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Authority WFO 949712
By JA NARA Date 711

RG 84
Entry 3745 Stockholm Legation
Gen. Recs. 1746
File 851 Washington Record,
Implementation 1946
Box 124

MEMORANDUM

August 20, 1946.

To - Mr. Smith
Mr. Ravndal

From - John A. Birch

The first question of substance which may be expected to arise as a result of the Swedish-Allied Accord of July 18, 1946 on the disposition of German property and related matters, is the question of consultation with the French, British, and American Governments. Paragraph 1, subparagraphs (a) and (b) of the recent Accord read as follows:

"1. (a) The Swedish Government confirms its intention to pursue a program of economic security by the elimination of German interests in Sweden.

"(b) The Swedish Government further affirms that the Foreign Capital Control Office (Flytkapitalbyrån or the FCCO) will, for this purpose, continue to uncover, take into control, liquidate, sell, or transfer German property, that the procedure already informally established between the FCCO and the Allied Missions in Stockholm shall be continued, as previously, as a means of exchanging information regarding the discovery and liquidation of German property and affording mutual assistance in this program."

During the discussions in Washington it was found impossible to obtain Swedish agreement to include specific provisions in the Accord concerning the question of prior consultation with the interested Allied Missions on such questions as the terms of sale of German properties, eligibility of particular buyers and the participation of Allied capital. The original proposal put forward on the Allied side was that there should be established in Stockholm a Joint Allied-Swedish Commission which would be responsible for the formulation of policy with respect to disposal questions and which would work in close cooperation with the Swedish administrative organs exercising the functions of administration and liquidation. As you may know, such a joint commission is provided for in the agreement on German assets reached with the Swiss on May 25, 1946. However, the Swedish delegation was unwilling to agree to the establishment of such a commission and thus the paragraph mentioned above represents the final terms of the agreement reached. It is pertinent to add, however, that the Allied delegates were agreeable to dispensing with a joint commission because of the feeling in Washington that the informal procedures already established between the FCCO and the Allied Missions in Stockholm could serve as a forum for discussions of detailed procedures for the disposal of the German assets. Mr. Knox was one of the principle proponents of the idea that the Allied Missions could satisfy informally with the FCCO questions on which the Swedish delegation was touchy and would not agree to include in the Accord.

In recent

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In recent discussions with Millquist, which have been reported to Washington, we received what might be regarded as a forecast of the Swedish position on the question of consultation. In essence, Millquist's position was that prior consultation with the Allied Missions on questions of sale of German property would unduly hamper expeditious transfers to satisfactory buyers, that Allied capital "might be allowed to participate", and that in any event the interested Allied Governments could not be provided with details concerning prospective sales since this would have the result of placing them in an advantageous position over Swedish buyers. Our British colleagues are in agreement with us that Millquist's informal opinions are not to be considered as binding upon the FCCO, particularly since the FCCO has not yet formulated detailed procedures for the sale of German interests under the July 18 Accord. Nevertheless, Mr. Setchell and I feel that it would be desirable to transmit the attached letter to Justice Sandström, who will return to Stockholm shortly, in order to make clear our desire to discuss the question of consultation in the near future. It was also agreed with Setchell that rather than send joint letters to Sandström, we might simply include the statement that the letter in question has been prepared in full cooperation with the British.

JS

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851
JAB:dml

Stockholm, August 26, 1946.

Dear Setchell:

I promised to send Traviss some observations on the background of discussions in Washington regarding the question of Allied-Swedish consultation referred to in numbered paragraph 1 of the basic letter of July 18 (letter A) as well as the subject of future procedure. It may be well to mention first the discussions that finally resulted in the wording of paragraph 1 mentioned above.

During the second week of discussions in Washington, the Swedish Delegation were informally handed a copy of a preliminary "Outline of Accord", and their reaction thereto sought. A copy of this draft Accord is attached hereto and your attention is particularly invited to paragraphs 2, 3, 4, and 5.

The resulting discussions are reflected in the Minutes of June 6, 1946, a copy of which is also attached for your convenience. The minutes of the meeting of June 6, are rather inconclusive and so far as I can ascertain from the record, the subject of consultation with the Allies is not covered in any detail in further minutes. This is apparently due to the informal nature of the discussions during the last two weeks of the negotiations. I think it is fair to conclude that the Allied side would have pressed the issue of a Joint Commission much more strongly had it not been for the feeling which prevailed in Washington that existing consultative procedures had, by and large, worked out satisfactorily. Therefore a great deal of reliance was placed on continuing and expanding these informal consultations with the FCCO and the Swedes certainly gave no indication that they were unwilling to continue. There were no commitments however on their part with respect to advance consultations with the Allies on sales or transfers of German properties. It is on this latter point that the Allied Delegations hoped for the expansion of informal

procedures

H. L. Setchell, Esquire,
Counselor, British Legation,
Stockholm

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procedures which would make it possible for the Allied Missions party to the agreement to learn of prospective sales and purchasers in advance so that no stone would be left unturned in satisfying security objectives.

My instructions on leaving Washington were to discuss, as soon as feasible, a coordinated informal approach to Justice Sandstrom with a view to determining with the FCCO the scope of future consultations on the question of disposal of specific German properties. It was strongly hoped that the FCCO could be persuaded to agree: (a) To continue the furnishing of relevant information and to expand this function as requested by the Allies; (b) To consult with the Allies in advance regarding sales of properties of specified size or importance (including consultations on the eligibility of purchasers). Failing agreement on advance consultations, the Swedes should at least, in our opinion, be asked to notify the Allied Missions of the terms of sale and names of prospective buyers in sufficient time to permit objections should available information justify such action.

I should be glad of an opportunity to discuss this question with you. A copy of this letter and its enclosures has been sent to Mr. Coste of the French Legation for his information and comment.

Sincerely yours,

John A. Birch *JB*
Attaché

2 Enclosures:

1. Draft Accord
2. Minutes of the Meeting of June 6, 1946.

A true copy of the signed original.
NAH

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Implementation 1946

Minutes of the Swedish-Allied Safehaven Negotiations

June 6, 1946

Morning Session

Outline of Accord

Mr. Rubin explained to the Allied Negotiators that he had discussed the Outline of Accord (attached as Enclosure no. 2) with Justice Sandstrom at dinner, and requested Justice Sandstrom to explain his position with respect to that Accord for the benefit of those absent from the previous discussion.

The Swedish position and the Allied counter-position are presented below.

The Swedish View

Justice Sandstrom explained that the Swedes have put German assets under administration and considered the conduct of that administration an internal affair. They were previously asked to accept co-administration and in rejecting it thought the rejection final. The Swedish Negotiator explained that there is an active administration (the FOCO) supported by necessary legislation. The Swedes stated that they will give information from their investigations, and asked that the Allies have confidence in their carrying out our joint aims to the extent that we leave the administration to the Swedes.

Justice Sandstrom stated that the Draft Accord covers nothing new except Allied participation, which he rejects, and suggested that the discussion turn to the aims of the Accord. He pointed out that there is already an exchange of information and that the Swedes can ask the Allies for additional information in those cases in which it is necessary. They do not need therefore to sign an agreement at this time. Justice Sandstrom suggested that in lieu of signing an agreement the Swedes could make a policy statement with respect to our joint aims. He pointed out inter alia: that they already accept information from the Allies; that there already exists a functioning, though informal, (joint) committee; that a signed agreement might expose them to Riksdag interference, and that a formal agreement might well contain terms subject to later misinterpretation.

Justice Sandstrom was strong in support of his position that we have now a "gentlemen's agreement" which is functioning well and does not need to be formalized. Mr. Cronwall suggested it would be difficult to explain to the

Swedish

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Swedish public the reason for adopting a formal agreement at this time; especially since Swedish sovereignty is a great issue with the Swedes. Public reaction might react unfavorably in the face of even an indication of interference. Mr. Gronwall expressed disappointment at discovering we were to discuss terms of sale, liquidation, and suspect purchasers and the like, having arrived in the United States believing we were to discuss general aims, rehabilitation, and removal of impediments to trade. Justice Sandstrom suggested in response to the extended Allied explanation of the necessity for an agreement that we might sign an agreement to confirm standing practices. Strong objections to the attached Draft Accord were expressed by Justice Sandstrom in that it included several detailed points, among them the terms of the disposition of German assets which, he felt, would appear odd in the face of existing Swedish legislation already authorizing disposition. Justice Sandstrom stated upon Allied query as to whether we could use the present Draft Accord for a model: "No, I don't think this draft can serve as a basis for an accord." He further suggested that joint drafting as proposed by the Allies await the passage of additional time following the discussion.

The Allied View

The Allied Negotiators assured Justice Sandstrom that the Allies do in fact rely on Swedish administration of German assets, but feel that the Allied Governments should be given an opportunity to furnish vital information toward the accomplishment of our aims. The opportunity should consist of joint procedures as used elsewhere and would carry no suggestion of criticism of the Swedish operations to date. The French Negotiator inquired, in response to the Swedish Negotiator's suggestion that our agreement covered nothing new, whether the Swedish Negotiator could suggest alternate points to be covered. The British Negotiator affirmed the need for an agreement to bind our successors, to show to the other governments in whose behalf we are acting, and because it is the usual thing to record agreements reached between governments as a provision for future understandings. The United States Negotiator quoted Article 6 F of the Paris Reparations Agreement which sets up a committee to deal with matters of enemy property custodianship and prescribes its functions. He stated that the Allies recognized the need to sign that agreement and believed that Sweden and the Allies should sign an agreement covering the same general aims.

The British Negotiator pointed out that Swedish measures in effect, up to the present time, have been aimed at locating and conserving German Assets, and that as we moved into the disposition phase we should at least outline the

rules to

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rules to be applied. The French Negotiator suggested that especially since we are in agreement on the aims, it should become a matter of record. He stated that entering into international agreements is a function of sovereignty and not an invasion of sovereignty, and that the notion of not signing agreements between nations appeared more unusual than the signing.

In response to Justice Sandstrom's suggestion that the Swedes might well have "confiscated" German property as the Dutch had, it was pointed out that the Dutch have extensive reparations claims against the Germans, and that the very seizure mentioned was in pursuance of an agreement with the other Allies. (Paris Reparations Agreement.)

As to the question of the effect on Swedish public opinion, the United States Negotiator pointed out that the existence of a "gentlemen's agreement" between the Allies and the Swedes would become public knowledge as well as would a signed formal undertaking and might well be more unpalatable in the form of a secret undertaking than in the form of a signed agreement in exercise of the jealously guarded Swedish sovereignty. After Mr. Cronwall pointed out the availability of the Blacklists to the Swedes in relation to purchasers of German properties, the Allied Negotiators suggested that joint consultative procedures would guard against repurchases of the German interests by, at present, unknown Nazi sympathizers.

It was pointed out by Mr. Surrey, in response to the Swedish Negotiator's objections to the detailed procedure in the Draft Accord covering dispositions, that it was very necessary to have such an agreement since such procedures do not comprise any part of presently outstanding "gentlemen's agreements".

The meeting adjourned, to resume at 10:30 a.m., June 7, to discuss State and Parastatal properties and looted gold.

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Memorandum to Allied Delegates

Attached is the second revision of Swedish Accord
No. 1.

For purposes of record this revision is designated
as S.A. 1/b.

June 4, 1946

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DRAFT

June 4, 1946

OUTLINE OF ACCORD

Following discussions and an exchange of views, the Allied Delegations and the Swedish Delegation have reached the following accord.

