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THE FOREIGN SERVICE  
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AMERICAN LEGATION  
Bern, August 25, 1948.

LC/E

No. 618

DEPARTMENT OF STATE

Subject: Visit of Assistant Secretary of State  
Thorp to Bern, August 23, 1948.

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The Honorable  
The Secretary of State,  
Washington, D. C.

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Sir:

I have the honor to report that Assistant Secretary of State Willard Thorp spent the afternoon and evening of Monday, August 23rd in Bern in consultation with members of the Federal Political Department on matters relating to ECA and the Washington Accord. I had earlier suggested to Minister Alfred Zehnder, head of the Political Affairs Section of the Political Department, that Mr. Thorp would welcome an opportunity for personal contact with him and other responsible officials in Bern. The Swiss officials were highly gratified by this and immediately extended an invitation to Mr. Thorp.

In the afternoon Mr. Thorp had conversations with Minister Stucki, Federal Delegate for Special Missions, and with Mr. Zehnder. Copies of the memoranda on these interviews are enclosed.

That evening Federal Councillor Petitpierre, head of the Political Department, gave a dinner for Mr. Thorp at the Wattenwyl House. Those present on the Swiss side included Mr. Petitpierre, Mr. Zehnder, Mr. Stucki, and Mr. Jacques-Albert Cuttat, head of the Protocol Section. The American guests were Mr. Thorp, Mr. Everett K. Melby, Secretary of Legation, and myself.

Conversation during the evening was of a general character, touching on the work of the ECOSOC session in Geneva, and an exchange of information and views on current political questions. The tone throughout was very friendly and cordial. Early in the evening, Mr. Petitpierre observed to Mr. Thorp, without however making an issue of it and in substantially the same terms that he had used with me some days before, (Legtel 1101, August 24) that he personally much regretted the existence of some

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for Economic Affairs  
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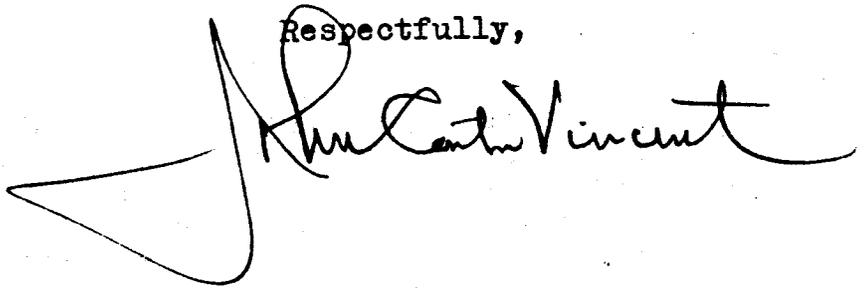
Des. 618, Am. Legation, Bern, August 25, 1948.

Page 2.

differences between Switzerland and the United States at the present time; and expressed the hope that these minor sources of conflict between two countries which believe in the same ideals would be quickly eliminated.

The obvious satisfaction which the Swiss officials displayed over having this opportunity of contact with Mr. Thorp fully warranted the effort he made in coming to Bern. I have for some time felt that American officials who visit Geneva for conferences of one sort or another far too frequently ignore the Swiss Government only two hours away at Bern. I would not go so far as to say that the Swiss resent this attitude but they certainly appreciate a deviation therefrom. It was with this thought in mind that I initiated the suggestion for Mr. Thorp's visit. I realize that the time and energy of American delegates to conferences in Geneva are usually fully engaged with work that has no direct relation to Switzerland, but when there are on American delegations officials, particularly from the State Department, whose duties in Washington have some connection with Swiss-American relations, I believe every effort should be made by them to find time to make some contact no matter how brief with Swiss Government officials at Bern.

