

267

This is an
SCE File

SECRET

File No. 123 - FUNDS, MONEY

No.	FROM	DATE	TO	SYNOPSIS
SWNCC 267 Series - Establishment of Reichsmark Foreign Exchange Rate.				
1	SWNCC	26Feb46	SWNCC Dist	SWNCC 267/D. A Msg fr OMGUS ref to SCE for study & draft reply.
2	SCE	4May46	Mr. Harris(S) Mr. de WILDE(S) Maj. SHAW(W) Cmndr. Claxton(N)	SCE-10. Aptmt of working party on 267/D.
3	Working Pty	16Apr46	SCE	Report of Working Party.
4 & 5	SCE	---	State Mbr War "	SCE-10. Approval Slips on 267/D.
6A	SCE	8May46	SWNCC	Encl. report & indicating SCE App. on 267/D.
6	SCE	17May46	Mr. Harris(S) Mr. de Wilde(S) Maj Shaw(W) Comdr. Borel(N)	SCE 20. Aptmt of Working Party to reconsider 267/1, in light on Msg. enclosed w/SWNCC 267/2.
7, 8 & 9	SCE	17May46	Navy Mbr War " State "	SCE-20A. Approval Slips on 267/3/D.
10	SCE	4Jun46	SWNCC	Encl. report of Working Party & indicating app. of SCE. 267/3D

SECRET

PAGE 1

*European Subsets
file*

S E C R E T

COPY NO. 44

11 February 1947



STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION ON SWNCC 267/6

ESTABLISHMENT OF A COMMERCIAL RATE OF EXCHANGE IN GERMANY

Note by the Secretaries

By informal action on 11 February 1947 the State-War-Navy
Coordinating Committee approved SWNCC 267/6.

H. W. MOSELEY

W. A. SCHULGEN

V. L. LOWRANCE

Secretariat

S E C R E T

Substa file

S E C R E T

COPY NO. 44

SWNCC 267/6

4 February 1947

Pages 31 - 36, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

ESTABLISHMENT OF A COMMERCIAL RATE OF EXCHANGE IN GERMANY
Reference: SWNCC 267 Series

Note by the Secretaries

The enclosure, a report by the State-War-Navy Coordinating Subcommittee for Europe in response to SWNCC 267/5/D, is circulated for consideration by the Committee.

H. W. MOSELEY
W. A. SCHULGEN
V. L. LOWRANCE
Secretaries

SWNCC 267/6

S E C R E T

S E C R E T

E N C L O S U R E

ESTABLISHMENT OF A COMMERCIAL RATE OF EXCHANGE IN GERMANY

Report by the
State-War-Navy Coordinating Subcommittee for Europe

THE PROBLEM

1. To determine the terms of reply to OMGUS cable CC 6672 November 2 (SWNCC 267/5/D), renewing the request for the establishment of an interim commercial rate of exchange for the mark at \$.30 equals one mark.

FACTS BEARING ON THE PROBLEM

2. OMGUS has, in February and again in May 1946, requested authorization for the establishment of an interim rate of exchange for the mark to be used for specified commercial purposes (see SWNCC 267/D and SWNCC 267/2), and, in May, recommended a rate "between 30 and 40 cents, probably three Reichsmarks to one U.S. dollar".

3. Pursuant to a SWNCC decision OMGUS was instructed that, "pending fundamental changes in German economic and financial developments such as adoption of financial and economic reforms which would stabilize the German economy, the rate of ten Reichsmarks per dollar must be applied to the categories of transactions" enumerated in the reply (see SWNCC 267/4).

4. OMGUS has now renewed its request for the establishment of an interim commercial rate, recommending a rate of 30 cents per mark, for reasons, specified in the reply (see SWNCC 267/5/D).

5. In addition, Brig. Gen. William H. Draper, Jr., Director Economic Division, OMGUS, reiterated, in conversation with Under Secretary of State Clayton in September, OMGUS' desire for the establishment of an exchange rate, stressing the problem of pricing export products.

SWNCC 267/6

- 31 -

Enclosure

S E C R E T

S E C R E T

6. The Allied Control Authority has agreed on the establishment of a coefficient of .3 to be used for the purpose of translating rail transit charges incurred by foreign countries from marks into dollars.

7. The existing military rate of conversion is ten marks equal one dollar. This rate was set in 1944 in agreement with the other occupying powers, who have adopted corresponding rates of conversion between the mark and their own currencies.

DISCUSSION

8. It is considered that the fundamental changes, in German economic and financial conditions, referred to in SWNCC 267/4, have not as yet taken place, and it would therefore still be premature to establish an interim commercial rate of exchange.

9. It is recognized, however, that the absence of a rate of exchange hampers or prevents entirely certain types of international transactions, for which it is necessary to convert prices or values expressed in foreign exchange into mark prices or values, or vice versa. This difficulty could be obviated if OMGUS were authorized to employ a conversion factor for such transactions.

10. The types of transactions for which the use of a conversion factor would be useful and appropriate are:

a. conversion into marks of the value of liquidated German external assets, for the purpose of determining the compensation due for former German owners of these assets;

b. determination of the marks amounts due repatriated prisoners of war holding military payment orders (which are denominated in dollars);

c. determination of the prices of rail and water transit services, and other services exported, for keeping telecommunications and postal accounts, etc. (the export

S E C R E T

rail transit services are, as stated above already covered by action of the Allied Control Authority in establishing a coefficient);

d. for the pricing of merchandise exports, in the cases of commodities whose prices cannot be readily determined by reference to prices prevailing in world markets or in the US and UK, provided the use of the conversion factor results in prices advantageous to OICUS.

11. The existing military rate of conversion is ten marks per dollar. Since it has been decided that there will be no change in the military conversion rate for the present, it is not thought desirable that the conversion factor should apply to purchases of marks by foreign business firms and missions operating in Germany and for such other remittances to Germany as may be authorized. A rate for these purposes less favorable than the military rate could not be effectively maintained inasmuch as U.S. authorized personnel might be utilized as a channel for gaining the more advantageous military rate for the remittees.

12. Should the German price level change substantially, the conversion factor of 30 cents might become inappropriate. In case it should prove difficult to secure quadripartite agreement to alter the conversion factor accordingly, it should be understood that each zone commander reserves the right to abandon the use of the conversion factor in the event of a substantial change in underlying economic conditions, especially a substantial rise in German prices.

13. In connection with merchandise exports, it is not considered that the establishment of a conversion factor will provide an easy and automatic solution to the problem of pricing. In many cases, where a prevailing price in the import market exists and can readily be determined, the export price, in foreign exchange, will be determined without reference to the domestic mark price, as at present. In other cases, where no

S E C R E T

usable foreign exchange price exists, or where it cannot be ascertained without undue effort, a price in foreign exchange, arrived at by applying a conversion factor to the prevailing German price, may be so high or so low relative to the demand, or to the prices of similar commodities in the importing countries, that it will be undesirable to employ the conversion factor. In such cases, the use of a conversion factor would be inappropriate. There will, nevertheless, be other cases where the use of a uniform conversion factor will greatly simplify and facilitate the work of OMGUS and the export-import agency of the bizonal area in pricing exports.

CONCLUSIONS

14. OMGUS' request for authority to establish an interim commercial rate of exchange of thirty cents equals one mark should not be approved.

15. OMGUS should be authorized to seek quadripartite approval, under the conditions specified in the draft cable as the Appendix, for the establishment of a conversion factor, to be used for the purposes specified in that draft cable. Purchases of marks by foreign business firms and foreign missions operating in Germany and for such other remittances as may be authorized should be at the present military rate of \$.10 and may be changed if and when that rate is altered.

RECOMMENDATION

16. It is recommended that the draft cable at Appendix be dispatched to OMGUS.

S E C R E T

A P P E N D I X

DRAFT CABLE TO OMGUS

Subject is exchange rate for mark.

REURAD CC 6672, Nov. 2.

1. Your request for establishment interim commercial rate of exchange of one mark equals thirty cents cannot be approved. Fundamental changes in German economic and financial conditions regarded as prerequisite to establishment rate have not yet taken place and establishment interim rate therefore regarded here as premature.
2. Difficulties created by absence of exchange rate are, however, fully recognized. Procedure outlined below authorized to obviate these difficulties in so far as practicable.
3. In order to obtain uniformity of treatment in the four zones of occupation, you are authorized to obtain, if possible, ACA approval of use of conversion factor of one mark equals thirty cents (e.g., mark price times three tenths equals dollar price) for the purposes outlined below, subject to the following principles. It is intended that this conversion factor may be used, when and as deemed desirable, in any zone of occupation with an effective understanding, either formal or implicit, that any of the four occupying powers may abandon the conversion factor originally agreed upon, by simple notification to ACA in advance of such abandonment. This approach to the subject is deemed necessary to avoid the possibility that the level at which the conversion factor is originally agreed upon may, as further developments take place, no longer conform to German price levels, while at the same time formal agreement may not be promptly attainable in ACA to a change in the conversion factor originally established. Conversion factor is to be used for following purposes:

S E C R E T

a. Conversion of value of liquidated German external assets into Reichsmarks for purpose of determining compensation due German owners.

b. Determination Reichsmark amounts due repatriated prisoners of war holding military payment orders.

c. Determining prices rail and water transit services and other services exported, keeping telecommunications and postal accounts, etc.

d. Pricing of merchandise exports only when prices cannot be readily determined by reference to prices prevailing in world markets or in US or UK, provided use of conversion factor results in prices advantageous to OIGUS.

