December 21, 1939

Mr. Welles:

It is quite possible that a part of the Press in this country will give undue significance to the action of the German Government in indicating yesterday in the aide memoire left with you by the German Chargé that they intend on the basis of reciprocity to permit transfers of legacies to Americans in Germany irrespective of the exchange regulations. This act may be interpreted as a beginning of a change in the discriminatory practices of Germany.

I do not believe that the German Government has any intention of changing or is in any position to change these discriminatory practices in any material way as they concern transfers and exchange. I believe that this action of the German Government is due to the remarks which you made to Ambassador Dieckhoff prior to his return to Germany and the fact that he undoubtedly carried home with him also information which he may have gleaned here that measures may be proposed before the next Congress providing a wider base for retaliatory action by this country. The fact that such measures are being studied and will be proposed in the next Congress has been touched on in the Press here and I have reason to know that members of the staff of the German Embassy
Embassy here have for some time been much concerned over this probability. Your remarks to Dieckhoff prior to his departure must have emphasized to him what he had been getting through various sources.

The real significance of yesterday's aide memoire lies in its being an expression of the growing exchange problem in Germany. We have information as to the greater pressure of the exchange problem on German industry and economy in recent months. With falling exports and constantly greater need of exchange, the German Government must try to keep open every source of exchange. This transfer of inheritances by Americans from Germany to this country is unimportant as the amount in a year is small in volume. On the other hand, the transfers of inheritances to Germany from this country are appreciable in total volume and they are, of course, being made freely. While we have no accurate figures showing what these transfers of inheritances are, we do know that the volume is considerable. The recent court decision in Philadelphia restraining such a transfer may have accelerated, but I do not believe was the direct cause of the aide memoire of yesterday.

The present Government in Germany understands only one language and that is the one which it is using — that of force and direct action. The significance of the aide memoire
memoire of yesterday lies, I believe, not in this minor matter of transfers of legacies, but as an indication that the only weapon which can be effectively employed in getting away from these discriminatory practices by Germany in a real measure is the knowledge by her that similar measures can and will be used by us when we consider it expedient to do so.

G.S.M.

P. S. I need not recall to you that the "concession" in the aide memoire of yesterday is a very small matter compared with the larger discrimination which the German Government is practicing. The General Motors has an investment of about $55,000,000, at least, in Germany on which it has not been able to get one cent of income transferred in recent years although this capital is earning large sums, which, aside from it not being able to transfer, it cannot use in Germany but under very fixed limitations and restrictions. The same applies to the Ford, the I.T.&T. and a number of other important American companies in Germany. I merely mention this as an indication of the fact that the larger discriminations continue unabated and it is only because of this inheritance flow being so largely one-way traffic to Germany that Germany is interested in taking the present action.

G.S.M.