1. The Government of Sweden, through the Foreign Capital Control Office (hereinafter referred to as the F.C.C.O.), will continue to uncover and take into possession German property. Such property will be liquidated, sold, or transferred in accordance with this Accord. For their part, the Allied Governments agree that provision will be made in Germany for suitable compensation to persons whose property is disposed of within the framework of this Accord.
2. The Government of Sweden will carry out this Accord in conjunction with the Governments of France, the United Kingdom and the United States (hereinafter designated as "the Allies"). For this purpose, the joint consultative procedures already established will continue and be expanded.
3. These joint consultative procedures shall encompass agreement on procedures for mutual assistance in the discovery, sale, transfer or liquidation of German property (including investigation by the F.C.C.O. of the locus and status of property reported to it by the Allies as being or believed to comprise a German property, or to be of doubtful or disputed bona fide Swedish ownership); for the reciprocal exchange of all information and evidence relevant to German property whose value or importance justifies special examination, including the exchange of information and evidence deemed either by the F.C.C.O. or the Allies to be material to the execution of this Accord. In the above connection the F.C.C.O. and the Allies will make available such liaison personnel as will ensure full mutual cooperation.
4. (a) Unless otherwise agreed between Sweden and the Allies, the F.C.C.O. shall take possession and control of German property and shall liquidate, transfer or sell the same after reasonable and public notice. Unless otherwise agreed between Sweden and the Allies, such sales shall be carried out through sealed bids and such bids shall be accepted only from non-German nationals and in no case from a person who is declared by either Sweden or the Allies to be persona non grata.

(b) The terms and conditions of sales of properties by the F.C.C.O. shall be settled with the Allies who shall have the right to object to any proposed sale on grounds of security,

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security, or unsatisfactory price or purchaser, and to suggest the inclusion of conditions to promote freedom of trade. The terms and conditions of sale shall be such as to take into consideration the interests of the Swedish economy.

(c) The F.C.C.O. may allow liens against such assets which arose prior to 25th August 1939 and are exercisable by nationals of countries which have not been at war with the Allies, being liens created in Sweden, enforceable in Sweden and enforceable against the identical property.

(d) Liens created or arising out of transactions which occurred on or after 25th August 1939 will be deemed to be invalid to the extent that proof satisfactory to the F.C.C.O. and the Allies of the bona fides of each such transaction will be on the claimant.

(e) Unsecured claims against German property will not be satisfied out of such property.

5. The F.C.C.O. shall take steps to remove forthwith from companies, firms and business enterprises coming under its jurisdiction, individual personnel of whatever grade or office who are undesirable from the standpoint of the objectives of this Accord or world security.

6. Should a disagreement arise between the F.C.C.O. and the Allies on matters covered by this Accord or the interpretation of this Accord, or should the Allies disagree with a decision of the administrative tribunal, the issue may be referred to an Umpire, agreed upon between the Four Governments. This procedure shall be the exclusive method for determining matters of disagreement relating to this Accord.

7. The proceeds of liquidation of German property, including existing liquid assets, shall be devoted by the F.C.C.O.:

(a) For the purposes of the support and re-settlement of certain classes of victims of the Third Reich, who, it is agreed, have special claims upon humanity and the assets of Germany, a sum not exceeding approximately _____ This sum shall be turned over to the Inter-Governmental Committee on Refugees.

(b) The remaining proceeds of liquidation of German property shall be allocated as is agreed during the course of these negotiations.

8. (a) The

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8. (a) The term "property", as used in this Accord shall include all property of every kind and description and every right or interest of whatever nature in property.

(b) The expression "German property", as used in this Accord, means all property which is owned or controlled by any person of German nationality inside of Germany. The term "person" (except as hereinafter noted) includes any person or collective person or any juridical person or entity under public or private law having legal capacity to acquire, use, control or dispose of property or interests therein, and any government, including any political subdivision, public corporations, agencies and instrumentalities therein; any juridical person or entity which is organized under laws of, or has its principal place of business in, Germany shall be deemed to be a person of German nationality, other than those organizations of whatever nature the ownership and control of which is held by persons who are not of German nationality. In such cases, appropriate measures will be taken to liquidate the interests in Sweden which German nationals resident in Germany, or otherwise subject to this Accord, have through such organizations and equally to safeguard substantial interests of non-German persons which would otherwise be liquidated.

(c) The expression "German property", as used in this Accord, shall further include all property which is owned or controlled by any person of German nationality outside of Germany, or of any branch of any business or corporation or other legal entity organized under the laws of Germany or having its principal place of business in Germany. The expression "any person of German nationality outside of Germany" shall apply (1) unless otherwise agreed between the F.C.C.O. and the Allies, to a person who has enjoyed full rights of German citizenship under Reich law at any time since 1 September 1939 and who has at any time since 1 September 1939 been in any territory then under the control of the Reich Government, and (2) to those persons who were German citizens on or after 1 September 1939, and who at any time have lived abroad (continuously or intermittently) and who aided or attempted to aid Germany or her Allies during the war or who assisted Germany or her allies in the preparation for war, but shall not apply to any citizen of any country annexed or claimed to have been annexed by Germany since December 31, 1937.

- 9. (State and Parastatal Property)
- 10. (Restitution of looted property, including gold)
- 11. (Patents and Trademarks)
- 12. (Repatriation)
- 13. (Miscellaneous)

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Box 124

Handwritten:
C...
WS
156

Stockholm, September 5, 1946.

Dear Satchell:

With reference to my letter of August 20, 1946, enclosing a copy of a letter to Justice Sandström, there is enclosed a copy of Justice Sandström's reply, dated August 29, 1946.

I mentioned the substance of Sandström's letter to Travis the other day. I hope we can get together and discuss the matter soon.

Very truly yours,

John A. Birch
Attaché

Enclosure:

Copy of letter from Justice Sandström, dated August 29, 1946.

H. L. Satchell, Esquire,
Counsellor,
British Legation,
Stockholm.

A true copy of
the signed original.
[Signature]

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By JA NARA Date 7/11

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O P Y

LYTKAPITALBYRÅN
Stockholm

Stockholm, August 29, 1946

Dear Mr. Ravndal:

Yesterday your letter of August 20th was handed over to me.

I am sorry to state that I cannot agree with your conclusions or request, which most probably are due to incomplete information about the discussions in Washington and the scope of the texts in question.

One of the main points of our - by the way very pleasant - talks in Washington was the position of the three main Allied powers with regard to the administration and liquidation of the German assets in Sweden. The Allied negotiators originally proposed that there should be a consulting committee like the one which was agreed upon with the Swiss and that divergencies of views be decided by an empire. We opposed from the very beginning this proposition, insisting as a matter of principle on complete Swedish autonomy and making that an essential condition for entering into an agreement. We maintained this standpoint throughout the negotiations, in whatever form the Allied claim to be consulted reappeared.

Our standpoint was eventually accepted and is carried out in the texts in a very clear way. Thus, paragraph 1(b) of the basic letter to which you refer, does not allude to consultation as an aim of "the procedure already informally established between the F.C.C.O. and the Allied Missions in Stockholm", but only to "exchanging information regarding the discovery and liquidation of German property and affording mutual assistance in this program". The word "information" was chosen to dismiss the claim for consultation. The "mutual assistance" means that the one side can request the other side to make for instance an investigation for discovering a German interest.

I may also mention that the text we had provisionally agreed upon was worded in the following way: "that the procedure already informally established between the F.C.C.O. and the Allied Missions in Stockholm as a means of exchanging information and affording mutual assistance in the discovery of German property shall be continued as previously, and that all relevant information regarding the progress of the liquidation will be supplied". This draft was referred to Stockholm but not accepted, as the text seemed to indicate an obligation to render account to the Allies. In order to obviate such a conclusion the present drafting was made. By the new text it was meant to say that we should furnish information about liquidated property, as previously, i.e. at the informal meetings and as a case might arise. No other purpose was intended to be achieved by the re-drafting.

Finally, I draw your attention to the fact that some general principles intended to be observed at the liquidation and sales of German property were laid down in letter No. 9 (a) which I addressed to the Allied Negotiators. This letter contains an one-sided declaration regarding the policy which the Swedish Government has in view to pursue, and the Allied negotiators only acknowledged receipt of the letter, declaring that they were pleased to note the principles which I had stated. It was expressly pointed out to them that

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this form was intended to stress our standpoint that the administration and liquidation of the German property was an affair of the Swedish Government exclusively.

In view of the wording of the text and the discussions of which it was the outcome, I think you will agree with me that there can be no doubt that it is entirely in harmony with the wording and spirit of the understanding we reached in Washington that no such discussion as you have suggested takes place in respect of the procedures to be followed for the sale of the German assets.

I have treated the question at some length and might thereby heavily have taxed your indulgence, but I have thought it desirable to dispel from the outset any misconception that might prevail on this important subject.

Very truly yours,

/s/ Emil Sandström

Emil Sandström

Mr. C. M. Ravndal,
Charge d'Affaires ad interim of the American Legation
Stockholm

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Record

AIRGRAM

RESTRICTED

From
Stockholm
Dated September 10, 1946
Rec'd

8671

The Secretary of State,
Washington.

A-398, September 10, 1946.

Following is in nature of a preliminary report for Department only:

At lunch yesterday with Sandström officer of Legation informally re-
verted to question of Swedish-Allied consultation mentioned in paragraph
1(b) of basic letter of July 18, 1946, our airgram A-358 of August 20
copied to Lisbon and London. Re final paragraph this airgram we had trans-
mitted letter to Sandström under date August 20 mentioning conversation in
which Millquist took rather intransigent position that "consultation" with
Allies might hamper prompt disposition German-owned companies and merely
requesting opportunity to discuss scope of paragraph 1(b) before procedures
for sales of German-owned companies were finalized by FCCO. Sandström's
reply of August 29 was apparently based on conception that we desired reopen
entire question of Allied co-administration in transfer and sale of German-
owned properties, therefore, adhered strictly to Swedish position that
liquidation and sale are purely internal Swedish affair and that Swedes
must be permitted full autonomy. Copies of my letter and Sandström's reply
follow by air pouch. It will be noted from Sandström's letter of August 29
that the Swedish position on the question of consultation has been made
quite clear.

At luncheon Legation member stated his Government was very hopeful
existing informal procedures (as mentioned in paragraph 1(b) of exchange
of letters) would represent real and effective consultation between FCCO
and Allies, that phrase "affording mutual assistance in this program" is
regarded as meaning both Allies and Swedes would contribute very fullest
measure of consultation required to satisfy economic security objectives
of understanding. In order to contribute as much as possible to accomplish-
ment these objectives it was hoped FCCO would find it possible, in addition
to participating in exchanges of information designed to locate and control
German property and notifying Allied Governments of details of specific

sales

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Stockholm, Sweden
September 10, 1948
Airmail A-396

sales so that German owners could be indemnified, would make known names of particular buyers whose offers to purchase had been accepted and that this information might be informally communicated to Allies in sufficient time to permit them to ascertain whether all information relevant to buyer's status as security risks had been furnished FCCO.

After going over to substantial extent same ground traversed in Washington Sandström said it would be quite impossible to notify Allies in advance of details concerning prospective sales or the names of buyers whose offers would be accepted. He said Swedish authorities interpret paragraph 1(b) as covering only: (a) exchange of information relating to investigation and discovery of German property and information requested by Allies as to progress of liquidation of particular companies, and (b) that wording "mutual assistance" encompasses only exchange of information relating to discovery of German assets and perhaps assistance from Allies in ascertaining status and physical location of share certificates in German-owned companies where such shares might be located in Germany or elsewhere outside of Sweden.

Sandström indicated Swedes could add nothing to their previous statements on question of consultation, that they regarded settlement in Washington as *quid pro quo* which as result of their "contributions" permits them complete autonomy in liquidating and selling German assets. He went on to say he fully appreciated Allied Governments were seeking by every possible means to communicate to FCCO all information which might have any bearing on specific buyers as security risks, but it was reasonable to assume that in small country like Sweden, Swedish Government knew more about its own nationals than Allied Governments and if Swedes are in doubt they would avail themselves of opportunity to request additional information as provided in basic understanding. In reply to this statement, we made point that while all information of relevance to agreement was being communicated to FCCO constantly, there was always possibility current information from Germany could reveal undesirable activities on part prospective buyers which Swedes did not wish to disregard if broader objectives of agreement were to be achieved. Sandström deprecated possibility this would happen. At conclusion of discussion it was indicated we had been very hopeful we could report willingness of FCCO to cooperate in giving some advance notification of buyers and regretted we were not obliged to report Sandström's position such an arrangement was impossible. Sandström concluded emphatically that Swedes could not compromise in any respect with principle of autonomy reflected in paragraph 1(b) of basic letter and their unilateral declaration made in Washington agreement, enunciating principles and practices underlying liquidation and sale of German property.