4. Since it has been decided that there will be no change in the military conversion rate for the present, purchases of marks by foreign business firms and missions operating in Germany and for such other remittances as may be authorized should be at the rate of ten marks equals one dollar. Any lesser rate might result in military personnel being used as channel to gain more advantageous military rate.

5. It should be made clear the US considers conversion factor not repeat not to be of same nature as an exchange rate for mark but simply as flexible device to assist in accomplishing certain international transactions in period prior to establishment exchange rate; also that level at which conversion factor may be set is not prejudicial to determination of rate at which exchange value of mark is later established.

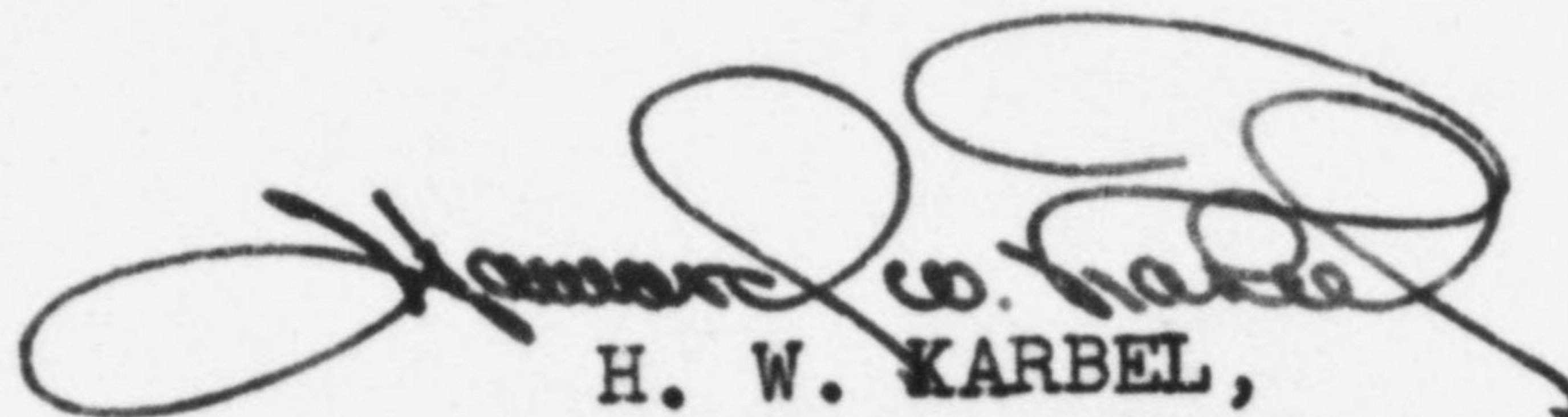
THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

23 January 1947

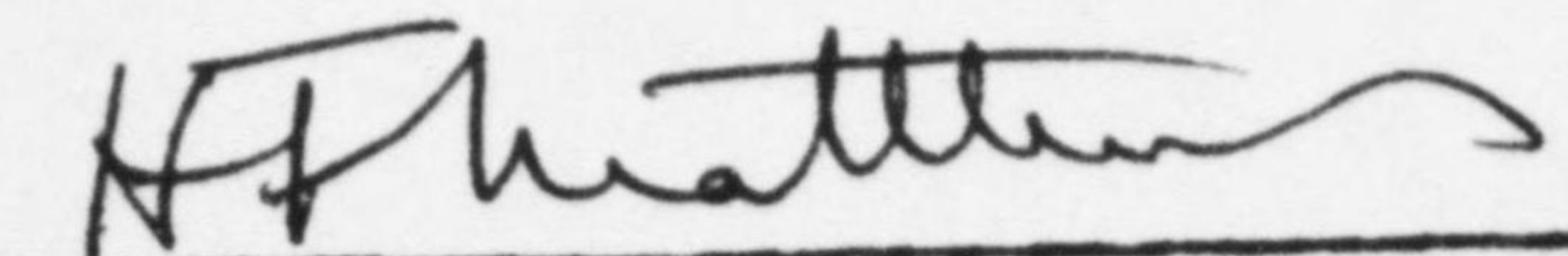
MEMORANDUM FOR THE STATE MEMBER, EUROPEAN SUBCOMMITTEE
WAR MEMBER, EUROPEAN SUBCOMMITTEE
NAVY MEMBER, EUROPEAN SUBCOMMITTEE

SCE 10, dated 23 January 1947, is circulated for consideration by the European Subcommittee.

It is requested that you indicate your comment or concurrence hereon and return to the undersigned, Room 2027 New War Department Building.


H. W. KARBEL,
Acting Secretary
European Subcommittee

CE. Jan

APPROVED: 

DATE: Jan 30, 1947



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THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

23 January 1947

MEMORANDUM FOR THE STATE MEMBER, EUROPEAN SUBCOMMITTEE
WAR MEMBER, EUROPEAN SUBCOMMITTEE
NAVY MEMBER, EUROPEAN SUBCOMMITTEE

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[Handwritten signature]
H. W. KARBEL,
Acting Secretary
European Subcommittee

APPROVED: *[Handwritten signature]* *see 672*

DATE: 31 Jan 47

SECRET



THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

23 January 1947

MEMORANDUM FOR THE STATE MEMBER, EUROPEAN SUBCOMMITTEE
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NAVY MEMBER, EUROPEAN SUBCOMMITTEE

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Acting Secretary
European Subcommittee

GAD CONCURS

APPROVED: C. J. Barrett

DATE: 31 Jan 1947



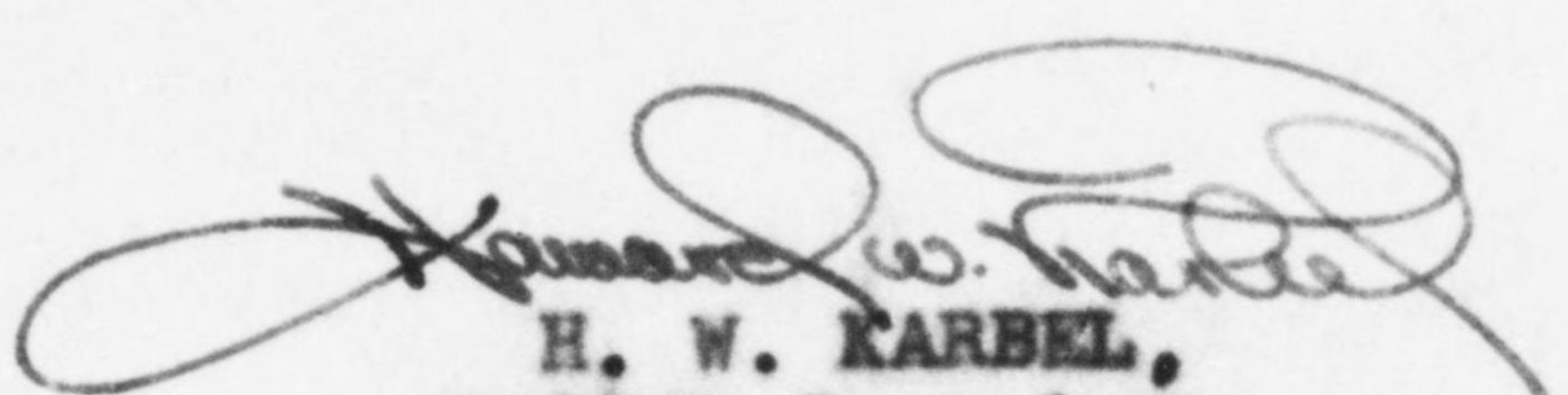
THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

