

PHOTOCOPY
PRESERVATION

[front of the cover]

HAI, 229337 - 229449

DECLASSIFIED
 Authority NND 760238
 By JB NARA Date 6-23

RG 331
 Entry 47(SHAEF)
 File Internal Affairs
 Box 28

Report "C"

HEADQUARTERS
 PARIS CIVIL AFFAIRS DETACHMENTS
 1st EUROPEAN CIVIL AFFAIRS REGIMENT

AFD 658
 18 September 1944

SUBJECT: Oppression of the Jews in Paris

TO : CO, Hq. Paris Civil Affairs Detachments, 1st ECAR

1. The following details of oppression of the Jews in Paris is submitted for information.

a. In September 1940, the Germans brought into force the first law ordering all Jews in the occupied territory to register with the Police of their district. In the Department of the Seine 113,000 Jews registered.

b. In March 1941, the Germans formed the "Commissariat aux questions Juives". This Commissariat came under direct control of the French Government but were directed in their policy by the German Gestapo who were assisted by 30 French Inspectors from the Prefecture of Police, these were known as "Police aux Questions Juives".

c. The officer in charge of the Gestapo was a notorious Captain DANNECKER and a chief Inspector SCHNEBLIN was in charge of the 30 French Inspectors. The Commissariat itself was formed of French subjects and one of its functions was the control of business of Jews placed in concentration.

d. The 30 Inspectors are alleged to have been unscrupulous in their methods in numerous cases stealing the property of those arrested.

e. From the formation of the commissariat until 1942 a Mr. Xavier VALLAT was president, he later went to Vichy to occupy the position of President of "Legion des Combattants du Marechal".

f. In May 1941, 8,000 Jews were arrested in Paris, men only between the ages of 20 to 50 years of the following nationalities, Germans, Austrians, Polish, and Czechoslovakians. They were at first taken to a concentration camp at PITHIVIERS and BEAUME-LA-ROLANDE, Loiret Department. These men were later sent to work in the coal mines in East France.

g. On 20 August a further 5,600 males of all nationalities were arrested, these were taken to the concentration camp at DRANCY.

h. In December 1941, 1,500 Jews were arrested and 100 hostages shot as reprisals for the killing of a German soldier. The 1,500 were taken to COMPIEGNE and then deported to Germany.

i. These arrests continued from January to March 1942, the majority being taken to Germany, many completely disappeared.

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j. In February 1942, all Jews were forbidden to be on the streets between 2000 hours and 2600 hours and from the 6 June 1942 all Jews were forced to wear a star bearing the word "Jew", except the following nationalities: Spanish, Italians, Turks, Greeks, Hungarians, Swedish, Swiss, English and Americans.

k. On the 7 July 1942, all Jews were forbidden to enter public gardens, cinemas, theatres, or restaurants. They were also forbidden to queue for food, but were permitted to purchase food between 1100 hours and 1200 hours daily.

l. On the 16 July 1942, a big drive was directed against the Jews, on the first day 9,000 were arrested under 65 years of age and these arrests continued. They were taken to one of the three camps, PITHIVIERS, BEAUME LA ROLANDE, and DRANCY.

m. These camps were at first administered by the Police but these were subsequently taken over by the Germans and conditions then became bad. At one period Captain DANNECKER was approached by the Police to send some medical aid to the camp but DANNECKER told them the only thing these men required was a cemetery.

n. The Germans also instituted a camp Police from among the Jews in the camp. These men were required to inflict floggings the Germans ordered for various alleged breaches of discipline. The unfortunate Jews ordered to give the flogging had to carry out the punishment or be flogged or shot themselves.

o. During the same month, 3,000 Jewish children were arrested, separated from their parents, and sent to Germany. One day the Jewish adults of BELFORT were taken off to Germany and 300 children, ages from 6 months to 6 years, were brought to Paris without identification papers. This was a common practice of the Germans- separating children from their parents.

p. Trains left for Germany weekly with the Jews crowded into cattle trucks often without water or sanitary arrangements of any sort. It was a common thing for trains to wait for hours at the stations with the unfortunate people crying out for water.

q. Jews who were alleged to have acted in any way against the Germans were taken to prison at FRESNES where they were given so called trials by the Germans and punished. Many were executed.

r. Another torture chamber has been discovered at the Air Ministry, this chamber appears to have been the final stage of the torture and undoubtedly was used for all classes of persons. The building in question is a shooting range. At one end of the torture was inflicted. This appears to have consisted of crushing the victims against a heated wall, the imprints of hands pressed into the wall are still there, together with heel marks of German boots where undoubtedly the victims body was occasionally missed. At the other end, there are three posts with ropes and eye masks, each post has so many bullet splinters that in parts they are almost completely severed. In addition other posts have been removed having been completely shot through. There is ample evidence of a very large number of people having been executed in this building.