We would

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Stockholm, Sweden
September 10, 1946
Airgram A-396

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We would be grateful for Department's urgent comments on foregoing question of consultation. To venture to suggest further approaches to Sweden, either formal or informal, to obtain agreement by advance notification re details of sales and names of buyers will meet with no success, as it is to be expected Sweden will merely invoke wording Washington understanding on this point and adhere to Mandström's line. No matter how stands, it has been somewhat difficult for Allied Legations to expand routine discussions with ECOS in absence of agreement between Allied Missions here as to how far Sweden should be pressed on question of consultation. British and French Missions have practically no background on Washington discussions and although we provided both oral and written background relating to these negotiations, British have naturally desired counsel from London. We now understand on question consultation with ECOS British have been instructed by London to "do their best". Should Department take view there is nothing concrete to be gained by pressing Sweden further on this point at this time, we suggest matter be set aside at least until after ratification of agreement by Riksdag. It should be possible in near future to assess accurately value of future consultations with ECOS and then to decide whether such consultation provides an effective instrument for carrying out objective of Washington understanding.

*Approved
16/9/46*

The substance of this airgram has been communicated by the Legation to H. L. Mitchell, Commercial Counsellor of the British Legation, Stockholm, who has indicated his preference not to report to London until there has been an opportunity for a joint US-UK discussion on this subject with Justitierådet Mandström. It is anticipated that such a discussion will take place early next week. Therefore, London is requested not to communicate this report to ECOS until this and British Legation have rendered reports as to the outcome of further discussions with Mandström.

A copy of this airgram has been transmitted to Lisbon for Messrs. Rubin and Surray.

RAVNDAL

John A. Birch/mf

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File Gen. Recs. 1946
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Translation

No. 368

His Majesty's proposal to the Riksdag concerning compensation to the Swedish Riksbank for a certain loss; Given At Stockholm Castle on November 1, 1946.

With reference to the attached excerpts from the Minutes of the State Council concerning financial matters for that day, His Majesty hereby sees fit to enjoin the Riksdag to approve of the proposal, the submission of which to the Riksdag is requested by the reporting departmental chief.

GUSTAF

Ernst Wigforss.

Excerpts from the Minutes concerning financial matters, held before His Majesty the King in Council at Stockholm Castle on November 1, 1946.

Present:

Prime Minister ERLANDER, Minister for Foreign Affairs UNDEN, State Councilors WIGFORSS, MOLLER, SKOLD, QUENSEL, GJÖRES, DANIELSON, VOUGHT, MYRDAL, ZETTERBERG, NILSSON, STRANG, ERICSSON, MOSSBERG, WEIJNE.

In conjunction with the Minister for Foreign Affairs, State Councilor Wigforss, as Chief of the Finance Department, reported the following:

In connection with the proposal concerning the exchange of letters relative to the disposition of the German assets in Sweden, etc., made earlier this day by the Minister for Foreign Affairs, the following representation has been received from the authorized representatives of the Swedish Riksbank:

"Under cover of a letter dated October 3, 1946, the Royal Department of Foreign Affairs has conveyed to the authorized representatives in the Riksbank the texts of the agreement concerning the disposition of German assets etc., which was signed in Washington on July 18, 1946. According to the agreement, Sweden was to deliver all the gold which Sweden had acquired and which could be proved as having been taken by the Germans from the occupied countries, including all the gold which had been ceded by the Swedish Riksbank to a third country, whereby, however, the Allies declared that no claim for restoration will be raised in regard to gold which had been transferred from Sweden to a third country prior to June 1, 1945.

"The authorized representatives, who already have been given the opportunity to express their views in regard to the treatment of the gold which has been proved as having been taken by the Germans from the occupied countries, beg to state that the Riksbank will take all the measures necessary for the fulfillment of the undertaking to reconstitute part in gold, in so far as the bank is concerned. After scrutinizing the material in evidence etc., the bank is thus prepared to

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deliver the gold in accordance with the agreement, as soon as the latter, upon approval of the Riksdag, has been ratified by His Majesty.

"Since the loss inflicted upon the Riksbank in executing this undertaking is a consequence of the dispositions made by the State, its authorized representatives are of the opinion that it is incumbent upon His Majesty, in connection with the submission of the Washington agreement to the Riksdag, to make a proposal concerning the regulation of the loss in a suitable form.

"On the basis of the above stated, the authorized representatives beg to suggest that His Majesty take up the question of regulating the loss for consideration and submit the proposal which may result to the Riksdag."

Presuming that the agreement regarding the disposition of the German assets etc. will be approved by the Riksdag, Sweden is bound to deliver all gold acquired by Sweden which is proved as having been taken by the Germans from occupied countries, to the extent that this gold was in Swedish possession on June 1, 1945. The possession by the Riksbank of the gold concerned has arisen through the receipt of liquid cash from Germany in accordance with the trade and payment agreements concluded during the war. The delivery of this gold will likewise be the result of a general agreement between Sweden and foreign powers. In the circumstances I consider it right, as suggested by the authorized representatives of the bank, that the Riksbank be compensated for the loss sustained by the bank in having to return the gold in question. Such compensation should derive from state funds whereby, however, the State should assume the role of claimant with the right to compensation out of the assets which will accrue to the clearing as a result of the liquidation of German assets; in this connection I would draw attention to what the Minister for Foreign Affairs reported concerning the treatment of the proceeds of the liquidation. The compensation which may become due to the State in connection with the surrender of the "looted" gold should be taken into account in the appropriation which may be made for the purpose. Since the compensation, on principle, ought to enable the State exchequer to obtain full cover for payments to the Riksbank, the appropriation may be taken up in this proposal with a purely nominal amount.

With reference to the above-stated, I beg to submit that His Majesty propose to the Riksdag -

By way of compensation to the Riksbank for delivered gold, to allot a proposed appropriation of . . . Krona 1,000 as supplement I to the State budget for the budget year 1946/47, under the seventh main caption.

Concurring with this submission, supported by the other members of the State Council, His Majesty the King decrees that a proposal be made to the Riksdag worded in the way as per addendum to these minutes.

Ivar Löfgvist

Translated by L.

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Stockholm, November 14, 1946

No. 7562

~~RESTRICTED~~

Subject: Swedish-Allied Understanding of
July 18, 1946, Submitted to Riksdag -
SAFEHAVEN

The Honorable
The Secretary of State,
Washington.

Sir:

With reference to the Legation's telegram No. 1707 of November 14, 1946, repeated to London as 216 and to Madrid for Mr. S. J. Rubin as 14, in connection with consideration now being given by the Swedish Riksdag to the Swedish-Allied understanding of July 18, 1946, I have the honor to enclose herewith a translation of an article which appeared in the Conservative Svenska Dagbladet under date of November 14, 1946.

The attached article is textually similar to a Foreign Office press release of the same date and may thus be considered as representing an official statement regarding presentation of the Washington agreement to the Riksdag. It may be noted in connection with paragraph 2 of the Svenska Dagbladet article that the amount of kr. 150,000,000 to be used in connection with the purchase of essential commodities for the three western zones of Germany is stated categorically to be a definite figure not to be influenced by the results of the final liquidation of German assets in Sweden, should the amount realized be in excess of the total figure on which the Washington understanding was based. As the Department is aware, this question relates to the matter recently raised by Justice Sandström of the Flyktkapitalbyran, the substance of which was contained in the Department's airgram No. 4-304 of October 17, 1946, sent to the American Embassy at Lisbon for the attention of Mr. S. J. Rubin.

Respectfully yours,

For the Charge d'Affaires ad interim:

John A. Birch
Attache

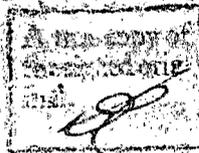
Enclosure:

1. Copy of article from
Svenska Dagbladet, Nov. 14, 1946

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John A. Birch:jcl

Original and hectograph to Department
2 copies to American Embassy, London



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Authority WJO 99972By JA NARA Date 711

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Enclosure No. 1 to Despatch No. 7562 of November 14,
1946, from the American Legation at Stockholm, entitled
"Washington understanding presented to Riksdag".

COPY IN TRANSLATION

Source: Svenska Dagbladet
November 14, 1946

THE WASHINGTON AGREEMENT CONCERNING THE
GERMAN ASSETS NOW SUBMITTED TO THE
RIKSDAG

No directives elaborated regarding
payment to Swedish claimants

In a proposal submitted on Wednesday, the approval of the Riksdag is sought for the Washington agreement between Sweden and the Allies relative to the German assets in Sweden as well as other pertinent questions. The proposal gives a survey of the contents of the decision arrived at but no detailed directives as regards the distribution of that part of the German assets which has been earmarked for the satisfaction of Swedish claims. Incidentally, the Swedish Minister for Foreign Affairs mentioned the following categories of Swedish claimants as entitled to compensation: the claims of the State Exchequer and the so-called State loans, as well as appropriate claims outside the normal clearing. He even mentioned that a Swedish delegation, within the near future, will inspect Swedish property in Germany.

The German assets in Sweden are taken care of, controlled and liquidated via the FCCO. In this connection, the exchange of information with the Allied authorities, which has hitherto taken place, will be continued. There is, at the same time, no obligation on the part of the Swedes to consult the Allies prior to deciding questions concerning control and winding up. The proceeds of the liquidation process - preliminary estimates being about kr. 375,000,000 - must be regarded as German property. The part hereof which may be used for the payment of German debts to Sweden, according to formerly valid clearing arrangements, is estimated at kr. 225,000,000. The remainder - kr. 150,000,000 - will be held at the disposal of the German economy. Since, however, the latter - irrespective of the legal situation - is at present *de facto* being administered by the Allied authorities, these authorities may be regarded as entitled, whether in Sweden or in any other country, to dispose of the remaining amount for purchases for German account. This stipulation, which will be the subject of a special settlement, is expressly limited to embrace the needs of the German economy. This figure is definite and not liable to be influenced by the results of the liquidation, should this happen to turn out differently to expectation. The Allies have thus no right of share, or any interest, in the outcome of the liquidation of the German assets in Sweden.

The German legal owners, whose property will thus be liquidated and disposed of, will through the care of the Allies be compensated in their home country for the losses suffered. In order to counteract future German claims against Sweden, it is stipulated that the Allies undertake to induce the future German Government to approve the above-mentioned dispositions.

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Stockholm

In connection with this settlement, Sweden has announced her willingness to continue her financial aid for the relevant purposes within the framework of kr. 125,000,000, of which 50,000,000 kr. will go towards the so-called International Refugee Committee in London. The balance of kr. 75,000,000 constitutes a further contribution on the part of Sweden to the subsidies already granted towards the international reconstruction work out of Swedish State funds, the distribution of which will be decided by Sweden. In this connection, grants are requested from the Riksdag in a special proposal by the Finance Department. Sweden has likewise undertaken to restore the gold - estimated at about kr. 30,000,000 - in Swedish possession on June 1, 1946, which may be proved as deriving from countries occupied by Germany.

The Foreign Minister emphasizes the fact that it is misleading to regard the total amount, which thus will go abroad (150 + 125 + 30 + 305 million) as purely a Swedish effort vis-a-vis the value of the German assets. The kr. 150,000,000 must be regarded as German property which, according to the agreement, will be used for German purposes, viz. the financing of imports to Germany. The kr. 125,000,000 in its turn, represents an independent Swedish contribution out of Swedish State funds, in spite of the fact that it falls within the framework of an already outlined policy. Finally, as regards the so-called looted gold, which is to be restored, this is not included in the value of the German assets in Sweden.