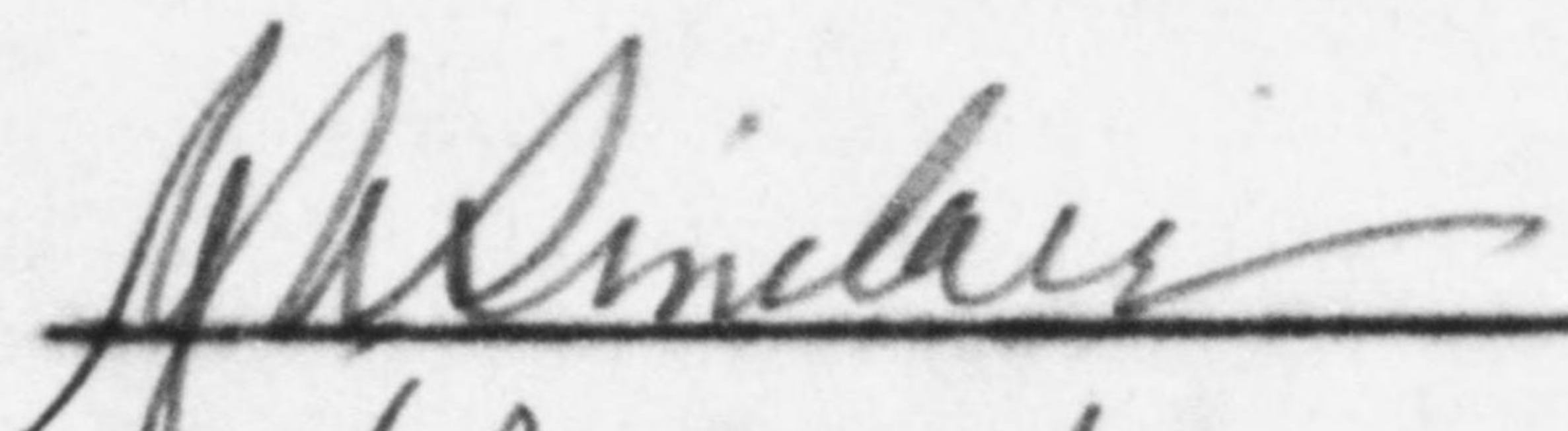
23 January 1947

MEMORANDUM FOR THE STATE MEMBER, EUROPEAN SUBCOMMITTEE
WAR MEMBER, EUROPEAN SUBCOMMITTEE
NAVY MEMBER, EUROPEAN SUBCOMMITTEE

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Building.


H. W. KARBEL,
Acting Secretary
European Subcommittee

APPROVED: 
DATE: 24 Jan 47

S E C R E T

COPY NO. 25

SCE 10

23 January 1947

Pages 1 to 6, incl.

STATE-WAR-NAVY COORDINATING SUBCOMMITTEE FOR EUROPE

ESTABLISHMENT OF A COMMERCIAL RATE OF EXCHANGE IN GERMANY
Reference: SWNCC 267/5/D

Note by the Acting Secretary

The enclosure, a report by the Working Party in response to the above reference, is circulated for consideration by the State-War-Navy Coordinating Subcommittee for Europe.

H. W. KARBEL
Acting Secretary

SCE 10

S E C R E T

S E C R E TE N C L O S U R EESTABLISHMENT OF A COMMERCIAL RATE OF EXCHANGE IN GERMANY

Report by the
State-War-Navy Coordinating Subcommittee for Europe

THE PROBLEM

1. To determine the terms of reply to OMGUS cable CC 6672 November 2 (SWNCC 267/5/D), renewing the request for the establishment of an interim commercial rate of exchange for the mark at \$.30 equals one mark.

FACTS BEARING ON THE PROBLEM

2. OMGUS has, in February and again in May 1946, requested authorization for the establishment of an interim rate of exchange for the mark to be used for specified commercial purposes (see SWNCC 267/D and SWNCC 267/2), and, in May, recommended a rate "between 30 and 40 cents, probably three Reichsmarks to one U.S. dollar".

3. Pursuant to a SWNCC decision OMGUS was instructed that, "pending fundamental changes in German economic and financial developments such as adoption of financial and economic reforms which would stabilize the German economy, the rate of ten Reichsmarks per dollar must be applied to the categories of transactions" enumerated in the reply (see SWNCC 267/4).

4. OMGUS has now renewed its request for the establishment of an interim commercial rate, recommending a rate of 30 cents per mark, for reasons, specified in the reply (see SWNCC 267/5/D)

5. In addition, Brig. Gen. William H. Draper, Jr., Director Economic Division, OMGUS, reiterated, in conversation with Under Secretary of State Clayton in September, OMGUS' desire for the establishment of an exchange rate, stressing the problem of pricing export products.

SCE 10

- 1 -

Enclosure

S E C R E T

SECRET

6. The Allied Control Authority has agreed on the establishment of a coefficient of .3 to be used for the purpose of translating rail transit charges incurred by foreign countries from marks into dollars.

7. The existing military rate of conversion is ten marks equal one dollar. This rate was set in 1944 in agreement with the other occupying powers, who have adopted corresponding rates of conversion between the mark and their own currencies.

DISCUSSION

8. It is considered that the fundamental changes, in German economic and financial conditions, referred to in SWNCC 267/4, have not as yet taken place, and it would therefore still be premature to establish an interim commercial rate of exchange.

9. It is recognized, however, that the absence of a rate of exchange hampers or prevents entirely certain types of international transactions, for which it is necessary to convert prices or values expressed in foreign exchange into mark prices or values, or vice versa. This difficulty could be obviated if OMGUS were authorized to employ a conversion factor for such transactions.

10. The types of transactions for which the use of a conversion factor would be useful and appropriate are:

a. conversion into marks of the value of liquidated German external assets, for the purpose of determining the compensation due for former German owners of these assets;

b. determination of the marks amounts due repatriated prisoners of war holding military payment orders (which are denominated in dollars);

c. determination of the prices of rail and water transit services, and other services exported, for keeping telecommunications and postal accounts, etc. (the export

S E C R E T

rail transit services are, as stated above already covered by action of the Allied Control Authority in establishing a coefficient);

d. for the pricing of merchandise exports, in the cases of commodities whose prices cannot be readily determined by reference to prices prevailing in world markets or in the US and UK, provided the use of the conversion factor results in prices advantageous to COMUS.

11. The existing military rate of conversion is ten marks per dollar. Since it has been decided that there will be no change in the military conversion rate for the present, it is not thought desirable that the conversion factor should apply to purchases of marks by foreign business firms and missions operating in Germany and for such other remittances to Germany as may be authorized. A rate for these purposes less favorable than the military rate could not be effectively maintained inasmuch as U.S. authorized personnel might be utilized as a channel for gaining the more advantageous military rate for the remittees.

12. Should the German price level change substantially, the conversion factor of 30 cents might become inappropriate. In case it should prove difficult to secure quadripartite agreement to alter the conversion factor accordingly, it should be understood that each zone commander reserves the right to abandon the use of the conversion factor in the event of a substantial change in underlying economic conditions, especially a substantial rise in German prices.

13. In connection with merchandise exports, it is not considered that the establishment of a conversion factor will provide an easy and automatic solution to the problem of pricing. In many cases, where a prevailing price in the import market exists and can readily be determined, the export price, in foreign exchange, will be determined without reference to the domestic mark price, as at present. In other cases, where no

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usable foreign exchange price exists, or where it cannot be ascertained without undue effort, a price in foreign exchange, arrived at by applying a conversion factor to the prevailing German price, may be so high or so low relative to the demand, or to the prices of similar commodities in the importing countries, that it will be undesirable to employ the conversion factor. In such cases, the use of a conversion factor would be inappropriate. There will, nevertheless, be other cases where the use of a uniform conversion factor will greatly simplify and facilitate the work of OMGUS and the export-import agency of the bizonal area in pricing exports.

CONCLUSIONS

14. OMGUS' request for authority to establish an interim commercial rate of exchange of thirty cents equals one mark should not be approved.

15. OMGUS should be authorized to seek quadripartite approval, under the conditions specified in the draft cable as the Appendix, for the establishment of a conversion factor, to be used for the purposes specified in that draft cable. Purchases of marks by foreign business firms and foreign missions operating in Germany and for such other remittances as may be authorized should be at the present military rate of \$.10 and may be changed if and when that rate is altered.

RECOMMENDATION

16. It is recommended that the draft cable at Appendix be dispatched to OMGUS.

S E C R E TA P P E N D I XDRAFT CABLE TO OMGUS

Subject is exchange rate for mark.

REURAD CC 6672, Nov. 2.

1. Your request for establishment interim commercial rate of exchange of one mark equals thirty cents cannot be approved. Fundamental changes in German economic and financial conditions regarded as prerequisite to establishment rate have not yet taken place and establishment interim rate therefore regarded here as premature.

2. Difficulties created by absence of exchange rate are, however, fully recognized. Procedure outlined below authorized to obviate these difficulties in so far as practicable.

