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**ADMINISTRATION OF THE WARTIME FINANCIAL AND PROPERTY CONTROLS
OF THE UNITED STATES GOVERNMENT**

*To all Banking Institutions, and Others Concerned,
in the Second Federal Reserve District:*

The following press statement was issued by the Treasury Department for release on December 24, 1942:

The Treasury Department today made public a booklet, "Administration of the Wartime Financial and Property Controls of the United States Government," in which is contained the most complete statement of the scope and operations of Foreign Funds Control released to date.

This booklet was prepared in June, 1942, for the use of the delegates to the Inter-American Conference on Systems of Economic and Financial Control and has not been materially revised since that time. The Treasury Department believes, however, that it is now appropriate to make this document generally available to persons interested in the purposes and functions of Foreign Funds Control even though since its issuance many developments have taken place in the operations and policies of the Control.

The booklet contains much heretofore unrevealed information on the Government's wartime financial controls which will be of interest to the financial public and to all persons interested in increasing the effectiveness of economic warfare against the Axis.

We have received from the Treasury Department a limited supply of the above-mentioned booklet and are pleased to enclose a copy herewith.

ALLAN SPROUL,
President.

**ADMINISTRATION OF THE WARTIME
FINANCIAL AND PROPERTY CONTROLS
OF THE UNITED STATES GOVERNMENT**

**UNITED STATES TREASURY DEPARTMENT
FOREIGN FUNDS CONTROL
WASHINGTON, D. C.**

NOTICE

This publication was prepared in June 1942 for the use of the delegates to the Inter-American Conference on Systems of Economic and Financial Control which convened on June 30, 1942, in Washington, D. C. The Treasury Department believes that it is now appropriate to make this document generally available to persons interested in the purposes and functions of Foreign Funds Control. The various sections contain descriptions of Foreign Funds Control operations in the major fields of control, together with statements of certain basic policies. Although there have been a number of significant developments since June 1942, no attempt has been made to revise this material since the date of its preparation. This pamphlet, of course, should not be regarded as containing a complete statement of the policy considerations underlying the Government's action in this field.

It is hoped that this information will contribute to a fuller understanding of this Government's wartime financial and property controls and thereby increase their effectiveness.

RANDOLPH PAUL,
Acting Secretary of the Treasury.

DECEMBER 1942.

FOREWORD

The present publication was prepared especially for the Inter-American Conference on Systems of Economic and Financial Control convening on June 30, 1942, in Washington, D. C. This publication contains a broad outline of the major policies which this Government is following through the instrument of wartime financial and property controls to effectuate Resolution V adopted at the Third Meeting of the Ministers of Foreign Affairs of the American Republics at Rio de Janeiro in January of this year. It was not feasible to develop such policies in detail nor discuss many special problems with which we have been confronted, and with which we are coping, in a publication of this nature. I hope that the conference will offer an opportunity to discuss these matters more fully.

The freedom loving peoples of the world were slow to discover that, as a part of the Axis plan to dominate the world politically and economically, they have been the object of an economic war long before the military hostilities started. I am satisfied that our financial and other economic controls have done much to defeat that aim. However, much remains to be done.

I take this opportunity to welcome each of the representatives of the other American Republics to my Nation's capital. We are happy to be able to consult with the other American Republics on financial and economic control matters, in order that all the financial and commercial facilities of the Western Hemisphere may be used against the aggressor nations in the most vigorous manner to insure the security of this Hemisphere by bringing about the inevitable defeat of the Axis.

H. MORGENTHAU, JR.,
Secretary of the Treasury.

JUNE 1942

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ADMINISTRATION OF THE WARTIME FINANCIAL AND PROPERTY CONTROLS OF THE UNITED STATES GOVERNMENT

INTRODUCTION

The freedom-loving peoples of the world are presently engaged in a great struggle against the forces of aggression. In the course of a tremendous but futile drive towards world domination, the Axis has thrown ships, planes, tanks, guns and men forward on a scale never before seen. Nor are the armies, with whose might the Axis propagandists have been vainly trying to terrorize us, fighting alone.

By economic penetration, the Axis has opened an "unseen front" whose aim is enslavement rather than trade. We are faced with the fact that for years the activities of the Axis economic system have been directed with a singlemindedness that is almost incredible toward the strengthening of Axis military might. For the Axis "businessman", no transaction has been too small and no commodity too insignificant to escape attention. By control of corporations, by accumulating stocks of raw materials, by carefully directed but unlimited bribery, by the use of force and the threat of force, and by any other methods which come to hand, the Axis has, for years, been carrying on an undeclared economic war. Throughout the world, the powerful I. G. Farben, Mitsubishi and similar interests have been plotting the downfall of the free peoples who gave them an opportunity to prosper and grow rich by honest trade.

Opposing the economic penetration of the Axis are the economic forces of the democracies, which formerly were geared to peaceful pursuits, and are now transformed to, and growing stronger and stronger in, their war array. The tremendous industrial power of the United States is now fully directed to the production of war materials, and the flow of war supplies to the armies fighting the Axis throughout the world has now become a torrent. No force on earth can long withstand the might of the democracies.

Many things which the enemy requires for the continuation of his aggression are not within his borders nor are they available from areas under Axis control. Products of the Western Hemisphere, of Africa, and of Asia are urgently required for an efficient operation of the Axis war machine. Modern warfare, which is dependent on large-scale production of the powerful and complicated war machines of today, is also dependent on the operation of a highly complex system of production, transportation and communication. A complicated machine is likely to be more powerful than a simple machine, but it is at the same time certain that a shortage of one or two essential agents of production will cause more damage to the complicated mechanism.

One major purpose of the economic war being carried on by the United Nations is to prevent the Axis from obtaining from the outside world the strategic resources which it needs. We must force the Axis to live and fight with the limited resources at its command. Our object is to destroy the bomber before it is a bomber, to smash the tank before it is a tank, and to eradicate the submarine before it can go to sea. The success of this economic war is measured in lives saved and resources conserved through the speed with which ultimate victory is achieved.

It is necessary not only to keep the Axis from getting the materials it requires, but also to insure that we are able to get all the materials and services that we need. To this end, it is

imperative to eliminate Axis agents and sympathizers from positions in which they are able to damage trade, sabotage production, dissipate resources, or in other ways weaken our own economic power. The germs of Axis infiltration must be eradicated from every free country or, like any other malignant germs, they will seize upon any moment of weakness in the body which harbors them to spread the disease they represent.

It is almost literally true that today any transaction engaged in by any person anywhere in the world affects to some extent the outcome of this war. From this standpoint, it is the function of the economic warfare agencies of the Government of the United States to observe the operation of the world economy from the point of view of winning the war against the Axis, and, wherever possible, to control the machinery of international trade and finance in such a way that the Axis benefits little, while the enemies of aggression gain much. One important weapon which has been developed to assist in this great program is the freezing control.

GENERAL PURPOSES OF FINANCIAL AND PROPERTY CONTROLS

Executive Order No. 8389, as amended—the so-called freezing control Order—issued pursuant to section 5(b) of the Trading with the enemy Act, is one of the most important weapons which this country employs in its program of active economic warfare.

Freezing control was initiated April 10, 1940, when Germany invaded Norway and Denmark. On that day the President, by Executive Order No. 8389, prohibited transactions involving Norwegian and Danish property within the United States except as authorized by the Secretary of the Treasury. As other countries were invaded or dominated by the Axis, the Control was successively extended during the summer and fall of 1940 to the assets of the Netherlands, Belgium, France and the Baltic and Balkan States. In June 1941, the Control was extended to Germany and Italy and to the rest of continental Europe.¹ On July 26, 1941, when Japan overran Indo-China, the Control was invoked against Japan. At the same time, freezing control was extended to China at the specific request of Generalissimo Chiang Kai-shek in order to assist China in the control of its economy and in order to prevent Japan from using the occupied areas in China as a loophole for evading freezing control.

At present, the Control covers over \$7 billions of assets and the transactions of more than 35 countries, including all of continental Europe (except Turkey), China, Japan and the countries occupied by Japan, and the nationals of all these countries. The frozen assets in this country consist not only of bank deposits, gold, and securities, but also of a great number of business enterprises, as well as merchandise, patents and other forms of property. The Control now affects all financial, commercial and trade transactions in which the following countries² or their nationals have an interest, whether such transactions are purely domestic transactions or transactions in foreign exchange or foreign trade: Norway, Denmark, the Netherlands, Belgium, Luxembourg, France (including Monaco), Latvia, Estonia, Lithuania, Rumania, Bulgaria, Hungary, Yugoslavia, Greece, Albania, Andorra, Austria, Czechoslovakia, Danzig, Finland, Germany, Italy, Liechtenstein, Poland, Portugal, San Marino, Spain, Sweden, Switzerland, China, Japan, Thailand and Hong Kong. The freezing control Order also provides for the automatic freezing of the assets of any other territory which is controlled by the military, naval or police forces or other authority of a foreign country designated in the Order. Under this provision the assets of the Philippine Islands, British Malaya (including Singapore), and occupied Burma have been blocked.

¹ The Union of Soviet Socialist Republics was also declared a blocked country at this time, but when she was invaded by Germany, Russia was effectively lifted out of the Control.

² It should be noted that as used in the freezing control Order, the term "foreign country" includes any territory, dependency, dominion, possession, or place subject to the jurisdiction thereof.

On December 18, 1941, the First War Powers Act, 1941, was approved, which amended section 5 (b) of the Trading with the enemy Act, under which the freezing control orders had been issued. This Act amplified the powers contained in previous legislation, giving the President broader authority over all foreign-owned property, including the power to vest such property. After the enactment of this Act, a large number of Axis business enterprises were closed down and compelled to liquidate, while some of the largest Axis business enterprises have already been vested in the Alien Property Custodian.

At its inception, Foreign Funds Control had as its primary purpose the protection of the assets within the United States of invaded countries in order to prevent their falling into the hands of the invaders and in order to protect American institutions from possible adverse claims. As the international crisis deepened, and as the scope of the Control was widened to include more and more countries, it soon became apparent that the Control was a sharp and valuable weapon of economic warfare with which telling blows could be struck at the Axis powers. The objectives toward which the United States has been striving in administering Foreign Funds Control may be summarized as follows:

(a) The complete severance of all financial and commercial intercourse, trade and communication, direct or indirect, between the United States and the Axis and Axis-dominated countries.

(b) The prevention of all financial and commercial intercourse and trade between the United States and any country outside the Western Hemisphere which directly or indirectly benefits the Axis.

(c) The prevention of all financial, commercial and trade transactions between the United States and any other American Republic which directly or indirectly benefit the Axis, including all transactions which benefit real or juridical persons within the American Republics whose influence or activity is deemed inimical to the security of the Western Hemisphere.

(d) The elimination of all financial and commercial activities engaged in by real or juridical persons within the United States whose influence or activity is deemed inimical to the security of the Western Hemisphere.

By depriving the Axis nations of the use of the dollar assets of countries which they invade and of the means through which to acquire other dollar assets, the Control has greatly impaired the ability of those nations to finance propaganda, sabotage and other subversive activities in the United States and other areas of strategic importance to this country. Moreover, in denying to the Axis powers the use of commercial and financial facilities of the United States the enemy has been forced to resort to less effective means of carrying out transactions and in many cases, has been forced to abandon such activities altogether. By controlling and regulating business enterprises in which they wielded an influence, the Control has aimed to destroy the nerve centers for Axis activities.

The Control has not been confined to the regulation of banking and financial transactions. The far-reaching character of the freezing program has been dramatically demonstrated in a variety of fields of economic activities.

In the field of securities and currency operations the Control has operated to deprive the Axis nations of the fruits of conquest by preventing the disposal of looted securities and currency in this country.

In the trade and commercial field, the Control has been an important instrument available to this government for regulating all exports and imports between the United States and a large portion of the world. The stringency with which it can operate may be seen in the

complete stoppage of all trade with Japan which it successfully accomplished even prior to the outbreak of the war on December 7. The freezing program in the trade field has been implemented by the promulgation of The Proclaimed List of Certain Blocked Nationals.

In the business enterprise field, wide authority has been exercised in eliminating dangerous Axis influences. Approximately 3,000 business enterprises have been operating within the United States under license. The blocked enterprises have been required to provide detailed information regarding their organization, capital structure, officers and directors, relationships with other companies, nature of operations and principal customers. From information obtained from all sources concerning Axis-owned or dominated enterprises, more stringent forms of control have been exercised by subjecting some enterprises to rigid supervision, requiring the dismissal of a number of executives and employees, by compelling the liquidation of many enterprises, and by vesting the capital stock in large enterprises owned or controlled by Axis nationals. Since a number of those business enterprises had been used as a base of operations to carry out Axis plans to control production, to hold markets in this Hemisphere, to support fifth-column movements, and to weld our post-war economy to Axis plans, the forms of control thus exercised have been of inestimable value in the war on the economic front.

THE ADMINISTRATION OF FINANCIAL AND PROPERTY CONTROLS

The effective application of freezing control measures is not accomplished merely by the enactment of suitable legislation and the establishment of appropriate regulations. It requires an active and flexible administrative organization which is able effectively to enforce the purposes of the Control. It requires a competent and imaginative staff capable of rapid adjustment to constantly changing problems and thoroughly familiar with the aims of the Control and with the technique which may be used. The Treasury Department has created such an organization which is now operating on a nation-wide scale.

Under the general direction of Edward H. Foley, Jr., General Counsel of the Treasury Department, the policies of the Control are determined in accordance with general war policies of the United States Government.* John W. Pehle, Assistant to the Secretary, is Director of the Control, the central office of which is located in Washington. A staff of lawyers, under the direction of Bernard Bernstein, Assistant General Counsel of the Treasury Department, devotes its entire time to freezing control problems, and the services of highly trained economists in the Division of Monetary Research under the direction of H. D. White, Assistant to the Secretary, are employed in the analysis and solution of the many and complex problems of economic and financial policy confronting the Control.

Because the activities of the Foreign Funds Control affect so many aspects of domestic and international trade and finance it is necessary for the administration of the Control to cooperate closely with many other government agencies. The major policy decisions are frequently considered by interdepartmental groups. A close liaison is maintained with the Department of State, Office of Censorship, Board of Economic Warfare, Maritime Commission, the Navy and War Departments, and other interested agencies.

The size of the administrative organization required to carry out a freezing control program obviously depends on a number of factors. In the United States, with 15,000 banks engaging in transactions likely to be affected by the freezing regulations, with 7 billion dollars of assets subject to the Control, and with thousands of transactions daily which can be effected only pursuant to license, the administrative organization required is larger than that which would be required in a country with fewer banks, with fewer international financial transactions and with a smaller volume of assets subject to control. Many problems which are met with

*On August 7, 1942, Edward H. Foley, Jr., was succeeded by Randolph Paul.

in the administration of the Control in the United States would be absent in other countries, which would, therefore, require a less elaborate organization. Many of these other countries have had exchange controls for a number of years, which are effective instruments in any program of economic warfare.

The organization of the administration of the Foreign Funds Control is governed by the many problems which confront the Control. These problems group themselves into certain broad categories. Of course, a major problem of administration is that of dealing with applications for licenses to effect transactions subject to the Control. As much of this work as possible has been delegated to the Federal Reserve Banks, which, as pointed out below, act as the agents of the Treasury Department in administering the Control. However, there remains a large number of important cases which must be dealt with by the Control office. The development of techniques of enforcing compliance with the policies of the Control represents an important problem of administration. The gathering and reviewing of pertinent information relating to transactions subject to the Control and to individuals and business enterprises operating under licenses, or suspected of evading or violating the freezing regulations are another important aspect of the work. Adequate information on such matters is of fundamental importance to the effective operation of the Control. The desirability of organizing in the administration of the Control appropriate units to deal with the many problems requiring special study or extended consideration has been apparent from the beginning. There is also a separate group of problems involving transactions of foreign governments and foreign government agencies which constitutes a field that obviously presents many problems requiring special handling. Finally, it is important to provide for the maintenance of adequate records and reports and for the recruitment of trained personnel.

At present the central office is organized into five major Divisions. The Field Investigative Staff is responsible for conducting investigations in various parts of the United States of suspected evasions or violations of the freezing control and for obtaining information from individuals and business concerns in the United States which may be of assistance in the administration of the Control. The Licensing Division is made up of the various sections which pass on those applications for specific licenses that are referred to the central office. The Enforcement Division is made up of various sections which obtain and coordinate significant information bearing on the activities of the individuals and business concerns subject to the freezing control and which initiate administrative action against persons guilty of evasions or violations of the freezing regulations. The Office of the Assistant to the Director deals with various special problems, with applications for licenses which concern foreign governments, with maintaining liaison with the Federal Reserve Banks, and with the handling of correspondence. The Executive Office is responsible for the management of the mechanical facilities required for the operation of the Control, for the handling of files and records and for personnel administration.

As the direct application of the freezing control is effected principally through the banking system, the Treasury selected the twelve Federal Reserve Banks to act as its field offices in administering the Control. Each of these Federal Reserve Banks maintains close contact with the banks and other financial institutions in its district and thus provides effective regional administration of the policies established by the Control. The individual banks, in turn, are kept advised through the Federal Reserve Banks of the rules and regulations concerning transactions affected by the freezing Order and they thus regulate their own operations and those of their customers in accordance with the policies of the Treasury Department. The administrative advantages of operating through the twelve Federal Reserve Banks and the 15,000 commercial banks in the United States cannot be over-emphasized. The Foreign Funds Control

is able over night to reach the banks of the country and to put into effect new regulations as demanded by rapidly changing conditions. The Foreign Funds Control has succeeded from the beginning in obtaining the cooperation of the banks in the United States and has placed upon them the primary responsibility for the enforcement of the provisions of the freezing Order and for the adherence to the terms of the licenses issued thereunder.

The Federal Reserve Banks are kept advised as to the policies to be followed in acting on various types of applications with which they are authorized to deal. In addition, wherever possible, the Treasury Department issues public interpretations and rulings embodying major policy decisions with respect to certain types of transactions falling within the scope of the freezing Order. Although there are obviously many cases in which the reasons for Foreign Funds Control action cannot be publicly explained, the Control has made every effort to advise interested parties of the various rulings and actions affecting them.