The distribution of the German assets, estimated at kr. 225,000,000, which will be available for settlement of Swedish claims on Germany - and thus are an internal Swedish matter - is expected to take place on the basis of valid clearing legislation. No detailed directives as regards the distribution of these assets, which will be used for the payment of Swedish claims, have been included in the proposal. However, Herr Unden points out that, among the claims which will be paid, the claims of the State Exchequer (statsverkets guldna fordringar) on Germany must be counted. Furthermore, consideration is being given to what extent a repayment of capital sums - inter alia on the German State loans - may be taken into consideration even in those cases where they have not yet become due according to the loan conditions. In this connection, the question arises whether a certain limited amount out of these funds should not be used for meeting appropriate demands for compensation outside the normal clearing, concerning which proposals should be submitted to the Riksdag.

At Sweden's request the question of Swedish property in Germany was also raised during the negotiations in Washington, whereby it was urged by Sweden that this property be protected and compensation paid in cases of confiscation and other measures on the part of the Allied authorities - thus relating to the time after the German collapse. Regarding this question,

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By JA NARA Date 7/11

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Stockholm

certain generally formulated statements have been made by the Allies concerning protection without discrimination, as well as fair compensation for confiscation and like actions by the occupation authorities in Germany applying to the three western Allied zones. Finally, permission was gained for an official delegation to inspect and examine the condition of the property concerned. Such a delegation, comprising representatives from Swedish enterprises with considerable interests, is expected to proceed to Germany within the near future.

In connection with the Washington settlement, it was promised by the Allies that they would abolish the so-called black lists in so far as they concerned Sweden - a promise which has already been fulfilled. Negotiations relative to the procedure required for releasing of blocked Swedish assets in the United States of America have been started but not yet concluded. The Washington settlement contains, in addition, general statements concerning a number of questions connected with the above-mentioned problem: viz. the repatriation of German citizens and the treatment of German patents and trademarks.

Translated by EA
Copied by jcl

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Authority WJO 94972

By JA NARA Date 7/11

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Implementation 1946
Box 124

Stockholm, December 20, 1946

No. 7674

UNRESTRICTED

Subject: Transmitting Copies of Proposals
Presented to Swedish Riksdag Con-
cerning Disposition of German
Assets in Sweden.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor, with reference to the Legation's telegram No. 1707 of November 14, repeated to London as 216, to transmit herewith ten copies each (in translation) of Proposals Nos. 367, 368 and 369 of His Royal Majesty, the King of Sweden, recommending approval by the Riksdag of the Swedish-Allied understanding reached in Washington on July 18, 1946, in connection with the disposition of German assets in Sweden and related matters. That portion of Proposal No. 367 which merely quotes in English, French and Swedish the text of the various letters comprising the Washington understanding is not being submitted to the Department.

It is desired to invite the Department's attention to the fact that the Legation has under-scored certain passages in the attached Proposals which are believed to be worthy of emphasis, namely, on pages 14, 15, 19 and 20 of Proposal No. 367, and on pages 1 and 2 of Proposal No. 369. In connection with Proposal No. 368 relating to the restitution of looted gold, it will be noted that a request is made for an appropriation to satisfy the Riksbank for gold to be restituted, ultimate compensation to be claimed by the State against funds accruing to the German-Swedish Clearing as the result of the liquidation of German property in Sweden.

In conclusion, attention is invited to the Legation's telegram No. 1835 of December 18, 1946, repeated to London as 227 and Brussels for Dorr as 16, reporting that the Riksdag on December 17, 1946, authorized the King to validate the Washington agreement at his option and that it was anticipated by a Foreign Office representative that validation of such agreement by the Swedish Government would depend on a satisfactory agreement on the question of procedures for the unfreezing of Swedish assets in the United States.

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By JA NARA Date 711

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American Legation
Stockholm
Despatch No. 7674
December 20, 1946

Copies of this despatch, together with copies of each Proposal discussed herein, are being transmitted to American missions at London, Bern, Madrid, Lisbon, Dublin, Ankara, Buenos Aires and Brussels for the attention of Russell H. Dorr, United States Minister and Delegate, Inter-Allied Reparations Agency.

Respectfully yours,

C. B. Ravndal
Charge d'Affaires ad interim

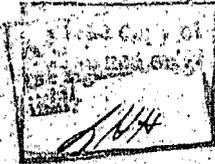
Enclosures:

1. Proposal No. 367, November 1, 1946
2. Proposal No. 368, November 1, 1946
3. Proposal No. 369, November 1, 1946

851 *JM*
John A. Birch: jcl

Copies to: American Embassy, London
American Legation, Bern
American Embassy, Madrid
American Embassy, Lisbon
American Legation, Dublin
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American Embassy, Brussels

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By JA NARA Date 711

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Translation

His Royal Majesty's Proposition No. 367

No. 367

HIS ROYAL MAJESTY'S PROPOSITION TO THE RIKSDAG CONCERNING THE
APPROVAL OF AN EXCHANGE OF LETTERS BETWEEN SWEDEN ON THE
ONE HAND, AND THE UNITED STATES OF AMERICA, FRANCE, GREAT
BRITAIN AND NORTHERN IRELAND ON THE OTHER HAND, CONCERNING
GERMAN ASSETS IN SWEDEN ETC. : issued at Stockholm Castle
on November 1, 1946.

With reference to the attached excerpts from the Minutes of the
State Council concerning matters pertaining to the Foreign Office,
for that day, His Majesty proposes hereby to the Riksdag to approve
the propositions which the competent departmental chief has requested
to submit to the Riksdag.

GUSTAF

Osten Undon

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Authority WNO 94972

By JA NARA Date 7/11

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EXCERPTS FROM MINUTES RELATIVE TO FOREIGN OFFICE
MATTERS, SUBMITTED TO HIS MAJESTY THE KING IN
STATE COUNCIL AT STOCKHOLM CASTLE ON NOVEMBER 1,
1946

Present: Prime Minister ERLANDER, Foreign Minister UNDEN,
Ministers WIGFORSS, MÖLLER, SKOLD, QUENSEL,
GJÖRES, DANIELSON, VOUGHT, MYRDAL, ZETTERBERG,
NILSSON, STRANG, ERICSSON, MOSSBERG, WELJNE.

In conjunction with the other members of the State Council, the
Minister of Foreign Affairs reported the following:

In the course of the last years, the Allied governments have on
various occasions made representations to the neutral countries concern-
ing such property to be found in these countries which either be-
longs to German Nationals, public or private institutions in Germany,
or is regarded as having been carried away from the countries occupied
by Germany during the war contrary to law.

I beg now to recapitulate regarding the negotiations and measures
resulting from the representations made to Sweden.

ALLIED DECLARATIONS.

Certain declarations issued and published in these matters have
been taken as a basis for the representations of the Allied governments.
Thus, in January 1943, a declaration, signed by most of the Allied
states, was issued concerning property deriving from the occupied
countries. This declaration, of which the Swedish Government was ad-
vised by a note from the British Mission here, contained an explanation
to the effect that the Allied nations intended to do their utmost to put
a stop to the looting methods of the enemy and that they, consequently,
reserved the right to declare invalid all transactions relative to pro-
perty in the areas occupied or controlled by the enemy, irrespective
of the form of such transactions. In a special declaration of February
22, 1944, issued by the American, British and Soviet Russian Finance
Ministries, the neutral countries were warned not to make transactions
regarding looted gold money. Of this declaration, too, the Swedish
government was advised through notes from the British and American
missions here.

Moreover, in the summer of 1944, resolution No. VI was adopted by
the conference arranged by the Allied nations for monetary and financial
questions at Bretton Woods, U.S.A., in which certain measures vis-a-vis
the neutral countries were recommended in regard to property deriving
from occupied countries as well as enemy property, in general. As re-
gards property stolen from occupied countries, the resolution considered
that the neutral countries should be requested, within their respective
areas, to take measures forestalling transfers or other dispositions of
such property; to bring to light and to separate such property, as well
as to hold it at the disposal of the authorities concerned after the
liberation. Concerning the enemy property to be found in the neutral
countries, the resolution stressed the necessity of measures for fore-
stalling the hiding through fraudulent means or otherwise of all pro-
perty belonging to, or alleged to belong to, the governments, individuals
or institutions of the enemy countries, or to the enemy leaders and
their accomplices. Finally, it was provided that the neutral states
should facilitate the handing over of this property to the post-war
authorities.

By

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By JA NARA Date 7/11

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By way of motivation for these recommendations, it was stated inter alia that the leaders and citizens of the enemy countries, as well as their accomplices, tried to transfer the assets to and via neutral countries in order to hide them for future use, for the maintenance of their influence and for the shaping of a world hegemony; that they had appropriated the property of occupied countries and their inhabitants through open or disguised plundering, frequently through outwardly legal methods with the help of their satellite governments, and that, by so doing, through sales and other forms of transfer, "the chain of ownership right and control" was often drawn through occupied and neutral countries, rendering the work of tracing and investigating these operations an international problem.

The Bretton Woods resolution was on October 2, 1944, officially notified to the Swedish Government through letters from the British and American Ministers to my predecessor in office, whereby it was suggested that the Swedish Government take the necessary measures to safeguard the aims mentioned in the resolution. Subsequently, this suggestion was joined by a great number of Allied governments.

NEGOTIATIONS WITH THE ALLIES IN 1944-1945.

The question of Sweden's cooperation in the fulfilment of the aims of the Bretton Woods resolution was taken up for detailed discussion on the part of the British and Americans within the framework of trade-political negotiations - the so-called tripartite negotiations - which were conducted with Sweden during the winter 1944-45. In the course of these, the Allies wished, first of all, the establishment of a satisfactory control of enemy property, principally German, to be found here and, thereafter, the introduction of measures for the restitution of property stolen from the occupied countries, which could be established here.

After preliminary discussions in London and in Washington relevant negotiations were started in Stockholm in April 1945, with the British and American missions here, assisted by experts sent from Washington. In the course of these negotiations, which were conducted parallel with the discussions concerning Swedish imports of goods from the west, the Allies submitted a proposed agreement regulating in detail the control over German assets in Sweden. According to this proposal, all German and Japanese assets, whether in the form of ownership rights or other direct or indirect interests, were inter alia to be blocked or "frozen". Exceptions to blocking were to be granted only in conjunction with the Allied governments. A special body, in which the Swedish and Allied authorities were to be represented, was to treat the questions of the applications of control and exceptions from blocking. The question of the final disposition of the property thus blocked was, however, not mentioned in the Allied proposal.

On the part of Sweden willingness was expressed to endeavor to fulfil the recommendations of the Bretton Woods resolution concerning looted property through internal Swedish measures. As regards control of enemy property, the successive tightening during the last years of Swedish foreign currency control was pointed out, particularly the amendments in the foreign currency regulations carried out in October 1944. By so doing, the aims of the Bretton Woods resolution had to a certain extent been met through the introduction of increased control

over

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over the movement of capital from abroad to Sweden. Through the control of foreign currency, as well as through the procedure for transfers, which applied according to the clearing agreements, obstacles to flight of capital to Sweden from the Axis powers had been created already at an early stage. Moreover, through the declaration duty regarding claims and debts abroad at the end of 1944, imposed by the Foreign Currency Office in February 1945, a survey of the property of enemy countries in Sweden had also been obtained inasmuch as liquid assets were concerned. At the same time, however, willingness was expressed on Sweden's part to introduce a control system which would more directly aim at blocking and supervising, particularly German assets in this country. Such a control, as well as the restoration of stolen property, to the extent that this exceeded the scope of the valid civil law, necessitated, however, the assistance of the Riksdag in shaping the necessary legal basis. The formulation of the latter, as well as the execution of the control, as might be found expedient, were, however, an internal Swedish matter, concerning which full freedom of action had to be reserved. It was, therefore, desired not to regulate the Swedish measures in the matter according to the agreement, although the point of departure was taken that these measures, materially, were on the whole to be such as to satisfy Allied wishes.

