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Authority NAD 760050

By EL NARA Date 7/8/86

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IV-191

RG 59
1945-194
box 420

US 4024

Allied-Swiss
Accord

May 3, 1946

Dear Mr. Clayton:

The negotiations with the Swiss have now arrived at a point at which no further trading with the present Swiss Delegation seems to me to be possible. We are therefore, in my opinion, faced with the choice between accepting the latest Swiss proposition or terminating the present negotiations in the hope that at a later date the Swiss Government will offer a settlement more favorable to the Allies.

As you know, Minister Bruggmann has, since the date on which Mr. Stucki "interrupted" the negotiations, been active in pushing for a settlement. Minister Bruggmann has seen you, Mr. Vinson, officers of the Department of Justice and myself on several occasions. His latest proposal to me was a settlement on the basis of a fifty-fifty split on the proceeds of German assets in Switzerland, and a payment by Switzerland of 210 million Swiss francs as an overall gold settlement. This comes to something just under \$50 million.

I consulted my British and French colleagues, and it was decided that the next move should be left to the Swiss. On the evening of May 1, Mr. Bruggmann called to say that Mr. Stucki would like to see me. I advised my British and French colleagues and made an appointment for the morning of May 2. At the May 2 meeting, Mr. Stucki began by offering less than Minister Bruggmann's previous offer. After I had indicated that this was insufficient, Mr. Stucki stated that he would make what was "on his word of honor" his final offer. This offer was a fifty-fifty split on the proceeds of the German assets in Switzerland and a payment of 250 million Swiss francs, or approximately \$58.1 million, in settlement of the gold question.

The Honorable
William L. Clayton
Assistant Secretary of State
Washington, D. C.

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I again discussed the matter with my colleagues on the afternoon of May 2. I referred at that time to the fact that I thought our gold case quite good with respect to \$88 million, but that we had previously agreed that a settlement of \$75 million, with a fifty-fifty split on the assets, would be acceptable. I stated my impression that the offer now being made by Mr. Stucki was in reality his final word. I informed my colleagues also that Mr. Stucki had said that whether the offer was accepted or not he would have to return to Switzerland: if the offer were accepted, in order to begin selling the proposition to the Swiss people; if the offer were not accepted, in order to so report to his Government.

At our meeting, I also indicated my feeling that the possibility of obtaining a better settlement depended on such factors as whether controls now existing, such as the Proclaimed List and the freezing controls, were continued and whether the French Government felt that it would sue the Swiss Government and attach the Swiss gold now held in the United States. I stated frankly that I could not answer for the continuance of the United States controls and Mr. Chargueraud indicated that he was not able to speak at that time on the possibility of suit being brought by the French Government. Mr. Chargueraud indicated that in any case he would have to refer the matter to his own Government, which he thought would probably refuse Mr. Stucki's offer on the ground that the gold settlement was not sufficient. Mr. McCombe indicated that his Government would probably accept the offer as made.

Later, on the same day, I had a further conversation alone with Mr. Stucki. At that time I indicated that the Allied Delegations found it difficult to accept his offer but that if the offer on gold were raised to \$70 million I would assure him that my Government would press the other Allied Governments to accept. Mr. Stucki stated that he could not modify his previous offer. At one stage in our discussion he also stated that he assumed that the Swiss Government would have a two per cent commission as a collection fee, above the fifty-fifty split on the German assets; but he retracted this suggestion after I indicated that I thought he was chiseling on his previous offer.

In my opinion, Mr. Stucki has in fact made his last and highest offer. Whether this offer should be accepted depends on several factors which are not within my control. I am therefore asking you and Mr. Vinson to consider this matter and to advise me as to whether the offer should be accepted or rejected.

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If it were assured that this Government would maintain its freezing controls and the Proclaimed List in effect for a substantial period, even without regard to whether the French would be willing to bring suit on the gold question, I would probably recommend rejection of this offer, on the ground that within a few months it would be increased to the Allied advantage. However, I am told that the British Government refuses to continue the Proclaimed List beyond June 30, and that this Government is reluctant to press the British more than has already been done. I am also told that the pressures for the release of the freezing controls are increasing daily. In addition, there is significant sentiment in the United States, Great Britain and France in favor of the elimination of controls over commercial and financial activities. As trade in Europe becomes more feasible, it is apparent that Switzerland will be drawn more and more into arrangements which have so far been largely confined to the United Nations, with the end result that the pressure against controls on Switzerland will be great.

You will recall that when these negotiations began I discussed with Secretary Byrnes the question of economic sanctions. It was his view that any decision on this matter should be postponed until it became necessary to raise the question in the course of the discussions. Accordingly, the subject of economic sanctions has not been discussed since that original meeting with Mr. Byrnes. The decision, however, is now pertinent on the question of whether the settlement offered by the Swiss at the present time can be improved at some future date.

Thus, in my view, the question whether the Swiss offer should now be accepted and whether the United States should, if necessary, press the French to accept the offer, depends largely upon the controls and the pressure which the three Governments are willing to exert on Switzerland in the near future. Since this decision is one which must be made primarily by the Departments of State and Treasury, and is one which I, as the United States negotiator, cannot make, I shall appreciate your advice on the offer which has been described. Moreover, I wish to point out that a settlement of the Swiss negotiations may set a pattern for negotiations with the other neutrals.

I am sending a letter along identical lines to Mr. Vinson.

Sincerely yours,

Randolph Paul
Special Assistant to the President

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