Respectfully,


Enclosures; *att.*

- 1/ Memo of Conversation between Mr. Thorp and Mr. Stucki
- 2/ Memo of Conversation between Mr. Thorp and Mr. Zehnder

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## A M E R I C A N   L E G A T I O N   B E R N

## Memorandum of Conversation

CONFIDENTIAL

Date: August 23, 1948

SUBJECT: Switzerland's Participation in ERP

PARTICIPANTS: Minister Walter Stucki, Federal Delegate  
for Special MissionsThe Honorable Willard L. Thorp, Assistant  
Secretary of StateJohn Carter Vincent, American Minister  
to Switzerland

Mr. Thorp and Mr. Vincent called on Mr. Stucki at the latter's suggestion. Mr. Stucki indicated clearly that it was the Washington Accord he wished to discuss. He gave a brief review of developments during the past year referring particularly to the identic Allied notes of last May, to criticism in the British Parliament of Switzerland's attitude, and to similar criticism by IARA. He said that IARA had accused the Swiss authorities of violating the Washington Accord. At this point Mr. Thorp asked for clarification and the explanation given by Mr. Stucki indicated it was not so much a matter of "violation" as it was of non-performance.

Mr. Stucki went on to explain that the Swiss continued to feel themselves morally and legally obligated to carry out the intent of the Washington Accord; that the elimination of German war potential in the form of assets held in Switzerland was an objective fully supported by the Swiss; but that the Swiss adhered also to their early stand that Germans whose property was liquidated should receive just "counter value". He made again the point which the Swiss so often use, that they must act in a way which would place them beyond criticism by a future German Government.

Mr. Stucki then mentioned differences of opinion that had arisen between the Allies and the Swiss as regards

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Authority	NNI 760050
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- 2 -

performance under the Washington Accord. He said the Swiss Government had come to the conclusion that the only way to settle these differences was through arbitration. He mentioned particularly the matter of establishment of a rate of exchange for the German mark and said that this would have to be a subject of arbitration. Mr. Vincent asked whether it would not be necessary first to have a decision on the question whether under the Accord the Swiss were obligated to proceed with liquidation in advance of a settlement of a rate of exchange. Mr. Stucki said that this was the case and that arbitration of the rate of exchange would follow, that is assuming the Swiss point of view was upheld.

There ensued lengthy discussions as to how one might arrive at a decision as to what constituted counter value. Mr. Thorp inquired whether, if a free rate of exchange for the mark were established, this would be considered satisfactory by the Swiss. Mr. Stucki answered in the affirmative but said that he could not envisage the establishment of a "free" exchange for many years to come; and that if it were a matter of establishing an "official" rate of exchange the Swiss would want to examine this rate to determine whether its application would in fact give the Germans just "counter value". Subsequently he indicated that decision in this matter would probably have to be by arbitration.

There followed some discussions of the matter of an advance or lump sum payment. Mr. Stucki said that a lump sum payment would require approval by the Swiss Parliament. However, he then made the interesting statement that, if the Allied powers agreed to arbitration, particularly with reference to the rate of exchange and counter value issues, the Swiss might give favorable consideration to making an advance of say one hundred million francs without awaiting an arbitral decision. Questioned by Mr. Vincent he made it clear that this was purely a personal suggestion of his but that he would be willing to advocate such action to the Swiss Government. Mr. Vincent welcomed this suggestion of Mr. Stucki's, pointing out the practical advantage of making available hard Swiss currency to Western European countries as an aid in achieving the objectives of the ERP.

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The conversation then turned to matters relating to the intercustodial problem. Mr. Stucki mentioned several specific cases as constituting reasons for dissatisfaction by the Swiss and said that these also were matters which probably would have to be arbitrated. He also mentioned the matter of a new Black List of certain firms in Switzerland and said that the existence of this List was inconsistent with the objectives of obtaining any kind of real value for German property because the Black List virtually put these firms out of business thereby making them valueless.

On the matter of arbitration, particularly with reference to the rate of exchange and counter value I had the definite impression, although Mr. Stucki did not say so in so many words, that one of the principal objectives was to relieve the Swiss of the responsibility of reaching a decision in discussions with the Allies. The Swiss, it is believed, are anxious that in future years they can point out that the solutions and decisions reached were those of an arbitral body rather than those reached by the Swiss Government on its own responsibility.

The conversation ended at 6:30, having lasted for an hour and a quarter. Mr. Thorp thanked Mr. Stucki for his frank and clear explanation of the Swiss point of view and said that he would give it careful study when he returned to Washington. He expressed confidence that a satisfactory solution could be found but did not commit himself to acceptance of the Swiss proposal for arbitration except in principle.