SWEDISH LEGISLATION.

While the above-mentioned negotiations were in progress, certain legislative proposals, destined to enable further measures in the spirit of the Bretton Woods resolution, were made at the end of the 1945 parliamentary session of the Riksdag. These proposals, which were accepted by the Riksdag, resulted in the issuance on June 29, 1945, of the law concerning Restoration of Certain Property Deriving from Occupied Countries, etc. (No. 520), and the Law concerning Control of Certain Foreign Property, etc. (No. 522).

Through the first-named law a special procedure was instituted for the restoration of property which, contrary to international law, had been taken from nationals in occupied countries, even in cases where this property was owned by someone who had acquired it *bona fide*. The last-named law, the so-called Control Law, made it possible to arrange for a special control and supervision system over foreign property in this country, if such a procedure was considered expedient in connection with capital flight to Sweden, or with due consideration to the extraordinary circumstances brought about by the war. Such a control may first of all be exercised by way of dispersal prohibition. The law admits of even more incisive security measures, *viz.* in the form of sequestration, which may be resorted to if there is ground to fear that the property concerned, contrary to the stipulations of the dispersal prohibition, may be hidden or destroyed. Under similar presuppositions sequestration may likewise be resorted to in the case of property which belongs to a Swedish legal entity in which there is a decisive foreign influence. For the exercising of the control - and administrative tasks stipulated in the new legislation, a special administrative authority, the Foreign Capital Control Office, as well as a special institution, the Board of Restitution, with special judicial functions (investigation of questions pertaining to restoration of looted property and, principally, questions relative to imposition of sequestration) were created as of the budget year 1945-46.

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On the basis of the Control Law, a dispersal prohibition for all German property in this country was proclaimed on June 29, 1945, (No. 526), whereby a special announcement issued the same day imposed an obligation to declare such property to the FCCO.

Investigations aimed at tracing hidden German assets were instituted likewise whereby data obtained via the Allied authorities were used frequently. Swedish companies with German interests were subjected, through the offices of the FCCO, to exhaustive scrutiny. In the course of this work it soon appeared necessary to create possibilities for further far-reaching action, particularly relative to companies formed in this country which were subsidiaries of German enterprises, or in some other way were under German influence. In this connection, a proposal for a law concerning the administration of certain companies etc. was submitted to the Riksdag in November 1945. Regarding the aims of this proposed law, the Chief of the Justice Department stressed inter alia the following in transmitting it to the Judicial Council:

"It is clear that the German collapse and the division of Germany into different occupation zones, has resulted in a confusion of legal conditions which does not seem to be of short duration. A government and legislature sanctioned through a peace treaty are lacking, nor have any uniform rules concerning the treatment of German trade and industrial enterprises in the different occupation zones been declared. To this must be added the non-existence of an order, recognized by all parties, concerning German property outside Germany.

"In addition to the difficulties engendered by the obscurity of the legal position, the situation is complicated still further by the purely practical consequences of the severe blockade which has prevailed since the German capitulation. As regards Sweden this blockade, it will be recalled, has prevailed before - to begin with over since the restrictions in trade - and business relations with Germany brought about by unilateral Swedish measures at the beginning of the year which culminated in the cessation of all payments via the Swedish-German clearing in April. Even this purely factual blockade, which has now lasted for over a year, may not be expected to come to an end within the near future.

It is clear that these various circumstances have created considerable difficulties, particularly for such enterprises whose activities were financially or commercially dependent on Germany. The activities of these enterprises have in many cases necessitated the import of raw materials from Germany, semi-finished products or of technical auxiliary articles, which imports have now ceased. Many of these enterprises have already had to cut down operations and difficulty in obtaining materials to continue activities is experienced by many others. In view of the fact that a great number of these enterprises are entered on the Allied so-called black lists there are hardly any possibilities for these enterprises to contact business circles abroad, or to develop previously existing ties with the Allied countries for the purpose of maintaining business operations.

It seems clear that in the circumstances there are strong reasons to support official measures which would safeguard the interests of the community in the maintenance of production and employment. It is evident that measures of this kind, as a rule, are very much in the interests of the enterprises concerned. In many cases the transfer of the enterprise into new hands would seem the best way of securing continued operation.

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Authority WFO 99972By JA NARA Date 711

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It is possible that an enterprise, or its assets, are of a kind which render it suitable to be taken over in one or another form by the community. On the other hand, there may be cases where the importance of an enterprise, from the national supply viewpoint, is so insignificant that winding up or liquidation seem the best course. For the purposes stated above farther-reaching measures may become necessary than foreseen in the valid legislation. The more specific stipulations as to the forms of action to be taken are evidently a rather difficult problem. In view particularly of the cases where a transfer of the property or the winding up of certain activities may be called for, I would like to emphasize, in view of the different legal titles which could be asserted as regards property and activities, that special arrangements should be made to safeguard as equitable an evaluation as possible.

After the Riksdag had accepted the draft proposal, the relevant law was issued on December 14, 1945 (No. 885). According to this law the so-called administration law, the FCCO may recommend and the Board of Restitution may decide, the official administration of a Swedish limited company or other legal entity, in which there is a decisive German influence. The prerequisite for such a procedure is that the measure is applied in order to gain control over the activities of the enterprise, or that, in view of the extraordinary conditions brought about by the war, this is considered necessary for safeguarding an expedient and generally suitable utilization of the enterprise's property. Even if the foreign influence may not be considered as decisive, an enterprise may be placed under administration, provided this is agreed to by its executive organ. Through an amendment of the Control Law, approved of simultaneously, a correspondingly increased scope was obtained for the possibilities of imposing sequestration on property belonging to a foreign legal subject, thus even formally foreign property.

Companies placed under administration are outwardly represented by an administrator who executes the functions devolving on a general meeting, a board of directors and other organs of a company. An administrator may not, however, transfer real estate belonging to a company, nor close the business of the company, nor close it down, nor bring about a voluntary liquidation, except with the permission of the King or, by authority of the King, of the FCCO. In certain cases, however, such measures will necessitate besides the concurrence of the regular organs of a company. Property placed under sequestration may be sold if it is liable to quick deterioration, or a rapid depreciation in value, or if it requires too expensive a custody, or if it is considered necessary for the property to be used in an appropriate and generally acceptable way.

On the basis of the thus extended powers, the winding-up of certain German assets could be started, in the first place through the disposal of stocks of goods stored here and of certain other real assets. The cash obtained from such sales is paid to the Swedish-German clearing in accordance with the legal stipulations to the effect that all payments in favor of anyone in Germany shall have to take place in such a way. As regards the German subsidiaries formed here, sales measures have only in exceptional cases been effected. However, by way of a preliminary measure towards liquidation, firms have been sequestered if the shares of the parent company were in Sweden, while subsidiaries with shares in Germany have been placed under administration.

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CONTINUED NEGOTIATIONS WITH THE ALLIES...

Parallel with these internal Swedish measures continued negotiations were carried on with the Allies who thus were kept informed of the changes in Swedish legislation, as well as of the activities of the control bodies. At the same time, it was consistently emphasized on the part of Sweden that the execution of control was to be viewed as a purely Swedish affair, although willingness was expressed to furnish the Allies with data relative to the progress of the control in general and regarding the decisions of the control bodies concerning questions of mutual interest, as well as to exchange of information of importance in tracing hidden German assets. After a scrutiny of the material obtained as a result of the declaration duty for German property, imposed on June 29, 1945, a summary thereof was submitted to the Allies.

The question of the final disposal of the German assets had, in the negotiations with the Allies, been left to the future. However, after the German capitulation, the principal Allied powers issued on June 5, 1945, a declaration to the effect that the Allies had assumed the supreme power in Germany with all the administrative and legislative powers arising therefrom. Shortly afterwards the American and British Ministers submitted a representation from the governments of the four occupation powers to take over the German "official" property in Sweden, i.e. the German official quarters, on the first hand the mission building, and the property to be found there at the time of the collapse. It was pointed out in the demarche that the main aim was to obtain unrestricted access to the premises and the archive of the mission. In the reply given by my predecessor in office on June 18, 1945, it was stated that the German official premises and the property found there, were being taken care of by the Foreign Office, but would be held accessible to the four Allied governments. In this connection, the latter missions were admitted to the premises and the archive material was handed over to them. An "Inter-Allied Committee for the Control of German State Property in Sweden", which was established here, subsequently submitted through the British Minister certain wishes concerning the disposal of property which was considered to belong to the German mission and its sub-sections. These wishes were, on the whole, complied with.

The question of a claim to, and the disposal of, the remaining German State property, as well as individual German assets in this country, was taken up by the Allies first in the beginning of August 1945. Shortly before that the Allied governments - it will be recalled - had at the Potsdam Conference decided to charge the Control Council in Berlin with the taking of suitable measures for exercising control and disposal rights over such German-owned assets abroad which were not yet under the supervision of the United Nations. At the same time the four Powers agreed regarding the distribution of these assets whereby the Soviet Union waived any claim to participate in German assets abroad except regarding such in Bulgaria, Finland, Hungary, Rumania and eastern Austria. The German property in the former neutral countries in Europe was thus earmarked for the western Allied nations.

In pursuance of this decision the three western Allied governments advised the Foreign Office through mainly identical notes of August 3 and 4 that the occupation powers claimed title to and control of German-owned and German-controlled assets in Sweden. The Swedish Government was requested not to take any measure contrary to these claims.

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In the reply given by me on August 4, 1946, to the Allied Ministers, more specific clarity was asked as regards the legal basis for the claims on individual German property in Sweden, launched by the occupation powers. It was admittedly a well-known fact that the occupying states had assumed power in Germany, and that they, consequently, in certain respects, had the position of a government in Germany. However, even a national German government, - according to the law applicable in most countries, including Sweden - could not be recognized as legally entitled to take over, or to dispose of German-owned private property in other countries. The Swedish law courts could hardly be expected to accept as sufficient ground for the authority to dispose over such property, the mere claim of the occupation powers concerning their title to German property. Furthermore, attention was called to previous explanations of the Swedish government to the effect that the question of the final disposition over the German property in Sweden should not be regarded as prejudiced through the measures taken by Sweden for its blockade and control. This reservation, it was stated, did not only apply to German private property in Sweden but also to German state property to be found here.

There was no reply to this inquiry, nor was the question as to the right on principle to German assets, pursued by the Allies for the time being. From the conversations which were currently conducted as regards control and administration of these assets, it was clear, however, that the Allies had not waived their principal standpoint, but that, on the contrary, they attached great importance to the full honoring of the legal title of the Allied governments. This attitude became clear, inter alia, when the question of selling German assets in Sweden, in accordance with Swedish legislation, arose. In this connection the Allies demanded that no selling should take place without the approval of the Allies of both the sales' conditions as well as of the buyers concerned. It was also pointed out that should a sale materialize without such approval, the Allies intended to resort to black-listing in order to scare off possible buyers from the purchase of property concerned. It also appeared that the Allies continued to desire a closer collaboration in exercising control over German property in Sweden.

With reference to the above, it was deemed opportune on the part of Sweden to stress once again that the question of administration and control of the German property in this country was an internal Swedish affair, and that Sweden, in exercising these functions, could not regard herself obliged to apply for Allied approval of the measures which were regarded as suitable. Declarations to this effect were, inter alia, made on September 29 at the meeting with the Allied Missions, and on February 7, 1946, in the form of a memorandum submitted to them. In this memorandum it was pointed out that the Allies had not clarified the legal basis for their title to the German assets in Sweden and that, on the part of Sweden no such basis could be found in the valid international law. The Swedish Government could, therefore, not base its actions on the assertion that the Allied powers had acquired the legal title to the German property in Sweden and that the latter was to be subjected to Allied authority. It was stressed, however, that the Swedish Government, in complete accord with the aims proclaimed by the Allies, decided to see to it that the German interests were eliminated from Swedish industrial and economic life. It was, moreover, stated that although the control over German assets in Sweden had been worked out in close conjunction with the Allied representatives, Sweden could not undertake to submit a priori for the approval of the Allied

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authorities, her dispositions over these assets as dictated by circumstances. As regards the final disposal over German assets, the reservations for Swedish claims on Germany formerly made by the Swedish Government, were reiterated.

