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IRD. Refugees

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FFS-2020  
September 4, 1958

Mr. L. O. Sanderhoff  
European Regional Affairs  
Room 7004 New State  
Department of State  
Washington, D. C.

Dear Mr. Sanderhoff:

I am writing informally at this time following our conversation yesterday, with particular reference to the 25 million dollars allocated in Paragraph (B) of Article 8 of Part 1 of the Final Act of the Paris Conference on Reparation of 21 December 1945, for the rehabilitation and resettlement of non-repatriable victims of German action, in accordance with the plan embodied in the Five Power Agreement of 14 June 1946 and the Letter of Instruction of 21 June 1946.

As I explained to you, Mr. Kingsley and I have been preparing a final report which we intended to present to the three directly-interested governments, the U. S., the U. K. and France. Completion of that report has been delayed by my recent absence abroad and Mr. Kingsley's presence in Nigeria, where he is advising that Government. Upon Mr. Kingsley's return, the final report will be completed and it should be in the hands of the governments by the end of the year, if not sooner. As I also explained to you, that report is to be an "all-inclusive" document which will cover not only the 25 million dollar allocation above referred to, but also other aspects of the work of the Fund, both relating to the Paris and Five Power Agreements and programs not within the terms of the reparation agreements (e. g., the use for refugee relief of certain Italian lire made available for special purposes by the interested Governments, and the so-called "Rome Treasure" program).

Within the proposed terminal or final report, it has been our intention to include a final report on the 25 million dollar allocation, since that part of the program would be of interest to the IARA governments, and the U. S., the U. K. and France might desire such a report as the basis for

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their own report to IARA on the implementation of Article 8 and the Five Power Agreement.

Our conversation yesterday related particularly to the desirability of separating and expediting such a final report, relating solely to the 25 million dollar allocation, in order to enable the U. S., the U. K. and France to report on this aspect to IARA. This letter and its attachment are in response to the reference conversation.

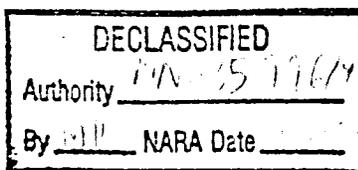
I understand that question has arisen as to whether more or less than 25 million dollars was made available for the rehabilitation and resettlement of non-repatriable victims of German action in accordance with the relevant agreements. The facts are as follows:

1. The Letter of Instruction from the Five Powers dated 21 June 1946 stated that an advance of 50 million Swiss francs would be made available for the rehabilitation and resettlement of non-repatriable victims of German action, as provided for in the Agreement on the Liquidation of German Assets in Switzerland which was under consideration at that date for ratification by the Swiss Federal Council; and that the remainder of the 25 million dollar priority allocation was to be obtained from the Allied representatives on the Allied-Swiss Liquidation Commission. Subsequently, these Instructions were amended by letter of 24 December 1946 from the French Government on behalf of the Five Powers so that the sum of 50 million Swedish kroner were to be obtained from the Swedish Government in accordance with the Memorandum of Accord of July 18, 1946, as soon as the sum was appropriated by the Swedish Riksdag; and the balance of the 25 million dollar allocation was to be received as soon as the U. S., the U. K. and France concluded agreements with neutral countries and were in a position to make these sums available. Further, reference was made to the Swiss accord which provided for payment of 50 million Swiss francs from the funds accruing from the liquidation of German assets in Switzerland.

It was contemplated, at that time, that 50 million kroner, or approximately \$12,500,000, and 50 million Swiss francs, or approximately \$12,500,000, with only minor adjustments, would make up the promised \$25,000,000.

2. As soon as the Swedish Parliament appropriated the 50 million Swedish kroner, negotiations began with the Swedish Government

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for the transfer of the funds for the purposes contemplated in the Paris Reparation and Five Power Agreements. Serious difficulties, however, resulted in unexpected delay. The Swedish Government took the position that the payment of this sum would be regarded as a contribution to the general operations of the International Refugee Organization; since Article 8 and the Five Power Agreement were specific in setting forth the purposes for which the funds could be used, the interested parties rejected this Swedish position; and it was not until July 1947 that the Swedish Government finally agreed to make the 50 million kroner available for the rehabilitation and resettlement of non-repatriable victims of German action in accordance with the relevant agreements.

3. On July 12, 1947, thus, the Swedish Government finally transferred 50 million kroner to a special blocked account at the Sveriges Riksbank. But this was little more than a formal transfer, for at the time the kroner was not convertible, and there was no possibility of using the funds, within the purposes of the Paris Reparation Agreement and the Five Power Agreement, in Sweden. Lengthy negotiations ensued with the Swedish Government, in which the Fund had the sympathetic assistance particularly of the British Government in working out conversion into sterling, and by September, 1949 - that is, more than two years after transfer into the blocked account - a substantial amount of the kroner deposit had been utilized. A substantial amount, however, was still on deposit, unable to be used because of the stringent limitations which still existed on transferability or convertibility.

In the interval between the signing of the Accord with Sweden, in July of 1946, and the above-mentioned date of September, 1949, the Swedish kroner had had several official exchange values. On the date of the Accord, the 50 million kroner were worth, at official exchange rates, about \$12,500,000. Subsequently, the Swedish Government revalued the kroner upward (unrealistically, as events proved), making the same amount in kroner theoretically worth \$13,888,889. This was the theoretical value as of the date of payment by Sweden into the blocked account. But on September, 19, 1949, the Swedish Government recognized the need for devaluation, and devalued the kroner.

