

-2-

Germany and Japan and long-term measures for political and economic security.

4. They are not committed to assume any responsibility for assisting in the rehabilitation of areas devastated as a result of the war.

5. As a result of their neutral position and in part as a result of their collaboration with the enemy, they are in many cases stronger economically than neighboring countries which have cooperated with the United Nations.

6. As they will be the only areas beyond the reach of direct Allied control, a residue of Axis activity is likely to remain in neutral territory, financed by enemy assets.

Because of these circumstances, therefore, the United States must seek certain special objectives in these neutral countries.

The principal objectives are as follows:

1. To obtain enactment and implementation by the neutrals of:

A. effective measures which will prevent export of enemy property into or through neutral territory, will circumvent German economic penetration or control of neutral economies, and will assist in restitution of loot, in preventing secretion of flight capital, and in disclosing all Axis assets;

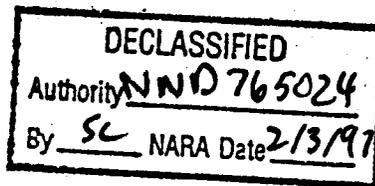
B. measures recognizing Allied authority within their jurisdiction over all enemy assets; and

C. effective measures to prevent goods, particularly those of low volume but high strategic value, from going from or through their countries to Japan.

2. To obtain neutral cooperation in resolving the confusion of property relationships arising from enemy occupation of various Allied countries

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SECRET



-3-

and the enemy's attempts to cloak their dealings through neutral agents.

3. To obtain agreement with the neutral countries not to obstruct the program adopted by the Allies for continuing the Statutory and Proclaimed Lists.

4. To prevent the disruption, by neutral competition, of Allied procurement arrangements for goods in tight supply.

In addition to the above, the following objectives should also be sought:

1. To enlist a contribution by the neutral countries in proportion to their resources for the relief and rehabilitation of liberated areas.

2. To obtain the cooperation of the neutral countries in supplying Allied requirements.

Assistance from the neutrals in providing for relief and rehabilitation and in supplying Allied requirements should not, however, be regarded as satisfying in any way the four principal objectives indicated above.

Implementation of Policy

Since it is probable that some of the detailed controls involved in allocation of supplies and United States export regulations will be relaxed within a relatively short time, it is important to consider what controls should be developed if any substantial economic levers for obtaining our objectives in the neutral countries are to be retained. The following may be useful for this purpose:

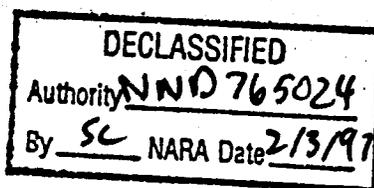
1. In the European neutral countries, the navicert machinery has provided a direct and complete control over all important neutral imports. So long as it is maintained, it will be effective in providing the necessary machinery to attain our objectives in the European neutral countries.

2. United Nations export and import controls, commodity allocation machinery, government purchase programs, exchange control and freezing regulations

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SECRET

II-8/4



-4-

will, so long as they are retained, be effective in providing necessary machinery for the attainment of our objectives in the neutral countries.

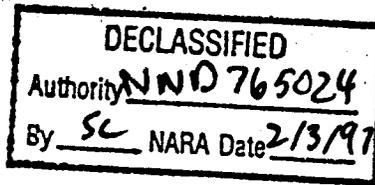
3. The Allies will have direct control over the exports, imports, exchange and other financial transactions of enemy countries. By the exercise of such controls it might be possible to obtain assistance from the neutrals in attaining to a substantial extent the objectives indicated above.

4. The determination of when neutrals may be admitted to United Nations associations for international cooperation will depend in some measure upon the extent to which they cooperate in the recognition and implementation of the above objectives.

The policy of the United States is to remove wartime restrictions on international trade as completely and rapidly as is feasible. So long, however, as our national interest requires the retention of control measures, including those listed above, such controls will be available to secure the objectives outlined in this document. In practical terms, it is probable that the second and third control measures listed will be the most effective in the attainment of the particular objectives under discussion.

Some of the specific problems to be dealt with under the policy set forth above are indicated in the attachment hereto.

SECRET



-1-

Attachment D-90/44

ATTAINMENT OF ALLIED OBJECTIVES IN NEUTRAL COUNTRIES

For a period which may extend beyond the collapse of German resistance, it will be necessary for the neutrals to make arrangements with the Allied nations to obtain the supply of certain scarce commodities essential to their economic existence. During this period the bargaining power of the Allies will probably be at its height and the relatively strong position of the Allied countries in relation to the neutrals should be used to attain our economic objectives.

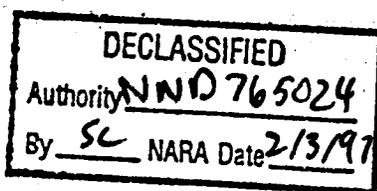
The first three objectives arise out of the special relationship in which the neutrals have stood vis-à-vis Germany. During the war period they have maintained close commercial and financial relations with Germany and have assisted Germany to a greater or less degree in carrying out her economic plans. For example, European neutral financial institutions have assisted the enemy in reorganizing European industry and finance to serve the German war economy and German long-range interests. In this reorganization the property relationships existing prior to the war have been drastically affected, and German interests and control have replaced those of the occupied and satellite countries. Many of these transactions have been conducted through neutral channels and cloaked under nominal neutral control. The assistance and cooperation of the neutral governments will be essential in unravelling this extremely complex situation.