INVITATION TO NEGOTIATIONS IN WASHINGTON

Shortly after the handing over of the above-mentioned memorandum, the Foreign Office received via the American, British and French Ministers, an invitation to the Swedish Government to send representatives to Washington for the conclusion of an agreement concerning German assets in Sweden, defined as an agreement concerning the best ways of administering, liquidating and disposing of these assets for purposes of reparations and reconstruction. The negotiations were likewise to include questions of currency technique, which could arise in connection with the use of incoming means for the purposes mentioned, whereby it was suggested that an agreement could be reached as regards an administrative procedure for complete collaboration between the Swedish and Allied authorities.

As a basis for such a proposal, a law issued by the Allied Control Council in Berlin on October 30, 1945, concerning the taking over of German assets abroad, was quoted, the text of which was sent in together with the invitation. The attention of the Swedish Government was particularly called to a passage in the law to the effect that the Allies were determined to assume control of all German assets abroad, and to deprive these of their German ownership right. The main aim was the complete elimination of Germany's economic possibilities for commencing a new war, as well as a utilization of these assets for relief, reparations and rehabilitation of the countries which had been ravaged through German aggression. The rehabilitation of these countries was materially dependent on whether they could obtain means for importing commodities, in spite of their present unfavorable currency situation. The realization of the German foreign assets for purposes of reparations would promote the trade of these countries with Sweden and thereby Sweden's participation in the work of European reconstruction. In view of these facts, the Allied governments presumed that the Swedish Government would recognize the validity of the above-mentioned law and cooperate in its application.

In the Swedish reply to the Allied notes of invitation, which was handed over on February 28, it was stated that the Swedish Government was neither by international law nor Swedish constitutional or civil law, entitled to hand over to the Allies German property in Sweden, or assets accruing from the sale thereof. It was particularly contested that the quoted law, issued by the Control Council, could constitute a basis for claims of this kind vis-à-vis Swedish law courts and authorities. However, the Swedish Government was willing, jointly with the Allies, to investigate the question in the light of the stated aims, and considering the circumstances arising in this connection. Regarding the aims mentioned by the Allies, viz. elimination of the German war potential, and work of reconstruction in the war-ravaged countries, it was recalled that Sweden was already actively engaged in their pursuit. It was pointed out that the question of reconstruction which, according to the opinion of the Swedish Government, was of an urgent nature, should not be tied up with the intricate problem of German assets in Sweden.

Finally

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Finally, the Swedish Government suggested an extension of the subject matter to be decided at the planned negotiations. According to news received, the Swedish assets in Germany, particularly industrial equipment belonging to Swedish interests, had been taken over by the occupation authorities and, in certain cases, even been carried away. At the same time, however, neither the Swedish Government, nor the Swedish interests concerned, had been in a position to find out to what extent Swedish property had been used in this way for reparations or for other purposes. The Swedish Government, therefore, desired to be informed as to these dispositions, as well as regarding the grounds on which these had taken place.

It was also pointed out from the Swedish side, both in the above-quoted reply note, as well as in the following correspondence on the subject, that it was considered desirable to be informed as regards the grounds for the Allied demand, as well as concerning Swedish property in Germany prior to the commencement of the meeting proposed to be held in Washington.

In the beginning of May the Allies reported their invitation to Washington whereby an outline of the Allied viewpoint relative to the legal side of the question concerning German assets was given. In this connection the formerly mentioned Berlin declaration of June 5, 1945, and the law issued by the Control Council on the basis thereof on October 30, 1945, were mentioned on the one hand. At the same time it was emphasized that the questions involved were not primarily of a legal nature. Instead, the question was asked whether Sweden was willing to cooperate with the Allies in carrying out the aims set forth in the law.

It was now suggested that the Swedish Government send representatives to Washington so that the proposed negotiations could begin by the middle of May. It was desired by the Allies that the following subjects be treated at these negotiations:

- 1) Property in Sweden which is owned or controlled by Germans, elimination of German interests and utilization of the means accruing therefrom for relief in rehabilitating areas which had been plundered and ravaged through German aggression;
- 2) "Looted" property, including gold and works of art;
- 3) Repatriation of undesirable German nationals and German officials, and disposition of their property;
- 4) German patents and trade marks;
- 5) The scope of the Swedish control legislation and administration.

Furthermore, a number of more or less technical questions in connection with the control of German property in Sweden, had been taken up on the agenda.

After a satisfactory solution of the questions concerned, the Allies were prepared to discuss even the following matters:

- 1) The so-called Black Lists.
- 2) The blocked Swedish assets in the U.S....
- 3) The Swedish assets in Germany.

Willingness.

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Willingness was further expressed to take up for discussion the question of a Swedish representation in Germany, as well as any other question of mutual interest which the Swedish Government desired to propose for discussion.

After His Majesty, on May 24, had decided to accept the invitation to the negotiations in Washington, a Swedish delegation, headed by the then Justitierådet Sandström, left for the United States on May 27, 1946.

THE QUESTION OF REPARATIONS AND NEGOTIATIONS WITH OTHER NEUTRALS

The Allied efforts to come to an agreement with Sweden on the question of German assets, apparently constituted a part of the plan drawn up regarding the disposition of German property in neutral countries as a whole. In close connection with the decisions taken at the Potsdam Conference in 1945, this plan had been formed in greater detail through the convention, signed in Paris in January 1946, concerning German reparations. This agreement, which was joined by the United States, Great Britain and France, as well as fifteen smaller Allied states, confirms that the German assets in neutral countries should be deprived of German ownership right and control, and liquidated or disposed of in a way determined by the United States, Great Britain and France, in accordance with agreements to be concluded with neutral countries concerned. The assets accruing from the liquidation of these properties should be distributed as reparations among the signatory powers via a reparations commission, instituted for the purpose in Brussels (the Inter-Allied Reparation Agency). In the agreement, the percentual share of the signatory powers in that part of German reparations was even fixed. According to this scheme, the United States and Great Britain each receive 28 percent, France 16 percent, while the remaining 28 percent is distributed among the lesser Allies, whereby, for example, Yugoslavia gets 6.6 percent, Holland 3.9 percent, Norway 1.3 percent, etc.

The execution of this decision obviously presupposed pertinent agreements with every neutral state where there was German property. For this purpose Switzerland was approached first, with which country negotiations commenced in Washington in March 1946. These negotiations, which were adjourned periodically in view of difficulties in finding a solution acceptable to both sides, finally culminated in a settlement in May along the following lines:

The Swiss authorities were to complete the previously begun investigations for the detection of property to be found in Switzerland which belonged to or was controlled by German nationals resident in Germany, as well as liquidate such property. The Germans involved in these measures were to be compensated in German currency. One half of the amount required for compensation was to be drawn from the Swiss accounts outstanding in Germany.

Of the assets accruing through this liquidation of German property in Switzerland, half was to fall to the lot of Switzerland to be disposed of in a way decided by the Swiss Government; the other half was to be placed at the disposal of the Allies for rehabilitation of the war-ravaged countries. Of the latter part, 50,000,000 Swiss Frs. by way of

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advance payment, were immediately to be placed at the disposal of the Allies for the relief of victims of the Nazi regime who were non-repatriable.

The tracing and winding-up of German property in Switzerland was to be supervised by a mixed commission, in which each of the three Allied Governments, as well as Switzerland, had one representative. The Swiss authorities were to fulfil their above-mentioned tasks in close collaboration with this commission, submitting to it all the data and all the documents considered necessary by the commission in pursuit of the aims of investigation and liquidation. The Swiss authorities were to scrutinize all the assets considered by themselves or by the mixed commission as suspected German assets, or assets whose bona-fide ownership was questioned by the commission. The results of the investigations were in every individual case to be discussed with the commission. Decisions of a greater scope, such as the fixing of conditions for the sale of German property in general or in particular cases, could not be taken without preliminary consultation with the mixed commission. In the event of differences of opinion between the latter and the Swiss authorities, the matter was to be referred to a court of arbitration specially installed for the purpose.

Finally, Switzerland was to place at the disposal of the Allies 250,000,000 Swiss Francs in gold through which the Allied demand for restitution of looted gold was to be considered as finally settled.

The agreement was ratified by the Swiss Parliament on June 28, 1946.

The Allies obviously strove to come to similar agreements with other neutral countries whereby it was intended, after an understanding reached with Switzerland and Sweden - the two countries where the greatest German assets were supposedly to be found - to apply to Spain, Portugal, Ireland, as well as Argentina and Turkey, which two latter countries, in the above-mentioned respect, were considered equal with the neutrals.

SWEDO-ALLIED NEGOTIATIONS IN WASHINGTON IN 1946

During the negotiations with Sweden in Washington, which were commenced on May 31, the Allies were represented by three delegations, one for the United States - whose chairman acted as speaker during the negotiations - as well as a British and a French delegation. It was, however, affirmed by the Allied delegations that, in addition to their own governments, they represented the 18 signatory powers to the above-mentioned Paris convention concerning German reparations, and that they had to report to these concerning the results of the negotiations.

Similar to the negotiations previously conducted in Stockholm, the Allies attached great importance to the questions of the control and liquidation of German interests in Sweden. It was, therefore, once again endeavored to arrive at a joint Swedo-Allied control over German assets, similar to what had been agreed with Switzerland. Already at an early stage of the negotiations a proposal regarding such an understanding was made. According to this proposal the Allies were to obtain a considerably extended co-influence over the administration and sale of German property than according to the system at present in force. The Swedes declined such a form of joint control, maintaining

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on the basis of previously made Swedish declarations that the control must be exercised wholly by the Swedish bodies especially appointed for the purpose. Willingness was expressed to impart to the Allies, as heretofore, all information of importance in order to achieve the common goal. At the same time, no undertaking could be given to consult the Allies beforehand in regard to the different measures arising in the course of the administration and liquidation procedures, nor in regard to exceptions from the dispersal prohibition which were considered necessary.

There was no detailed discussion concerning the extent and size of German assets in Sweden. The Allies accepted the estimates computed on the Swedish side, mainly on the basis of the 1945 declarations to the ECCO. After the necessary amortizations in view of possible depreciation in value at compulsory sales, the total sum arrived at was 378,000,000 kronor, including the existing clearing means.

In connection with the question of control, the Allies expressed certain wishes concerning German nationals in this country. In Allied opinion it was an important factor in creating security against any German influence, if all the Germans who could be considered obnoxious, were to be repatriated to Germany. Similar representations had from time to time already been made by the Allied missions in Stockholm, whereby lists of Germans were submitted who, in Allied opinion, ought to be repatriated. On the part of Sweden it was maintained that this question, too, was an internal Swedish affair which was to be investigated by the competent Swedish authorities. These had to decide whether a German national was to be considered as "obnoxious" and should be repatriated. This viewpoint was accepted by the Allies. It was, however, suggested that the examination of the German nationals concerned and, in case of need, their repatriation, should be speeded up as much as possible.

