, in accordance with its foreign policy, has resolved to adhere to the principles of resolution VI adopted at the Financial and Monetary Conference of Bretton Woods, N. H., and to the declarations of the United Nations of February 22, 1944, and January 5, 1945. To effect this policy a series of measures not provided for in the existing legislation must be placed at the disposition of the state. These measures should permit it to face international obligations incurred and simultaneously preserve the effectiveness of its economic rights, which the state itself may invoke in its international relations.

In virtue thereof, and in accordance with authority granted to the Government by article 13 of the law of July 17, 1942, regarding which the Cortés (Spanish "Congress") may be informed, I order:

**ARTICLE 1.** Assets held by foreigners who are subjects of Axis or Axis-dominated countries, to which the present decree-law refers, are hereby frozen and cannot be the object of any transaction nor of any act in general which permits their mobilization, except with special administrative authorization.

**ART. 2.** For the purposes of this decree-law, assets of foreigners will be considered as comprising all such property and patrimonial rights in all of their manifestations totally or partially held by foreigners referred to in article 1, in relation to article 3, either directly or through intermediaries (physical or juridical) of any nationality.

**ART. 3.** The Minister of Foreign Affairs will have full representation for the Government in all aspects relative to the execution and interpretation of this decree-law, and will have the following powers:

(a) To determine who are foreign subjects or who are intermediaries regardless of their nationality, whose property and patrimonial rights are to be blocked.

(b) To request from all ministerial departments and their dependencies, as well as from all authorities and public officials, the information necessary for the purpose of indicating the property and patrimonial rights which belong to the persons referred to in above paragraph (a).

(c) To request from these same departments, authorities, and public officers the adoption of the measures conducive to the blocking of such property and rights.

(d) To authorize the transactions and all acts in general which permit the mobilization of the property and patrimonial rights blocked by this decree-law.

(e) To propose or issue the necessary provisions for the execution and interpretation of this decree-law.

**ART. 4.** All such legal provisions not in accordance with the fulfillment of this decree-law, which enters into force on the date of its publication in the Official Bulletin of the State, to the extent required by the application thereof, are hereby canceled.

**FRANCISCO FRANCO.**

MADRID, May 5, 1945.

Appeared in Official Bulletin of the state dated May 8, 1945.

Translated by August Hurdlebring.

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MINISTRY OF FOREIGN AFFAIRS

**Order of May 5, 1945, regarding the administrative execution of the decree law of this same date, relative to the adherence of the Spanish Government to the measures adopted at the International Conference of Bretton Woods and subsequent blocking of foreign assets**

SIR: For the purposes of the administrative execution of the decree-law of May 5, 1945, relative to the adoption by the Spanish Government of the principles set forth in resolution VI of the International Financial and Monetary Conference of Bretton Woods, N. H., and subsequent blocking of foreign assets, this Ministry has decided as follows:

**ARTICLE 1.** The Under Secretary of Foreign Affairs delegated by the Minister, will be in charge of all executive matters related to the decree-law in question, and will submit for discussion and possible issuance such provisions as are deemed advisable for interpretation purposes.

**ART. 2.** An interministerial consultative commission is constituted for all matters relative to the execution of the provision referred to, under the presidency of the Minister of Foreign Affairs or of the under secretary delegated by him, consisting of the Directors General of Economic Policy, Registries and Notarial Offices, Insurance, Banking Institutions and the Stock Exchange, Bureau of Juridical Regulation of Corporations, and the Spanish Institute of Foreign Exchange.

**ART. 3.** The corresponding administrative services will be organized within the Direction General of Economic Policy of this Ministry, which department will present, through you, the corresponding basic proposal.

Madrid, May 5, 1945.

LEQUERICA,

*To the Under Secretary of This Minister.*

Appeared in Official Bulletin of the state dated May 10, 1945.

Translated by A. Hurdlebring May 10, 1945.

#### MINISTRY OF FOREIGN AFFAIRS

Order of May 5, 1945, with respect to decree law of the same date regarding the adherence of the Spanish Government to the measures adopted at the International Conference of Bretton Woods and subsequent blocking of foreign assets

**YOUR EXCELLENCE:** In consequence of the provisions of the decree-law of the 5th instant, regarding the adoption by the Spanish Government of the principles referred to in resolution VI of the International Financial and Monetary Conference of Bretton Woods, N. H., and the subsequent blocking of foreign assets, this Ministry has resolved as follows:

**ARTICLE 1.** The first article in regard to heading (a) of the third article of the decree law in question includes nationals of the following states:

Albania, Germany, Belgium, Bulgaria, Czechoslovakia (which description includes territories corresponding to Bohemia, Moravia, and Slovakia), China, Denmark, Estonia, Finland, France, Greece, Holland, Hungary, Italy, Japan, Latvia, Lithuania, Luxemburg, Manchukuo, Norway, Poland, Rumania, Thailand, Yugoslavia (which includes the territories corresponding to Servia and Croaco).

**ART. 2.** In accordance with the terms of the second article of the decree law in question all transactions which have as their object the total or partial realization of all the assets or possessive rights in any form which belong either totally or partially to persons or legal entities of any of the nationalities scheduled in the previous article, are prohibited.

**ART. 3.** Persons or legal entities of any of the nationalities scheduled in article 1 of this order may at any time apply for special administrative authorization referred to under heading (d) of the third article of the decree law mentioned above. To this effect they should make a written application in triplicate to this Ministry in which will be stated in an unequivocal manner whether the assets or possessive rights whose realization is applied for were constituted before September 1, 1939, together with all the necessary details for their identification.

**ART. 4.** Legal entities of Spanish nationality in whose capital foreigners of the nationalities scheduled in the first article of this order participate will forward within a period of 30 days as from the date of this order, a declaration in triplicate to this Ministry in which will be given all details of the said participation and they must, unless they have applied for and obtained the corresponding authorization, suspend payment to those foreigners of dividends and debts in general which may be recognized in their favor.

**ART. 5.** Manufacturing, industrial, or merchant concerns belonging to persons or legal entities of the foreign nationalities specified in article 1 of this regulation and which are legally engaged in activities of those descriptions, will continue the operations necessary, for the maintenance of their respective business, always provided that the results of these activities fall within the economy of the corresponding firms and without prejudice to any special regulations which may be promulgated in any particular case.

LEQUERICA,

*Executive Under Secretary of this Ministry.*

MADRID, May 5, 1945.

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