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Control: 2796 Rec'd: February 7, 1952 1:00 a.m.

FROM: Bonn TO: Secretary of State NO: 1443, February 6, 6 p.m.

Handwritten notes and signatures

SENT DEPT 1443, RPTD INFO BERN 13, PARIS 453, LONDON 369, Bern 1443, USDEL TCGD 383.

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Ref: Ourtel to Dept 1399, rpt Bern 12, London 369, Bern 1443, Feb 2.

- 1. Negots with Gers on Swiss accord problem successfully completed with full agreement on all (rpt all) points. However Ger reps must refer several points, particularly amount to be paid to allies, to ministers for final approval. This delayed because of Schaeffer's absence, but no (rpt no) difficulty expected particularly since agreement supported by ABS. Agreement to be finalized by exchange of letters between AHC and Fed Govt expected to be accomplished by Tuesday Feb 12. Ger negotiators plan leaving for Bern same day. Identical notes to Swiss from three govts shld be delivered on Feb 12 or 13.
2. Sending in two separate cables agreed text of Ger letter and tripartitely agreed draft of note to Swiss. Ger ltr achieved all desiderata contained in our instructions, and in many respects is more favorable than minimum acceptable to US. Accordingly we joined Brit and French in giving final approval on condition Gers accept without changes. Your approval of draft note to Swiss requested by Friday. Agreed that note will be finalized in London.
3. Most difficulty experienced re amount to be paid allies. Gers pressed for large reduction while Brit and French wished to make only very small reductions. Figure of 121.5 millions Swiss francs (135 million less 10 per cent) agreed only at very last. Gers were seriously concerned that one-third contributions, which is maximum Gers feel they can assess wld not (rpt not) cover amount allies demanding, in view of long list of exemptions. They are anxious to avoid appropriating funds for payment to allies. Gers understand that if cabinet does not accept agreed paper, including figures, allies revert to original position.
4. Gers hoping to pay less than above amount to Swiss and to get substantially larger credit on verrechnungskasse account than

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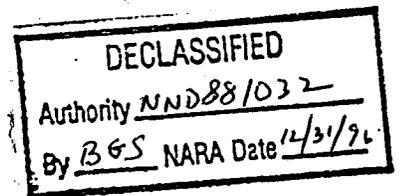
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~~2~~-#1443, February 6, 6 p.m. from Bonn

than amount paid. They willingly agreed to request Swiss to defer any unsettled wartime claims until final general settlement. Moreover, Gers understand Stucki does not (rpt not) want to raise clearing claims in London.

5. Financing of payment to Swiss was discussed in great detail. Gers called in experts from BDL and Min of Econ. Our suggestion to earmark unblocked assets and their earnings for this purpose found their full approval. They are fully agreed that no (rpt no) other funds will be used for this purpose and that Swiss will be paid no (rpt no) faster than funds become available from assets. Gers believe they have ample info as to owners of Swiss assets to have fairly effective exchange control and that, in addition, Swiss will assist them in this respect at least until payment to them completed.

6. Gers raised difficulties re exceptions from contributions by owners only in regard to corporations with mixed ownership where they wished to assess contribution on proportion of Ger ownership, exempting fully only those owned 75 percent or more by foreigners. However, they dropped this point when figure was agreed.

7. Larke of UK Legation Bern will be kept informed by Gers of progress negots with Swiss.

8. AHC reply to Gers will authorize negots and make ref to connection with contractual negots on reparation article.

9. In drafting note to Swiss, Brit and French conceded to replace originally agreed oral statement re status of clearing claim with written statement. In view of Gers willingness to press for written commitment from Swiss on this point and apparent attitude of Stucki believe note in present form satisfactory.

10. Re effects intercustodial agreements, urtel TOSIG 809, para one. Gers expect to receive all assets which Switzerland wld have liquidated under accord, including those Switzerland receives under intercustodial agreements. US REPRES made clear to Gers they cannot expect that any Ger assets in US owned through Swiss intermediaries, wld be unblocked. Gers took notice of this. Understand situation is different in case UK where intercustodial agreement made available to Swiss various Ger assets in UK.

MCCLOY

TT: CWW