3. In order to obtain uniformity of treatment in the four zones of occupation, you are authorized to obtain, if possible, ACA approval of use of conversion factor of one mark equals thirty cents (e.g., mark price times three tenths equals dollar price) for the purposes outlined below, subject to the following principles. It is intended that this conversion factor may be used, when and as deemed desirable, in any zone of occupation with an effective understanding, either formal or implicit, that any of the four occupying powers may abandon the conversion factor originally agreed upon, by simple notification to ACA in advance of such abandonment. This approach to the subject is deemed necessary to avoid the possibility that the level at which the conversion factor is originally agreed upon may, as further developments take place, no longer conform to German price levels, while at the same time formal agreement may not be promptly attainable in ACA to a change in the conversion factor originally established. Conversion factor is to be used for following purposes:

S E C R E T

a. Conversion of value of liquidated German external assets into Reichsmarks for purpose of determining compensation due German owners.

b. Determination Reichsmark amounts due repatriated prisoners of war holding military payment orders.

c. Determining prices rail and water transit services and other services exported, keeping telecommunications and postal accounts, etc.

d. Pricing of merchandise exports only when prices cannot be readily determined by reference to prices prevailing in world markets or in US or UK, provided use of conversion factor results in prices advantageous to OIGUS.

4. Since it has been decided that there will be no change in the military conversion rate for the present, purchases of marks by foreign business firms and missions operating in Germany and for such other remittances as may be authorized should be at the rate of ten marks equals one dollar. Any lesser rate might result in military personnel being used as channel to gain more advantageous military rate.

5. It should be made clear the US considers conversion factor not repeat not to be of same nature as an exchange rate for mark but simply as flexible device to assist in accomplishing certain international transactions in period prior to establishment exchange rate; also that level at which conversion factor may be set is not prejudicial to determination of rate at which exchange value of mark is later established.

SECRET

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: Jan. 20, 1947

TO : A-H - Mr. Moseley
FROM : GA - Mr. deWilde (w)
SUBJECT: Establishment of Conversion Factor for the Mark

The State, War and Navy members of the committee to prepare a reply to the message contained in the enclosure to SWNCC 267/5/D are in full concurrence with the attached SWNCC paper and attached cable and request it be reproduced.

SCE 10

SECRET

STATE-WAR-NAVY COORDINATING COMMITTEE

Establishment of Conversion Factor
for the MarkThe Problem

1. To determine the terms of reply to OMGUS cable CC-6672 Nov. 2 (SWNCC 267/5/D), renewing the request for the establishment of an interim commercial rate of exchange for the mark at \$.30 cents equals one mark.

Facts Bearing on the Problem

2. OMGUS has, in February and again in May 1946, requested authorization for the establishment of an interim rate of exchange for the mark to be used for specified commercial purposes (see SWNCC 267/D and SWNCC 267/2), and, in May, recommended a rate "between 30 and 40 cents, probably three Reichsmarks to one U.S. dollar".

3. Pursuant to a SWNCC decision OMGUS was instructed that, "pending fundamental changes in German economic and financial developments such as adoption of financial and economic reforms which would stabilize the German economy, the rate of ten Reichsmarks per dollar must be applied to the categories of transactions" enumerated in the reply (see SWNCC 267/4).

4. OMGUS has now renewed its request for the establishment of an interim commercial rate, recommending a rate of 30 cents per mark, for reasons, specified in the reply (see SWNCC 267/5/D).

5. In addition, Brig. Gen. William H. Draper, Jr., Director, Economic Division, OMGUS, reiterated, in conversation with Under Secretary of State Clayton in September, OMGUS' desire for the establishment of an exchange rate, stressing the problem of pricing export products.

6. The Allied Control Authority has agreed on the establishment of a coefficient of .3 to be used for the purpose of translating rail transit charges incurred by foreign countries from marks into dollars.

7. The existing military rate of conversion is ten marks equals one dollar. This rate was set in 1944 in agreement with the other occupying powers, who have adopted corresponding rates of conversion between the mark and their own currencies.

SECRET

Discussion

- 2 -

Discussion

9. It is considered that the fundamental changes, in German economic and financial conditions, referred to in SWNCC 267/4, have not as yet taken place, and it would therefore still be premature to establish an interim commercial rate of exchange.

9. It is recognized, however, that the absence of a rate of exchange hampers or prevents entirely certain types of international transactions, for which it is necessary to convert prices or values expressed in foreign exchange into mark prices or values, or vice versa. This difficulty could be obviated if OMGUS were authorized to employ a conversion factor for such transactions.

10. The types of transactions for which the use of a conversion factor would be useful and appropriate are:

- (a) conversion into marks of the value of liquidated German external assets, for the purpose of determining the compensation due for former German owners of these assets;
- (b) determination of the marks amounts due repatriated prisoners of war holding military payment orders (which are denominated in dollars);
- (c) determination of the prices of rail and water transit services, and other services exported, for keeping telecommunications and postal accounts, etc. (the export rail transit services are, as stated above already covered by action of the Allied Control Authority in establishing a coefficient);
- (d) for the pricing of merchandise exports, in the cases of commodities whose prices cannot be readily determined by reference to prices prevailing in world markets or in the US and UK, provided the use of the conversion factor results in prices advantageous to OMGUS.

- 3 -

10. The existing military rate of conversion is ten marks per dollar. Since it has been decided that there will be no change in the military conversion rate for the present, it is not thought desirable that the conversion factor should apply to purchases of marks by foreign business firms and missions operating in Germany and for such other remittances to Germany as may be authorized. A rate for these purposes less favorable than the military rate could not be effectively maintained inasmuch as U.S. authorized personnel might be utilized as a channel for gaining the more advantageous military rate for the remittees.

11. Should the German price level change substantially, the conversion factor of 30 cents might become inappropriate. In case it should prove difficult to secure quadripartite agreement to alter the conversion factor accordingly, it should be understood that each zone commander reserves the right to abandon the use of the conversion factor in the event of a substantial change in underlying economic conditions, especially a substantial rise in German prices.

12. In connection with merchandise exports, it is not considered that the establishment of a conversion factor will provide an easy and automatic solution to the problem of pricing. In many cases, where a prevailing price in the import market exists and can readily be determined, the export price, in foreign exchange, will be determined without reference to the domestic mark price, as at present. In other cases, where no usable foreign exchange price exists, or where it cannot be ascertained without undue effort, a price in foreign exchange, arrived at by applying a conversion factor to the prevailing German price, may be so high or so low relative to the demand, or to the prices of similar commodities in the importing countries, that it will be undesirable to employ the conversion factor. In such cases, the use of a conversion factor would be inappropriate. There will, nevertheless, be other cases where the use of a uniform conversion factor will greatly simplify and facilitate the work of OMGUS and the export-import agency of the bizonal area in pricing exports.

Conclusion

13. OMGUS' request for authority to establish an interim commercial rate of exchange of thirty cents equals one mark should not be approved.

- 4 -

16. OMGUS should be authorized to seek quadripartite approval, under the conditions specified in the draft cable as Appendix 4, for the establishment of a conversion factor, to be used for the purposes specified in that draft cable. Purchases of marks by foreign business firms and foreign missions operating in Germany and for such other remittances as may be authorized should be at the present military rate of \$.10 and may be changed if and when that rate is altered.

Recommendation

16. It is recommended that the draft cable at Appendix 4 be despatched to OMGUS.

1/20/47

APPENDIX 4DRAFT CABLE TO OMGUS

Subject is exchange rate for mark.

REURAD CC6672, Nov. 2.

1. Your request for establishment interim commercial rate of exchange of one mark equals thirty cents cannot be approved. Fundamental changes in German economic and financial conditions regarded as prerequisite to establishment rate have not yet taken place and establishment interim rate therefore regarded here as premature.

2. Difficulties created by absence of exchange rate are, however, fully recognized. Procedure outlined below authorized to obviate these difficulties in so far as practicable.

3. In order to obtain uniformity of treatment in the four zones of occupation, you are authorized to obtain, if possible, ACA approval of use of conversion factor of one mark equals thirty cents (e.g., mark price times three tenths equals dollar price) for the purposes outlined below, subject to the following principles. It is intended that this conversion factor may be used, when and as deemed desirable, in any zone of occupation with an effective understanding, either formal or implicit, that any of the four occupying powers may abandon the conversion factor originally agreed upon, by ~~single~~ ^{simple} notification to ACA in advance of such abandonment. This approach to the subject is deemed necessary to avoid the possibility that the level at which the conversion factor is originally agreed upon may, as further developments take place, no longer conform to German price levels, while at the same time formal agreement may not be promptly attainable in ACA to a change in the conversion factor originally established. Conversion factor is to be used for following purposes:

- (a) Conversion of value of liquidated German external assets into Reichsmarks for purpose of determining compensation due German owners.
- (b) Determination Reichsmark amounts due repatriated prisoners of war holding military payment orders.