Because of the broad nature of the prohibitions contained in the freezing Order there are naturally many transactions which are not in any way inimical to the purposes of the Control and for which it was deemed undesirable to require individual licenses. In cases in which a definite policy has been established it has been possible to issue general licenses which, under appropriate safeguards, and, in some cases, with provisions for reports, permit certain types of transactions to be effected without the necessity of specific licenses being applied for. For instance, a person in the United States owing money to a blocked national may pay such funds into a blocked bank account under General License No. 1. A large number of harmless transactions are thus facilitated. General License No. 1, however, does not authorize foreign exchange transactions or any payment to a blocked account as a part of another transaction which does require a license. Another example may be found in General License No. 33 which permits, under certain terms and conditions, limited remittances for living expenses to citizens of the United States who are within blocked countries other than enemy countries. A third case in which a general license has been issued to cover a large volume of transactions may be found in General License No. 4 which permits banking institutions within the United States to liquidate security accounts held for blocked nationals provided the proceeds are credited to a blocked account. The use of the general license technique has been found to be of great assistance in simplifying the administration of the Control. It is important to realize that the issuance of a general license does not involve a relaxation of the Control, with respect to the type of transaction covered by such license. In appropriate cases, general licenses require the filing of detailed reports which can be carefully examined by the staff of the Foreign Funds Control and individual investigations are made by the investigative staff whenever there is reason to suspect that any individual or business concern is making use of a general license for the purposes of engaging in activities contrary to the national interest.

The techniques of enforcing the policies of the Control are as various as the types of transactions subject to the Control. As has been noted above the major part of the enforcement is done by the banks themselves. A bank which participates in a transaction in violation of the freezing order or regulations is not only subject to severe penalties but also likely to find that contracts entered into in violation of such regulations are unenforceable. Thus, the banks have an interest in enforcing the Order both because of their desire to cooperate in the war effort and because of the fact that they may be held criminally or civilly responsible for any transactions in violation of the freezing regulations in which they are involved. In recognition of the fact that a heavy responsibility is placed on the banks for transactions which, in many cases, they themselves do not initiate and with respect to which they may not be in possession of all the facts, the Treasury Department has generally taken a lenient view of unintentional or purely technical violations.

When important evasions or violations of the Control are discovered there are a number of types of administrative measures which may be put into effect, in addition to criminal prosecutions. If a resident of the United States who is not blocked is found to be participating in transactions which enable some blocked national to evade the operation of the Control, his accounts can be blocked, his business put under surveillance or supervision, and all transactions in which he is interested subjected to a rigorous supervision. These measures may be and are taken even if the individuals involved are United States citizens. A blocked national who is found to be violating any licenses under which he may be conducting his operations may have such licenses revoked and may be excluded from the privileges of various general licenses to which he would otherwise be entitled.

Persons outside of the United States who have accounts or other property within the United States may have similar enforcement measures applied against their property. While it is not possible directly to control the actions of individuals outside of the United States, it is possible to penalize them heavily for activities considered to be a hindrance to the prosecution of the war by refusing to license the use of their funds or the operation of their properties in this country, and, in extreme cases, by vesting title to such property in the Government of the United States. Such persons may be declared to be enemy nationals. They are then excluded from the privilege of trading with the United States or even of receiving communications from persons in the United States with respect to their interests here.

Foreign banks and financial concerns, whether blocked nationals or not, may find themselves the object of powerful sanctions if their activities are found to be undesirable. It lies within the power of the Foreign Funds Control to block the funds of such enterprises to the extent that they are acting on behalf of nationals of blocked countries. It is, therefore, to the advantage of such concerns to cooperate with the United States Government.

The Enforcement Division of the Control has accumulated a vast mass of factual material relating to individuals and business enterprises both within the United States and abroad which are engaged in transactions coming within the scope of the freezing controls. This information is organized for speedy use, and expert investigators are constantly occupied in correlating the available material and reporting significant facts to the administrative offices of the Control. The results of such investigations are also made available to the Federal Reserve Banks in appropriate instances.

MAJOR OBJECTIVES AND ACCOMPLISHMENTS OF THE WARTIME FINANCIAL AND PROPERTY CONTROLS

A. Cutting Off of Financial and Commercial Transactions With Nations Which Have Committed an Act of Aggression Against the American Continent, and Nations Dominated by Them

Under Executive Order No. 8389, and by virtue of General Ruling No. 11, all transactions involving trade or communication directly or indirectly with enemy territory are completely cut off unless individually licensed by the Secretary of the Treasury; and it is the strict and determined policy of the Treasury Department not to issue any licenses involving trade or communication with enemy territory.

Enemy territory is defined as meaning the territory of Germany, Italy and Japan, together with the territory controlled or occupied by the military, naval or police forces or other authority of Germany, Italy or Japan. The territory so controlled or occupied includes: the territory of Albania; Austria; that portion of Belgium within continental Europe; Bulgaria; that portion of Burma occupied by Japan; that portion of China occupied by Japan; Czechoslovakia; Danzig;

that portion of Denmark within continental Europe; Estonia; that portion of France within continental Europe occupied by Germany or Italy; French Indo-China; Greece; Hong Kong; Hungary; Latvia; Lithuania; Luxembourg; British Malaya; that portion of the Netherlands within continental Europe; that portion of the Netherlands East Indies occupied by Japan; Norway; that portion of the Philippine Islands occupied by Japan; Poland; Rumania; San Marino; Thailand; that portion of the Union of Soviet Socialist Republics occupied by Germany; Yugoslavia; and any other territory controlled or occupied by Germany, Italy or Japan.

Included in the prohibition of transactions involving trade or communication with enemy territory are financial and commercial transactions involving the sending, taking, bringing, transportation, importation, exportation, or transmission of, or the attempt to send, take, bring, transport, import, export or transmit

(i) any letter, writing, paper, telegram, cablegram, wireless message, telephone message or other communication of any nature whatsoever, or

(ii) any property of any nature whatsoever, including any goods, wares, merchandise, securities, currency, stamps, coin, bullion, money, checks, drafts, proxies, powers of attorney, evidences of ownership, evidences of indebtedness, evidences of property or contracts

directly or indirectly to or from enemy territory.

In addition, under the laws and regulations administered by the Office of Censorship, no person may send or attempt to send any communication out of the United States intended to be delivered (directly or indirectly) to enemy territory, whether such communication is of a financial or commercial nature or of a purely personal nature.

A few examples of the types of transactions which are prohibited by the above-mentioned provisions of law are the following:

(1) No person within the United States may send any communication to any person within Germany, Italy or Japan or within any territory controlled or occupied by Germany, Italy or Japan.

(2) No person within the United States may send any communication to any person within any unoccupied country outside the Western Hemisphere (such as Switzerland), which is intended to be delivered to any person within Germany, Italy or Japan or within any territory controlled or occupied by Germany, Italy or Japan.

(3) No person within the United States may send any communication to any person in any part of the Western Hemisphere to be delivered to any person within Germany, Italy or Japan or within any territory controlled or occupied by Germany, Italy or Japan.

(4) No person within the United States may engage in any financial or commercial transaction on the basis of instructions received from any person within Germany, Italy or Japan or within any territory controlled or occupied by Germany, Italy or Japan. Furthermore, any such incoming communications are subject to censorship by the Office of Censorship.

(5) No person within the United States may engage in any financial or commercial transactions on the basis of instructions received from any person within any unoccupied country outside the Western Hemisphere, if such instructions were in fact transmitted through the person within the unoccupied country by a person within Germany, Italy or Japan, or within any territory controlled or occupied by Germany, Italy or Japan. Furthermore, any such incoming communications are subject to censorship by the Office of Censorship.

(6) No person within the United States may engage in any financial or commercial transactions on the basis of instructions received from any person within any part of the

Western Hemisphere, if such instructions were in fact transmitted through the person within the Western Hemisphere by a person within Germany, Italy or Japan or within any territory controlled or occupied by Germany, Italy or Japan. Furthermore, any such incoming communications are subject to censorship by the Office of Censorship.

It may be noted that, in accordance with this strict policy of the United States Government, applications by United States banks to communicate with their branch offices in enemy territory have been consistently denied. Furthermore, the remittance of funds to United States citizens in enemy territory is not permitted. The only allowance which is made for American citizens resident in enemy territory is pursuant to an arrangement whereby \$60 to \$80 per month may be paid to such American citizens for living expenses through the Department of State and the Government of Switzerland representing the interests of the United States.

Furthermore, it should be noted that the prohibitions against trade or communication within enemy territory are applicable to any persons who are subject to the jurisdiction of the United States regardless of where located outside of enemy territory. This includes all citizens of the United States wheresoever located; all concerns organized under the laws of the United States or which have their principal place of business in the United States, including any agent, subsidiary or affiliate of any such concern wheresoever located; and any concern which is owned or controlled by any other concern subject to the jurisdiction of the United States. Accordingly, United States concerns operating in South America or Central America are prohibited from having any financial, business, trade or other commercial dealings with persons or firms within enemy territory. Thus, a South American branch of a New York corporation may not have any dealings with an individual or concern situated within Germany, Italy or Japan or within any territory controlled or occupied by Germany, Italy or Japan.

The United States Government has effectively cut off all financial and commercial transactions, as well as communications of its nationals with the aggressor nations and nations dominated by them.

B. Cutting Off of Financial and Commercial Transactions With Other Nations Outside the Western Hemisphere When of Benefit to Nations Which Have Committed an Act of Aggression Against the American Continent

The extent to which Foreign Funds Control permits financial and commercial transactions with nations outside the Western Hemisphere other than the aggressor nations and the nations dominated by them is dependent upon the political situation with respect to each such nation and upon the degree of likelihood that such nations and their nationals are engaging in transactions for the benefit of the Axis.

The areas outside the Western Hemisphere may be broadly segregated into the six following categories on the basis of the restriction or controls imposed by this government under the freezing controls:

1. Non-blocked countries not within the Generally Licensed Trade Area,¹ such as Turkey, Persia (Iran), Afghanistan and Liberia.
2. Non-blocked countries in the Generally Licensed Trade Area, such as the British Commonwealth of Nations and Russia.
3. Blocked countries within the Generally Licensed Trade Area but not within the Western Hemisphere, such as the Belgian Congo, French Equatorial Africa (including the

¹ The Generally Licensed Trade Area is defined in General License No. 53 issued under the freezing control Order and includes: (i) the American Republics; (ii) the British Commonwealth of Nations; (iii) the Union of Soviet Socialist Republics; (iv) the Netherlands West Indies; (v) the Belgian Congo and Ruanda-Urundi; (vi) Greenland; (vii) Iceland; (viii) Syria and Lebanon; and (ix) French Equatorial Africa, New Caledonia, Tahiti and the French Establishments in India.

Cameroons), Syria, Lebanon, New Caledonia, Tahiti, and the French establishments in India.

4. The four neutral European countries having general licenses: Portugal, Spain, Sweden and Switzerland.

5. Blocked countries which are not in enemy or enemy occupied territory such as Unoccupied France and the French colonies.

6. China.

1. COUNTRIES NOT WITHIN THE GENERALLY LICENSED TRADE AREA WHICH ARE NOT BLOCKED

Trade transactions with these countries, which include Turkey, Persia, Afghanistan and Liberia, may be effected without Foreign Funds Control licenses provided no blocked national has an interest, direct or indirect, in the transaction. However, in this as in all other cases, if a blocked national has an interest in any transaction with one of these countries (or if the transaction involves property affected by the interest of a blocked national), the transaction may be effected only under license issued by Foreign Funds Control.

Trade transactions with these countries requiring specific licenses from Foreign Funds Control are subjected to careful scrutiny by our Control, and no transactions are permitted if any benefit would result to any enemy or enemy occupied country; or if any benefit would accrue to a person residing anywhere whose sympathies and activities were beneficial to the aggressor nations and the nations dominated by them.

Transactions with these areas are also closely scrutinized to see that they are not used as a channel for the transmission of goods to or from enemy territory. In other words, these unblocked countries are not permitted, within the limitations of the Control, to be a channel for trade with the enemy.

Trade with these countries is, of course, subject to other governmental controls, and the fact that such countries are not blocked does not relieve shippers of the necessity of conforming to the regulations of other agencies of this government which may require the obtaining of export licenses, priorities, allocations and the observance of established price ceilings.

The other regulatory bodies of the government also follow a policy similar to that of Foreign Funds Control, and, for instance, do not grant export licenses in respect to trade transactions which would result in channeling trade through an unblocked country to enemy territory.

Foreign Funds Control does not, of course, permit any transaction, directly or indirectly, with any person named on the Proclaimed List located within any such country, except in isolated transactions which are of overwhelming benefit to the war effort or to the defense of the Western Hemisphere.

Communications with countries in this category do not require a license from the Office of Censorship, but that body does reserve the right to censor all communications with such countries and to take any action to prevent or restrict the transmission of such communications in accordance with the established policies of that office which are, of course, based on preventing any communication deemed inimical to the war effort or to the defense of the Western Hemisphere. The Office of Censorship does not permit such countries to be a channel for indirect communications with enemy or enemy occupied territory.

2. NON-BLOCKED COUNTRIES IN THE GENERALLY LICENSED TRADE AREA, SUCH AS THE BRITISH COMMONWEALTH OF NATIONS AND RUSSIA

None of the countries, dominions, colonies or protectorates comprising the British Commonwealth of Nations has been blocked except those areas occupied by the aggressor nations. As in the case of the countries in the first category, trade and financial transactions with these

areas are not regulated or restricted by Foreign Funds Control unless such transactions are affected with the interest of a national of a blocked country.

To meet the problem of trade transactions in which a blocked national residing in one of these countries has an interest, Foreign Funds Control included these countries within the Generally Licensed Trade Area as defined in General License No. 53 issued by the Treasury Department. As a result of this action, legitimate trade transactions involving such nationals can be consummated with the United States and with other members of the United Nations and the other American Republics without the necessity of obtaining a specific license for each transaction. Transactions with nationals who are located in one of these countries and who are themselves objectionable, e. g., "enemy nationals", are not authorized by this license.

It will be seen that inclusion of a country in the Generally Licensed Trade Area constitutes a distinct advantage for that country. Legitimate trade transactions involving nationals of blocked countries located within the countries included in the Generally Licensed Trade Area are not required to be the subject of specific license applications, whereas such transactions with nationals of blocked countries located in unblocked countries which are not included in the Generally Licensed Trade Area may only be effected after specific licenses have been obtained.

Although Russia was blocked on June 14, 1941, at the time that freezing control was extended to the remaining unblocked countries in Europe, a general license was granted on June 24, 1941, immediately following the German attack on Russia, licensing Russia as a generally licensed country. This had the effect of removing Russia and nationals of Russia from the restrictions and regulations of the freezing control. Under this arrangement, trade and financial transactions with Russia have the same status as those with countries which never have been blocked and which are located within the Generally Licensed Trade Area.

Transactions with countries in this category may therefore be consummated, if not involving objectionable blocked nationals, subject, however, to controls of other regulatory authorities in this country, such as export control and the War Production Board. Similarly, communications with these countries, while subject to censorship, as in the case of the countries in the first category, do not require, like them, a communications license from the Office of Censorship. Of course, such communications may be censored and restricted in accordance with the policies of the Office of Censorship.

3. BLOCKED COUNTRIES NOT WITHIN THE WESTERN HEMISPHERE BUT INCLUDED IN THE GENERALLY LICENSED TRADE AREA

Certain blocked areas not within the Western Hemisphere have been included in the Generally Licensed Trade Area as defined in General License No. 53 because they are controlled by political entities or governments favorable to and supporting the United Nations' war effort. In these countries, such as the Belgian Congo, French Equatorial Africa (including the Cameroons), Syria, Lebanon, New Caledonia, Tahiti, and the French establishments in India, exchange and trade controls exist which are exercised in an adequate and satisfactory manner by the local authorities. It is the desire of the United States Government to interfere as little as possible with the legitimate trade transactions of such areas with the United States and with other members of the United Nations and the other American Republics. Accordingly, although the accounts in the United States of all nationals of such areas are blocked, such accounts may be freely utilized to effect legitimate trade transactions in accordance with the terms and conditions of General License No. 53. It should be noted that this freedom of action exists only with respect to trade transactions. Any purely financial transaction, such as a benevolent remittance, capital movement, or financial remittance (creation or repayment

of a loan, payment of interest, dividend and royalty remittances, etc.) requires a specific license from Foreign Funds Control.

While the policy of Foreign Funds Control has been to facilitate trade transactions with the areas falling in this category, actual movement of goods is, of course, dependent upon obtaining the necessary approvals for licenses from other regulatory bodies, such as export control and the War Production Board which control allocations and priorities in respect to the obtaining and the use of critical and strategic materials in this country and the export of such materials.

Communications with countries in this category do not require a license from the Office of Censorship, but that agency does reserve the right to censor all communications with such countries and to take any action to prevent or restrict the transmission of such communications in accordance with their established policies.

4. NEUTRAL EUROPEAN COUNTRIES HAVING GENERAL LICENSES

When the fundamental objective of Foreign Funds Control changed on June 14, 1941, from one of benevolent protection and conservation of the assets of occupied countries to one of aggressive total economic and financial warfare, the remaining unblocked countries of Europe were brought within the scope of the freezing control, and friendly and unfriendly countries alike were blocked. To impede the consummation of legitimate and innocent transactions as little as possible, certain neutral European countries whose territory is contiguous to enemy or enemy occupied territory were granted general licenses. These general licenses were granted after the governments of those countries gave adequate guarantees and assurances to the United States Government that all the terms and conditions of the general licenses would be strictly adhered to. The countries which were granted general licenses of this nature were Sweden (General License No. 49), Switzerland (General License No. 50), Spain (General License No. 52), and Portugal (General License No. 70).

