

Custodian in the United States has not yet been determined. I have also ascertained from the Controller of the Trading with the Enemy Branch of the Treasury and the Board of Trade in the United Kingdom, who is presently on this continent, that no final determination has been reached in the United Kingdom. It is the view of this officer, who has had a great deal of experience in relation to enemy property in England that it might be embarrassing to the United Kingdom authorities and to the United States authorities if Canada, without further consultation, should take action which could be interpreted as granting full force and effect to the Decree of the 24th May, 1940.

I am aware that, before the United States entered the War, a Court in New York, in a decision, appeared to recognize the Decree but this was in relation to litigation where the claimant was a purchaser from a German Commissar who, so far as could be ascertained, had appropriated the property from the Dutch owners. This decision, I am informed, is now under review by the Court of Appeals of the State of New York and, no doubt, will later reach the Supreme Court of the United States. It is not yet apparent how far the policy of the Custodian of Enemy Property may be influenced by the course of this litigation.

As I am sure you will understand, I do not find, in any quarter, lack of sympathy with the Netherlands Government and the Netherlands people, who have made such heroic sacrifices in the common cause. The situation is, however, that I fear if the Custodian were to relinquish control of Netherlands assets in Canada we might be taking a step which might have serious repercussions in other allied nations.

I am not sure whether you have been informed that in relation to Dutch Government property and to the Netherlands Shipping Mission the Custodian has consistently refrained from taking any action under the Trading with the Enemy Regulations. We have felt that the operations of that Mission are under Allied control and that we should not impede in any way the operations of the Shipping Mission.

Following the action taken in declaring the Netherlands to be proscribed territory, on the 11th May, 1940, and the announcement of the Decree of the Queen of Holland on the 24th May, a meeting was held in the office of the Deputy Custodian, attended by the Netherlands Minister, by the Legal Adviser of the Department of External Affairs, and by a representative of the Bank of Canada, at which assurances were given the Netherlands Minister that in the case of Dutch trading companies which had transferred their seat from the Netherlands to the Netherlands West or East Indies, releases would be given on a certificate from the Netherlands Minister that he was satisfied that an effective change had taken place. The Custodian's Office is adopting a similar action in respect to Netherlands companies which had transferred to the Netherlands East Indies. Many of these companies, before the occupation of the Netherlands East Indies by the Japanese troops, transferred their head offices from the East Indies to the Netherlands West Indies.

The amount of ordinary trade debts is comparatively small and in respect to these I feel it should be relatively easy to work out a solution. It is only in respect