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THE DEPARTMENT OF STATE

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Security  
Against Renewed  
German Aggression

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*Statement by*

WILLIAM L. CLAYTON  
Assistant Secretary of State

*Before the*

Subcommittee on War Mobilization  
Senate Committee on Military Affairs

June 25, 1945



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by German Aggression

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# Security Against Renewed German Aggression

*Statement by WILLIAM L. CLAYTON*

**I**N 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 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.”<sup>1</sup>

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<sup>1</sup> *Department of State Bulletin* of Feb. 18, 1945, p. 214.

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: (1) the serious problem of Axis economic penetration in Latin America; (2) the problem of tracking down and frustrating German efforts to hide abroad a stake for another gamble of aggression; and (3) 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, A.E.G., and Siemens-Schuckert played a dominant role in the construction, electrical, and engineering field. Shipping companies and, in some areas, German airlines 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 whip-cracking "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 translations 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 declara-



tion 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 thorough-going. 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<sup>1</sup> 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

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<sup>1</sup> *The Proclaimed List of Certain Blocked Nationals*, issued periodically by the Secretary of State acting in conjunction with the Secretary of the Treasury, the Attorney General, the Secretary of Commerce, the Administrator of the Foreign Economic Administration, and the Director of the Office of Inter-American Affairs.

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, prescribes 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, et cetera. 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 de-

sirability of using the List only in so far 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 two or three 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.<sup>1</sup> It is based on realistic

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<sup>1</sup> *Department of State Bulletin* of May 6, 1944, p. 400, and Oct. 1, 1944, p. 340.

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."<sup>1</sup>

<sup>1</sup> *Inter-American Conference on Problems of War and Peace* (Congress and Conference Series 47, Pan American Union, 1945), p. 47.



## 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: (1) the large foreign industrial concerns owned or controlled by such firms such as I. G. Farben, Siemens, Bosch, and Telefunken; (2) scientific research laboratories located in foreign countries for the development of new weapons and new industrial processes important to war; (3) subsidized colleges, technical schools, high schools, and elementary schools to spread pan-German doctrines; (4) German-owned or -controlled newspapers, magazines, and radio stations to spread anti-democratic propaganda and to create disunity among the peace-loving nations of the world.<sup>1</sup>

The nature, scope, and complexity of this program for the recreation 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

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<sup>1</sup> *Department of State Bulletin* of Apr. 1, 1945, p. 537.

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 re-

publics has been one of reducing and eliminating the pre-war 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 pre-war, 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, non-feasance, 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 aesthetic 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 million 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 Baquera 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 Goudstikker 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 Em-

bassies 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 Goudstikker 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 -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 Nuremburg anti-Jewish laws, certain furs belonging to Simon Frères, 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 coadventurer. 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 in to the American Consulate General at Barcelona to explain. His explanations were unconvincing, and he was blacklisted by the British and ourselves. The word was spread around that a sim-



ilar 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 eight 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 post-war 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 five years or so. Our reports indicate that the Germans as a general rule thought that five 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 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 five-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 three 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.<sup>1</sup> 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

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<sup>1</sup> *Department of State Bulletin of Jan. 9, 1943, p. 21.*

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 non-recognition 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.<sup>1</sup> 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 mis-

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<sup>1</sup> *United Nations Monetary and Financial Conference, Final Act and Related Documents* (Department of State Publication 2187, Conference Series 55).

sion 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.<sup>1</sup>

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 subjects of Axis or Axis-dominated countries and gave broad discretion to the Minister of Foreign Affairs with respect

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<sup>1</sup> *Department of State Bulletin* of Oct. 8, 1944, p. 383.

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, et cetera, 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 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 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 inter-



change, 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 and 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 pre-war 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; and

(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 semi-official 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 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, in so far 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 acknowl-

edge 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 appli-

cation. 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 presume that the bulk of German inventions made before the war was disclosed in one manner or another in all the United Nations 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 despatched to Germany a group of industrial experts whose task it is to acquire all tech-

nological 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 U. K.-U. S. 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 U.K.-U.S. 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 U.K.-U.S. 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 post-war 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.



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