- 2 -

(c) Determining prices rail and water transit services and other services exported, keeping telecommunications and postal accounts, etc.

(d) Pricing of merchandise exports only when prices cannot be readily determined by reference to prices prevailing in world markets or in US or UK, provided use of conversion factor results in prices advantageous to OMGUS.

4. Since it has been decided that there will be no change in the military conversion rate for the present, purchases of marks by foreign business firms and missions operating in Germany and for such other remittances as may be authorized should be at the rate of ten marks equals one dollar. Any lesser rate might result in military personnel being used as channel to gain more advantageous military rate.

5. It should be made clear the the US considers conversion factor not repeat not to be of same nature as an exchange rate for mark but simply as flexible device to assist in accomplishing certain international transactions in period prior to establishment exchange rate; also that level at which conversion factor may be set is not prejudicial to determination of rate at which exchange value of mark is later established.

1/20/47

SECRET

**THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.**

6 November 1946

**MEMORANDUM FOR: Mr. David Harris, Steering Member, State
(S-2558)
Mr. John G. deWilde, State (S-2610)
Captain T. W. Archer, CAD (N-73014)
Captain George A. Sinclair, Navy
(N-2773)**

**Subject: Appointment of a Working Party,
SWCC Subcommittee for Europe.**

1. The State, War, and Navy Departments have designated the above-named individuals as a Working Party for preparation of a draft reply to the messages contained in the enclosures to SWCC 267/5/D.
2. To expedite the clearance of the draft with the members of the European Subcommittee and other interested agencies within your department, it is requested that the final draft agreed upon by the Working Party, be forwarded to the undersigned for reproduction and distribution.
3. It is further requested that you furnish the names of individuals within your department from whom clearance must be obtained, so that a copy may be furnished that office direct.
4. A copy of SWCC 267/D, SWCC 267/4 and SWCC 267/5/D are enclosed herewith.

**H. W. KARNEL,
Acting Secretary,
European Subcommittee**

**Enclosures:
SWCC 267/D, SWCC 267/5/D,
Copy Nos.
SWCC 267/4, Copy No.**

267/D & 267/5/D	267/4
50 - Harris	54 - Harris
51 - deWilde	56 - deWilde
52 - Archer	57 - Archer
53 - Sinclair	58 - Sinclair

SECRET

SECRET

**THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.**

6 November 1946

**MEMORANDUM FOR: Mr. David Harris, Steering Member, State
(S-2588)
Mr. John G. deWilde, State (S-2610)
Captain T. W. Archer, GAD (N-73014)
Captain George A. Sinclair, Navy
(N-2773)**

**Subject: Appointment of a Working Party,
SWCC Subcommittee for Europe.**

1. The State, War, and Navy Departments have designated the above-named individuals as a Working Party for preparation of a draft reply to the messages contained in the enclosures to SWCC 267/5/D.
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3. It is further requested that you furnish the names of individuals within your department from whom clearance must be obtained, so that a copy may be furnished that office direct.
4. A copy of SWCC 267/D, SWCC 267/4 and SWCC 267/5/D are enclosed herewith.

**H. W. KARBEL,
Acting Secretary,
European Subcommittee**

**Enclosures:
SWCC 267/D, SWCC 267/5/D,
Copy Nos.
SWCC 267/4, Copy No.**

267/D & 267/5/D	267/4
50 - Harris	54 - Harris
51 - deWilde	56 - deWilde
52 - Archer	57 - Archer
53 - Sinclair	58 - Sinclair

SECRET

S E C R E T

COPY NO. 40

SWNCC 267/5/D

5 November 1946

Pages 27 - 30, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

DIRECTIVE

ESTABLISHMENT OF A COMMERCIAL RATE OF EXCHANGE IN GERMANY

References: a. SWNCC 267/D
b. SWNCC 267/4

Note by the Secretaries

The enclosed messages from OMGUS to the Joint Chiefs of Staff are referred to the State-War-Navy Coordinating Subcommittee for Europe for preparation of a draft reply.

H. W. MOSELEY

W. A. SCHULGEN

V. L. LOWRANCE

Secretariat

SWNCC 267/5/D

S E C R E T

S E C R E T

ENCLOSURE "A"

From: OMGUS, Berlin, Germany signed Clay

To: War Department for JCS for WDSCA

Info: HQ, USFET, Frankfurt, Germany

Nr: CC 6672

2 November 1946

Reurad WX 93543 (Appendix "C" to SWNCC 267/4).

1. Receipt acknowledged of your instructions to propose for Quadripartite approval establishment of a commercial rate of exchange for specific purposes at \$.10 equal 1 mark.

2. While we realize that your instructions closely restrict purposes to which commercial rate is to be applied, and while in all other cases world market prices are to remain governing, we find ourselves compelled to raise objections to the establishment of a commercial rate at this level for any purpose.

3. Your instructions constitute directive to sell certain German exports at price far below world prices and equally far below the price at which they could be sold. With reference to your instructions to us to price transit freight services on the basis of present mark tariffs multiplied by \$.10, we call your attention to the fact that the Czechoslovakian Government, who are one of the principal buyers of these services, in an aide memoire dated 15 May prepared for presentation to the Allied Control Council and the four occupying powers, have proposed pricing these services on the basis of approximately \$.20 equal 1 mark. We understand that contents of this aide memoire were transmitted to State Department in note of 16 May referred to urad June W 92781.

4. We are, however, less concerned with the question of possible monetary loss than with the harmful effect of proposed action on long range military government objectives.

SWNCC 267/5/D

- 27 -

Enclosure "A"

S E C R E T

SECRET

5. Our primary objection to your instructions is that conformity to these instructions will, in our opinion, seriously prejudice if not make impossible the ultimate establishment of rate of exchange for the mark at any higher than \$.10 equal 1 mark.

6. We offer for your most serious consideration our conviction that action at this time which seriously prejudices, if it does not render impossible, the fixing of the ultimate rate for the mark at any level higher than \$.10 is action inimical to what we understand to be basic US political objectives in Germany for the following reasons:

A. That economic class in Germany on which we most depend for the accomplishment of our objectives of bringing into existence a peaceful and democratic Germany is that class of small fixed income receivers and small savers who tend to be law abiding and who will suffer the most, comparatively, from any disorderly rise in legal prices.

B. An ultimate rate for the mark of not higher than \$.10 will mean, even without any further rise in world prices expressed in dollars, an ultimate price level in Germany approximately three times present legal prices.

C. Hence when action is taken now which makes it almost a certainty that the ultimate rate for the mark will be not higher than \$.10, and which thereby makes it equally almost a certainty that ultimate legal prices will have to be at least three times higher than they are today, price control of an orderly movement of legal prices to such level under conditions as they exist in Germany today is rendered in practice impossible.

7. We therefore reiterate our previously expressed opinion that:

A. The use of \$.10 rate should not be extended beyond the strictly military purpose for which it was created, and

S E C R E T

B. An interim commercial rate presently established should be no less than \$.30 equal 1 mark.

8. We invite your attention to the nature of the relationship between a present interim rate and the general problem of currency reform as covered by our cable CC 5635.

9. The plan contained in CC 5635 is predicated on the present existence of Germany's present internal price structure and the possibility of maintaining that internal price structure through the proposed currency reform with a general rise, through upward adjustment of separate items of no more than, say 20%, which would make precisely appropriate a change from an interim rate of \$.30 to the proposed rate of \$.25.

10. It is in view of the circumstances enumerated above that we feel compelled to recommend that we be permitted to propose for Quadripartite approval the establishment of an interim rate, for certain specific and closely restricted uses, of \$.30 equal 1 mark.

11. If you cannot agree to an interim commercial rate of \$.30 co-existently with the present military rate of \$.10, we then recommend that you discuss with the governments of other occupying powers or authorize us to discuss Quadripartitely here the readjustment of the troop pay rate to the rate of \$.30 equal 1 mark.

12. USFET has given specific concurrence to paras 10 and 11 above.

13. We would propose that purchases by US Occupying Forces from the German economy through post exchanges or similar Army installations would have no direct relation to the rate of exchange since such goods would be priced in US dollars on the basis of US or world prices less intervening charges such as transportation costs, customs duties et cetera, which would not arise through a sale of the merchandise abroad.

