

Lawler, John J.

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HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

25 January 1945

Hon. J. W. Pehle
Director, War Refugee Board,
U.S. Treasury, Washington 25 D.C. ✓

Dear John,

✓ Enclosed is a long memorandum and a letter which Sir Clifford Heathcote-Smith asked me to forward to you in a d.o. letter. He is quite excited over his idea and insists immediate action is essential. I participated in a conversation he had with Myron Taylor in the matter and he seems to have the Treasury on his side, so there may be a push developing in this matter from that source. Knowing nothing about the problems of your work or what has been done to this point or what is planned, I do not venture any opinion on Sir Clifford's proposal, although I have listened to him on the subject at great length.

The job here rolls along about the same, plenty of work and increasingly fewer personnel. By the end of this month in this Sub-Commission we will have thirty American officers and about eighty British. The building resounds with rumours that we are going to be replaced by civilians, but so far it is mere sound and fury. My own plans are as ever non-existent. So far I believe the Treasury has attempted to send me to France, Switzerland, and Germany; the British have attempted to send me to Austria. Instead I continue to hang around here just waiting to see what happens. On the business side we are in the course of setting up a new foreign exchange control which looks like a fairly interesting job, getting out a new bond issue, of which I don't expect much, and trying to jack up the tax situation which is increasingly inefficient. We are learning a lot about how things should not be done, since the Italians are without peers in that form of operation.

Yesterday Grafftey and I spent two hours examining some proposed decrees dealing with protections of the interests of United Nations holders of Italian patents and with the restoration of the property of United Nations nationals sequestered or liquidated by the Italians. The proposed decrees look pretty good and were reminiscent of many of the problems we found in foreign funds control. However, we both felt that since the adoption of the decrees would necessarily have an effect on future negotiations in the attempt to unravel the far from uniform activities of the various United Nations in these fields, we are referring both decrees and the instructions which implement them back to C.C.S. in order to enable them to integrate plans here with whatever they plan in the German situation. Since diplomatic channels are involved, the

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reference back will probably take time.

You might like to pass on to Crwis the information that the basic ideas are as follows: In patents, the legal consequence of failure to pay annual taxes during the war period, which results in the patents falling into the public domain, will be abrogated on petition by the holder of the patent, who will be required to pay regular taxes in default but no penalty taxes or interest. Italian enterprises which have used the patents will be held harmless for use until the date of the decree, but will be held responsible for an accounting and a reasonable royalty after the date of the decree.

In the case of sequestered properties, property will be returned to the owner or his legal representative where that is possible. Where it is not possible, a complete statement of the account will be prepared and the Italian government will appoint a new administrator who will manage the property under the immediate supervision of the Italian government and under our supervision at a ministerial level. The Italian government will also advance funds for repairs to other than industrial property necessary to prevent deterioration.

In the case of liquidated properties, an attempt will be made, in so far as possible, to restore the property to its status prior to liquidation.

In the case of blocked accounts, including accounts expressed in foreign exchange (all of which were illegal and existed only because of bribery), the account will be restored to a depository named by the owner in the same form in which it existed at the time of sequestration (that is what the decree says, although obviously in many cases it will be impossible). This, of course, is just a bare outline on the decrees and instructions. In the main I think it should be satisfactory, but I do figure that what is done here should be, if not coordinated with, at least related to, the action that is planned in the other Axis countries. This is particularly important in patents where, as we know, there are patent pools in which British, American, German, and Italian interests participate.

I am sorry I can't be there to argue these problems with you.

Give my best to Francia, the boys ^(you and Jack in general) and anyone around the Treasury who still remembers me.

John

P.S. No apologies are offered for the standard of typing and stenography - It's the best I've had since I came over here. J.J.Z.

JJL/rs

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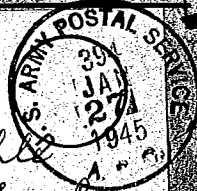
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