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## A M E R I C A N   L E G A T I O N   B E R N

## Memorandum of Conversation

CONFIDENTIAL

Date: August 23, 1948.

**SUBJECT:** Swiss Participation in ERP.

**PARTICIPANTS:** Minister Alfred Zehnder, Head of the  
Political Affairs Division of the  
Federal Political Department  
Minister John Carter Vincent  
The Honorable Willard L. Thorp  
Mr. Everett K. Melby, Secretary of  
Legation

Mr. Zehnder expressed his appreciation for the opportunity to discuss with Mr. Thorp some of the special problems which had arisen from Switzerland's participation in the Marshall Plan. He gave a brief summary of the Swiss authorities' position in the matter. If Europe is to be restored economically, he stated, it can only be done through the assistance which the United States is contemplating in ECA. Switzerland is convinced that once the plan gets under way it will achieve its goal and that European economy will again be a going concern at the end of the four year period. Mr. Zehnder said that he and others in the Government understood perfectly the necessity for bilateral agreements between the American Government and the thirteen of the sixteen countries which were receiving assistance from the United States; it was only right and natural that the United States should know how its money is being spent.

Switzerland, however, was not asking for any help, and he assumed that Mr. Thorp had had ample reason to see why this was so in the weeks he had spent at Geneva. The Swiss Government was willing to make two concessions in the matter of an agreement. First, it would guarantee not to increase its imports of goods in short supply beyond the

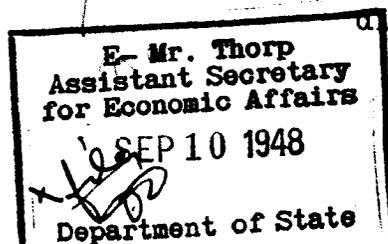
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quantity it had used before the war so as not to make them any scarcer, and second, it would not re-export any of these goods.

Mr. Zehnder said that the Swiss could not understand the necessity for their dealing with the American Government through the OEEC organization in Paris. Its position has always been that international trade should be on a purely businesslike basis and since it was not asking for anything, it felt that it should be able to negotiate directly with Washington.

Mr. Thorp stated that he was happy for this opportunity to meet Mr. Zehnder and to discuss with him certain matters which had been holding up full Swiss cooperation in the Marshall Plan. As far as the American authorities were concerned he said, there are two basic documents which govern all Marshall Plan activity. The first is the Paris Agreement of April 12, 1948, setting up the OEEC and the second is the Economic Cooperation Act of 1948.

Originally the State Department had not intended to conclude bilateral agreements with any country. Its responsible officials took the stand that ERP was assistance to Europe as a whole and that American relations should be with a representative European body. Congress however inserted the requirement for bilateral agreements with each of the sixteen nations and the State Department therefore had no choice but to go ahead as it has been in the past few months. Strictly speaking Switzerland and all the other countries should have signed their agreements by July 3rd, failing which they should be deprived of access to any goods in short supply. This ruling has not been applied to the letter but it is obviously clear that Congress desires these agreements made as early as possible.

According to the Act, export licenses for scarce commodities can only be granted to "participating countries". This is designed to insure that rare goods will go first to those countries that are willing to cooperate with the United States in restoring normal trade and only afterwards to "outsiders" such as the Russians, the Czechs, Poles, etc. There is subsequently a legal basis for requiring

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Authority	NND 760050
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VI-3/8

- 3 -

Switzerland to sign a bilateral agreement.

The officials of the State Department do not intend to interpret the requirement for a bilateral in a too narrow sense. In the case of Switzerland a concession has already been made to her special position by permitting the substitution of an exchange of notes for an agreement. Similarly, the Department is willing to alter the language of the exchange of notes in order to satisfy Switzerland's requirements. The essential thing is to have written assurance from the Swiss Government that the country is a "participating" one.

Mr. Zehnder stated that it would now be easier for him to secure agreement for this exchange of notes since he could explain that it was a legal, and in a sense, merely a technical matter. Mr. Thorp said he hoped Mr. Zehnder would issue instructions to the Swiss Legation at Washington to begin conversations with the State Department at once on this matter. He himself would be back in Washington within a week and would do what he could to wind up the affair speedily, but he would welcome preparatory work on the Swiss side within the next few days.

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