End

NOTE: CC 5635 is not identified in SMC
CM IN 459 (3 Nov 46)

SWNCC 267/5/D

- 29 -
S E C R E T

Enclosure "A"

S E C R E TENCLOSURE "B"

From: OMGUS, Berlin Germany sgd Clay
 To: War Department for JCS for WDSCA
 Info: CG, USFET, Frankfurt, Germany
 Nr: CC 6702

2 November 1946

This will supplement our cable CC 6672 (Enclosure "A") dated 2 November re interim mark dollar rate of exchange. Chargeraud, French Foreign Office, came to Berlin at invitation French Finance and discussed with Finance and GEPC representatives of 3 Western Powers problem of rate of exchange in relation to Swiss Agreement. Informal understanding reached that all parties would recommend to their governments as possible solution present Swiss stalemate the support in the Control Council of an interim rate for all approved purposes including compensation for external assets. This discussion leads to conclusion that Finance representatives here, subject to confirmation by their government, are prepared to support interim rate approximating that mentioned our cable for all approved purposes.

End

Note: CC 6672 is CM IN 459 (3 Nov 46) JCS

CM IN 461

(3 Nov 46)

SWNCC 267/5/D

- 30 -

Enclosure "B"

S E C R E T

4 June, 1946

Memorandum for Lieutenant Colonel Field.

Subject: SWNCC 267/3/D

Enclosure: Report of SWNC Subcommittee for Europe
on SWNCC 267/3/D.

The State, War and Navy Members of the
SWNC Subcommittee for Europe approve the attached
report on SWNCC 267/3/D.

E. L. TURNER
Secretary,
European Subcommittee.

Encl.

Issued as 267/4 - 5 June 2/3/D (10)

W
M

267/3/D

MEMORANDUM

To: CE: Mr. Harris
A-H: Mr. Easton
FN: Mr. Spiegel, Mr. Stibravy
Treasury: Miss Mayer, Mr. Ullman
War: Capt. Archer
Navy: Cmmdr. Borell

Date: May 27, 1946

From: GA: W. A. Salant

233
(W-73766)

Enclosed, herewith, is a copy of the draft SWNCC paper on Reichsmark foreign exchange rate, as approved by the working group, and the draft cable, revised in accordance with the instructions of the working group.

State *6-2 June*
Navy *6*
4 June

267/3/D

[Handwritten scribbles]

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

SCE-20A
17 May 1946

MEMORANDUM FOR: STATE MEMBER, EUROPEAN SUBCOMMITTEE
WAR MEMBER, EUROPEAN SUBCOMMITTEE
NAVY MEMBER, EUROPEAN SUBCOMMITTEE



The report of the working party on SWNCC 267/3/D dated May 27 1946, is circulated for consideration by the European Subcommittee.

It is requested that you indicate your concurrence or comment hereon.

Recommend approval
CC: David Harris

Virgil F. Field
Virgil F. Field, B.S.
Executive Secretary,
SWNCC Secretariat.

APPROVED: H. F. Matthews

DATE: June 2, 1946

205/10
205/10

Issued as 267/4 - 5 June 26 7/4/1 (a)

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

SCE-20A
17 May 1946

MEMORANDUM FOR: STATE MEMBER, EUROPEAN SUBCOMMITTEE
WAR MEMBER, EUROPEAN SUBCOMMITTEE
NAVY MEMBER, EUROPEAN SUBCOMMITTEE

The report of the working party on SWNCC 267/3/D dated 27 May 1946, is circulated for consideration by the European Subcommittee.

It is requested that you indicate your concurrence or comment hereon.

Virgil F. Field
Virgil F. Field, B. 3.
Executive Secretary,
SWNCC Secretariat.

APPROVED: *Daniel Cox Jahney Jr.* 6 June/46.

DATE: _____

(4)



THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.



SCE-20A
17 May 1946

MEMORANDUM FOR: STATE MEMBER, EUROPEAN SUBCOMMITTEE
WAR MEMBER, EUROPEAN SUBCOMMITTEE
NAVY MEMBER, EUROPEAN SUBCOMMITTEE

The report of the working party on SWNCC 267/3/D
dated 27 May 1946, is circulated for consideration by
the European Subcommittee.

It is requested that you indicate your concurrence
or comment hereon.

Virgil F. Field
Virgil F. Field,
Executive Secretary,
SWNCC Secretariat.

*For Rear Admiral McCrea
Paul a. Borel
Comdr., USNR*

APPROVED: _____

DATE: 4 June 46

(1)



SECRET

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.



SCE-20
17 May 1946

MEMORANDUM FOR: Mr. David Harris, Steering Member,
(S-508)
Mr. J. C. de Wilde (S-2610)
Major E. R. Shaw (W-73766) 63910
Lt. Comdr. P. B. Glaxton (N-61558)

Subject: Working Party of European Subcommittee.

1. The above named individuals were appointed as a working party of the State-War-Navy Coordinating Subcommittee for Europe to study and report on SWNCC 267/D, which report was subsequently issued as SWNCC 267/1.
2. However, SWNCC 267/1 is now being referred back to the European Subcommittee for reconsideration as a matter of urgency in light of the message in the Enclosure to SWNCC 267/2. All pertinent papers are attached.
3. In clearing the report of the working party with the member of the European Subcommittee in your department, please have the attached approval slip signed and return to the Secretary, European Subcommittee, Room 178 State Department.

V. F. Field,
Executive Secretary,
SWNCC Secretariat.

Encl. 54 }
 Copy Nos. 55 } SWNCC 267/1
 56 } SWNCC 267/2
 (in order 57 } SWNCC 267/3/D
 Approval Slip

SECRET

*Establishment of Reichsmark
Foreign Exchange Rate*

267/3/D

(10)

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

8 May 1946

Memorandum for Colonel Field:

Subject: SWNCC 267/D

Enclosure: Report of SWNC Subcommittee for
Europe on SWNCC 267/D.

The State, War and Navy Members of
the SWNC Subcommittee for Europe concur in the at-
tached report on SWNCC 267/D.

B. Zack, Ylc

Encl.

Issued as 267/1 - 8 May 1946

(5A)

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

8 May 1946

Memorandum for Major E. R. Shaw:

Subject: SWNCC 267/D. (Establishment of Reichsmark
Foreign Exchange Rate)

The clearance slip signed by the War Member,
State-War-Navy Coordinating Subcommittee for Europe,
approving the working party report on the above sub-
ject has not been received in this office. Please
forward to undersigned.

A duplicate copy of clearance slip is enclosed
for your convenience.

B. Zaak, Y1c

Encl.

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.



SCE-10A

MEMORANDUM FOR: STATE MEMBER, EUROPEAN SUBCOMMITTEE
WAR MEMBER, EUROPEAN SUBCOMMITTEE
NAVY MEMBER, EUROPEAN SUBCOMMITTEE

The report of the working party on SWNCC 267/D, dated 3 May 1946, is circulated for consideration by the European Subcommittee.

It is requested that you indicate your concurrence or comment hereon.

Florence Whiteside
Secretary, European Subcommittee

APPROVED: ✓ J. L. McCreary

DATE: 5/3/46

(508)

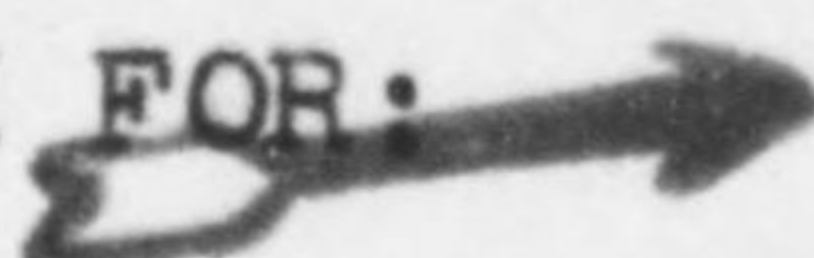
(5)

267/1 - 8 May 46

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.



SCE-10A

MEMORANDUM FOR:  STATE MEMBER, EUROPEAN SUBCOMMITTEE
WAR MEMBER, EUROPEAN SUBCOMMITTEE
NAVY MEMBER, EUROPEAN SUBCOMMITTEE

The report of the working party on SWNCC 267/D, dated April 16 1946, is circulated for consideration by the European Subcommittee.

It is requested that you indicate your concurrence or comment hereon.

Florence Whiteside
Secretary, European Subcommittee

APPROVED: HF Matthews

DATE: 17 April

Called Mr. Harris 7 May 46 who indicated revisions were made without his knowledge, but to publish paper with same, as indicated in rpt of 6 May.

B. Z

(K)

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Secretary, European Sub committee, *SWW* 6 May 1946
FROM : Lt. Col. P. P. Clayton +
SUBJECT: *SWW* 267/D

The enclosed paper has been approved by the
Many members of the European subcommittee.

The pencilled changes have been agreed by
telephone with Maj. Shaw and Mr. Selant. *SW*

72

Handwritten notes on a piece of paper, possibly a list or a set of instructions, written in cursive. The text is partially obscured by a horizontal line.

Handwritten notes on a piece of paper, possibly a list or a set of instructions, written in cursive. The text is partially obscured by a horizontal line.