These general licenses permit consummation of trade and financial transactions with these countries without a specific license provided that the transactions are not by or on behalf of or pursuant to the direction of any blocked country or blocked national (other than the country to which the general license is granted or national thereof); and provided also that the transaction does not otherwise involve any blocked country or blocked national. If the transaction is not by or on behalf of the government or the Central Bank or equivalent institution of the country to which the license is granted, the transaction may be effected only if the Central Bank or equivalent institution or a duly designated agent certifies or confirms that the transaction complies with the terms of the appropriate general license. A trade or financial transaction accordingly can be effected under such licenses with one of the generally licensed countries only if the interests involved in the transaction or the interests in the property affected are interests of nationals of the country to which the general license has been granted or of the government or Central Bank of that country.

For example, a Swiss national in Switzerland may, under the Swiss General License, transfer funds from his account in a bank in New York to the Credit Suisse in Switzerland to be used for the payment of goods which he is going to purchase in Switzerland. On the other hand, a German citizen in Switzerland who has money in a bank in New York can not, under the general license, transfer funds in this manner for the same purpose. The latter transaction could only be accomplished under a specific license.

These general licenses permit the great bulk of trade and financial transactions between each of the countries having such a general license and the United States or the other American

Republics to be effected with a minimum of interference and delay. The safeguards in use, including the requirement that all large transactions consummated under these licenses be reported on a specially established Treasury Department form, are designed to prevent the employment of these general licenses as channels whereby blocked nationals of other countries can effect transactions which Foreign Funds Control would not license on their individual merits.

Transactions by or for the benefit of Proclaimed List nationals, or involving property in which Proclaimed List nationals have or have had an interest, cannot, of course, be effected under these general licenses since, by definition, Proclaimed List nationals are deemed to be nationals of Germany and Italy.

In respect to trade transactions under these general licenses between the United States and the countries having such general licenses, Foreign Funds Control cooperates closely with other agencies of this government, and particularly with the Board of Economic Warfare, which controls and regulates the flow of goods from this country for export. In exercising its control over exportations to neutral countries and in determining the type and quantity of goods which this government will permit to be shipped, the Board of Economic Warfare takes into consideration all factors involved in the problem. Among them are the need of this country for certain goods, the need of the neutral European countries for such goods, the types of goods which the neutral countries were receiving from and sending to enemy territories, the effect which permission or denial of such shipments would have on the economies of the respective countries, and the relative need and desirability of permitting shipments to the European neutral countries of certain goods in comparison with the need and desirability of retaining such goods for utilization in the United States or in the other American Republics. It is of course inherent in the program that export licenses are not granted in respect to shipments destined for firms which, although they may not actually be listed on the Proclaimed List, are known to be acting for persons in enemy territory, or whose sympathies and loyalties are known to be contrary to the interests of the United Nations.

Following the entry of this country into the war American persons and firms, or branches or subsidiaries of American firms operating in the neutral European countries, were notified that they could not engage in trade or communication with enemy or enemy occupied territory without first obtaining a license from Foreign Funds Control. With only one exception which involved unusual and temporary conditions, no licenses have been granted permitting such persons or firms to trade with enemy territory. While this stringent policy has undoubtedly worked a severe hardship on such persons or firms it was felt that, since the primary tenet of total economic and financial warfare is to "help your friends and harm your enemies" and to harm the enemy even though it involves certain hardship to yourself and to your friends, this severe policy was thoroughly justified. This policy contemplates denying all transactions by such persons or firms with enemy territory unless it can be clearly shown that the result of permitting such transactions would be of overwhelming benefit to the United Nations or would substantially harm the enemy. Such conditions can obviously be established in only a very small number of cases.

While communication with the four neutral European countries does not require a license from the Office of Censorship, such communications are of course censored and closely scrutinized in order to prevent any communication which would directly or indirectly aid, benefit or comfort the enemy. Communications with neutral countries which are intended for transmission directly or indirectly to a person in enemy territory may not be sent unless licensed by the Office of Censorship, and it is the policy of that office not to license such communications.

Foreign Funds Control, by cooperating closely with the Bureau of Customs, which is also a part of the Treasury Department, is able to obtain information with respect to contemplated shipments to the four neutral European countries considerably in advance of the date of sailing of the carrying steamer. This information is scheduled and transmitted daily to the Office of Foreign Funds Control in Washington from the principal Customs offices. On the basis of this information, Foreign Funds Control collaborates with other agencies of the government having an interest in such transactions to prevent the shipment of any goods which, since the granting of the original export license, have become critical or in short supply, which are needed for the war effort of this country or for the defense of the Western Hemisphere, or which are necessary to the economies of the other American Republics.

In summary, it can be seen that the theory of the general licenses and the policy of Foreign Funds Control in respect to countries which have been granted general licenses is to permit, in response to adequate guarantees and assurances by the respective governments, innocent and legitimate transactions involving nationals of the country concerned.

5. BLOCKED COUNTRIES WHICH ARE NOT ENEMY OR ENEMY OCCUPIED TERRITORY, SUCH AS UNOCCUPIED FRANCE AND THE FRENCH COLONIES

This group includes Unoccupied France and the French colonies. The policy of Foreign Funds Control differs substantially in treating the problems of these areas by reason of the different conditions which prevail in them.

With respect to Unoccupied France, Foreign Funds Control has permitted no trade except for the completion of a few minor transactions immediately following the fall of France in 1940. It was felt that trade between Unoccupied France and this country would in the vast majority of instances result in aid or benefit accruing directly to the aggressor nations and that in all cases trade transactions would result in indirect benefit to the Axis. Faced with these grim realities, Foreign Funds Control was unwilling to license any further trade with this area.

Although financial transactions with Unoccupied France have not been entirely prohibited, applications in respect to such transactions are closely scrutinized and only those transactions are permitted wherein it is clearly established that no benefit will accrue directly or indirectly to the Axis.

While the Office of Censorship does not require a license in respect to communications with Unoccupied France, all such communications are censored and closely scrutinized, and those which give any evidence of being of any aid or comfort to the enemy—directly or indirectly—are refused transmission. In effect, only those communications which are clearly innocent are permitted.

With respect to the French colonies, French West Indies (Martinique, Guadeloupe and French Guiana), and St. Pierre and Miquelon, Foreign Funds Control was presented with the difficult problem of dealing with areas which, prior to the fall of France, depended almost entirely upon the motherland for their economic life and sustenance but which now have to a great extent been deprived of that support due to the very limited extent that trade between continental France and the colonies can be conducted.

To meet the varying exigencies of the different colonies, to meet the economic needs of this country, and yet adequately to control and restrict trade between these colonies and this country so that they would not become a channel for trade with France, arrangements were worked out to permit limited trade between this country and the individual colonies. These arrangements took the form of agreements whereby payments for imports into this country from each colony were permitted to be made into a special account in a bank in this country from which account payments could be made for exports from this country to each individual

colony. Provision was also made permitting the use of certain blocked funds of the French Government in aiding in the maintenance of the economies of these areas. The operation of each such account was limited by a monthly maximum monetary amount and in most cases the types of goods which could be shipped from this country were restricted to those necessary for the continued economic life of each individual colony. It was also stipulated that none of the goods exported from this country to these colonies could be re-exported to any other destination. These agreements are flexible, and the amounts can and have been increased or decreased in accordance with economic necessity. Certain types of goods have been excluded or permitted depending upon the material needs of the individual colonies.

Communication with these French colonies does not require a communication license, but such communications are censored and transmission of messages intended indirectly for other world areas is not permitted. In other words, French colonies are not permitted to become a communications channel for messages which might be relayed to enemy or enemy controlled territory.

6. CHINA

On July 26, 1941, China was blocked under the freezing order at the request of and in cooperation with the Chinese Government. This was a friendly blocking, the fundamental purpose of which was to protect from the Japanese, Chinese assets controlled from the occupied areas and to prevent the Japanese from utilizing the occupied areas as a channel or loophole for effecting trade transactions between Japan and the United States which Foreign Funds Control would not permit to be effected directly.

With the creation of the Stabilization Board of China, consisting of three Chinese representatives, one British representative, and one American representative, and with the establishment of what became known as the "China Program", Foreign Funds Control made it possible for China to control the commercial and financial transactions of the occupied areas of China even though the Chinese Government was unable to exercise political or judicial control over such occupied areas.

The China Program, as established by General Licenses 58, 59, 60, 61 and 62, permitted trade between any part of China—occupied or unoccupied—and the United States under strictly controlled conditions. In the case of exports from China to the United States, it was required either that the proceeds of such exports be made available to the Stabilization Board of China or that the transaction be approved by the Stabilization Board. In the case of imports into China from the United States, it was required that either the dollars to pay for such imports be provided by the Stabilization Board of China or one of the cooperating banks. This had the effect of assuring that on all transactions with China the dollar funds were channeled to and from this board through appropriate designated commercial and Chinese Government banks.

Financial transactions between the United States and China were likewise permitted only if they had the approval of the Stabilization Board of China. Financial remittances could be effected from the United States to China only if the dollars were made available to the Stabilization Board of China, while financial remittances from China to the United States could be effected only if the dollars for such remittances were provided by the Stabilization Board of China, or such remittances were specifically approved by the Board.

This program was designed to, and in fact, did enable the Chinese Government to exercise control over trade and financial transactions of the occupied as well as the unoccupied areas of China.

A similar program with respect to China was adopted by Great Britain and, since the great bulk of China's trade and financial transactions were effected in dollars and sterling, the control

of the Chinese Government over the economic and financial activities of even the occupied areas of China was complete to an extremely high degree.

In its purposes and effects the China Program exemplifies the high degree of effective control which two friendly governments can exercise by interlocking exchange of foreign funds controls when the vicissitudes of war and invasion call for the use of economic weapons. This program achieved its ends by a friendly blocking, accompanied by appropriate general licenses designed to meet the specific requirements of the situation caused by the unprovoked Japanese aggression against China.

C. Cutting Off of Financial and Commercial Transactions Among the American Republics When of Benefit to Nations Which Have Committed an Act of Aggression Against the American Continent

Just as it is the policy of the United States Government to cut off financial and commercial transactions, subject to its jurisdiction, with nations outside the Western Hemisphere when of benefit to the aggressor nations, it is the policy of the United States Government to cut off commercial and financial transactions, subject to its jurisdiction, within the Western Hemisphere which are of benefit to the aggressor nations. In eliminating the activities, subject to its jurisdiction, within the Western Hemisphere which are of benefit to the aggressor nations, it is the policy of the United States Government not only to eliminate the activities of individuals and concerns within the United States whose operations are inimical to the security of the hemisphere, but also to eliminate all financial and commercial transactions between the United States and real and juridical persons in the other American Republics which are inimical to the defense of the hemisphere. It is our policy to purge from all business enterprises within this country the poison of Axis influence, so that they may not be used in ways harmful to the United States and hemispheric defense. In this matter we have prevented their being used as focal points of Axis operations and nerve centers of the Axis economic empire to control production, to hold markets in this hemisphere, to support subversive activities and to weld the post-war economy of this hemisphere to Axis plans. In a similar manner we have acted to prevent United States business, funds and goods from being used by the same Axis interests to work harm to us and to the other American Republics through our hemispheric trade.

As the tempo of the European war increased, the Western Hemisphere realized more and more that its existence as a family of twenty-one friendly Republics was in danger. At the Habana Conference of the American Republics held in July 1940, it was agreed that each of the governments should adopt all necessary measures to prevent and suppress any activities directed or inspired by foreign governments or foreign nationals which might subvert the democratic institutions of any of the Republics or foment disorder in their internal political life. It was realized that the aggressor nations had worked for many years to weaken the military potential of the United States and the other American Republics. Through patent controls and cartel agreements the Nazis have succeeded in limiting the production in this hemisphere of many vital materials. They have kept the price of these materials up and the output down. They have been waging economic warfare for a long while, and they have done their work well, decoying American companies into agreements, the purpose of which such companies did not sense. The businessmen in the Western Hemisphere were peaceful traders. The business enterprises controlled directly or indirectly by the aggressor nations were and are, all over the world, agents of aggression. Our Government has worked hard to break cartel arrangements under which certain of our products were cut off from the other American Republics and from other markets of the world.

The democratic institutions of the American Republics were gradually being undermined by the subversive activities of Axis agents. It was no secret that the Nazi and Fascist parties were well organized here and in the other American Republics and that they were fostering institutions opposed to the democratic way of life. The finances with which these subversive activities were carried out in the American Republics did not emanate directly from the Axis government but from Axis business enterprises disguised in many ways. The technique which the Nazis used in hiding the identity of German enterprises made it difficult to uncover the machinations of their agents, who in the economic field are even better disguised than military spies.

In order to combat this penetration of the Axis interests in the Western Hemisphere, we took appropriate steps through the freezing control to nullify or eliminate the subversive and undesirable influences in Axis-dominated business enterprises in this country. With this end in view, the President authorized on July 17, 1941, the issuance of "The Proclaimed List of Certain Blocked Nationals" containing the names of individuals and firms within the other American Republics whose activities were deemed inimical to the defense of the hemisphere. At the same time the United States Government made it clear that in attaining the objectives of our program, all efforts were being made to cause the least possible interference with legitimate Inter-American trade. Accordingly the Treasury Department issued a general license, simultaneously with the issuance of the Proclamation, with respect to Inter-American trade transactions involving persons in the other American Republics who might be nationals of a blocked country. This general license served the purpose of permitting freedom of trade between this country and the other American Republics so long as such trade did not benefit persons on the Proclaimed List. Through this technique we aimed to promote a healthy hemispheric trade. This program has justified its purpose of insuring that trade with us would be beneficial and not harmful to the other American Republics. It has directed trade to persons loyal to the governments of the other American Republics.

It was recognized that in the preparation of such a list every caution must be taken to prevent injustices, and to this end the United States Government gave great care and attention. Before a name is added to the Proclaimed List, diplomatic and consular representatives in the field make a thorough investigation. If that investigation definitely discloses facts showing that the person investigated is engaged in activity inimical to the security of the Hemisphere, that evidence, together with a recommendation for inclusion, is transmitted to Washington for consideration. The evidence supporting the recommendation is carefully scrutinized by a committee composed of representatives of five Departments and Agencies of this Government. Upon the unanimous vote of that committee the name is added to the list after such action has been cabled to the mission in the field for confirmation and as an added precaution to prevent injustice. However, as in every operation of this magnitude, mistakes have been made in the past, and, no doubt, some mistakes will be made in the future. Where it has been discovered that a name was mistakenly included on the list, that name has been deleted promptly. This Government has been exceedingly anxious to rectify such mistakes and, in furtherance of that policy, is at all times willing to consider with any government of the other American Republics, the reasons for inclusion on the list of any firm or individual situated or resident within the territory of such Republic. In this connection it is interesting to note that the controls of eight of the other American Republics apply to persons named on the Proclaimed List of the United States Government.

As previously indicated, appropriate steps have been taken to purge firms in the United States of the nature of those included on the Proclaimed List of their Axis influence. In many of such cases the concerns involved have been liquidated and, in other cases, where the

continued operation of the firm was deemed in the public interest, such firms have been vested in order that their operations might continue.

The United States Government was keenly aware that the elimination from the United States market of certain producing firms in the other American Republics might seriously dislocate the economy of one or more of the Republics. Accordingly, where it would be harmful to the economy of the neighboring country to stop all business of a listed firm with the United States, cooperative arrangements have been worked out with the government concerned by which transactions are permitted so far as they are brought under its control and benefit only our mutual interest. Furthermore, in those cases where the neighboring country concerned has taken appropriate action to purge the listed firm of its Axis influence, this Government has deleted such firm from the Proclaimed List.

Dealings between the United States concerns and persons included on the Proclaimed List are prohibited except pursuant to a license issued by the United States Government. The licensing policy has been determined solely in accordance with the basic objective of our program of economic warfare against the Axis, that is, the curtailment and elimination of the activity and influence of such persons and firms in so far as that activity and influence is inimical to the war effort and hemisphere defense. No United States concern which is a party to a transaction with a Proclaimed List firm, has been permitted to complete the transaction solely because failure to do so would cause the United States concern a loss.

In many cases firms in the United States had orders for the manufacture of special products for firms in the other American Republics which were included in the Proclaimed List prior to delivery of the product. This Government denied licenses to permit the delivery of such products since it clearly could not permit products going into unfriendly hands merely to protect a United States firm which had contracted in good faith. Many of such cases caused extreme hardship to United States concerns. One firm was denied a license in a case where it had worked for months on a special order of value only to the ordering firm which was placed on the Proclaimed List shortly before the date specified for delivery. The United States firm had its capital involved in that one order to such an extent that its very existence was jeopardized if delivery of the completed product to the Proclaimed List firm were not permitted. However, it was clear that the only ill effect in the American Republic concerned would be to the Proclaimed List firm and not to the country in which such firm was situated. Accordingly, the license application for the completion of the transaction was denied.

That policy has not only been followed in connection with exports, but a similarly strict policy has been followed in connection with imports. Proclaimed List nationals have not been permitted to ship their products into the United States even in those cases where there was extreme scarcity of such merchandise in our consumers' market. A case in point is one in which a United States firm had contracted for the purchase of \$600,000 worth of a commodity, badly needed by the United States consuming public, from a firm which subsequently appeared on the Proclaimed List. The United States concern had, on the basis of that contract, contracted for the sale of the commodity in processed form. The importation was not allowed notwithstanding that the United States concern was forced to stand a loss reported at \$75,000 and the consuming public in the United States was deprived of a needed product.

The United States Government at the time of the adoption of the Proclaimed List as a means of cutting off financial and commercial activities inimical to the defense of the Western Hemisphere realized that such action alone could not be effective in accomplishing the objective sought. Almost a year's experience has shown that this program can effectively eliminate the activity and influence of some of those persons and firms known to be engaged in inimical activity throughout the hemisphere. However, the ultimate goal can only be achieved through

the institution of controls in each of the American Republics. That thought has been clearly borne in mind as this Government shaped the policies governing the application of its controls.

