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JUL 31, 1946

In reply refer to
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My dear Mr. Baldwin:

I have your telegram of July 13, 1946 by reference from the White House in which you urge that the negotiations with Sweden for German assets in that country be halted until the agreement with Switzerland has been reexamined and more forceful directives can be given to our negotiators. I have also seen the article about your telegram which appeared in the New York Times Monday, July 17, 1946.

I understand that Mr. Randolph Paul, who was appointed by the President to negotiate with Switzerland on these problems on behalf of this Government, has already spoken to you concerning the terms of the Accord reached with Switzerland. As he undoubtedly explained to you, the terms of the Accord provided a definition of German assets which must be followed by the Swiss Government in making its determination as to what constitutes German assets in Switzerland. Moreover, the terms of the Accord provide for the establishment of a Joint Commission, consisting of one representative from the Governments of the United States, Great Britain, France and Switzerland, which Commission has the right to review any decision made by the Swiss Government with respect to the determination of what constitutes German assets as well as other questions. This Commission is to work directly with the Swiss Government and has the right to review all determinations made by it. In the event of a disagreement between the Swiss Government and the Joint Commission, the Commission has the right to appeal to an arbitral tribunal which will be composed of one member appointed by the Swiss Government, one member appointed by the Allies and one member appointed by the Swiss Government and the Allies.

In special

The Honorable
Joseph Clark Baldwin,
House of Representatives.

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In special cases, the Joint Commission will have the authority to conduct joint investigations with the Swiss Government. In this connection, I might point out that representatives of the Department of Justice and the Alien Property Custodian are now in Switzerland in order to conduct a joint investigation of the I. G. Chemie Company, which is claimed by the Allied Governments to be a subsidiary of the I. G. Farben Company.

With respect to the looted gold problem, there was no reasonable evidence that Switzerland had purchased \$300,000,000 worth of gold looted by Germany. As you will realize, there is necessarily difficulty in proving just what amounts of gold purchased by Switzerland were in fact gold which had been looted by Germany. It was conceded that about \$88,000,000 worth of gold originally belonging to the Bank of Belgium had been acquired by the Swiss National Bank; but the Swiss vigorously contested liability, on the ground of purchase in good faith. Under these circumstances, the Allied negotiators agreed that settlement for 58.14 million dollars worth should be accepted--particularly since the French Government, which was the largest loser to the Germans, held this opinion.

The disposition of the property of the German State Reichsbank and the German railroads in Switzerland was not determined during the course of these negotiations. The Allies reserved their rights in this connection and intend to pursue the matter further through diplomatic channels with the Swiss Government.

With respect to property owned or controlled by Germans residing in Switzerland, the agreement provides that where the activities of such persons during the war justify their repatriation to Germany at this time, the assets of such persons will be liquidated and disposed of pursuant to the terms of the Accord. In this way, the Allies will be in a position to assure not only that the assets of these Germans residing in Switzerland who worked against us are liquidated, but also that these persons will be repatriated to Germany. The Joint Commission will make available to the Swiss Government full details and information concerning such persons which it believes should be repatriated, and there is good reason to expect the sympathetic consideration of the Swiss Government to any such lists.

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Although formal recognition has not been given to the title of the Allied Control Council to German holdings in Switzerland, many of the terms of the Accord are based upon what would seem to be a de facto acceptance of at least some of the consequences which would stem from such title. The Joint Commission will in fact act as the Allied body responsible for these matters. I may point out that in any case Swiss agencies would have to be used to conduct a census and actually administer the necessary control programs, under the supervision of the Joint Commission. Otherwise, the Allies would be committed to establishment of large staffs within Switzerland doing work comparable to that of the Alien Property Commission, the Securities and Exchange Commission, etc.

I am enclosing for your information a press release on the Accord reached between Sweden, Great Britain, France and the United States which was concluded on July 18, 1946. As you will note from the terms of the release, existing procedures for the exchange of information between the Allies and Sweden with reference to the liquidation of German assets will be continued. These procedures which have been in effect for some time give us a satisfactory and adequate control over the activities of the Swedish Government in its program for the liquidation of German assets in Sweden. You will also note that the Swedish Government agrees to restore monetary gold acquired by Sweden and proved to be looted by Germany which is estimated at seven tons. The Accord also provides for 50 million kronor being made available by the Swedish Government to the Inter-Governmental Committee on Refugees for use in rehabilitation and resettlement of non-repatriable victims of German action; and 75 million kronor for the rehabilitation of those countries which were signatory to the Paris Reparations Agreement. In addition to these amounts, 150 million kronor is to be made available to the Allies to be used for purchase of commodities for the German economy in recognition of the burden which the Allies are carrying in order to prevent disease and unrest in Germany.

You may be assured that every effort is made to obtain the best possible terms in the Accords relating to German external assets and that the Accords so far concluded provide adequately for the elimination of dangerous German holdings in both Switzerland and Sweden.

Sincerely yours,

Enclosure:

Leading Secretary

Press Release

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