CONFIDENTIAL

16
April 11, 1946
(2nd revision)

267/D

DRAFT SWNCC PAPER

ESTABLISHMENT OF REICHSMARK FOREIGN EXCHANGE RATE

The Problem

1. To act on the OMGUS request that an exchange rate between the Reichsmark and the dollar be established for certain types of transactions.

Facts Bearing on the Problem

2. The only dollar-Reichsmark rate now in effect is the military conversion/^{rate}of ten Reichsmark per dollar. This rate is applicable to the conversion of pay of U. S. troops into Reichsmark and to such other transactions as have taken place to date.

3. OMGUS has pointed out (in CC23313, contained in SWNCC 267/D):

- (a) that the absence of an exchange rate or a remittance procedure prevents American firms operating in Germany from purchasing Reichsmarks against dollars. This disability hampers firms which (1) have no pre-war Reichsmark resources and (2) are engaged in operations "not wholly for the benefit of and essential to military operations".
- (b) that certain firms (presumably engaged in operations wholly for the benefit of and essential to military operations) are now permitted to acquire Reichsmarks through the Army finance facilities, at the troop pay rate of ten Reichsmarks to the dollar. Dollars paid to Army Finance Department for this purpose are not made available to the export dollar account. Furthermore, the remitting firm

CONFIDENTIAL

(3)

- 2 -

obtains its Reichsmarks excessively cheaply, to the extent that they are used for purposes other than purchases from the Army, because the internal purchasing power of the Reichsmark exceeds ten cents.

4. OMGUS further points out that the establishment of an exchange rate would:

- (a) facilitate the pricing in dollars of certain German exports and of German services supplied to foreigners.
- (b) permit benevolent remittances to Germany.

5. OMGUS therefore suggests that consideration be given to the establishment of an interim Reichsmark-dollar exchange rate for the following closely restricted purposes:

- (a) sale of Reichsmarks to individuals and concerns licensed to conduct business in Germany.
- (b) benevolent remittances.
- (c) to assist in the pricing in dollars of a limited group of German exports.

Discussion

6. It is, at this stage, too early to establish a dollar-Reichsmark rate applicable to all types of transactions including merchandise trade. The appropriate rate can be determined only when it is possible to estimate within reasonable limits the relative price levels, and the general outlines of the German balance of international payments, and the relation of these factors to the exchange rate.

7. It is desirable to establish procedures for certain very restricted types of remittances in addition to the limited military remittances now permitted. It is proposed that these new remittances will be limited to small

CONFIDENTIAL

- 3 -

exchanges for businessmen going to Germany for the sole purpose of inspecting their properties and conferring with the M.G. with respect thereto; a limited number of remittances by charitable and religious organizations, and support remittances to American nationals residing in Germany. In the absence of a general dollar-Reichsmark rate, such remittances can take place only if the use of some special rate is authorized for the purpose, such as the troop pay rate of ten Reichsmarks per dollar. It should be clearly understood that this is an interim procedure, to be employed for narrowly circumscribed purposes. OMGUS should be instructed to seek quadripartite approval to use of this rate for these transactions.

8. The U.S. Government, as a matter of general policy, is firmly opposed to the establishment of multiple exchange rates. Adherence to this policy prevents the establishment of a Reichsmark-dollar rate, for limited commercial purposes, different from the troop pay conversion rate. Alteration in the present troop pay conversion rate of ten Reichsmarks per dollar is not considered desirable. OMGUS will be requested, in a separate communication, to submit specific data required if any change in the rate for both troop pay conversion and non-military purposes is to be studied by interested agencies.

9. OMGUS points out that dollars paid to Army Finance Department for remittance purposes are not made available for the purchase of imports to Germany, through the exports proceeds pool or otherwise. Instead, they are added to the War Department's existing special deposit account with the Treasury. It is agreed that such sums should be segregated in order to permit such disposition as may later be determined.

CONFIDENTIAL

- 4 -

101. Under the export procedures now in effect, export transactions can take place without the assistance of exchange rates. The Reichsmark price paid to German exports is divorced from the price at which exports are marketed abroad, the latter being determined by world market prices (see OMGUS instructions, Title 13, Part 3, Foreign Trade and Instructions to the Reichsbank and its offices, No. 4, and to the Land Economic Offices: Financing of Imports and Exports). In cases where it is difficult to establish prices in foreign exchange for products exported from Germany, OMGUS can obtain the advice of the U.S. Government regarding pricing of such exports.

102. It is realized that it is not administratively feasible to price in foreign exchange individual services and goods purchased by foreigners for consumption in Germany. The establishment of a procedure for licensed remittances from the United States to Germany for American firms and individuals carrying on business operations in Germany will enable such firms and individuals to acquire Reichsmarks at a ten-to-one rate for expenditures on goods and services. It is also necessary to establish channels for purchases of Reichsmarks by foreign nationals engaged in legitimate business in Germany (such as Dutch and Belgians operating barges on the Rhine). Similarly, the present arrangement whereby Currency Section, USFET, advances Allied military marks to foreign missions, against ultimate repayment in dollars, should be altered. Appropriate procedures should be established along the following lines:

(a) Foreign missions, firms, or individuals engaged in legitimate and authorized activities in the U.S. zone should be permitted to purchase Reichsmarks against payment in dollars or other currencies acceptable to the Control Council, at the ten-to-one rate in the case of dollars, or at the appropriate cross-rates in the case of other currencies.

CONFIDENTIAL

- 5 -

(b) Foreign currencies should be accepted for this purpose in accordance with any arrangements made with foreign countries along the lines proposed in War Department cable 99547 of March 5 to OMGUS. According to this proposal, countries importing from Germany would be permitted to pay in indigenous currencies, which would be utilized for the purchase of necessary imports into Germany, on condition that any balance remaining after some specified period should be converted into dollars.

(c) Procedures should be so devised that it will not be necessary for foreigners to bring foreign currencies physically into Germany in order to acquire Reichsmark.

(d) Both dollars and foreign currencies received from foreign countries through sale of Reichsmark in accordance with sub-paragraphs 12 (a) and 12 (b) above should be disposed of in the same manner as currencies received in payment for German export, except insofar as the Reichsmark thus acquired are spent for purchases from the U. S. Army. Foreign currencies so received should be immediately available to purchase imports into Germany. A procedure for receiving foreign currencies in payment for exports was proposed in War 99547 of March 5 to OMGUS; foreign currencies received in accordance with sub-paragraphs 12 (a) and 12 (b) above should be disposed of in the same manner as export proceeds.

Conclusion

1213. It is recommended that SWNCC propose to JCS the despatch of the draft cable ~~at Annex A~~ in the Appendix.

GA:WASalant:seh

S 2977
682

May, Shaw 73766

CONFIDENTIAL

Appendix

~~ANNEX A~~ - DRAFT CABLE

To: OMGUS

From: War

1. URAD CC 23313 proposing establishment interim Reichsmark-dollar exchange rate for limited commercial use. Believed still premature to establish general Reichsmark-dollar rate. U.S. policy firmly opposed to establishment of multiple exchange rates. Government therefore opposed to commercial rate differing from troop pay rate. Change in troop pay rate at this time considered undesirable. Separate cable will request specific data required for study of any possible change in rate for both troop pay and non-military purposes.

2. It is desirable to establish procedures for certain very restricted types of remittances in addition to the limited military remittances now permitted. It is proposed that these new remittances will be limited to small exchanges for businessmen going to Germany for the sole purpose of inspecting their properties and conferring with the M.G. with respect thereto; a limited number of remittances by charitable and religious organizations and support remittances to American nationals residing in Germany. *Not considered feasible to permit personal support remittances at this time other than to American nationals.* In the absence of a general dollar-Reichsmark rate, such remittances can take place only if the use of some special rate is authorized for the purpose, such as the troop pay rate of ten Reichsmarks per dollar. It should be clearly understood that this is an interim procedure, to be employed for narrowly circumscribed purposes. You should seek Control Council agreement to use of this ~~rate~~ for these transactions. *In the event you are unable to obtain such agreement, you will inform the JCS who will provide further direction.*

Dollars received for this purpose will be segregated subject to disposition to be determined later.

3. Foreigners requiring Reichsmarks for approved purposes such as expenditures on German goods and services for consumption in Germany by foreign missions and Dutch and Belgian operators of Rhine barges should be afforded facilities for purchasing Reichsmarks against dollars or other acceptable currencies subject to following conditions:

(a) Purchases to be made at ten-to-one rate in case of dollars or appropriate cross rate for other currencies.

(b) Foreign currencies to be accepted in accordance with

CONFIDENTIAL

- 2 -

any agreements that may be made along lines proposed in WAR 99547 to OMGUS.