The effectiveness of our program is, however, continually increasing. Experience opens new channels of information and reveals plans used to circumvent the controls and means of stopping them. This Government has obtained and is obtaining information of inestimable value in revealing cloaks, here and in the other American Republics, and other means used by unfriendly firms and individuals to finance and carry on inimical activities.

To date the biggest problem with which this Government has been confronted in enforcing its controls is that of cloaking. The flow of goods from the Axis nations to this hemisphere having been stopped by the war, Axis firms in the other American Republics have exercised all their cunning in an effort to obtain purchases from this country. Large commissions are paid to cloaks for their services in obtaining supplies for listed firms. Orders are sent in the names of relatives and minor employees, and transshipments are made through third countries in order to avoid detection. The existence of firms and individuals who are willing to undertake purchases of goods from the United States on behalf of Proclaimed List firms, and who are willing to use their assets here for the benefit of such firms, makes it possible for many of these Proclaimed List firms to continue in business. No doubt many of these cloaks consider themselves patriotic and anti-Axis. However, in their desire to profit financially, they fail to realize that they are used by the Axis to the detriment of the security of their own country and the hemisphere. It is necessary, therefore, that they be the subject of controls.

This Government is now more effectively coping with the problem of cloaking than in the past through the splendid cooperation of United States exporters and through the use of plans for the detection of cloaking transactions in those localities where there is known to be cloaking on a large scale. This has not only necessitated the development of methods of preventing the shipment of merchandise from this country involving cloaking transactions through cooperation with other Government agencies and other divisions of the Treasury Department, but has also necessitated the development of methods of diverting shipments of merchandise which are in transit from this country to one of the other American Republics when the nature of the transaction is fully disclosed and it becomes apparent that it is a cloaking transaction in violation of the Proclaimed List policy. Various techniques have been developed to prevent the shipment of merchandise to persons acting as cloaks for Proclaimed List nationals and to wipe out cloaking operations. These techniques of necessity vary with the individual case, depending upon the nature of the cloaking device sought to be employed, and frequently require cooperative effort on the part of several Government agencies. Individuals in this country and abroad, lured by the temptation of the possibility of huge profits in successful operations circumventing the Proclaimed List policy, are extremely ingenious and astute in devising new methods of camouflaging the real interest in these transactions. In opposing such activities, the Government's policies and techniques cannot crystallize, but must remain fluid and dynamic to enforce successfully the policy of the Proclaimed List and to insure that no transaction for the benefit of a Proclaimed List national will be successfully concluded.

Since the inception of its Proclaimed List program, the United States Government has always borne in mind that there is a shortage of consumers' goods at home and in the other American Republics. To insure that none of the other American Republics is denied goods, so critically needed, the United States has worked out a comprehensive plan of diverting exports consigned to cloaks and persons added to the Proclaimed List after shipment is started. Such a program not only provides goods to the other American Republics, but is in keeping with the policy of this Government to see that in so far as possible, its commercial and financial facilities are not used by enemies and their agents.

When it is discovered that merchandise exported from the United States is destined for a cloak or a firm added to the Proclaimed List after shipment, the Treasury Department immediately communicates with the exporter to advise him of the situation and to determine that for his part all possible steps are being taken to divert the merchandise to a satisfactory consignee in the country of destination. Banks are advised and the shipping company is directed to make the diversion. At the same time, this Government forwards all information to the American diplomatic or consular official nearest the point of destination and, pursuant to instructions, that official takes all possible steps to effect the diversion. Our experience has shown that diversions have been effected in practically all such cases. In many such cases the diversion has been accomplished through the cooperation of the American Republic concerned, in taking appropriate action, including steps to relieve the carrier from suit in the event it refused to deliver to the Proclaimed List consignee, cloak, or Customs authority. Where it has been clear that a carrier would have to stand suit for refusal to deliver goods to a Proclaimed List national if such goods were aboard ship when it put into port, it has been necessary to divert such goods at earlier ports of call.

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The program of the United States Government directed toward the cutting off of financial and commercial transactions among the American Republics when of benefit to nations which have committed an act of aggression against the American Continent has been successful to a considerable degree. In order for that program to be completely effective, the activity and influence of the Axis dominated firms in the other American Republics must be eliminated. It was and is realized that the program adopted by the United States Government cannot completely accomplish the objective but that such objective can only be accomplished by the wholehearted cooperation of all the American Republics.

D. Regulation of the International Movement of Securities and Currencies, in Order That Such Movement Will Not Benefit Nations Which Have Committed an Act of Aggression Against the American Continent

The United States Government has taken appropriate steps to regulate the international movement of securities and currency, in order that such movement will not benefit the Axis nations.

1. SECURITIES

When the first Executive Order establishing the freezing control was issued on April 10, 1940, it was realized that if the Control was to be effective in preventing the assets of the invaded countries from falling into the hands of the invaders and being liquidated by them, a method must be found to prevent the looting and disposition of securities. Although the Order as issued contained no specific reference to securities, it was the purpose of this Government in issuing the Order to include the control of securities within its scope. Some question arose, however, at the outset, as to whether the Trading with the enemy Act of the First World War, upon which the Order was based, gave authority for the extension of the Control to securities. The Treasury Department immediately clarified its position on this question by issuing General Ruling No. 2 and stating that the Control did extend to securities. In order, however, to erase any doubt which might have existed, Congress immediately enacted supplementary legislation pursuant to which the Order was amended so as clearly to include securities within the scope of the Control. This action of the Treasury Department and of Congress

is a striking example of how a situation needing prompt handling was met promptly. Had delay occurred, it would have undoubtedly allowed tremendous quantities of securities to escape our control.

The invasion of Holland, Belgium and Luxembourg in May of 1940 gave tremendous importance to the matter of securities control. The people of these countries, particularly the Dutch, have for many years been actively interested in American securities and have had large investments in them. The people and governments of these countries realized that unless a way could be found to prevent the liquidation of securities seized by the invaders, tremendous losses would accrue to their legitimate owners, and a tremendous asset would be given to the war effort of the Axis on the economic front.

To meet one phase of this situation, General Ruling No. 3 was issued by the Treasury Department, announcing that the freezing control prohibited the acquisition, transfer, disposition, transportation, importation, exportation, withdrawal or any other dealing in or with respect to any security registered in the name of a national of any of the countries which had been blocked under the freezing control. Under this ruling, it became impossible for a registrar or transfer agent in this country to change the name in which a security was registered (if such name were that of a blocked national) even though it appeared from documentary evidence that the transfer had been made long before the date of the invasion. It was recognized by the Treasury Department that the invaders were adroit enough in the use of compulsion and fraud to obtain apparently legitimate evidence for untrue states of fact.

Although General Ruling No. 3 solved the problem of dealing with registered securities, it did not solve the problem of bearer securities, many of which were held in the invaded areas. To meet this latter problem, an over-all system for examining securities brought into the United States was adopted, which was based on the premise that it would be insufficient only to prohibit the importation of securities from the blocked areas, since securities could enter the United States through the channel of neutral nations which did not have restrictions against the importation of securities. Thus, the beginning of June 1940 saw the promulgation of General Ruling No. 5 which in effect provides that all securities entering the United States from whatever place or origin must be deposited in a Federal Reserve Bank from which they can be freely released only upon proof judged to be sufficient by the Treasury Department. Such proof must show that no blocked country or national thereof had any interest in such securities since the date of the freezing Order. The Foreign Funds Control enforcement of this General Ruling was aided by the United States customs and post office officials who have met, questioned and searched incoming passengers to determine whether they were carrying securities, and who have examined incoming mail in order to prevent securities from entering the United States surreptitiously in this fashion.

The question of proof of freedom of securities from blocked interest has been a difficult one. Its difficulty has been occasioned by the fact that many nationals of blocked countries have held their securities secretly in countries such as Switzerland for the purpose of evading taxation and other controls of their native lands. The steps taken by the Treasury Department in preventing the release of securities in the absence of clear and convincing proof as to the interest in such securities has caused names and information with respect to the true owners of securities to be supplied. This information has been given, by the Swiss, for example, in order to be able to send into this country those securities which the Swiss themselves have owned and which have never been affected with the interest of a national of any other country.

In part, the problem of dealing with securities which have been abroad in the blocked countries has been simplified by the European practice of requiring the placing of tax stamps on securities held in such countries. Taking advantage of this practice, this country, by the

freezing order, as amended, prohibited any dealings, except under license, in any securities which bore such tax stamps or evidence that such tax stamps had been attached (or any other evidence that the security had ever been outside of the United States). At the same time, in order to validate such securities which had legitimately been acquired in circumstances not in conflict with the freezing control, the Treasury Department devised a certification, Form TFEL-2, which could be attached to such securities when and if the owners could prove that they were free from any blocked interest. When Form TFEL-2, which is engraved in such a way as to avoid any possibility of its being counterfeited, is attached to securities, a complete description of the security to which it relates is placed upon it. This description is so inscribed that it can not successfully be altered, thus avoiding the possibility of the TFEL-2 form being detached from a clean security and being placed on one of greater value which is affected by the interest of a blocked national.

The efficacy with which the United States has been able to prevent the marketing in this country of securities bearing tax stamps and similar evidence that they have at any time been within a foreign country may be seen by the fact that the Germans have found it necessary to promulgate a decree in Holland requiring the reporting of all securities which did not bear a tax stamp. Apparently the German Government has become reconciled to the fact that the securities bearing tax stamps can not be marketed in the United States, and their efforts will be largely concentrated on trying to get into the American market securities which do not bear evidence of having at any time been in a blocked country.

The TFEL-2 form has come in for use in connection with another problem related to dealings in securities. Certain of the blocked countries of Europe have in the past issued securities payable in the United States. From time to time, these securities have matured and become payable. In cases in which the countries issuing the securities have had funds in this country which the Treasury has been willing to authorize to be used for the redemption of such securities, there arose the problem of determining which securities might be legitimately paid and which might not. It was clear that there would be no objection to paying security holders located in the United States whose securities had been purchased in the United States before the present world conflict and had at all times been within the United States. On the other hand, it was clear that this Government did not wish to allow repatriated securities which had been looted to be paid under this arrangement. Public Circular No. 6 was therefore issued in which in effect it was said that no security issued in a blocked country but payable in the United States could be redeemed unless there was attached to it Form TFEL-2. At the same time, it was announced that Form TFEL-2 would be attached to all securities turned over to the Federal Reserve Banks within two days after the promulgation of the public circular. In this way, no time was allowed for securities to come in from abroad to take advantage of the certification procedure while securities legitimately within the country could be certified without difficulty. The announcement was accompanied by a statement that any application for the attachment of Form TFEL-2 after the expiration of two days would have to be accompanied by full and complete proof tracing the history of the ownership and whereabouts of the security from the date of the inception of the freezing controls.

The same technique which was applied to prevent the marketing in the United States of securities looted by the Axis in the invasion of the countries of Europe was applied by this country to Philippine securities when the Japanese invaded the Philippine Islands. General Ruling No. 10 provided that securities issued by the Philippine Government or by any corporation organized under Philippine law could not be dealt in unless Form TFEL-2 was attached to such securities, and at the same time provided that this form would be attached to such securities

if the securities were turned in to authorized banks within a very limited period of time. If, at the expiration of that period of time, such securities had not been turned in, Form TFEL-2 would only be attached to them if the holders were able to give full and complete statements as to why they had not been surrendered prior to the limiting date, together with satisfactory histories of the ownership of the securities. It should be noted that under this procedure, provision was made so that holders of such securities outside of the United States were able to deposit their securities in authorized banks in their own countries for transmission to the United States under this procedure.

This Government recognized that if the marketing of looted securities was to be adequately controlled, restrictions would have to be placed on dealings in securities located outside the United States as well as on the importation of and dealings in securities within the United States. Otherwise, our controls could have been evaded in that American citizens could have purchased looted securities in Switzerland or elsewhere and retained them on deposit for their own benefit with the bank in the country in which the securities had been purchased. In order to close this loophole, the freezing order prohibits the acquisition by or transfer to any person within the United States of any interest in any security or evidence thereof if the attendant circumstances indicate that the security or evidence thereof is outside the United States.

The adoption of this control has put a stop to the transfer of securities by cable from neutral countries. Previously, it had been possible for a bank in a neutral country selling to a purchaser within the United States securities held in the neutral country, to have the securities destroyed under appropriate supervision in the place where they were located and to cable the information relative to destruction to the United States where new securities would be issued to the transferee. Obviously, this is no longer feasible.

Securities imported into the United States and which have not been allowed to be released by the Treasury Department have remained in the custody of the Federal Reserve Bank. However, in order to prevent undue hardship, General Ruling No. 6 was promulgated, which allows such securities to be transferred from the Federal Reserve Bank in which they are originally deposited, to a domestic bank within the United States into specially blocked accounts, known as "General Ruling No. 6 Accounts." Securities placed in these accounts are completely under the control of the Treasury Department, which allows only certain specified dealings with respect to them. For example, dividends on such securities may be collected and placed in the same account as the securities. Similarly, the securities themselves may be sold on a national securities exchange by the banking institution holding the securities, provided that the proceeds of the sale are credited to the General Ruling No. 6 account. It is also provided that taxes may be paid out of the proceeds of such an account and that the bank handling such an account may deduct from it the amount of charges owing to the bank for handling the account. In general, however, the general licenses issued by the Treasury Department under the freezing control are inapplicable to the securities or the proceeds thereof which are in General Ruling No. 6 accounts. The Treasury Department has never gone on record as to the disposition which will be permitted or will occur, after the termination of the present war, of securities which have not been released from a Federal Reserve Bank or from a General Ruling No. 6 account by reason of failure of proof in connection with the acquisition of or interest in such securities.

In order to strengthen the control over the importation of securities which may have been looted by the Axis from the areas which it has invaded, this Government has made known its controls over the importation of securities to the neutral governments and to all the governments of the other American Republics. The extent of our controls has been pointed out and a

statement was prepared and issued indicating that any importation of securities by means of the diplomatic pouch or on the person or in the baggage of incoming diplomats would constitute a violation of our controls unless such securities were turned over to a Federal Reserve Bank immediately after being brought into this country.

Another aspect of the control of securities entirely separate from the problem of preventing the marketing of looted securities is the control adopted by this Government to prevent blocked nationals thereafter from obtaining control over American enterprises through the purchase of the securities of such enterprises. Under Public Circular No. 14 which was issued on February 3, 1942, blocked nationals have been prohibited from purchasing directly or indirectly securities of any corporation in such a manner that more than 1% of the securities issued by the corporation will be held by blocked nationals. In this way, the United States has been able to prevent blocked nationals from taking over the control of business enterprises within this country by means of stock and bond purchases.

(2) CURRENCY

The Axis today, in the prosecution of its war effort, requires goods and services which it can only obtain from unoccupied or neutral areas. Certain of these goods and services can be obtained through force and through compulsion of various sorts, but there are limitations beyond which such force and compulsion can not be used without causing the economy of the neutrals to collapse—preventing them from giving the Axis further effective aid. Consequently, the Axis must pay for certain of the goods and services which it needs to obtain. That payment can be made directly by the Axis in terms of goods and services which it produces. But payment in this fashion weakens the Axis by diverting manpower from its own war effort. Therefore, from the Axis point of view, it is desirable to effect payment to the neutrals in the United States currency or securities which are at its disposal, having been looted from the occupied areas. Much of the currency has been accumulating in Europe for many years. It has gotten there through remittances which immigrants to the United States have sent to relatives remaining in their native lands, through funds which American tourists have spent while abroad, and through a variety of less important ways. The possession of this currency by the Axis places at its disposal an economic weapon of tremendous importance. Inasmuch as United States currency is acceptable in neutral areas as long as it can be profitably employed in the purchase of goods and services in other parts of the world, it is the policy of the United States to reduce the value of such currency as far as possible and thus make it valueless to serve Axis purposes. This Government recognizes that to allow the Axis to make use of the dollar currency which they have stolen is to allow the financing of sabotage and other subversive activities in this and the other American Republics. Unless the value of the dollar bill can be depreciated in Europe, Axis agents throughout the Western Hemisphere can flourish with adequate financing, and black markets can continue to exist in the other American Republics in contravention of the exchange control laws of those Republics.

In order to combat the manifest evils inherent in this situation, the United States first issued General Ruling No. 6A and then amended General Ruling No. 5 under the freezing control. By this device the importation of currency into the United States is subjected to the same controls as are applied in the case of securities imported into the United States. The Treasury, at the present time and probably for a short while to come, is allowing persons entering the United States to keep minimum amounts of dollars in their possession; but all other currency is turned over to a Federal Reserve Bank from which, as in the case of securities, release can only be had pursuant to licenses issued by the Treasury Department. Just as in

the case of securities, the enforcement of the restrictions on the importation of currency is in the hands of the Customs Service and the Post Office Department, the former controlling importations of currency brought into the United States by persons entering the country, and the latter, with the assistance of the Office of Censorship, controlling importations of currency in the mail.

It has been announced to the other American Republics (within which the dollar is not a part of the circulating medium of exchange) by the United States Missions to those Republics that the Treasury will entertain applications for the release of currency forwarded to the United States by the Central Bank of any American Republic. The Central Banks should not buy this currency and should only accept it for collection. Each application (which may be filed by the bank receiving the currency in the United States or by any other interested party) will be required to show the owner of the currency, when such currency was acquired, from whom, the nature of the transaction resulting in the acquisition of the currency, the price paid, why such currency was being held, and all other relevant facts. No application will be considered until after the currency to which it relates has been imported into the United States and forwarded to a Federal Reserve Bank.

The Treasury requires that each application relating to currency forwarded to the United States by the Central Bank (or equivalent or analogous banking institution) of an American Republic be accompanied by a certification from the forwarder, wherein it is stated that the forwarder has investigated the circumstances relating to the currency and certifies that the facts stated in the application are true. In the event that the forwarder is unable to supply such a certification, the Treasury requires a full and complete explanation from the forwarder as to the reason for its inability to supply the certification.