The final disposition of the assets accruing from the liquidation became in the course of the negotiations the crucial question. At the beginning, both sides asserted their standpoint on principle. The Swedish legal viewpoint was made clear in pursuance of the declarations previously given by Sweden. The Allies mainly maintained the following:

The position of the Allies in Germany was now not only that of belligerent occupants, as foreseen in the Hague Convention. After the cessation of hostilities in Germany - although formally a peace treaty had not yet been effected - the Lantragsreglemente (regulations) of 1907 were not applicable in the existing circumstances. The position was, instead, such that, as the result of Germany's unconditional surrender, as well as the disappearance of every vestige of German Government, the Allies had assumed supreme power in Germany in accordance with the Berlin declaration of June 5, 1945. Thereby they had also assumed all the powers of a German government. They had thus the right even to issue laws and regulations relative to German nationals. As previously the German government, on the basis of German currency legislation, had since 1938 disposed over the property of the country's subjects even abroad, the Control Council, as the present highest authority in Germany, was entitled to issue relevant regulations. The German currency legislation, at least de facto, had been recognized abroad. Incidentally, this would be the case as regards similar legislation of a dispersal nature within the Allied countries. Consequently, it was now considered possible for a government to "mobilize" the assets of its subjects in foreign countries. The law issued by the Control Council on October 30, 1945, had been given on the strength of this legal basis.

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Although such a conception of the legal question was admittedly something in the nature of a legal precedent - a precedent however which was supported by a majority of the nations in the world - it coincided in our case, according to Allied opinion, with the demands for justice so strongly affirmed in our country. It would thus seem unfair if, while German property within Germany could undisputedly be disposed of for purposes of reparations and rehabilitation, the German nationals who had placed their property in Sweden should be protected from such a procedure. Through her "total" warfare, Germany had attacked and looted innocent states and their nationals and had thereby incurred a "total" liability for reparations. It would, therefore, only be fair to use German property, wherever found, for purposes of compensation, however inadequate, of the unparalleled losses incurred by German aggression. The question whether Sweden desired to cooperate in such a solution was primarily regarded as a question of Swedish "public policy". In view of the obvious need for all possible help towards the rehabilitation of the ravaged countries, a Swedish refusal to cooperate in at least achieving a practical solution of the problem, based merely on formal juridical grounds, would almost have to be regarded as an unfriendly attitude.

The Swedish argument to the effect that the Swedish claims on Germany amounted to considerably larger sums than the aggregate German assets in Sweden, was countered by the Allies who pointed out that it could not be considered as consistent with demands for justice to give claimants, who had invested capital in German enterprises, a better right to those assets than the victims of German aggression. Sweden was, to be sure, not the only country which had creditors claiming payment out of the German bankrupt estate. There were, e.g. owners of German state loan debentures in almost every country and it would quite obviously create an awkward impression if the owners located in Sweden were treated preferentially vis-a-vis those in other parts of the world. In the Allied countries all demands from such claimants had, according to Allied information, been consistently refused.

For the rest the Allies did not find that the Swedish claimants could be satisfied without infringing the legal point of view. Viz. valid Swedish clearing legislation did not appear to permit that German assets in Sweden were to be wholly used for the payment of Swedish claims on Germany. Since the assets which could not be placed in such clearing could not, in our case, be regarded as Swedish property but only as German property, no violation of law was seen in the fact of their being disposed of by the Allied authorities who, at least for the time being, were the actual representatives of the German national economy and, for the rest, were facing considerable expenditure in supporting the latter. Because of the possibility that these assets might be reserved for a future German government, the Allies did not consider such a standpoint consistent with the proclaimed intention of Sweden to eliminate all German interests. Moreover, it was affirmed that, in any case, the Allies would see to it and prevail upon any German government to be established to refrain from all claims to such assets.

The settlement of the main questions, which was finally arrived at, was as follows:

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German assets in Sweden were to be taken charge of, controlled and liquidated through the offices of the ECCO. In so doing, the exchange of information with the Allied authorities, which had taken place hitherto, was to continue. There was no obligation on the part of Sweden to consult the Allies prior to taking decisions regarding questions relative to control and liquidation.

The property of German nationals who are resident in Sweden and who will not be repatriated, is not involved in the settlement. For the rest, the Swedish authorities (will) grant exemptions from dispersal prohibition and thereby from liquidation in accordance with valid Swedish legislation and hitherto applied practices. In selling German assets, the Swedish authorities will see to it that the demand for safeguards against any German influence is complied with.

Of the assets to accrue from liquidation, which are estimated at 378,000,000 kronor, 150,000,000 kronor will be regarded as the balance remaining after the Swedish claims, to a certain extent, have been paid in accordance with the valid Swedish clearing legislation. This balance is considered as due to the German national economy, whereby the legal position of Germany may be left aside. The amount is thus to be disposed of by those who de facto represent the German national economy, i.e. the Allied administrations in the various zones. The amount is earmarked to be used for purchases for account of that nation's economy, even in other countries than Sweden. The pre-supposition is that the German legal owners, through Allied care, will receive compensation in their home country to the extent that their property in Sweden is liquidated.

This solution in principle implies that the Allies have no right of share, or other interest, in the outcome of the liquidation of German assets in Sweden - except an indirect interest in the 150,000,000 kronor earmarked for purchases for Germany - even if the proceeds of the liquidation should exceed the estimated 378,000,000 kronor. Accordingly, the distribution and disposal of the remaining 228,000,000, or the larger or smaller amount which may result from the liquidation, will be an internal Swedish affair. Furthermore, it is to be noted that, since the settlement only concerns the three western zones of Germany, the three western Allied governments will confirm that the Soviet Union has no claim on the assets concerned to be used in that part of the German national economy administered by the Soviet Union. In order to forestall any future German demands on Sweden, it is finally stated that the Allies undertake to prevail on a future German government to approve, on its part, the above-mentioned disposal of German property.

This settlement of the question concerning German assets in Sweden does not, it is seen, provide for the Allied wishes concerning contribution towards the reconstruction of the liberated countries. However, this is to a certain extent the case according to the Swedish explanation given in this connection. According to this, Sweden will continue to give financial relief for the purposes mentioned within the framework of 125,000,000 kronor. This contribution from the Swedish side - which does not derive from German assets - will partly comprise 50,000,000 kronor to the International Refugee Committee in London, to be used for the rehabilitation and new settlement of the victims of the Nazi regime who are non-repatriable and partly, as a continuation of the Swedish contributions towards the reconstruction

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of the war-ravaged countries, 75,000,000 kronor, mainly expected to be in the form of written-off present and future credits.

The question of the distribution of the latter amount caused considerable difficulties during the negotiations, since the Allies wished this sum to be shown as a reparations contribution to be divided in accordance with the shares allocated at the Paris convention. On Sweden's part it was affirmed, however, that the nature of the amount, being a free Swedish contribution deriving from State means and without any direct connection with German assets - necessitated that both the distribution among the various recipient countries, as well as the form of the transfer of these means, should be wholly decided by Sweden. In order to some extent to comply with the Allied wishes, the distribution of the contribution was confined to the states which had joined the Paris Convention. Furthermore, it was stated that an exchange of viewpoints with the Allies, i.e., the occupation powers in the three western zones, as well as a favorable scrutiny of their wishes, were to precede the distribution and that the method of payment and transfer of the shares thus fixed, were to be made the subject of discussion with the recipient countries concerned.

Parallel with the treatment of the main subject of discussion, the other questions on the agenda dealt with were:

Regarding the question of gold, the Swedish delegation made it clear from the very beginning that the Swedish Government, in accordance with its previously declared intention of cooperating in the restitution of property looted contrary to international law, was willing to restore monetary gold stolen from occupied countries through German measures. The detailed application of this principle became, however, the subject of lengthy discussions, especially regarding the question of the action to be taken in regard to gold which the Swedish Riksbank had bought from the German Reichsbank, but subsequently sold to a third country. As a result of the discussions, the claim for restitution - according to Swedish wishes - was confined to gold owned by Sweden on June 1, 1945.

As regards German state property in a limited sense, the so-called official property, i.e., mainly the property in Sweden of the German mission and consulates, the Allies maintained that the right of jurisdiction over these now devolved on the Allies in view of their having assumed supreme power in Germany. The Swedes pointed out that the recognition of this right of jurisdiction would imply the acceptance of the Allied legal viewpoint, which had not been approved as a basis for the settlement. An Allied proposal to the effect that Sweden, for the time being, should undertake not to make any final dispositions regarding the official property without first consulting the Allies, was also rejected by the Swedish delegation.

The questions most closely connected with Swedish interests concerning, viz., the Swedish property in Germany, black-listing and the freeing of the frozen Swedish assets in the United States, had been entered on the agenda by the Allies as of secondary importance and dependent upon the solution of the other questions of primary interest. The Swedish delegation demanded, however, that these questions be taken up for principal discussion prior to a solution of the question concerning German assets.

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According to Allied opinion, the question of Swedish property in Germany had no connection with the other items on the agenda. The Swedish delegation pointed out that this property, as being neutral, ought to be protected from being used for reparation purposes and that, if the Allies disposed over it, the owners, or the Swedish interests respectively, were entitled to obtain indemnity.

This conception was firmly rejected by the Allies. The allied standpoint in the matter was as follows: The investments made in Germany by foreign nationals - Allied or neutral - were subject to German laws and regulations and dependent upon the good or bad conditions of Germany. A transfer of property, or of its value, was as impossible now as it was during the Nazi regime. With particular regard to Swedish subsidiaries in Germany, it was stressed that the Swedish rights constituted a partial right in a German legal entity based on ownership of shares - in the same way as the German interests in German-owned companies in Sweden only implied a title to a share in the liquidation of those, which was effected wholly according to Swedish regulations. It was pointed out that the allied investments in Germany were treated in the same way. Precedents were quoted dating after the first World War when it had been decided through international arbitration that American subsidiaries in Germany could be deprived of property which was included in the German reparations and that American parent companies could not directly obtain compensation for such property. A preferential treatment of Sweden, in view of Swedish neutrality during the war vis-a-vis the countries which had borne the burden of defense against Nazism was, in the opinion of the Allies, absolutely out of the question.

However, the Allies were prepared to undertake the following in regard to Swedish interests in Germany: 1) Non-discriminatory treatment of Swedish property, or of property in which there was a considerable Swedish ownership interest; 2) Equitable compensation in Germany, i.e. in German currency, for confiscations and other dispositions effected by the occupation authorities in the respective zones. The issuance of detailed regulations concerning such compensation devolved on the Control Council and the local authorities in Germany. 3) The right, by means of a small official delegation, to inspect and examine the condition of the property.

These undertakings referred, however, only to the three western Allied zones, since the Allied negotiators, in this as well as in other respects, could make no statement regarding the Russian Zone.

The question of compensation for losses suffered as a result of war operations was not taken up for discussion at all by the Allies who merely reminded the Swedes of the great losses sustained by the Allies themselves for the same reason.

As regards the black lists, as well as the blocking of Swedish assets in the U.S.A., the Allies had pointed out before at the beginning of the negotiations that these measures were not to be used at the negotiations as a means of coercion. Those measures were motivated entirely by so-called security reasons and they would be rescinded immediately these conditions ceased to apply. Provided a settlement relative to the control and disposal of German assets in Sweden could be brought about, the security reasons would no longer preclude the abolition of the black lists for Sweden, or the freeing of the Swedish assets.

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The Swedish delegation stressed that all adequate security precautions had already been taken through the far-reaching measures for the control of German interests, which had been effected by the Swedish Government. For this reason all economic warfare measures of this kind should be cancelled as soon as possible.

In the course of the negotiations, the Allies stated that a decision had been taken to cancel definitely the black lists in regard to Sweden, as well as all the other neutral countries. Thereupon the Swedish delegation endeavored to obtain an Allied assurance that the black-listing was not to continue under different forms, unofficial or consultative, e.g. when imparting information concerning business connections abroad to American business firms. Such an assurance was given by the Allies. The Americans pointed out, however, that American businessmen who applied to American authorities for information concerning foreign firms, could not be denied information as to whether the firm concerned was black-listed, and if so for what reason.

As regards Swedish assets in the United States, the Americans expressed willingness to release them as soon as possible in accordance mainly with the same procedure applied when releasing the assets of Allied states, which, too, had been blocked during the war. The technicalities of this arrangement were to be discussed subsequently between the experts of the parties concerned. Relevant discussions had been started but had not been concluded. The Swedish delegation naturally presumed that the requisite procedure would be in conformity with the agreed principles and method relative to the control and liquidation of German assets in Sweden, including assets whose real value consisted of outstanding accounts in the United States.