As of that date - that is, September 19, 1949 - the Fund still had on deposit substantial kroner funds, which it had been unable to distribute only because of exchange restrictions. On the amount so on deposit, the Fund took an immediate loss of \$368,414.

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Thus, out of the Swedish kroner deposited with it, the Fund was able to make available various currencies other than dollars, at official rates of exchange, with a dollar equivalent value of \$13,520,475, rather than \$13,888,889, for the rehabilitation and resettlement of victims of persecution.

It will be noted parenthetically that the loss thus borne by the Fund is exclusive of the very serious loss borne by organizations to which kroner funds were transferred, which organizations were holding such funds, pending arrangements for use, transfer or conversion, at the time of the Swedish devaluation.

Thus, the Fund has received in currencies usable for the purposes of Article 8 the equivalent of \$13,520,475 from Swedish kroner deposits.

4. Other amounts received by the Fund were all in Swiss francs. Despite the indication that the Fund would receive 50,000,000 Swiss francs, the first payment to the Fund on Swiss franc account was made on July 22, 1948, in the amount of 20,000,000 Swiss francs, as an advance by the Swiss Government in anticipation of implementation of the Swiss-Allied Accord. Another advance based on the Swiss-Allied Accord, in the amount of 12,896,917 Swiss francs, was made on September 11, 1953.

5. No further payments were made on account of the Swiss-Allied Accord. It had been provided, however, in the Allied-Portugese Accord, initialled as early as 1946, that the first 100 million escudos resulting from that Accord would be provided to the Fund. In view of delays in implementation of the Portugese Accord, of the clear obligation undertaken by the Allied under the Paris Reparation Agreement, and of the availability of Swiss franc funds, a payment of 7,604,909 Swiss francs, or the equivalent of 50,000,000 Portugese escudos, was made on March 29, 1955. On the same basis, a final payment of 7,605,000 Swiss francs was made on December 15, 1956. As a condition of these payments, the Fund relinquished any rights to or claims against Portugese escudo funds and any claims based upon currency devaluation losses.

6. Having in mind these facts, our accountants have prepared an extract from the proposed overall report, now in draft. The extract shows the above facts very clearly. It reveals that, largely as a result of the delay in ability to use the Swedish kroner deposited in the special blocked account, the actual dollar equivalent amount which the Fund has had

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available to it for use in the relief and rehabilitation task stipulated under Article 8 is some \$300,000 less than \$25,000,000 - the exact amount being, as shown, \$24,708,109.

The above presentation is in all respects factual, and conforms to the agreement reached in London, during the negotiations leading to payment of escudo equivalents, with Mr. Warner of the British Foreign Office, and through him, with representatives of the French and American Governments. It was clearly then understood that the Fund had in fact not at any time had, and would not have, available to it in currencies usable for its purposes, the full amount of \$25,000,000.

\* \* \* \* \*

I have prepared the above presentation both for the information of the three Allied Governments, and with the thought that I might at this time have their comments on the enclosed draft accounting presentation, to be supplemented by a written explanation along the above lines. If this presentation shows the picture clearly, as I believe it does, it can be incorporated into our final report. A final report on the \$25,000,000 fund can then be prepared, and submitted to you within two weeks or so after receipt of such suggestions as the United States or the other interested governments may have.

With respect to the overall, all-inclusive report referred to above, which will include items and commentary of no interest to IARA, I would beg the indulgence of the three directly-interested governments to permit Mr. Kingsley and me to submit that report before the end of the year. We have all financial data available, but since Mr. Kingsley is absent from the country, I would like an opportunity to review the commentary with him.

Mr. Kingsley and I will very much appreciate receiving whatever comments the experts in London may have on my explanation and the enclosed draft and we will, of course, be pleased to cooperate to the fullest extent possible.

Sincerely yours,

*Abba P. Schwartz*  
Abba P. Schwartz

Enclosure

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D R A F T

PARIS REPARATION REFUGEE FUND

Income and Expenditure Account

of

The \$25,000,000 Fund

(Expressed in U. S. Dollars)

	<u>Jewish Agencies</u>	<u>Non-Jewish Agencies</u>	<u>Total</u>
<u>Income:</u> * (A)			
Swedish Kroner	\$12,500,000	\$ 1,388,889	\$13,888,889
Less - Devaluation Loss	56	368,358	368,414
	\$12,499,944	\$ 1,020,531	\$13,520,475
Swiss Francs	10,000,000	1,187,634	11,187,634
	\$22,499,944	\$ 2,208,165	\$24,708,109
<u>Expenditures:</u>			
Payments to Voluntary Agencies	\$22,499,944	\$ 2,208,165	\$24,708,109

\* (A) On following dates the indicated currencies were received by the Fund:

<u>Dates Received:</u>	<u>Swedish Kroner</u>	<u>Swiss Francs</u>	<u>Dollar Equivalent (Less Devaluation Loss)</u>
July 12, 1947 (In Blocked Account)	50,000,000		\$13,520,475
July 27, 1948		20,000,000	4,651,163
September 11, 1953		12,896,917	2,999,284
March 29, 1955		7,604,909	1,768,583
December 15, 1956		7,605,000	1,768,604
			\$24,708,109

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