The manner in which any currency is to be dealt with is not announced prior to the receipt and examination of such currency in the United States and the filing of an application with respect thereto. Each application is decided upon its merits. Factors which are considered are the character of the owner of the currency, its ownership as of May 19, and the steps which the country from which the currency comes has taken to prevent the introduction of looted currency into its own territory and to implement the controls by the United States over United States currency. In considering the steps taken by the country involved, consideration is, of course, given to the enforcement and administration as well as to the character of the relevant laws adopted.

It has been urged that all dollar currency in the American Republics (save in those in which it forms a part of the circulating medium) be forwarded to the United States as soon as possible pursuant to the procedure outlined, inasmuch as the Treasury expects to refuse applications for the release of currency which is not promptly imported.

The Treasury has stated that the consideration of any application for the release of currency will be facilitated if the currency to which it relates has not been commingled with any other currency. In the event that an application refers to currency which has been commingled, an explanation will be required as to why the commingling occurred.

Funds which are covered by applications approved by the Treasury Department may be credited to the account of the Central Bank (or equivalent or analogous banking institution) rather than to the account of the individual who turned over such currency to such bank or institution, if such action is desired by the government of the American Republic concerned.

The United States Missions to the American Republics have been instructed to advise the government to which they are accredited that it will be helpful if, at the time shipments of

currency are forwarded to the United States, they are furnished with the facts and the nature of the certification of the Central Bank or other institution with respect thereto. They have also been instructed to advise such governments to notify central banks and other institutions not to purchase dollars but merely to accept them for transmittal on a collection basis.

In order to make effective the controls of the United States with respect to the importations of United States currency, the cooperation of the other American Republics has been sought to prohibit the importation and exportation of United States currency except by means of direct movements between the United States and the Central Banks (or equivalent or analogous banking institutions) in the other American Republics. It has been indicated that certain minor exceptions of strictly limited amounts might be made for actual traveling expenses of persons going to or coming from the United States or other dollar areas if there is any clearly established necessity for them. This country has also requested the American Republics to require the immediate delivery of all United States currency in the American Republics to the Central Bank (or equivalent or analogous banking institution), or into a blocked account under the control of such bank or institution, and to prohibit all other dealings in United States currency.

Certain special arrangements have been made and are in the course of being made by the United States with various American Republics in which dollars are a part of the circulating medium inasmuch as at the present time it is not felt to be practicable to remove or replace all dollar currency in those areas. However, the cooperation of these countries has been enlisted and obtained in preventing dollars from entering these areas from any place other than the United States. In this way, dollar currency is being prevented from flowing from Europe, where it has been looted, into the United States or other dollar areas through devious channels.

The Treasury Department, in carrying out its freezing program in connection with currency, has warned Americans not to take more than absolute minimum quantities of cash with them in traveling abroad.

The position taken by the Treasury Department with respect to dollar currency imported directly from Europe itself is that there is a presumption that it is looted currency.

The success of this program which has been adopted in an effort to decrease the value of looted currency in the hands of the Axis may be seen from the fact that the dollar today will buy for the Axis only half as much Portuguese currency in Lisbon as could be bought for a dollar before. This control over United States currency is not intended to affect the exchange rate for dollar drafts, telegraphic transfers, and other bills of exchange.

E. Elimination of all Financial and Commercial Activity Engaged in by Real or Juridical Persons Within the United States Whose Influence or Activity Is Deemed Inimical to the Defense of the Western Hemisphere

It is the policy of the United States Government to eliminate all financial and commercial activity engaged in by individuals and concerns within the United States whose influence or activity is deemed inimical to the defense of the Western Hemisphere.

This discussion will deal primarily with the steps which have been taken by this Government under the First War Powers Act in dealing with the activities of individuals and concerns within the United States. It should be borne in mind, however, that other agencies of the Government have taken appropriate steps to eliminate the activities of individuals and concerns within the United States which are not in the public interest. Thus, for example, all German, Italian and Japanese nationals whose activities have been found to be detrimental to the United States have been interned.

1. TREATMENT OF INDIVIDUALS WITHIN THE UNITED STATES UNDER THE FIRST WAR POWERS ACT

Under the broad definition of "national" contained in the freezing control Order, any individual within the United States is subject to the provisions of such Order if:

- (a) Such individual has been domiciled in or has been a subject, citizen or resident of a blocked country at any time on or since the effective date of the Order; or
- (b) Such individual is acting for the benefit of or on behalf of any blocked country or national thereof.

Furthermore, the Secretary of the Treasury has full power under the Order to determine that any individual is or shall be deemed to be a national of a blocked country within the meaning of the Order.

Under this broad definition of the term "national", all citizens of Germany, Italy and Japan and all citizens of any other blocked countries are subject to the blocking provisions of the freezing Order. Furthermore, all refugees who have come to the United States since the effective date of the Order and who were resident in any of the blocked countries at any time since the effective date of the Order are subject to the blocking provisions thereof. This sweeping provision was included in the freezing control Order in order to give the Secretary of the Treasury the broadest possible power to deal with any situation which required action in the public interest. It was never intended, however, that, in administering the freezing control Order, the financial and commercial activities of all individuals within the United States who were nationals as defined in the Order would be subjected to control under the Order. Through the use of the technique of issuing general licenses, the Secretary of the Treasury has been able effectively to exclude from the blocking provisions of the Order a large group of individuals who were otherwise subject to such provisions of the Order, but whose activities it was not deemed desirable to control.

From the very beginning of the Control most of the individuals resident in this country who would otherwise be subject to the blocking provisions of the Order have been effectively lifted out of such provisions by the issuance of general licenses designating such individuals as "generally licensed nationals", which means that such individuals are to be regarded for all purposes as though they were not nationals of any foreign country. These general licenses have excluded, however, individuals in this country who are acting for or on behalf of blocked countries or blocked nationals. Furthermore, under the provisions of General Ruling No. 4, issued under the freezing control Order, the Secretary of the Treasury may exclude any individual from any general license.

Under General License No. 42, as now amended, any individual who was residing in the United States on February 23, 1942, and who does not thereafter enter any blocked country is effectively lifted from the provisions of the freezing control Order with certain exceptions. Included among the individuals who are not granted the privileges of this general license are individuals acting for the benefit of or on behalf of any blocked country or any blocked national and individuals who are excluded for any reason by the Secretary of the Treasury from the privileges of such general license.

It has been practicable for this Government to utilize this selective method of dealing with individuals within this country inasmuch as this Government has in its possession information concerning such individuals which is kept current and which has been collected by various methods including investigation by several Government agencies and reports under the Alien Registration Act. Because of this information, the United States Government has been in a position to categorize nationals of blocked countries into two groups: first, those suspected of

carrying on activities inimical to the public interest and, second, those whose activities are clearly above suspicion. It has been the experience of this Government that it is preferable to concentrate on those individuals against whom there is some evidence indicating inimical activities, rather than to attempt control of a large group of individuals where there is no such evidence against most of the individuals in the group. For example, it would be clearly undesirable for this Government to attempt to control the financial and commercial activities of all the German, Italian and Japanese nationals resident within the United States. Administrative difficulties involved in attempting to control such a large portion of the population would be so great that it would not be possible to give sufficient attention to concentrating on controlling the activities of the individuals against whom there is evidence indicating that their activity should be carefully scrutinized.

It should also be emphasized that the test as to whether or not the financial and commercial activities of any particular individual are to be controlled is not determined by the citizenship of such individual. Individuals who are found to be acting for or on behalf of blocked countries or blocked nationals are excluded from the provisions of General License No. 42, and subjected to the blocking provisions of the Order, irrespective of the citizenship of such individuals. Under the power given to the Secretary of the Treasury to determine that any individual is a blocked national, many of our own citizens have been declared to be nationals of blocked countries. The extent to which we have controlled the financial and commercial activities of American citizens and their enterprises is discussed more fully *infra*.

Any individual resident within the United States who is a blocked national, that is, any individual resident within the United States who is not entitled to the privileges of General License No. 42 or in the case of Japanese nationals, any Japanese national who is not entitled to the privileges of General License No. 68 A, may not engage in any financial or commercial activities except pursuant to license. The property of such blocked nationals may not be dealt in except pursuant to license. In this connection it should be noted that pursuant to General License No. 11 individuals resident within the United States who are blocked nationals are entitled to \$500 a month for living expenses. However, pursuant to General Ruling No. 4, the Secretary of the Treasury may exclude any such blocked national from the privileges of General License No. 11 if he deems it in the public interest.

The treatment which is accorded business enterprises within the United States owned by individuals resident within the United States who are blocked nationals is discussed under the heading BUSINESS ENTERPRISES.

2. TREATMENT OF JURIDICAL PERSONS WITHIN THE UNITED STATES UNDER THE FIRST WAR POWERS ACT

Under the definition of "national" contained in the freezing control Order, any partnership, association, corporation or other organization is a blocked national if

- (a) such organization is organized under the laws of or has had its principal place of business (since the effective date of the Order) in a blocked country; or
- (b) a substantial part of the stock, shares, bonds, debentures, notes, drafts or other securities or obligations of such organization are owned or controlled by (or have been owned or controlled since the effective date of the Order by) any blocked country or blocked national; or
- (c) such organization is, for any other reason, controlled by any blocked country or blocked national; or
- (d) such organization is acting for the benefit of or on behalf of any blocked country or blocked national.

Furthermore, the Secretary of the Treasury has full power under the Order to determine that any organization is or shall be deemed to be a blocked national within the meaning of the Order.

There follows a discussion of the treatment which is accorded business enterprises within the United States under the First War Powers Act.

Business Enterprises*

The essence of any successful program for controlling business enterprises under the freezing control is flexibility, both in the authority vested in the Executive and in the administration of such authority by the Executive. This cannot be emphasized too strongly. Myriad forms of Axis control of business enterprises will be encountered and the objective to be achieved will vary from case to case. Any crystallization of policy into rigid form merely invites evasion. So long as the policy and control techniques remain flexible, evasion cannot be successful. The extreme flexibility, which any control that attempts to deal with such varying types of business enterprises must possess, is furnished, first, by a broad statute, namely the First War Powers Act, giving the President broad powers respecting foreign countries and foreign nationals and their property and, secondly, by broad Presidential delegation of this authority to the Secretary of the Treasury and the Alien Property Custodian. The First War Powers Act gives the United States Government broad authority to look behind the nominal ownership of business enterprises and to subject to control any business enterprises which may be found to be acting as "fronts" for the Axis interests.

In the 20-year period between 1919 and 1939, German interests succeeded in organizing within the United States another industrial and commercial network centered in the chemical field, but extending also to the electrical and heavy goods industries, foreign commerce and financing. It is unnecessary to point out that these business enterprises constituted a base of operations to carry out Axis plans to control production, to hold markets in this Hemisphere, to support fifth-column movements, and to mold our post-war economy according to Axis plans.

One of the primary reasons for freezing Axis assets was to combat this situation. The problem with which we are now faced is more difficult than, although somewhat similar to, the problem faced by us in 1917. The background today is vastly different from that which existed in 1917.

We have encountered various devices which have been employed by the Axis to gain and maintain a hold over business enterprises in this Hemisphere. Under the broad definition of the term "national", the freezing control Order has brought under control all those organizations which are actually "fronts" for Axis activities, whether they be neutral "fronts" or American "fronts". Many of these "fronts" may, from the standpoint of technical "legal" relationship, be related to the Axis powers only through contractual ties, patent licensing agreements and the like. In some cases the ties are informal, based largely on personal fealty or close personal relationships. Whatever form these "fronts" may take, it is obvious that any program of economic warfare, to be successful, must comprehend control of their assets and activities.

The most obvious control device is, of course, actual ownership. Actual ownership is, however, frequently hidden. For almost 15 years the Axis-business interests have been taking comprehensive steps to insulate themselves against any seizure or other control of assets based upon the concept of "legal title" in the enemy, such as was used during the last war. Such a concept as a basis of control is now outmoded. The technical "legal title" to some of the most

* After the entry of the United States into the war the controls over business enterprises were extended from pure licensing controls to include vesting and the installation of management in Axis controlled business enterprises. Under Executive Order No. 9193 of July 6, 1942, the vesting and management functions were specifically assigned to the Alien Property Custodian.

dangerous of the Axis-influenced enterprises may be Swiss, Dutch, Swedish or American. In the case of General Aniline & Film Corporation, for example, the 97 percent of its stock which was vested by this Government was registered in the name of Swiss and Dutch companies, although the real interest was clearly German. Other such enterprises may be 100 percent American, so far as technical "legal title" is concerned.

Actual ownership of business enterprises frequently runs through tangled mazes of holding companies. These holding companies were normally incorporated in neutral countries and the ownership of the holding companies themselves was normally represented by bearer shares, making it extremely difficult to negate a claim that the ownership of the corporation was coincident with the state of incorporation. As an example of this type of ownership, the 16 subsidiaries of Schering A. G. located in the other American Republics were conveyed in 1938 to Forinvent (Foreign Inventions & Patents, Ltd.), a holding corporation organized under the laws of Switzerland. All of the shares of Forinvent were in turn nominally owned by Paciba, a holding corporation organized under the laws of Panama, and Palladium A. G., organized under the laws of Switzerland. The ultimate ownership of both of these corporations was in the holders of bearer shares. A much more common technique of control was the use of options. For example, the stock of General Dyestuff Corporation (organized under the laws of Delaware) was owned by two American citizens but was subject to an option held by Chemnyco, Inc., which in turn was nominally owned by American citizens, but was incorporated and functioned as a service agency for I. G. Farbenindustrie in the United States.

Exclusive sales agency contracts constitute another fairly common form of control device. General Aniline & Film Corporation was one of the two important producers of dyestuffs in the United States, but it never established a dyestuffs sales organization. The corporation, on its organization in 1929, made an exclusive sales contract for sales representation in dyestuffs with General Dyestuff Corporation, a corporation which had been organized to become the exclusive sales agent in the United States for I. G. Farbenindustrie and had acted as such exclusive sales agent since the organization of I. G. Farbenindustrie. Thus another control device was created in the General Aniline & Film situation. To control exercised through stock ownership and through key personnel was added control through all sales and basic sales policy.

Personal fealty of management personnel is another technique of control employed by the larger German industries. It has been found that certain individuals who occupied a dominant place in business enterprises owed all of their success to their business contacts in the past with German industries such as I. G. Farbenindustrie. This type of control was used not only in the case of management personnel, but also in the case of technical personnel. For example, one important technician in a chemical company in the United States, who allegedly was forced to leave Germany because of his religious beliefs, actually obtained his permission to leave Germany and obtained his job in the chemical company through the intervention of I. G. Farbenindustrie. It was discovered he was on the payroll of I. G. Farbenindustrie up until the very day that he went on the payroll of the chemical company. It is obvious that under these circumstances a strong feeling of loyalty to I. G. Farbenindustrie was to be expected on the part of this individual.

Probably the outstanding technique employed by large German industry to maintain industry in other countries on the footing of complete dependence has been the insertion in all contracts with local industry of a provision that I. G. Farbenindustrie, for example, through its laboratories would make available to the local industry all new discoveries and manufacturing processes. This practice has been a boon to local industry in times of peace but has stifled research development by the local industry.

Superimposed upon these various techniques of control, which generally are not used singly but in combination of two or more, are two other patterns which must be constantly borne in mind. One pattern is found in the close relationship between German industry and the Nazi Party. This relationship has been close from the rise of the Nazi Party to power, since it is well known that this party was financed by large industry in Germany. The most striking example of this strong control is probably the fact that in 1938 the Nazi Party sent to eight of the other American Republics assistant managers for Farbenindustrie enterprises who had no familiarity with the businesses and were placed in those countries solely for political reasons. The managers who were "assisted" by these persons, found themselves in a position where, even if they did not wish to follow the Party line, manifold forms of pressure were available against recalcitrants and their families.

The other pattern which must be borne in mind constantly varies from industry to industry and from country to country. For example, the United States must further develop its chemical industry. Its steel industry, on the other hand, is well-developed. Its electrical goods industry is well-developed. In any particular industry, the country imposing the control program must keep in mind its basic purpose with reference to that industry and shape its policy in order to best achieve its ends. A trademark belonging to an Axis business enterprise represents an investment in good will, and is part of that enterprise's enduring roots in the country. Disposition of an enterprise should include the disposition of the trademark as well. Destruction of a trademark might be the best method of disposition. With reference to patents, on the other hand, since they represent not an investment in good will but an accrued investment in research, they should be used for the benefit of the local economy. In a problem of this type, production facilities and research facilities must either be developed in the individual country or relationships must be fostered between the local enterprise and an enterprise in another country of this Hemisphere having such production and research facilities.

Another major objective which is really another facet of the development of local industry is to prevent the holding of markets for Axis business enterprises. One of the most significant examples of the use to which the Nazi interests have put their scheme of hiding their real interest in business enterprises is found in their endeavor to hold markets in the Western Hemisphere during the war. The Nazis, preparing for the spread of the war and its ensuing consequences of blockade and economic warfare measures, began setting up dummy organizations in this country and in the other American Republics, in many cases ostensibly owned by purely American interests. It was the function of these dummy organizations to hold the markets in this Hemisphere. A typical example of this in the chemical field was the setting up of a little export firm in New York City known as Fezandie and Sperrle, virtually unheard of in export circles. Through this dummy firm the powerful Nazi chemical interests attempted to ship chemicals and dyestuffs to their organizations in Latin America. When, in June, 1941, "The Proclaimed List of Certain Blocked Nationals" was issued, the Nazi interests were prepared with a scheme to evade the List. Dummy organizations, ostensibly owned by South and Central American interests, appeared throughout South and Central America. Through dummies in this country and dummies in South and Central America, the Nazis attempted and still are attempting to hold markets in this Hemisphere.

The Scope of the First War Powers Act and the Freezing Control Order

The broad authority of the First War Powers Act and the freezing control Order, and the flexibility with which such authority has been administered, have enabled this Government to deal with these various devices employed by the Axis to penetrate business enterprises in this country.

