

DECLASSIFIED
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NOTES ON EXECUTIVE POLICY COMMITTEE
 MEETING

Thursday, September 7
 1944

Members Present: Mr. Curtis
 Mr. Coe
 Mr. Schouler
 Mr. Riley
 Mr. Davidson (for Mr. Cox)
 Mr. Paul (for Mr. McCamy)
 Mr. Sherwood, Secretary

By Invitation: Mr. Fleming
 Mr. Gordon
 Mr. Wallauer

Allied Policy Toward European Neutrals:

Mr. Fleming presented to the Committee a proposed statement of Allied policy toward the European Neutrals with the recommendation that, if the Committee approved, negotiations be carried on with a view to obtaining the approval of the Department of State and the British. Mr. Fleming pointed out that the time appears to have come for a careful reconsideration of our policy objectives in relation to the European neutrals and a determination of the attitude we will take toward them in the post-hostilities period. During the past two and one-half years our major objective has always been to prevent, or to curtail as much as possible, the export of goods of strategic importance from the neutral countries to Germany. The various War Trade Agreements that have been negotiated and the economic pressure applied to the neutral governments have been directed toward that end. In the present very favorable atmosphere of Allied military success, we are pressing for a quick and complete satisfaction of our remaining demands in this field, notably a cessation of all exports from Sweden and Switzerland to the Axis. Turkey has already acceded to a demand for rupture of trade relations with Germany. Spain and Portugal have been cut off from contact with the enemy by Allied military operations and those of the French Forces of the Interior.

Mr. Fleming expressed the opinion that in the consideration of neutral requests for civilian supplies, the United States should continue to draw a distinction between the neutrals and our Allies in liberated areas, pointing out that there is no general obligation upon us to supply the neutrals. He suggested that we make no supplies available to the neutrals except in return for substantial and concrete concessions on their part in view of the special relationship in which the neutrals have stood vis-a-vis the enemy.

In the discussion which followed, it was pointed out that in a total war neutrality should not be possible and that the neutrals are generally in a position to profit. It was brought out that navicerts are still in effect, but that such blockade controls can only be enforced while the blockade of Germany continues. It was also pointed out that the proposed statement of policy is based on the continuation of export controls and that in the light of the WPA action in announcing the early elimination of all possible controls over civilian production in this country, FEA might find great difficulty in any effort to impose new controls or to extend those now in force. The member expressing this opinion also stated the belief that as a result of the WPA action there would now be a stampede to eliminate controls and that any agency attempting to continue or extend controls would find itself confronted by a serious public relations problem. Comment on this opinion was that FEA should not allow its foreign

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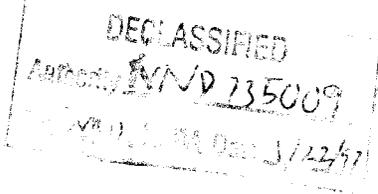
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economic operating policies to be altered by the action of WPE in deciding on relaxation of controls of domestic civilian production. A comment was made on this discussion to the effect that in spite of the WPE announcement there undoubtedly will be some priorities in ~~applied to the~~ force in 1945 and that FEA could continue controls of those scarce materials still subject to priorities. Another suggestion was that the situation might be handled through shipping and bunker controls. In any event, it was agreed that full British cooperation would be essential to the success of any program having to do with control of trade to and from the neutral countries. In other words, there must be a combined effort. Another member pointed out that export control cannot be turned on and off at will. He suggested that a report be made to Congress possibly recommending legislation which would make possible the use of the technique of the general license in order to make provision for the transition period. Continued use of the Black List was also suggested as a means to keep the situation in hand.

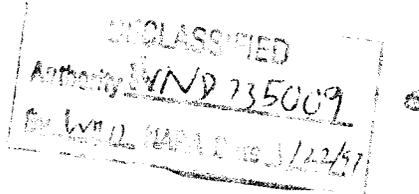
The question was raised as to whether sufficient feeling exists among the United Nations to continue essential controls during the period of surpluses as there was during the period of deficits. It was likewise suggested that the Treasury may be able to accomplish some enforcement through Foreign Funds Control and freezing of financial assets. A warning was made that FEA must be careful not to abandon its policy of working toward a full two-way flow of trade. Mr. Fleming presented to the Committee a copy of a letter dated August 24, 1944, from Sir Roland Campbell to Mr. Acheson dealing with this problem of the neutrals. It was pointed out that in this regard the British virtually agree to the substance of the proposed statement of policy although they appear to limit the suggested controls to items in short supply.

It was suggested that a more comprehensive statement be included in the policy of the things we want from the neutrals. As to relaxation of controls, it was suggested that as a matter of public policy priority be established whereby controls will be relaxed first on trade with the United States, second, the Liberated Areas, and finally the Neutrals. The following recommendations were made:

1. That we continue export controls on scarce commodities provided the British agree.
2. Allow the Treasury to take over enforcement of the Black List.
3. Explore further the whole problem of export and import controls.

It was pointed out that in any statement of policy, consideration must be given to the fact that the situation varies among the neutrals. Switzerland versus Sweden was discussed in this connection.

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The Committee decided that the draft statement of Allied Policy toward the Neutrals should be recast in the light of this discussion and that this statement should set forth our objectives clearly. Mr. Fleming was directed to prepare the revised statement. It was likewise understood that Mr. Currie would have conversations with Mr. Acheson in order to arrange for agreement between the FEA and the Department of State on this policy prior to negotiations with the British.

Request for a Determination of Policy re Consignment of Future Shipments of Lend-Lease Material to China.

Mr. Willauer presented to the Committee the memorandum addressed to Mr. Sherwood dated September 4, asking that this matter be presented to the Executive Policy Committee. Mr. Willauer pointed out that in the past these materials had been assigned to an agency of the Chinese Government, Board of Transport Control. However, on June 15 the declaration of policy was served on the Chinese Government stating that all Lend-Lease materials to China either now in India awaiting "hump" transportation or to be shipped in the future, were to remain the property of the United States until final delivery. He pointed out that the necessary implication of this policy is that future shipments be consigned to the FEA China Mission.

Mr. Willauer pointed out that goods have been shipped under the old method even though three months have elapsed since the declaration of policy was issued. He requested a direction from the Committee to enforce the policy of consignment to FEA as close to October 1 as possible. He pointed out that, due to particular conditions existing in China, it is possible for diversion from legitimate use to occur in connection with disposition of LL articles and that when our forces hit the China Coast, it will be more essential that we operate rather stringent controls in connection with distribution of supplies. He mentioned that the necessity for these controls which would not be necessary or desirable in other Lend-Lease countries made the situation rather delicate, but that as a matter of fact the controls would be a protection to the Chinese.

Following discussion, the Committee directed Mr. Willauer to proceed with enforcement of the declaration of policy of June 15 by arranging for all future shipments to be consigned to the FEA China Mission.

Relationship with Combined Boards:

Mr. Sherwood presented to the Committee the memorandum which he had received on August 5 from Mr. Coe suggesting that efforts be made to work out with the GFRB and the COMB memoranda of understanding similar to the one recently consummated between War Food Administration and FEA outlining respective responsibilities and operating relationships between the agencies.