Enemy Assets

Upon the outbreak of war certain neutral interests undertook to cover German ownership and control of properties outside Europe, thus helping to prevent Allied seizure of German assets and destruction of German economic power. During the war German owners of property, looted or otherwise, have frequently sought haven for their assets in the neutral countries. Whether the purpose of these Nazi nest eggs is to preserve private wealth or to promote German national interests, it is important to gain control of them through every means possible, both to restrict Germany's economic influence and to provide assets from which restitution or reparation payments can be made.

SECRET

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-2-

The neutrals are already being requested to take measures to prevent the influx of flight capital and to detect and counteract the presence of German economic influence within their jurisdiction, and their willing assistance in this program would be most valuable. Far-reaching measures need to be taken, however, which will involve powerful interests in the neutral countries. It is certain that the utmost pressure will be brought to bear upon their governments to prevent restoration to the legitimate owners or confiscation by the Allies of assets held for or acquired from the enemy. Where voluntary cooperation proves insufficient, we must be prepared to use direct pressure upon the neutral governments.

Neutral Confiscation of Enemy Property Not Subject to Specific Allied Claims

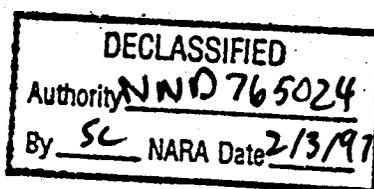
There is a considerable danger that the neutrals may attach or confiscate certain enemy property against the deficit in the German-neutral clearings. Agreement should be reached with the neutrals concerning all German-neutral clearings, the clearings of the satellite countries with the neutrals, and other enemy indebtedness to the neutrals pending permanent settlement. The clearing deficits represent, in effect, credits granted by the neutral governments to Germany and the satellite governments against the strong representations of the Allies.

The Proclaimed List

It is important that the Proclaimed and Statutory Lists be continued for a time beyond the end of hostilities. During the war the effectiveness of Allied blacklists in the neutral countries has been very uneven. In the European neutrals adjacent to enemy territory, listed persons could always trade with the enemy - they were in fact given special considerations by the enemy - while Allied sympathizers have frequently been subjected to serious loss because of their friendship for us. The Allies have stated that they would protect the interests of persons and firms in neutral countries who have been of assistance to the Allied cause during

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SECRET



-3-

the war, by restricting in so far as possible the ability of persons on the Proclaimed and Statutory Lists to carry on trade or obtain supplies from other areas.

To this end American nationals should be prevented from trading with Proclaimed List persons or firms in neutral countries under sanction of the Trading with the Enemy Act, and the other Allies should be requested to follow a similar policy in so far as possible. The neutral countries should also be requested not to obstruct the program adopted by the Allies for continuing the Statutory and Proclaimed Lists.

The effective enforcement of restrictions against blacklisted persons is not only an obligation arising out of our wartime program but will also greatly reenforce the potential effectiveness of the blacklist as a sanction to be used by a future international security organization to enforce peace.

Supplies

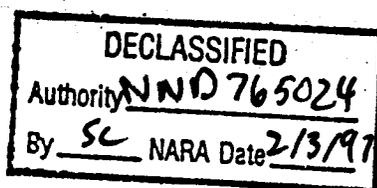
The neutral countries in return for supplies from United Nations sources should certainly be asked to contribute goods or services such as shipping and technical assistance to the rehabilitation of devastated areas in Europe and the Far East, or, where that is not possible, to provide needed goods or services at reasonable prices. Such rehabilitation is as important to their future prosperity and security as to that of other countries.

Considerable support can be expected within the neutral countries themselves for cooperation in European rehabilitation. The European neutrals in many cases have an uneasy conscience about their performance during the war and are anxious to redeem themselves by assisting economically in the postwar period. At the same time, however, considerable pressure will be exerted within the neutrals against any action which would reduce profits or lessen commercial advantages to their citizens.

The neutrals are now in a favorable position to obtain special advantages over the liberated areas and other Allied countries by preempting export markets. They have built up large foreign exchange balances and other liquid assets; their economies have been substantially unimpaired by the war, the essential requirements of their populations have

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SECRET



-4-

been well supplied; they have been able in some cases to build up substantial stocks of fuel and raw materials; they have merchant fleets independent of United Nations control; and they are in a strong position to undertake a rapid expansion of peacetime production and exports. There is danger that due to these circumstances, all resulting essentially from their neutrality and their willingness to cooperate economically with the enemy, they may be able to get a long head start over other countries in the production of goods for export. The neutrals should not, however, be permitted to expand their commercial exports at the expense of a reduction in supplies available for the liberated areas and other Allied requirements. Commodities in tight supply should not be provided to the neutrals beyond their essential requirements (presumably about the rate at which they have imported during the war period) plus the amounts required for use in the manufacture of products needed for relief and rehabilitation.

Coordination of Purchasing

In order to prevent the disruption of Allied procurement arrangements by neutral competition, the neutrals should be asked to purchase certain commodities in exceptionally short supply through Allied procurement machinery. Experience during the war has demonstrated the danger of neutral competition, which may become even more serious as the war draws to a close and during the immediate post-hostilities period. The European neutrals have in general found it to their advantage to purchase through Allied machinery, so that it should be possible without great difficulty to obtain their agreement to similar measures in the immediate future. Agreement to their importing goods from Allied sources should also be conditioned upon their willingness to surrender to the Allies, for allocation elsewhere, stockpiles which they own and which the Allies are not willing on supply grounds to permit them to import.

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