The freezing control Order includes within its scope any business enterprise within the United States, which is owned or controlled directly or indirectly by blocked nationals of any of the blocked countries. As has already been indicated, the regulatory features of the Order cover any business within the United States which is owned or controlled by any individual or concern which is found to be acting directly or indirectly for the benefit of or on behalf of any blocked country or any blocked national, even though such individual may be an American citizen or such concern an American entity. Under the power given the Secretary of the Treasury to define as a national any person determined by him to have been acting directly or indirectly for the benefit of or under the direction of a blocked country, many of our own citizens, and the business enterprises owned or controlled by them, have been declared to be nationals of blocked countries.

Approximately 3,000 business enterprises in the United States have been subjected to the Control. They include enterprises controlled by or acting for or on behalf of the Axis countries or persons within the Axis countries; enterprises controlled by persons within Axis-occupied countries; enterprises controlled by persons acting in the interests of the recognized refugee governments in London of blocked countries such as the Netherlands; and enterprises controlled by persons within blocked countries which have not been occupied by the Axis, such as Switzerland. These enterprises cover a variety of economic and industrial activities, from long-established Axis-owned chemical manufacturing plants to the newly-established American diamond industry.

From the beginning of the Control, all concerns subjected to the Control have been required to file affidavits providing detailed information respecting their organization, officers and directors, capital structure, relationship with other concerns, nature of their operations, and their principal customers. Those concerns which were allowed to operate are required to file periodic reports providing significant information with regard to their operations. In addition, the operations of many concerns have been subjected to penetrating investigation by Treasury Department representatives. As a result of the operation of the freezing control in this field, this Government now has in its files organized information with respect to the structure, activity and background of the numerous Axis-owned or Axis-dominated concerns, as well as with respect to concerns controlled by nationals of other blocked countries.

The treatment which has been or is being accorded these business enterprises varies, of course, in each individual case and is dependent in each case upon the particular facts and circumstances involved. The measures that have been used in individual cases range in degree from the rigorous treatment which is accorded firms such as General Aniline & Film Corporation for example, a part of the German I. G. Farben set-up which has spread its influence and power throughout the Western Hemisphere and the rest of the world, to the liberal treatment which is accorded concerns such as The Netherlands Trading Society East, Inc., Delaware, a Dutch organization operating under the control and in the interests of the recognized Dutch Government in London. Thus, in contradistinction to the case of General Aniline & Film, in which 97 percent of the stock found to be controlled by German interests was vested by this Government, The Netherlands Trading Society East, Inc., Delaware, was declared to be a generally licensed national, a designation which permits such concern to engage in all transactions as freely as any American concern.

Treatment of United States Citizens

It was recognized from the inception of the freezing program that a control which could reach only those who were actually citizens of the Axis countries or of other countries under their domination would be ineffective, and, indeed, naive in the light of Axis practices. We

were cognizant of the foresighted German practices of sending spies and agents to become naturalized citizens of the countries against which they were to machinate or of using pressure against Americans and others by threats of reprisal against relatives abroad. We were aware that many United States concerns, wholly owned by American citizens or by neutral citizens were indirectly controlled by the Axis. Our definition of "national," therefore, as applied to individuals and to corporations, was made as broad as possible, so that anyone entangled in the web of Nazi influence could be subjected to the Control. Under the power given the Secretary of the Treasury to define as a national any person determined by him to have been acting directly or indirectly for the benefit of, or under the direction of, a blocked country, many of our own citizens have been declared to be nationals of Germany, Italy or Japan.

Innumerable instances may be cited where United States citizens were blocked or ordered removed from places of control in various enterprises:

(a) As a result of intensive investigation of several large corporations in which there were substantial German interests, the corporations were required to dismiss particular employees. About 100 American citizens were dismissed from General Aniline & Film Corporation, including 5 key executives, 3 of whom were receiving salaries in excess of \$50,000 a year. Schering Corporation was required to dismiss, among others, its sales manager and the head of its engineering department, both of whom were American citizens. Twenty-three American citizens, including the vice president in charge of engineering, were similarly dismissed from American Bosch Corporation.

(b) A number of law offices have been blocked and subjected to supervision and intensive investigation. For example, the law office of the principal attorney for the German-American Bund was ordered closed; and the patent attorneys for General Aniline & Film Corporation were required to liquidate their firm.

(c) The Treasury Department has taken custody of almost all the files and records of German-American Bund organizations and has blocked the accounts of most of their officers and many of their prominent members, almost all of whom, as required by the rules of these organizations, are American citizens. In addition, the Bund Publishing Company was closed down and the printing company, William B. Graf & Son, owned by American citizens, has been blocked and is now under supervision.

(d) A large number of American citizens have been blocked who were engaged in the ruckwanderermark, remittance and food package businesses. Such businesses were conducted either at retail, in conjunction with small travel agencies, or wholesale through many small agents. Hans Utsch & Company and Hautz & Company are examples of wholesalers in the first two lines. Utsch, an American citizen, was blocked and was required to liquidate his business under supervision. Hautz & Company, which was composed of two American citizens and one German, was blocked and required to liquidate under supervision. Food package wholesalers have likewise been blocked and required to liquidate. One of the largest of these was Fortra, in which the majority interest was held by American citizens. Most of the smaller retailers have been blocked and many of them have gone out of business.

(e) Blocking measures have been taken against many American citizens who were the representatives of German companies or the resident managers of American companies owned in whole or in part by German interests, and against American citizens who purchased German interests in those companies or organized new companies to carry on the business formerly done by the Germans. Examples which may be stated are:

Mr. X, a naturalized citizen, former representative of the Deutsche Guld und Silber Scheideanstalt, and Manager of the Chemical Marketing Company and several small subsidiaries for the exploitation of processes developed by his German principal. His

accounts were blocked and his companies were required to liquidate under Treasury supervision.

Mr. Y, an American citizen who held a minority interest in Jungmann & Company, and who purchased the controlling interest from Helmuth Voss of Germany in a transaction which was believed not to be bona fide. Gutschow and Jungmann & Company were blocked, and the company was placed under supervision and required to liquidate.

Mr. Z, an American citizen who was participating with his brother, an official of the German Government, in a scheme to import into the United States precious stones believed to have been looted by the German Army in Belgium. He and his companies have been blocked, and are presently being prosecuted on criminal charges.

The foregoing are but a few of the numerous examples where the effort of the United States to stamp out Axis influence has been directed against American citizens. There are hundreds of similar cases.

Certain Methods Employed in Dealing With Business Enterprises

Some of the methods which have been employed by the United States Government in an effort to purge all business enterprises within the United States of their Axis influence are the following:

(a) Forced Sale of Assets—Liquidation

The United States Government has forced the liquidation of many business enterprises whose activities were found to be inimical to the defense of the Western Hemisphere, where such business enterprises were not essential to the war effort and where their continued operation was not deemed necessary in the public interest. Included among the types of enterprises which have been so liquidated are:

(1) Business enterprises which were controlled, directly or indirectly, by Germany, Italy or Japan or persons within such countries, irrespective of the technical legal ownership of the enterprises.

(2) Business enterprises which were acting on behalf of or for the benefit of Germany, Italy or Japan or persons within such countries, irrespective of the technical legal ownership of the enterprises; including business enterprises which were attempting to hold foreign markets for such countries or persons.

Such business enterprises are forced to liquidate through the following procedure: In view of the fact that such a business enterprise is a blocked national, any and all property of such business enterprise is blocked and may not be dealt in without a license and such business enterprise may not engage in any financial or commercial transactions except pursuant to license. When it is determined that such business enterprise is to be liquidated, any operating license which may be outstanding in connection with such enterprise is revoked and a license is issued which permits only those transactions which are designed for the speedy liquidation of the enterprise and the disposition of its assets to desirable individuals and concerns. Usually, at the time of the issuance of such a liquidating license, representatives of the United States Government are placed on the premises of the enterprise to supervise the liquidation process. These representatives have instructions to control access to the premises of these business enterprises and to prevent any person from removing or destroying any property of such business enterprise, including books and records.

Through the liquidation procedure, the business and assets of such business enterprises are being reduced to cash, creditors are paid off, and the remaining funds are placed in blocked

accounts. More than 500 business enterprises have been or are being liquidated under this procedure. *A list of such business enterprises which have been or are being liquidated is contained in the Appendix.*

Included among the types of business enterprises which have been forced to liquidate are the foreign banks and insurance companies operating within this country and controlled from within Germany, Italy or Japan. The Treasury Department has obtained the full cooperation of the state banking and insurance departments in administering this phase of the Control.

(b) *Action by Alien Property Custodian—Vesting*

In certain cases it has been found that the liquidation of business enterprises whose activities are detrimental to the security of the Western Hemisphere is not feasible, because the continuation of the business enterprise is in the public interest. In such cases, the interests held or controlled by undesirable influences in the particular business enterprise or in related enterprises have been vested in the Alien Property Custodian under the authority granted by the First War Powers Act, 1941.

The Vesting Orders issued by the Alien Property Custodian provide for the vesting of the property, or interest involved, in the Alien Property Custodian to be held, used, administered, liquidated, sold or otherwise dealt with in the interest of and for the benefit of the United States. Representative companies which have been affected by such vesting orders are:

General Aniline & Film Corporation, third largest manufacturer of dyestuffs in this country, which, through nominal Swiss ownership, was closely affiliated with and dominated by I. G. Farbenindustrie, A. G. 97 percent of the stock, which was actually German-owned, was vested.

Schering Corporation and its subsidiaries, manufacturers of sex hormones, vitamins and other valuable synthetic drugs. The German-owned stock of these corporations was vested.

American Bosch Corporation, one of the largest manufacturers of carburetors and magnetos in the world, ownership of which was nominally in Swedish names but actually German. The German-owned stock has been vested.

Spur Distributing Company, Harvard Brewing Company, Westminster Industrial Corporation, and Amerlagene, all of which were substantially controlled by Fritz Von Opel, scion of the famous automobile manufacturing family of Germany. The foreign interests in these companies have been vested.

Jasco, Inc., holder of many valuable patents, many of which had been assigned to it by I. G. Farbenindustrie. All I. G. Farben interest in patents, contracts and stock has been vested.

Standard Catalytic Company, another holding company similar to Jasco. All I. G. Farben interest in patents, contracts, and stock has been vested.

Magnesium Development Corporation, also an I. G. Farbenindustrie affiliate. The portion of the stock owned by I. G. Farben has been vested.

*With respect to property vested by the Alien Property Custodian see the numerous vesting orders issued by the Alien Property Custodian which are filed in the Federal Register.**

The General Aniline & Film Corporation case is a good example of the use of the vesting technique. General Aniline & Film Corporation was incorporated in 1929 under the aegis of I. G. Farbenindustrie, although the legal ownership of the corporation was never in I. G. Farbenindustrie. Legal ownership was placed in a Swiss holding corporation and subsequently

* As of November 1, 1942, 270 vesting orders had been issued by the Alien Property Custodian and published in the Federal Register.

ownership of a majority of the shares was transferred to holding companies incorporated under the laws of the Netherlands. Throughout the period from 1929 to 1942, I. G. Farbenindustrie used General Aniline & Film Corporation as its principal tool in the United States. Executive personnel were Germans who were sent to this country, took out citizenship here, married citizens of the United States, and formed many strong social ties. Technical personnel, in the main, were Germans sent from Germany. As the war approached, the German Government did not overlook this instrument so aptly devised for espionage purposes. Persons were carried on the payroll of the General Aniline & Film Corporation who were unknown in the company. There was a constant traffic in German agents who would be employed by General Aniline & Film Corporation for a few months and then moved on to other fields. This corporation was blocked as German despite the fact that its ownership was nominally in two nationals of two neutral countries on June 14, 1941. It operated under license for several months; then it was found that the licensing technique was not a sufficiently vigorous type of control. In December 1941, after the outbreak of war, a large group of government personnel, including technical personnel, was sent into General Aniline & Film Corporation to supervise its operations and investigate it thoroughly. The investigation soon developed evidence that General Aniline & Film was being used by the German Government. Twenty-five of the key executive personnel, including the president and chairman of the board and all department heads, were dismissed on orders of the government early in January 1942. On February 16, 1942, 97 percent of the outstanding shares of this corporation were vested by the United States Government. It must be remembered that these shares were held by corporations domiciled respectively in one neutral country and in one allied country. Following the vesting, the United States Government removed the rest of the undesirable executive personnel and replaced them with executives of proven loyalty chosen from the American chemical industry. Nevertheless, the investigation continued until recently and all employees with any past connection with I. G. Farbenindustrie were dismissed.

(c) *Use of Interventors*

In addition to supervision placed in liquidating business enterprises, United States Government representatives have been placed in many operating business enterprises in order to supervise their activities and assure compliance with their business operating licenses.

Besides supervising the activities of the enterprises, it is the function of the government representatives to obtain full information concerning the structure, activity and background of such enterprises, including information as to the actual controls of the enterprises and as to their officers and employees; to determine whether there is any Axis influence in connection with the organization, control or operation of such enterprises; and, if so, to make recommendations as to what steps should be taken to purge the enterprise of such Axis influence.

The government representatives may determine that any one of a variety of steps should be taken, such as:

- (1) The vesting of the stock or other interest of an undesirable individual or concern in such enterprise;
- (2) The liquidation of such concern;
- (3) The discharge of certain officers or directors, or of certain employees;
- (4) The severance of certain undesirable contractual relationships, including patent arrangements and the like; and
- (5) The prevention of certain trade activities, including dealings with undesirable customers and the use of undesirable trademarks.

The First War Powers Act, of course, provides ample authority to take any steps such as these.

It should be emphasized that it is not intended in most cases that the role of the government representatives as interventors should be of a permanent character. Rather, the goal is to destroy effectively the Axis influence in connection with the organization, control or operation of the business enterprise; with the end in view that if such enterprise is not liquidated or vested, it will have been so reorganized that it can safely be permitted to operate without government supervision.

(d) *Licensing Operation (Without Supervision) of Blocked Business Enterprises under Certain Conditions, Including Reorganization*

It may not always be necessary to place interventors in blocked business enterprises in order to purge such enterprises of undesirable influences. It may be possible to accomplish this purpose in a few cases through the issuance of conditional operating licenses, which permit the business enterprise to conduct its activities under certain terms and conditions. For example, a business operating license might be conditioned on the enterprise involved making certain changes in its organization, including the dismissal of certain officers and employees. Another condition of a business operating license might be that the firm completely sever all relationships with undesirable customers.

Generally speaking, the mere use of the licensing technique has not been found to be sufficient in order to reorganize Axis business enterprises. However, the blocking of a business enterprise and the issuance of a limited operating license to it may serve a useful function as a preliminary step in controlling such business enterprise.

An illustration of the use of the licensing technique as a preliminary step to prevent undesirable transactions is the case of Schering Corporation of Bloomfield, New Jersey. This corporation, prior to the outbreak of war, was restricted by a cartel contract with Schering A. G. of Berlin to the United States market. After the outbreak of the war, Schering of Bloomfield formed a subsidiary corporation without objection from Schering A. G. of Berlin, the sole function of which was to export goods to other markets in the world which had formerly been supplied by Schering A. G. of Berlin. These transactions were subject to the provisions of Executive Order No. 8389 as amended. The United States Treasury Department denied all export applications (there were 17 applications pending at the time this decision was made).

This action, simply an intelligent use of the licensing technique, prevented Schering A. G. of Berlin from acquiring substantial amounts of local currency which would otherwise have been available to the Axis governments for propaganda and subversive activities in countries in which the sales were made.

The German-owned stock of Schering Corporation and its subsidiaries has now been vested in the Alien Property Custodian.

(e) *Reorganization of an Enterprise Without Blocking*

It may not always be necessary to block a business enterprise in order to purge it of undesirable influences. It may be possible to induce the enterprise to undergo a reorganization or to change its trade practices.

Thus, under the facts set forth in the example described in (d) above, it may be possible, depending upon all the facts and circumstances, to obtain the cooperation of the officers and directors of the business enterprise in discharging undesirable officers and employees and in terminating all undesirable relationships without blocking the business enterprise. Furthermore, where it is not possible to obtain such cooperation without the threat of the use of sanctions, it may be possible, depending upon all the facts and circumstances, to compel the business enterprise involved to discharge the undesirable officers and employees and to cut off all

relationship with the undesirable customers, by threatening to block rather than by actually blocking such business enterprise.

An example of the reorganization of a business enterprise without blocking is Sterling Products, Inc., an enterprise owned by 24,500 American citizens. The foreign ownership is small. However, from 1920 until 1941 Sterling Products, Inc., had very close commercial ties with I. G. Farbenindustrie. There was considerable exchange of personnel and information. In 1923 Sterling Products, Inc., and I. G. Farbenindustrie entered into a cartel agreement which split the drug markets of the world between them.

The representatives of the Government consulted with the officers of Sterling Products, Inc., studied the Sterling situation and as a result thereof Sterling submitted to the Government a series of representations. These representations provided for a termination of all contractual relationships with I. G. Farbenindustrie, the abandonment of trademarks with German connotation, the establishment of new trademarks, the reporting on all personnel with an agreement to dismiss personnel deemed undesirable by the Government, and an undertaking to compete actively with I. G. Farbenindustrie and to report monthly all sales and the use of advertising media.

After the reports of personnel were submitted, the Government studied the background of all executive personnel and technical personnel and suggested the dismissal of 42 of such persons immediately. Some technical personnel who had undesirable backgrounds, who were deemed indispensable, were retained, but have since been dismissed as suitable successors have been obtained for them. The president and the chairman of the board of the corporation were among the first dismissed and the Government participated in the selection of their successors and of all other personnel in important executive posts.

* * * * *

The above-described methods of dealing with business enterprises for the purpose of purging such enterprises of all undesirable influences and insuring that such business enterprises will conduct their activities in the public interest are, of course, only some of the many possible methods which might be employed under the broad and flexible authority contained in the First War Powers Act for dealing with business enterprises. Through these methods we are eliminating from all business enterprises within the United States any influence or activity which is deemed inimical to the defense of the Hemisphere.