(c) Foreigners desiring purchase Reichsmarks for approved purposes should not be required physically to bring foreign currencies into Germany in order to acquire Reichsmarks.

(d) Dollars and foreign currencies acquired from foreign countries ^{as provided in this paragraph} ~~in this manner~~ should be disposed of in same manner as proceeds of German exports, except to extent Reichsmarks spent for purchases from U.S. Army. Proposals to distinguish Reichsmarks spent for purchases from Army and those spent for other purposes will be made in separate cable. Currencies other than dollars should be immediately available to OMGUS for purchase of approved imports into Germany, and should be handled in same manner as foreign currencies received in payment for exports as proposed in WAR 99547 March 5.

Ray Shaw

CONFIDENTIAL



THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.



SCE-10
4 March 1946

MEMORANDUM FOR: Mr. David Harris, Steering Member
(S-2558)
Mr. J.C. de Wilde (S-2610)
Major E. R. Shaw (W-73766) *61558*
Lt. Comdr. P. P. Claxton (N-61723)

SUBJECT: Appointment of a Working Party,
SWNC Subcommittee for Europe

1. The State, War, and Navy Departments have designated the above-named individuals as a working party to study and report to the European Subcommittee on SWNCC 267/D.

2. In clearing the report of the working party with the member of the European Subcommittee in your department, please have the attached approval slip signed and return it to the Secretary, European Subcommittee, Room 178, State Department.

3. Copies of SWNCC 267/D are enclosed herewith.

Florence Whiteside
Ensign (w) USNR
Secretary, European Subcommittee
Navy extension 3151

Encl.
cy. 40 of SWNCC 267/D - Mr. Harris
41 - Major Shaw
36 already delivered to Mr. de Wilde
no copy to Lt. Comdr. Claxton

Clearance slip

Establishment of Reichsmark Foreign Exchange Rate

267/D

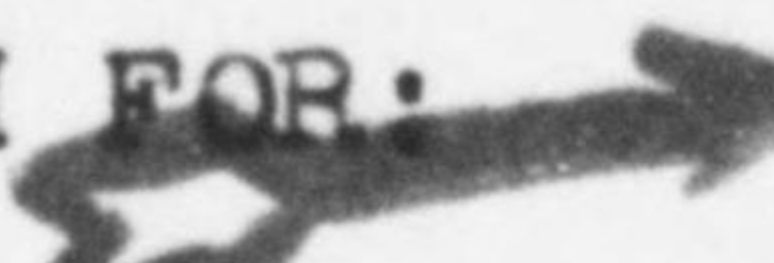


CONFIDENTIAL

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.



SCE-10
4 March 1946

MEMORANDUM FOR:  Mr. David Harris, Steering Member
(S-2558)
Mr. J. C. de Wilde (S-2610)
Major E. R. Shaw (W-73766)
Lt. Comdr. P. P. Claxton (N-61723)

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1. The State, War, and Navy Departments have designated the above-named individuals as a working party to study and report to the European Subcommittee on SWNCC 267/D.

2. In clearing the report of the working party with the member of the European Subcommittee in your department, please have the attached approval slip signed and return it to the Secretary, European Subcommittee, Room 178, State Department.

3. Copies of SWNCC 267/D are enclosed herewith.

Florence Whiteside

Florence Whiteside
Ensign (W) USNR
Secretary, European Subcommittee
Navy extension 3151

Encl.
cy. 40 of SWNCC 267/D
Clearance slip

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(2)

DEPARTMENT OF STATE
CE
DIVISION OF ~~POLITICAL STUDIES~~

April 17, 1946

GUR: Mr. Matthews:

I attach a report of a Working Party which was constituted to study and report to The European Subcommittee on SWNCC 267/D.

This report has been cleared in The Department of State by FN and QA, by The Treasury, and in The War Department by the Budget Division and by the CAD.

I recommend accordingly that you indicate your concurrence on the appropriate sheet in the attached file.

David Harris

Major Shaw
Comdr. Claxton

267/D

Harris

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COPY NO. 40

SWNCC 267/D

26 February 1946

Pages 1 - 3, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

DIRECTIVE

ESTABLISHMENT OF REICHSMARK FOREIGN EXCHANGE RATE

Note by the Secretaries

The enclosure, a message from the Office of Military Government in Germany (US) forwarded by the Joint Chiefs of Staff with a request for the basis of a reply, is referred to the State-War-Navy Coordinating Subcommittee for Europe for study and preparation of a draft reply.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

(1)

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E N C L O S U R E

From: Office of Military Government in Germany (US)
Berlin, Germany

To: War Department

Nr: CC 23313

18 February 1946

CC 23313 to for AGWAR for WARCAD from OMGUS signed Clay

Reference: Licensing under trading with the enemy act of US business operations in Germany and necessity for establishment of reichsmark foreign exchange rate.

1. Reference your W-94391. We recommend that in considering the issuance of licenses permitting US individuals or concerns to operate in Germany on a private or commercial basis, attention be given to establishing a reichsmark foreign exchange rate, either on an interim or final basis, for commercial use on a closely restricted basis. We realize that some US concerns that operated in Germany prior to the war may have adequate reichsmark balances available and have no need for an inward dollar capital flow, necessitating a reichsmark-dollar exchange rate, to meet their current financing requirements. On the other hand, concerns such as Associated Press, American Overseas Air Lines, and others have no reichsmark balances available and, if they are to be licensed to operate in Germany on projects not wholly for the benefit of and essential to military operations, will require the conversion of dollars into Reichsmarks for which there is no rate or procedure available at the present time. It would not seem equitable that only US concerns with reichsmark balances available in Germany be licensed to operate here because of the obvious discrimination involved.

2. At the present time Associated Press is receiving reichsmarks in Frankfurt via Finance Department spearhead deposits from London at the military rate. About \$5,000 per month is involved. To the extent that reichsmarks so purchased are used (1) to defray the cost of supplies and services obtained from

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US Army sources and (2) for functions essential to military operations, such reichsmark purchases are justified. However, to the extent that reichsmarks so acquired are used to buy German goods and services involved in private commercial transactions, the following question is raised: Are purchases of reichsmarks against dollars by a foreign individual or entity to meet the cost of German goods or services to be regarded as a German export transaction and the dollars to go to the credit of the export account for subsequent pooling? If so, the military mark exchange rate should not be used for commercial transactions as the internal purchasing capacity of the reichsmark, based on maximum legal prices and wages, is invariably in excess of ten cents. Otherwise foreign purchasers would realize an excessive dollar purchasing capacity in Germany with corresponding reduction in the total amount of dollars accruing from German exports.

3. US dollars paid to the Finance Department for reichsmarks purchased at the military rate and used in Germany by foreign concerns, under the existing system, are not made available to the export dollar account. The dollars become the sole property of the US which may be in violation of the interim export cash import pooling account agreement.

4. We suggest that consideration be given the feasibility of establishing an interim reichsmark-US dollar foreign exchange rate, closely restricted for use in specifically defined instances which for the present might include only the following:

A. Sale of reichsmarks for dollars or other approved currencies to US and other foreign individuals or concerns licensed to conduct business transactions in Germany, dollars so obtained to be credited to the export account on the pooling principle and used to pay for imports into Germany.

B. Sale of reichsmarks for dollars or other approved currencies to individuals who wish to make benevolent remittances to relatives and friends living in Germany. We are advised that

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considerable pressure exists to permit such remittances but the establishment of an interim exchange rate is a prior essential. We do not propose that dollars so obtained be credited to the export account but rather that they be utilized for other essential current operating expenses involving foreign exchange.

C. As a means of evaluating in dollars the market price of a very limited group of German exports, whose appraisal on a dollar basis is not otherwise administratively feasible. To appraise these German exports requires specialized knowledge and skill not always available or available only at a prohibitive cost in relation to the item to be exported. The use of an interim exchange rate to evaluate the item would be of benefit to all concerned and make the interim export-import program workable in such instances on a more practical basis.

5. An interim reichsmark foreign exchange rate, if established and restricted to the three purposes noted above, would eliminate countless difficulties now confronting the financing of German exports, and would provide the solution to many current problems such as providing reichsmarks to Dutch and Belgium barge owners transiting Germany to Switzerland via the Rhine who must purchase certain German supplies while enroute. The appraisal on a US dollar basis of each single item purchased by the barge operators is not practicable.

6. We will be prepared, if you agree in principal, to recommend an interim reichsmark exchange rate for the dollar for restricted commercial use in the US zone of Germany and attempt to obtain agreement to its extension to those zones operating with US under the interim export-import program.

Pending solution of the foreign exchange problem outlined above, we feel that any license or licenses issued by treasury should operate only to remove the prohibitions imposed by trading with the enemy act.

End