After the delegations had come to terms for the solution of the various problems, a proposal for the agreement was drawn up. In view of the fact that the agreement reached mainly consisted of more or less one-sided statements concerning the policy and intentions of the respective governments, it was considered expedient to give it a suitable form. It was agreed that the results achieved in the negotiations should be confirmed through an exchange of letters embodying the statements made by the chiefs of the delegations. A proposal regarding such correspondence was agreed jointly by the delegates and was submitted to the governments concerned in the middle of July. After the receipt of the agreement from the respective countries - in the case of Sweden subject to the approval of the Riksdag - an exchange of letters took place in Washington on July 18, 1946, between the chiefs of the delegations.

The texts of this correspondence, as well as the Swedish translations thereof, are to be appended to these Minutes.

The procedure to be followed on the main questions, i.e. the disposal of German assets, the gold question, and the matter of Swedish property in Germany, is laid down in two letters (A and B) which are in the nature of chief documents. To these are added certain complementary letters concerning:

partly the contents of the Swedish statement regarding the disposition of German assets (No. 11);

partly German assets abroad which are owned by Swedish nationals or institutions (No. 2);

and

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and partly the application of the gold declaration (No. 13).

The Swedish statements concerning the control of German assets and the independent Swedish contributions, have been incorporated in separate letters (Nos. 9 and 10).

For the rest, the correspondence includes brief statements concerning the following more or less technical questions, viz.:

- partly a special investigation concerning looted bonds (No. 1);
- partly repatriation of German nationals (No. 3);
- partly property in Sweden of the German state railways (No. 4);
- partly German patents and trade marks (No. 5);
- partly German official property (No. 6);
- partly Swedish representation in Germany (No. 8);
- partly estates left by persons who have died in Germany as a result of Nazi persecutions (No. 12);
- finally, partly the German Chamber of Commerce in Sweden (No. 14).

Of the above-mentioned questions, a report has already been given relative to the repatriation of German nationals and to the German official property in Sweden. The correspondence on these matters merely represents a summary of the discussions. The same applies to correspondence concerning the German Chamber of Commerce and Swedish representation in Germany.

As regards German patents and trade marks, it may be mentioned that the Inter-Allied agreement in the matter, mentioned in the exchange of letters, has now been concluded, and Sweden was recently invited to join. This question is for the present the subject of a special investigation. Pending the results of the latter, the Swedish authorities do not, for the time being, intend to permit the sale or other transfer of German patents unless such transfer takes place in connection with the sale of a German-controlled enterprise which owns the patent concerned.

In regard to the looted bonds, the German Chamber of Commerce, heirless assets, as well as through Swedish intermediary owned German property abroad, Sweden has indicated the possibility of instituting certain inquiries.

Similar to what had been agreed with Switzerland, the Allies wished to be in the position of applying to a mutually chosen arbitrator in the event of the Allies not agreeing with the decisions of the Swedish authorities regarding the execution of the various Swedish declarations. This request was refused by the Swedish delegation. Instead, an arbitration clause was inserted in the chief document, which, however, merely applies to the principal settlement regarding German assets and the gold question.

The viewpoint of the Allied governments on the question of disposition of German assets outside Germany was, through the liquidation of these assets, on the one hand to eliminate German economic interests outside

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outside Germany as a possible base for new armaments and, on the other hand, with the proceeds of the liquidation to give the war-ravaged countries some compensation for the damage suffered from German aggression. Thus, on the one hand, one is faced with a demand for economic security and, on the other, with a demand for compensation.

From the very beginning the Swedish delegation made it clear that the Allied position could be approved only to a certain limited extent. Thus, Sweden has found it possible to cooperate with the demand for security and there have never been any obstacles in the way of liquidating German assets: the measures already taken for the purpose of meeting this demand are clear from the above-mentioned report. At the same time, however, neither Swedish law, nor according to Swedish interpretation international law, give any support to the handing over to the Allies of the liquid assets obtained through the realization procedure. These liquid assets must be regarded as German property and be disposed of accordingly. On this basis, Sweden has considered it necessary to decline the demand to transfer to the Allies the assets concerned as compensation for the damage caused by German warfare.

The result of the negotiations, viewed against the background set forth above, may be summarized briefly as follows: Sweden undertakes to effect to the full satisfaction of the security demands the present controls and liquidation procedure, whereby an exchange of information with the Allies continues without any obligation for the Swedish authorities to consult the Allies prior to making a decision. The proceeds of the liquidation shall be regarded as German property. To the extent that this property, in accordance with the previously valid clearing stipulations may be regarded as disposable for clearing purposes vis-a-vis Swedish claims, this will be done. For the rest it will, as German property, be disposable for account of the German national economy. Since, however, at present - irrespective of the position in the light of international law - the German economy is, purely factually, administered by the Allied authorities, the latter should be considered as entitled to dispose of the balance for purchases for German account. This disposition, which will be the subject of special settlements, is expressly limited to the requirements of the German national economy.

As regards the Swedish undertakings in the above connection, it may be mentioned further that Sweden, in accordance with the principle proclaimed from the beginning, has declared her willingness to release the gold in Swedish possession on June 1, 1945, which could be proved as having been taken from the occupied countries.

The Swedish delegation stressed during the negotiations that in assessing compensation demands, which Sweden has found it necessary to reject, attention should be paid to Sweden's general financial and activities during the post-war period. The intention had been that Sweden was to fulfil these activities to a certain extent. In connection with the negotiations, it is now declared that this will be the case within the framework of a total of kr. 125,000,000, of which kr. 50,000,000 will go to the so-called International Refugee Committee in London. The remaining kr. 75,000,000 constitutes an addition by Sweden to the contribution towards the work of international reconstruction which has already been expended out of Swedish state funds and the distribution of which is decided by Sweden.

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A prerequisite for the settlement concerning German property, along the lines mentioned, has been from the Swedish viewpoint that the individual Germans whose property is liquidated shall be compensated for their loss of property. The Allies shall be responsible for payment of this compensation.

It has furthermore been considered necessary to establish clearly that the Allied governments, in the coming peace treaty with Germany, will ensure that the agreed transactions concerning German property will be approved by the Germans.

Another Swedish demand had been that compensation be obtained in cases of Allied dispositions of property in Germany which, either directly or indirectly, were to be regarded as Swedish. In this respect the Allied statement merely contains a general assurance of protection, without discrimination, in the case of all property belonging to friendly countries or to their nationals, as well as of payment in Germany of an equitable compensation for disposition of such property. In close connection with this Allied statement is the promise that Sweden may carry out an inspection of Swedish property in the three western zones of Germany. A delegation comprising representatives of the larger interested enterprises may be expected to proceed to Germany to carry out such an inspection within the near future.

In submitting the foregoing general survey of the main aspects of the settlement reached, it may be finally mentioned that the Allies have undertaken to abolish the so-called black lists insofar as Sweden and Swedish citizens abroad are concerned, an undertaking which has already gone into effect prior to the legal acceptance of the agreement. Simultaneously, the Allies have declared that there will be no continuation - unofficially or in a consultative form - of the discrimination against enterprises and individuals which was implied by the black lists.

Furthermore, the Americans have undertaken to release as quickly as possible blocked Swedish assets in the United States, whereby the detailed procedure will be subject to special discussion. The relevant proposals up to now unofficially submitted by the Americans, could not be accepted by Sweden, inter alia for the reason that they do not seem to conform fully with the agreed principles of the liquidation and disposition of German assets. Prior to the agreement being made valid, an understanding as to the deblocking question ought to have been reached.

The proceeds of the liquidation of German assets in Sweden have been estimated preliminarily at around kr. 375,000,000. Of this amount the sum of about kr. 225,000,000 has been calculated to correspond to such assets as ought to be disposed of compulsorily for the payment of German debts to Sweden, according to the principles of the clearing legislation. In accordance therewith it has been agreed that the balance, which is to be used for purchases for German account, will be kr. 150,000,000. The figure is definite and not liable to be changed by the outcome of the liquidation proceedings which may deviate from the estimate, either in the one or the other direction. The transfer of the sum of kr. 150,000,000 is brought about automatically in accordance with the Swedish viewpoint that these assets are German property.

The value of the gold to be ceded has, according to investigations carried out up to now, been estimated at about kr. 30,000,000.

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In view of the fact that the contemplated appropriations amount to kr. 125,000,000, the total amount to leave the country (150,000,000 - 30,000,000) will be kr. 305,000,000. It is misleading, however, to regard this in the light of a purely Swedish act vis-a-vis the estimated value of German assets in Sweden. The kr. 150,000,000, which will be transferred to German account, are thus regarded - as already stated - as constituting German property against which no legal Swedish title may be asserted. The appropriation of kr. 125,000,000 is an independent Swedish action, based on Swedish state funds, within the framework of an already instituted policy. Finally, concerning the promise to code certain gold, this relates to property which has not been included in the value of German assets in Sweden.

The liquidation of German property, pre-supposed by the agreement, is intended to be effected by the FCCO by virtue of the authority vested in it through the amendment of the Control Law which was passed in December 1945, and the simultaneously issued Administration Law. This legislation happens to be sufficiently far-reaching to allow for a general liquidation of German property in this country.

The question of creating a special company for the purpose of effecting certain measures in connection with the liquidation has been suggested by the Chief of the Commerce Department in another connection.

The clearing of Swedish claims against German assets in Sweden, as likewise provided in the understanding, should take place, as already indicated, on the basis of clearing legislation now in effect. Among the claims to be paid through such a procedure, the unconsolidated (ogulda) claims on Germany of the State Exchequer should be included, plus the claim which will arise as a result of the coding of the so-called looted gold, which was received as a fully valid liquid means of payment in lieu of a settlement through the clearing and after an express assurance that the gold did not derive from an occupied country. In addition, it will have to be decided whether, and if so to what extent, an allotment may be considered for capital sums - inter alia, on the German State loan - even in such cases where those, according to the contractual stipulations, have not yet become due. Furthermore, the question may arise as to whether a certain limited amount of the incoming assets should not be allocated to a fund for the settlement of special claims for compensation outside the framework of normal clearing, which may be considered justified.

According to the clearing legislation, it devolves on His Majesty to issue detailed stipulations in connection with the clearing. To the extent that the continued investigation of the question concerning the distribution of incoming assets should prove that these means should be utilized for purposes outside the framework of normal clearing, the matter will have to be submitted to the Riksdag.

Finally, in connection with the regulations concerning payment of claims out of clearing means, the necessity for an additional stipulation should be considered to the effect that certain claims ought to be given preference while in the case of other claims an allotment would take place only inasmuch as the remaining assets should permit.

The amount of kr. 150,000,000 which, as mentioned above, shall be used for the financing of German imports through the offices of the occupation authorities, will have to be paid by the Riksbank with the right to obtain compensation from the assets obtained by the liquidation of German assets in Sweden.

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The question of an appropriation for the payment of kr. 50,000,000 and kr. 75,000,000 respectively, which do not derive from German assets, also the covering of the loss of the Riksbank in connection with the ceding of a certain quantity of gold, will be taken up by the Chief of the Finance Department in another connection.

The foregoing settlement appears to me to imply a solution of the problem concerned which is both acceptable from the Swedish point of view, as well as compatible with Swedish legal principles. It is therefore, submit that His Majesty propose to the Riksdag -

by approving the exchange of letters which took place, to authorize His Majesty, at a time deemed suitable by His Majesty, to validate the agreement thereby reached, as well as

to proclaim that the Riksbank shall execute the payment of an amount of kr. 150,000,000 for the purchase of necessities for German account, in accordance with what has been detailed above.

Concurring with the suggestion made with the approval of the other members of the State Council, His Majesty the King decrees hereby that the proposal worded according to the above mentioned Minutes should be made to the Riksdag.

For the Minutes:

Reinhold Reuterswärd

Translated by E.A.

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