THE CENSUS OF FOREIGN PROPERTY

A census of all foreign property subject to the jurisdiction of the United States was taken by the Treasury Department to provide the information necessary for the effective administration of Foreign Funds Control. The comprehensive nature of the census is evident from the fact that all persons owning, holding, or controlling any type of property in which there was a foreign interest, direct or indirect, were required to report the ownership of such property on TFR-300. Where two or more nationals had an interest in the same property, a separate report was required for each national. In order to trace the transfer of property to avoid foreign funds control, all reports required a statement of property holdings as of two reporting dates: June 1, 1940 and June 14, 1941.

To assure the complete reporting of all foreign-owned property, the Treasury required reports to be filed by every national of a foreign country in the United States with respect to all property subject to the jurisdiction of the United States in which he had any interest on either reporting date. Every person in the United States holding or controlling property, including debts and contracts in which any foreign country or national had any interest on either reporting date, was required to report such property and the national for whom it was held. Every partnership, trust, corporation, or organization issuing shares, bonds, debentures, or other securities in which any foreign country or national had any interest on either reporting date, was required to report such nationals and their interest in such securities. Every agent or representative in the United States of any foreign country or national was required to report any property in which any foreign national for whom he was an agent or representative had any interest on either reporting date.

The property required to be reported included bullion, currency, and deposits; all types of securities, checks, drafts, acceptances, letters of credit, promissory notes, debts, and contracts; warehouse receipts and bills of lading, goods and merchandise, machinery and equipment, jewelry, precious stones and precious metals, objects of art and furnishings; real property, mortgages, and other rights in land; patents, trademarks and copyrights; estates and trusts, partnership and profit-sharing agreements; insurance policies and annuities; and other property not otherwise classified. Each item of property valued at \$1,000 or more was required to be specifically identified, with a statement of the location of such property and its value on June 14, 1941 and June 1, 1940.

The reports on TFR-300 called for additional information intended to bring to light other foreign interests in the reported property, and other property in which the reported national might have an interest. Thus each national reporting for himself was required to list the safe deposit boxes held in his name or to which he had access. Furthermore, each national was required to give a full statement of his business connections. Information was also called for that established the nationality of each person for whose property a report was filed.

No report was required if the gross value of all property of a national which was to be reported was less than \$1,000 on either June 14, 1941 or June 1, 1940. However, reports were required, regardless of value, of safe deposit boxes, patents, trademarks, copyrights, franchises, interests in partnership and profit-sharing agreements, and of property the value of which could not readily be determined. Reports were not required of property of nationals who

had been domiciled in and resident only in the United States at all times on and since June 17, 1940, except for nationals of certain invaded countries whose period of uninterrupted residence had to begin in April or May, 1940.

To facilitate the reporting of foreign-owned property and the study of these reports, the Treasury provided specialized forms of TFR-300 in eight series:

Series A was used for reporting property of individuals not engaged in business.

Series B was used for reporting property of governments, business enterprises, non-profit associations and trusts.

Series C was used by organizations issuing securities to report holdings of securities issued by them.

Series D was used by banks and safe deposit companies to report safe deposit boxes.

Series E was used by banks to report deposit accounts, collection items, cashier's and certified checks, bank acceptances, and letters of credit.

Series F was used by banks to report securities in their custody or held by them as collateral.

Series G was used by brokers to report balances, securities, and commodities held by them.

Series H was used by insurers to report insurance policies, annuities, pensions, and claims and indebtedness arising under insurance policies.

The Treasury has already received 600,000 reports of foreign-owned property. These include 150,000 reports on securities issued to nationals of foreign countries, 135,000 reports on bank accounts of such nationals, 56,000 reports on securities held in custody by banks and brokers for such nationals, and 10,000 reports of safe deposit boxes in which such nationals had an interest. It will be readily apparent that these complete and detailed reports provide the Treasury with full information regarding the property holdings and business interests of every national subject to foreign funds control.

The total value of all property reported in the census is in excess of \$13,000 million. More than \$7,000 million of this total was reported as the property of nationals of blocked countries. Property reported as owned or held for nationals resident in the Latin American Republics amounted to more than \$1,200 million.

The following table shows property holdings by principal groups of countries and by principal types of property:

PRINCIPAL FOREIGN-OWNED UNITED STATES ASSETS

[Millions of dollars]

Groups of countries	Gold earmarked	Deposits and other banking assets	Stocks of registered bonds	Direct investments	Other investments	Total
Enemy countries.....	24	160	50	105	125	464
Enemy occupied countries ¹	1,269	1,225	625	365	500	3,984
Other blocked countries ²	848	975	540	120	200	2,683
Other American republics.....	322	605	225	20	50	1,222
All other countries.....	4	1,115	1,690	1,340	650	4,799
	2,467	4,080	3,160	1,950	1,525	13,152

¹ Plus Unoccupied France and Finland.

² Including China.

APPENDIX

ENTERPRISES LIQUIDATED OR BEING LIQUIDATED AS OF JUNE 30, 1942

BOSTON (FEDERAL RESERVE DISTRICT NO. 1)

Yamanaka & Co.—(Boston) 424 Boylston St., Boston, Mass.
Yamanaka & Co.—(Bar Harbor)—(Osaka) Maine.

NEW YORK (FEDERAL RESERVE DISTRICT NO. 2)

Akawa & Co. Inc.—295 5th Avenue, New York City.
American Obermaier Corp.—355 Walton St., New York City.
A. V. Publishing Co.—178 E. 85th St., New York City.
Akiyama, Kanae—6 E. 15th St., New York City.
Akiyama, A. & S.—815 Columbus Avenue, 100 St., New York City.
American Committee for the German Relief Fund, Inc.—P. O. Box 376, Grand Central Annex, New York City.
Asahi Corporation—350 Fifth Ave., New York City.
Asano Co.—165 Broadway, New York City.
Asano Bussan Co. Ltd.—165 Broadway, New York City.
Ataka & Co. Ltd.—19 Rector St., New York City.
Banca Commerciale Italiana—62-64 William St., New York City.
Banco di Napoli—New York City.
Banco di Napoli Trust Company—New York City.
Banco di Roma (Formerly: 15 William St.) New York City.
Bank of Chosen—165 Broadway, New York City.
Bank of Japan—120 Broadway, New York City.
Bank of Taiwan, Ltd.—165 Broadway, New York City.
Berrizzi Company, Inc.—Rockefeller Plaza, New York City.
C. Da Silva & Co. Inc.—135 Broadway, New York City.
Chemnyco, Inc.—5201 5th Ave., New York City.
Chemical Marketing Corp.—10 E. 40th St., New York City.
Credito Italiana—New York City.
Dirk Dreux—102 Maiden Lane, New York City.
Domei O Taushin Sha—50 Rockefeller Plaza, New York City.
Eastern Tricosal Co.—10 East 40th St., New York City.
Economic and Financial Agency Inc.—New York City.
Empire Import & Export Co.—11 W. 42 St., New York City.
First of Delaware Co.—29 Broadway, New York City.
Fortra, Inc.—61 Broadway, New York City.
French Telegraph Cable Co.—New York City.
General Insurance Co. of Trieste & Venice—New York City.
German Library of Information—95 Maiden Lane, New York City.
Godo Match Co., Inc.—59 Pearl St., New York City.
Gosho Company, Inc.—76 Beaver St., New York City.
Gosho Sales Corp.—76 Beaver St., New York City.
Gunze Silk Corp.—40 E. 34th St., New York City.
Gestia Inc.—19-21 Dover Green, Delaware.

Graef, Albert, Inc.—52 Wall Street, New York City.
 Guarantra Corp.—302 Broadway, New York City.
 Hamburg-American Line—57 & 61 Broadway, New York City.
 Hara & Company—1 Park Ave., New York City (Former Address).
 Haruta & Co., Inc.—141-147 5th Ave., New York City.
 Hautz & Company—50 Broadway, New York City.
 Hautz & Co., Robert E.—50 Broadway, New York City.
 Heidelberg Printing Machinery Corp.—228 E. 45th St., New York City.
 Helfeda Corp.—Sunswyck Road, Darien, Connecticut.
 Inter-American Chemicals, Inc.—157 Chambers St., New York City.
 International Inventions—New York City.
 Italian Lines—5th Ave. & 50th St., New York City.
 C. Itoh & Co., Ltd.—270 Broadway, New York City.
 Iwai & Company—233 Broadway, New York City.
 Kuino Izumi—54 W. 21st St., New York City.
 Japan Cotton & Silk Trading Co.—(formerly: 200 Madison Ave., New York City) c/o 21 Cottage Place,
 Leonia, New Jersey.
 Japan Institute, Inc.—630 5th Ave., New York City.
 Japan Tea Buying Agency—90 Wall St., New York City.
 Japanese American—216 E. 45th St., New York City.
 Japanese Association, Inc.—1819 Broadway, New York City.
 Japanese Chamber of Commerce—630 Fifth Avenue, New York City.
 Japanese Financial Commission—120 Broadway, New York City.
 Japanese Gov't Raw Silk Bureau—261 5th Ave., New York City.
 Japanese Times—12 W. 17th St., New York City.
 Jungmann & Co., Inc.—74 Trinity Pl., New York City.
 Kanebo, Inc.—535 5th Ave., New York City.
 Kanematsu Trading Corp.—245 5th Ave., New York City.
 Katakura Corp.—200 Madison Ave., New York City.
 Kawasaki Kisen Kaisha—10 Bridge St., New York City.
 Kijima, Keiji—220 W. 42 St., New York City. Kokusai Kisen Kaisha—1 Broadway, New York City.
 Leipzig Trade Fair—New York City.
 Mayer, Robert C. & Co.—15 William Street, New York City.
 Meiji Fire Insurance Co.—New York City.
 Meito China Corporation—200 5th Ave., New York City.
 Mikimoto, K., Inc.—630 5th Ave., New York City.
 Minami & Hori Importing Co., Inc.—New York City.
 Mitsubishi Bank Ltd.—120 Broadway, New York City.
 Mitsui Bank, Ltd.—61 Broadway, New York City.
 Mitsui Line—24 State Street, New York City.
 Mitsubishi Shoji Kaisha Ltd.—120 Broadway, New York City.
 Mitsui & Co., Ltd.—350 Fifth Avenue, New York City.
 Mogi, Momonoi & Co., Inc.—111 5th Ave., New York City.
 Morimura Arai & Co.—120 Broadway, New York City.
 Morimura Brothers Inc.—59 W. 23 St., New York City.
 Nippon Yusen Kaisya—25 Broadway, New York City.
 Nagata, Yoshisada—67th St. & 3rd Ave., New York City.
 Nakama, Masao—81-06 37th Ave., Jackson Heights, New York.
 Nippon Club—161 W. 93 St., New York City.
 Nippon Dry Goods Co.—1107 Broadway, New York City.
 Nippon News Reel Corp.—See: (Domei O. Taushin Sha).
 Nissho Co., Ltd., The—115 Broadway, New York City.
 Nosawa & Company—11 Park Pl., New York City.
 Nozaki Brothers, Inc.—225 Lafayette St., New York City.
 Obi Company—11 Park Pl.—New York City.
 Okura & Company—30 Church St., New York City.
 Onishi, Katsuji—New York City.
 Osaka Mainichi & Tokyo Nichi Nichi (Shinbun)—220 East 42nd St., New York City.

Osaka Syosen Kaisya—17 Battery Place, New York City.
 Pilot Reinsurance Co.—New York City.
 Pioneer Piece Dye Works—New York City.
 Pioneer Potash Corp.—44 Whitehall Street, New York City.
 Protinol Products, Inc.—10 East 40th St., New York City.
 Reidel De-Haen—105 Hudson Street, New York City.
 Rogow & Fuse, Inc.—230 5th Ave., New York City.
 Saint Denis-Kuhlmann-Saint Clair Dyestuff—55 Van Dam St., New York City.
 Select Industrial Diamond Corp.—New York City.
 Shinyei Corporation—350 Fifth Avenue, New York City.
 Showa Tsusho Kaisha, Ltd.—1775 Broadway, New York City.
 Southern Cotton Co., Ltd.—60 Beaver St., New York City.
 Strahler & Co., Inc.—95 Madison Ave., New York City.
 Suhl, Inc., Henry—New York City.
 Sumitomo Bank, Ltd.—149 Broadway, New York City.
 Sumitomo Marine & Fire Ins. Co.—New York City.
 S. Suzuki & Co.—230 Park Ave., New York City.
 Taiyo Trading Co., Inc.—121 5th Ave., 60 Wall St., New York City.
 Takamine Corporation—132 Front Street, New York City.
 Takata Company, Ltd.—115 Broadway, New York City.
 Tea Kigyo Corp.—230 W. 100th St., New York City.
 Tokyo Asahi & Osaka Asahi (Kyozo Mori)—229 W. 43 St., New York City.
 Tokio Commercial & Industrial Museum—New York City.
 Tokyo Marine & Fire Ins. Co.—80 John St., New York City.
 Toyo Machine Co., Inc.—53 W. 25 St., New York City.
 Toledano, Inc., Toledano, J. S. and Pinto, J. S.—New York City.
 Ufa Films, Inc.—1270 6th Ave., New York City.
 Utsch, Hans—29 Broadway, New York City.
 B. Westerman & Co., Inc.—18-20 W. 48th St., New York City.
 Westfalia Separator Co., Inc.—30 Orange St., Bloomfield, N. J.
 Wille & Co. Theodor—104 Front St., New York City.
 Williamson & Company, Inc., R. W.—115 Broadway, New York City.
 Yamakawa & Company—60 Beaver St., New York City.
 Yamashita Line—17 Battery Pl., New York City.
 Yamatoya Co., Inc., The—60 E. 55th St., New York.
 Yokohama Nursery Co., Ltd.—230 Park Avenue, New York City.
 Yokohama Specie Bank, Ltd.—120 Broadway, New York City.
 Yomiuri Shinbun—355 E. 45th St., New York City.
 Yoshizawa, O.—656 Broadway, New York City.
 Zegna Woolens Corp., (Lauro Concato)—607 5th Ave., % 37 W. 43rd St., New York City.

CLEVELAND (FEDERAL RESERVE DISTRICT NO. 4)

A. Aichinger & Company—Cleveland, Ohio.
 American Aid for German War Prisoners—Cleveland, Ohio.
 Daus, Jacob—Cincinnati, Ohio.
 Lincoln Camera Shop—160 Lincoln Way East, Massillon, Ohio.
 The Kameoka Tea Company—Cleveland Ohio.

RICHMOND (FEDERAL RESERVE DISTRICT NO. 5)

Dangers Hayashi—Norfolk, Va.
 Ishii, K.—Norfolk, Va.
 Mezutani, S—Norfolk, Va.
 Miyazaki, T.—Norfolk, Va.
 Morishita, R.—Buckroe Beach, Va.
 Nakano, Koscke—Portsmouth, Va.
 Novelty Shop (Hango Sumii)—Ocean View, Va.
 Okada, Y.—Virginia Beach, Va.

Ostubo, Malce— Portsmouth, Va.
Tada, Wataru — Norfolk, Va.
Tanaka, C.— Newport News, Va.
Ushio, Taro— Norfolk, Va.
Wada, S.— Norfolk, Va.

ATLANTA (FEDERAL RESERVE DISTRICT NO. 6)

Hutson Studio— Atlanta, Ga.
Knoop, Lange, & Company, Inc.— New Orleans, La.
Sunshine Food Products Company — Westwego, La.
Teba's Cafe— Daytona Beach, Florida.
Theodor Wille & Co., Inc.— New Orleans, La.

CHICAGO (FEDERAL RESERVE DISTRICT NO. 7)

Banca Di Napoli Trust Co.— Chicago, Illinois.
Fuji Trading Company— Chicago, Illinois.
Hautz & Company and Robert E. Hautz & Co.— Chicago, Illinois.
Mikimoto, K.— Chicago, Illinois.
Romersi, B. V. — Detroit, Michigan.
Yamanaka & Co., Inc.— Chicago, Illinois.

DALLAS (FEDERAL RESERVE DISTRICT NO. 11)

J. H. Doscher & Co., Inc.— Sweetwater, Texas.
Gosho Company— Galveston, Texas.
Japan Cotton Company— Dallas, Texas.
Koetter and Arbing— Houston, Texas.
H. Molsen & Co.— Dallas, Texas.
Oriental Gift Shop— Galveston, Texas.
Orange Petroleum Co.— Orange, Texas.
Simpson, Lange & Company— Dallas, Texas.
Southern Cotton Company, Ltd.— Dallas, Texas.
Williamson Cotton Co.— Dallas, Texas.
Williamson Produce Co.— Dallas, Texas.

SAN FRANCISCO (FEDERAL RESERVE DISTRICT NO. 12)

Aki Company— Fresno, California.
All Star Trading Co., Inc.— Guadalupe, California.
American Produce Co.— Los Angeles, California.
Aoki Music Company— Sacramento, California.
Aoki Taiseido Book Co.— San Francisco, California.
Aoyama, R. A.— Santa Ana, California.
Asahi Nursery— W. Los Angeles, California.
Asahi Trading Co.— San Francisco, California.
Avenue Hotel — Tacoma, Washington.
Bainbridge Gardens, Inc.— Port Blakely, Kitsap County, Washington.
Bitow, Leonard Masahiko— Seattle, Washington.
Burlington Hotel— Los Angeles, California.
Capital Fish Co.— Sacramento, California.
Cascade Soda Company— Seattle, Washington.
Central Merchandise— San Francisco, California.
Central Trading Company— Seattle, Washington.
Chihara Jewelry Co.— Seattle, Washington.
Chiyo Machikawa (Choyei-Do)— Los Angeles, California.
Clairbourne Apartments— Seattle, Washington.
Coast Times— Portland, Oregon.
Conklin Hotel— Seattle, Washington.

