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DEPARTMENT OF STATE  
MEMORANDUM OF CONVERSATION

July 2, 1952

SUBJECT: Washington Accord

PARTICIPANTS: Mr. Bruggman, Swiss Minister  
WE - Mr. Vance

COPIES TO: EUR - Mr. Bonbright (2)  
WE - Mr. Byington  
L/E - Mr. Maurer  
GEA - Mr. Dux  
Justice Dept., OAP - Mr. Sham (Office of Alien Property)  
Amerbassy, London, for U.S. Delegation TCGD  
Amlegation, Bern

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Mr. Bruggmann, following a discussion regarding the Escape Clause proceeding in connection with Swiss watch imports, inquired into the present status of our negotiations looking to a liquidation of the Washington Accord problems. He said that he understood that the negotiations had broken down at Bern when the U.S. had asked that Switzerland give up its rights under Article IV of the Accord.

Mr. Vance replied that in order to understand this problem it is necessary to go back to the period of the last war with Germany. There was no question but what the U.S. was acting within its sovereign rights when it seized enemy property located within its territories. The powers allied with the U.S. did likewise and, with the German surrender, Germany itself came under allied control. The U.S. and its Allies had also taken necessary steps to assure that property in Allied territories owned from or through neutral countries was not used by the enemy to further its war effort. At the conclusion of the war the victorious Allies turned to the neutrals whose territories constituted the few remaining areas in which enemy property was free, with a view to inducing those neutrals to take action against enemy property in their territories so that there would be none exempted.

It was in this context that the U.S., the U.K., and France, acting for the Allies, set down with representatives of the Swiss Government in Washington in 1946 to negotiate the so-called Washington Accord. It cannot be said that at that time and in those circumstances any one, including the Swiss Government, had any misapprehension as to what property was the subject of negotiations. The Allies would certainly not have tolerated for a moment demands of neutral Switzerland that enemy controlled property situated in the U.S. be a subject of negotiation. Article IV, which provided that "Swiss property" in the U.S. would be unblocked, referred to the Swiss property which had been blocked as a protective measure. As fast as it could be determined that this property was in fact totally Swiss, and not enemy owned or controlled, it was unblocked.

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(NOTE: UNDER SCORING IS NOT PART OF THE ORIGINAL DOCUMENT.)

VI-22/2

- 2 -

Accordingly, latter-day Swiss demands that, on the basis of Article IV of the Washington Accord, Switzerland has rights regarding enemy controlled property in the U.S. is completely without foundation. When the U.S. negotiators at Bern met with an adamant Swiss demand for such rights, they could only withdraw to consider the matter. No conclusion has as yet been reached in the U.S. Government as to the next step to be taken.

Mr. Vance added that we do continue to hope that some means may be found to settle Washington Accord matters once and for all. He said that their importance to Swiss-American relations far transcends the dollar values in question. As the Minister knows, it was, quite humanly, true that many people in the U.S. viewed neutral Switzerland rather unfavorably during the war. The fact that Washington Accord questions remain to this day unresolved constitutes a constant reminder of these unpleasant feelings, which cannot have favorable consequences with relation to whatever subject regarding Switzerland is being discussed.

Mr. Vance added that he felt confident that the two Governments could and would work this problem out to their mutual satisfaction.

The Minister replied that he was not in possession of enough of the details of these negotiations to be able to reply, but he agreed that the matter should be carefully reexamined in an effort to reach a mutually agreeable solution.

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