Corona Hotel—Seattle, Washington.
 Diabutsu—San Francisco, California.
 Delta Market—Clarksburg, California.
 Detroit Hotel—Seattle, Washington.
 Diamond Rice Company—Los Angeles, California.
 Eagle Hotel—Los Angeles.
 Eagle Oyster Packing Co., Inc.—Nahcotta, Washington.
 Eagle Rock Oyster Co., Inc.—La Conner, Washington.
 Edoya Company—Los Angeles, California.
 Endo Importing Co., S.—San Francisco, California.
 Filipino Social and Improvement Club—Seattle, Washington.
 Florin Fish Market—Florin, California.
 Flowergrowers, Inc.—San Francisco, California.
 Fuji Jewelry Company—Sacramento, California.
 Fuji Trading
 Fujii Garage—Walnut Grove, California.
 Fujii 10 cent Store—Sacramento, California.
 Fujimori, Kenzo—Stockton, California.
 Fujimori Co.—Stockton, California.
 Fujimoto, Teru—Santa Maria, California.
 Fujita & Company—San Francisco, California.
 Funada, Frank Tsuyoshi—Inglewood, California.
 Funahashi Company—Sacramento, California.
 Furuya, M.—Tacoma, Washington; Seattle, Washington; Portland, Oregon.
 Garden Basket Stores—Los Angeles, California.
 Gear Pulling Equipment Company, Inc.—Seattle, Washington.
 General Trading & Shipping—San Francisco, California.
 Grand Dye Works—Seattle, Washington.
 Hakubundo, The—Los Angeles, California.
 Hashimoto Co.—Torrance, California.
 Hatada, Yoshichi—Terminal Island, California; Acampo, California.
 Hatamiya, Shiro—Live Oak, California.
 Hatashita, Jim T.—Terminal Island, California.
 Hinode Petroleum Ltd.—Los Angeles, California.
 Hirooka, Momoye Nona—Petaluma, California.
 Hishikawa-Yasui—Hood River, Oregon.
 Hollister Seed Co.—Hollister, California.
 Home Grown Vegetable Market—Chico, California.
 Homekan Hotel—Stockton, California.
 Honda, M. T.—Moneta, California.
 Horagami, N.—Portland, Oregon.
 Horai Company—Winters, California.
 Hori Brothers—Los Angeles, California.
 Hori Bros. & Co.—Los Angeles, California.
 Hori, Tatsuo—Los Angeles, California.
 Hosaka, Mitsushige—San Francisco, California.
 Hoshizaki, Seitaro—Oakland, California.
 Hunt's Point Greenhouse-Inc.—Bellevue, Washington.
 Iahara, Seikichi—Garden Grove, California.
 Ikeda, Kihei—Sacramento, California.
 Ikeda, Sakino & Sugimatsu—Fresno, California.
 Independent Supply Company—Guadalupe, California.
 Ino Merchandise Co.—San Francisco, California.
 Inouye Motor Co.—Los Angeles (So. San Pedro), California.
 Iseri, K.—Los Angeles, California.
 Ishii Nursery—Wilmington, California.
 Ishikawa Drug Company—Los Angeles, California.
 Ishimitsu Company, S.—San Francisco, California.

Italian-American Lines—Los Angeles, California.
 Itano, M.—Sacramento, California.
 Ito, Raymond Tomikichi—Stockton, California.
 Iwamoto, H. S.—Lompoc, California.
 Iwata Trading Co.—San Francisco, California.
 Izumi, Toshiro—Terminal Island, California.
 Jackson Fish & Oyster Co., Inc.—Seattle, Washington.
 Jackson Photo Studio—Seattle, Washington.
 Japan Importing Company—San Francisco, California.
 Japanese Labor Ass'n.—San Francisco, California.
 Joe and Kay Produce Co.—Portland, Oregon.
 Kageyama & Co.—Los Angeles, California.
 Kambara Shoe Store—Sacramento, California.
 Kaminishi, Amy Emiko—South Seattle, Washington.
 Kamiya, Tasu—El Centro, California.
 Kashu Hotel—San Francisco, California.
 Kasuchi, E.—Hood River, Oregon
 Kajiwara, Shigekichi—Seattle, Washington.
 Kawakita, Yasaburo—Calexico, California.
 Kawasaki, Yasujiro—Los Angeles, California.
 Kawashima, Tokio—Yolo, California.
 Kido, Katsuso—El Monte, California.
 Kiyokawa & Yasui—Hood River, Oregon.
 Kobayashi, S.—Santa Ana, California.
 Kishi, Giichi—Glendale, California.
 Kayahara, Zeichi—San Fernando, California.
 Kizen Co.—San Francisco, California.
 Kobayashi, Chiyeko—Los Angeles, California.
 Komas, Kametaro—Los Angeles, California.
 Kondo, San Hirashima—Portland, Oregon.
 Kumamoto-Ya—Walnut Grove, California.
 Kusano, Yasataro—Oakland, California.
 Kusumoto, Yoshiko—Encanto, California.
 L. & M. Company—Sacramento, California.
 Lamanda Park Florist & Nursery—East Pasadena, California.
 La Fleur De Pico Nursery—W. Los Angeles, California.
 Liberty Malt Store—Seattle, Washington.
 Lincoln Theatre Company—Stockton, California.
 Los Angeles Japan Chamber of Commerce and Industry—Los Angeles, California.
 Los Angeles News Publishing Co.—Los Angeles, California.
 M and M Dye Works—Seattle, Washington.
 Machida, Ejiro—Covina, California.
 Magario Co., Inc.—San Francisco, California.
 Main Hotel—Sacramento, California.
 Marion Hotel—Seattle, Washington.
 Market Hotel—Los Angeles, California.
 Marumoto, Harry—Wilmington, California.
 Master Oil Burner Co., Inc.—Seattle, Washington.
 Matsumoto Co.—Salt Lake City, Utah
 Matsucka Co., Akow—San Francisco, California.
 Matsuura, Masaji—Portland, Oregon.
 Mihara Electric Company—Los Angeles, California.
 Mikaway Co.—Los Angeles, California.
 Minami, N. Y. & Sons—Guadalupe, California.
 Mission Theater of Sacramento, Inc.—Sacramento, California.
 Mitsubishi Shoji Kaisha Ltd.—Seattle, Washington.
 Mitsubishi Shoji Kaisha Ltd.—Los Angeles, California.
 Mitsubishi Shoji Kaisha, Ltd.—San Francisco, California.

Mitsui & Co., Ltd.—Seattle, Washington.
 Mitsui & Co., Ltd.—San Francisco, California.
 Miura, Roy K.—Sacramento, California.
 Miwashokai, J. S.—San Francisco, California.
 Miyahara, Kiyochi—Seattle, Washington.
 Miyajima Co.—Lodi, California.
 Miyamoto, K.—Walnut Grove, California.
 Miyata, T. & Son.—Stockton, California.
 Mizuoguchi—Puyallup, Washington.
 Mori Nursery—Montebello, California.
 Morishita, H. K.—San Diego, California.
 Moriyama, Shogyo—Niland, California.
 Murai, Koh—Los Angeles, California.
 Murata & Co. S.—Los Angeles, California.
 Nagano Produce Co.—Los Angeles, California.
 Naigai Trading Co.—San Francisco, California.
 Nakahara, J. T.—San Francisco, California.
 Nakamura Company, W.—Seattle, Washington.
 Nakamura Co., A.—Los Angeles, California.
 National Merchandise Corporation—Los Angeles, California.
 National Trading Company—Los Angeles, California.
 New Eagle Drug—Sacramento, California.
 New Grand Hotel—Los Angeles, California.
 New Key Route Grocery—Oakland, California.
 New Olympic Hotel—Los Angeles, California.
 New Palace Hotel—Los Angeles, California.
 Newton Drug Co.—Seattle, Washington.
 New World Sun, Inc.—San Francisco, California.
 Nichibei Securities Corp.—Los Angeles, California.
 Nichibei Securities Co., Ltd.—San Francisco, California.
 Nicko, The—San Francisco, California.
 Nippon Company, Inc.—San Diego, California.
 Nielson, L. R.—Seattle, Washington.
 Nikko Sukiyaki—Portland, Oregon.
 Nippon Dry Goods Company—San Francisco, California.
 Nippon Trading—San Francisco, California.
 Nippon Trade Agency—San Francisco, California.
 Nisei Trading Company—Los Angeles, California.
 Nishikawa, I.—Los Angeles, California.
 Nishimi, Masao—Sacramento, California.
 Nishimoto & Company—Seattle, Washington.
 Nishimura, Sueji—Pasadena, California.
 Nishizaki, Tomo—Los Angeles, California.
 North American Mercantile Company—Los Angeles, California.
 North American Mercantile Company—San Francisco, California.
 North American Times—Seattle, Washington.
 North Coast Importing Co.—Seattle, Washington.
 N. P. Hotel—Seattle, Washington.
 Nukuto, Kichizo and Kimi—Seattle, Washington.
 N & Y Produce—Seattle, Washington.
 N. Y. K. Line—Seattle, Washington.
 N. Y. K. Line—San Francisco, California.
 N. Y. K. Line—Los Angeles, California.
 Oakland Food Products Co., Ltd.—Oakland, California.
 Odama, Takeshi—Los Angeles, California.
 Ohmi Company—Los Angeles, California.
 Ohmura, S. and S.—Chico, California.
 Okawa, Kiyoshi—Seattle, Washington.

O. K. Furniture Co.—Sacramento, California.
 O. K. Hotel—Los Angeles, California.
 O. K. Market—Terminal Way, California.
 O. K. Nursery—W. Los Angeles, California.
 Okuda and Shibagaki Inc.—Seattle, Washington.
 Omaha Hotel—Seattle, Washington.
 Oregon News—Portland, Oregon.
 Oriental Express—Seattle, Washington.
 O. S. Construction Company—Seattle, Washington.
 Owl Cleaners, The—Monterey, California.
 Owl Cleaners & Dyers—Tacoma, Washington.
 Owl Shoe Store—San Diego, California.
 Oxford Dye Works—Seattle, Washington.
 Oxford Hotel—Tacoma, Washington.
 Pacific Dry Goods Company—San Francisco, California.
 Pacific Coast Fish Co.—San Pedro, California.
 Palace Hotel—San Pedro, California.
 Palmer Hotel—Seattle, Washington.
 Pacific Affairs—San Francisco, California.
 Pacific Market—Seattle, Washington.
 Pacific Rose Nursery—Los Angeles, California.
 Pacific Trading Co.—Los Angeles, California.
 Pacific Trading Company—Sacramento, California.
 Pacific Trading Company—Sacramento, California.
 Pine Street Laundry—San Francisco, California.
 Pioneer Pacific Tuna Company—San Diego, California.
 Portland Japanese Chamber of Commerce—Portland, Oregon.
 Production Engineering Corp.—Seattle, Washington.
 Publix Market—Portland, Oregon.
 Rancho Market Vegetable Dep't.—Glendale, California.
 Rex Hotel—Seattle, Washington.
 Rikimaru Bros. & Company—Los Angeles, California.
 Rudy's Electric Shop—Port Angeles, Washington.
 Rufus Market—Inglewood, California.
 Ryono, Daibei—Terminal Island, California.
 Saito, Natsu—Aberdeen, Washington.
 Saji Co., Ltd., T.—Los Angeles, California.
 Saji Trading Co.—Los Angeles, California.
 Sakai, Seiya—Los Angeles, California.
 Sakaino, B.—Portland, Oregon.
 Sakamaki, R. T.—San Francisco, California.
 Sakimura, M. A.—Wapato, Washington.
 Samura & Co.—Moneta, California.
 San Pedro Firm Inc.—Los Angeles, California.
 San Pedro Garage—Los Angeles, California.
 Santa Anita Berry Growers Association, Monrovia, California.
 Sasaki, M.—Huntington Beach, California.
 Sasaki, Shukichi—Loomis, California.
 Sasaki, Toshio—Isleton, California.
 Sato, Tadao—Parkdale, Oregon.
 Seattle Oyster & Fish Company—Seattle, Washington.
 Shigeno, Kinzuchi—
 Shinkai, Masao—San Francisco, California.
 Shockiku Co., Ltd.—Los Angeles, California.
 Shokai, J. S. Miwa—San Francisco, California.
 Sogo Kinyusha—Portland, Oregon.
 Showa Securities Company—Los Angeles, California.
 S. K. Produce Company—Los Angeles, California.

South Hand Laundry—Los Angeles, California.
 South Imperial Valley Vegetable Growers Cooperative Association—El Centro, Calif.
 Southern California Japanese Fisherman's Association—Terminal Island, California.
 St. George Apartments—Seattle, Washington (see: Nukuto, Kichizo and Kimi).
 S. P. Grocery—Portland, Oregon.
 Star Apartments—Seattle, Washington.
 Star Cash Grocery—Bernardina, California.
 Star Company—Sacramento, California.
 Star Produce Co.—Los Angeles, California.
 Stockton Cooperative Investment Co.—Stockton, California.
 Sumitomo Bank, Ltd., The—Los Angeles, California.
 Sumitomo Bank, Ltd., The—San Francisco, California.
 Sumitomo Bank of California—Sacramento, California.
 Sumner Packing Co.—Seattle, Washington.
 Sun Produce Company—Los Angeles, California.
 Sunnyvale Pea Growers Association—San Jose, California.
 Sunrise Soda Water Company—Los Angeles, California.
 Sutter Street Printing Company—San Francisco, California.
 S. Suzuki & Company of Los Angeles, Ltd.—Los Angeles, California.
 Tacoma Hotel—Seattle, Washington.
 Taguchi, Ko—La Jolla, California.
 Takao Studio—Seattle, Washington.
 Takashiro, Y.—Lathrop, California.
 Takemoto Drug Store—Sacramento, California.
 Taketa, M. T.—Clarksburg, California (See: Delta Market).
 Takeuchi, M.—West Los Angeles, California.
 Tambara & Company—Sacramento, California.
 Tamura, Raisuke—Seattle, Washington.
 Tani & Co.—San Francisco, California.
 Taniguchi & Co.—San Diego, California.
 Tanikawa, T.—Florin, California.
 Taro Cleaners—Los Angeles, California.
 Tawara Co., Geo.—San Francisco, California.
 Teikoku Company—Portland, Oregon.
 Three Crown Produce—Los Angeles, California.
 Three Star Produce Company, Ltd.—Los Angeles, California.
 Togo Shoe Store—Salinas, California.
 Tokai Printing Co.—San Francisco, California.
 Tokiwa Co.—Sacramento, California.
 T. Toma Company—Terminal Island, California.
 Torigoe, Bunkichi—Watsonville, California.
 Toyo Dyeing and Cleaning Works—San Francisco, California.
 Toyo Grocery—South Seattle, Washington (See: Kaminishi, Amy Emiko).
 Tsuboi Brothers—Portland, Oregon.
 Tsukuno Brothers & Co.—Seattle, Washington.
 Tsuruoka, Tokutaro—Reedley, California.
 Tsutakawa & Co.—Seattle, Washington.
 T & Y Produce Co.—Los Angeles, California.
 Uchida Investment Company—Venice, California.
 Umaki, Seisuke—San Leandro, California.
 Umekubo, Koshiro—Los Angeles, California.
 Union Importing Company—Los Angeles, California.
 United Farmers Association of California—Los Angeles, California.
 Valentin, Albert—Monmouth, Oregon.
 W & F Produce Co.—Los Angeles, California.
 Wada, Masae—Santa Maria, California.
 Washington Fish Market—Stockton, California.
 Watanabe, Ryusuke—Hood River, Oregon.

Wayne Basket Mfg. Co.—San Jose, California.
Wehara, Russell—Oakland, California.
Western Oyster Company—Blanchard, Washington.
Western States Importing Co., Inc.—San Francisco, California.
West Gate Florist—West Los Angeles, California.
XYZ Produce—Los Angeles, California.
Y. M. Produce Company—Los Angeles, California.
Yamacho & Co. Ltd.—Seattle, Washington.
Yamada, Roy N.—San Diego, California.
Yamamoto Bros.; Yamamoto, S.—Terminal Island, California.
Yamamoto Company—Terminal Island, California.
Yamamoto, Hisataro—Huntington Beach, California.
Yamasaki, Taney—Los Angeles, California.
Yamashita Shipping Co., Inc.—Seattle, Washington.
Yasui Brothers—Hood River, Oregon.
Yokohama Shoe Repairs—Seattle, Washington.
Yokohama Specie Bank, Ltd.—Los Angeles, California.
Yokohama Specie Bank, Ltd.—San Francisco, California.
Yorozu Co.—Sacramento, California.
Yoshizawa, Seizo—Petaluma, California.

(at 2566.)

OBLIGATIONS OF THE UNITED STATES AS CREDIT AGAINST VICTORY TAX

1942
Department Circular No. 704
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, Dec. 29, 1942.

The following regulations are issued pursuant to Subchapter D, Part I, Sec. 453 (a) (3) of the Internal Revenue Code, as added by the Revenue Act of 1942, which reads as follows:

“SEC. 453. CREDIT AGAINST VICTORY TAX.

“(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the victory tax for each taxable year: * * *

“(3) The amount by which the amount of obligations of the United States owned by the taxpayer on the last day of the taxable year exceeds the greater of (A) the amount of such obligations owned by the taxpayer on December 31, 1942, or (B) the highest amount of such obligations owned by the taxpayer on the last day of any preceding taxable year ending after December 31, 1942. As used in this paragraph (i) the term ‘owned by the taxpayer’ shall include the amount of the obligations owned solely by the taxpayer and one-half of the amount of the obligations owned jointly by the taxpayer with one other person, but shall not include such obligations acquired by the taxpayer by gift, or inheritance, or otherwise than by purchase; (ii) the term ‘obligations of the United States’ means such obligations of the United States as the Secretary may by regulations prescribe, and as are purchased in such manner and under such terms and conditions as he may specify; and (iii) the term ‘amount of obligations of the United States’ means the amount paid for such obligations.”

(1) The following classes of securities issued by the United States are prescribed as “obligations of the United States” within the meaning of such term as used in Subchapter D, Part I, Sec. 453 (a) (3) of the Internal Revenue Code:

- 1. United States Savings Bonds, Series E, F, and G.

(2) The right is reserved to amend or supplement this circular, at any time, or from time to time.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

(Filed with the Division of the Federal Register, December 30, 1942)

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