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s. In an adjoining room there were a number of flimsy wooden coffins and outside one in pieces with a considerable staining of blood.

t. Four large coffins have been excavated from a portion of an adjoining range and each contained a number of bodies,. They appeared to have been buried in haste probably shortly before the liberation. Photographs of this chamber are attached.

u. It is estimated that in all about 30,000 Jews from Paris have been taken by the Germans. 17,000 men, 9,000 women, and 4,000 children.

v. All owners of businesses owned or mainly owned by Jews had to make a declaration to the Commissariat. In some cases the owners were taken off to concentration camps and their property stolen by the Gestapo.

w. In others a non-Jewish manager was put in control of the business working it on behalf of the Commissariat. Businesses taken over in this way were controlled by the "Service du Controls des Entreprises Provisaires."

x. The arch villain of the Gestapo was the German Captain DANNECKER. He left Paris for Dijon some short time before the liberation. He was succeeded by a Lt. ROTKE.

y. In addition to XAVIER VALLAT already mentioned, a Mr. DARQUIER de PELLEPOIX held the position of Commissaire. He was undoubtedly a most unsatisfactory type of individual. At one period he was arrested by the Germans for giving false certificates to the Jews, and he was subsequently released, but I understand he has now been arrested in Algiers by the French Authorities.

z. From May 1943, a Mr. ARILLON held the post of Director at the Commissariat. He is alleged to have been an active collaborator of DANNECKER. ARILLON disappeared from Paris a short time before the liberation.

aa. The Commissariat has now been disbanded and the employment of the 950 employees terminated.

bb. The 30 Inspectors have been arrested by the French.

W.J.H.PALFREY
Major (BR)
Public Safety Section

18 1001

Allied Policies for Negotiation of Looted Gold Question

It is definitely known that the Swiss received at least 398 million dollars worth of gold from Germany during the course of the war. Of this amount the absolute minimum which is to be classified as loot is 185 million dollars. In arriving at this calculation every doubt has been resolved in favor of the Swiss. A more realistic approach indicates that the amount of looted gold taken by the Swiss is closer to 289 million dollars, and there is a possibility that all gold received by the Swiss from Germany was looted.

With these facts in mind, the Allied Governments should insist that the Swiss hand over immediately 185 million dollars worth of gold. Any bargaining between the Allies and Switzerland should only be with respect to the difference between 185 million and 398 million. As to this, the Allies should take the position that such difference should be turned over unless the Swiss are able to prove that such gold was either included in Germany's non-looted pre-war stocks or legitimately acquired after the beginning of the war.

It is possible that Switzerland will ask to see the data upon which the figure representing the minimum loot was based. If so, the Allied negotiators should agree to this concession upon the condition that the Swiss make available to Allied experts books, records and other documents in their possession relating to their gold stocks acquired from Germany and the disposition of such gold. However to avoid delays, such concessions should only be made after the Swiss have agreed to turn over the initial 185 million dollars worth of gold.

In taking the above position the Allied negotiators should make it clear to the Swiss officials that the fact that specific looted gold is no longer in Swiss possession does not operate to defeat the Allied claim or hinder or impede the handing over of an equivalent amount of gold. The Swiss should be advised that in cases where the original looted gold has passed from Switzerland to another country and the Swiss Government has made the equivalent amount of such gold available to the three named Allied powers, those powers will, insofar as is feasible, lend their assistance to the Swiss in obtaining the return of the specific gold or an equivalent. However, such offer of assistance is not to be understood or construed as a guarantee on the part of the three governments named.

In the event that the Swiss Government should indicate its preference to settle the gold question by paying over a flat sum rather than assume the burden of proof as is indicated herein above, any compromise figure between 185 and 398 million which is agreed to by all of the Allied negotiators could be accepted. It would seem that 289 million would represent a reasonable settlement.

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By	JA NARA Date 7/16

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Allied Claim Against Swiss for Return of Looted Gold

1. It has been determined from available ledgers of the German Reichsbank that a total of at least 398 million dollars worth of gold was shipped to Switzerland by the German Reichsbank during the war. This figure does not include the following which, when verified and amounts definitely determined, should also be taken up with the Swiss:

- (a) one additional shipment known to have taken place after these books were closed and evacuated from Berlin;
- (b) other shipments believed to have taken place early in the war and to have been recorded in earlier ledgers of the German Reichsbank which are not now available;
- (c) an amount of approximately 12 million dollars worth of gold which the Germans seized when they looted the Italian gold but delivered directly to the Swiss.

2. It is perfectly possible that the entire amount of 398 million dollars (or more) worth of gold received by the Swiss from the German Reichsbank was looted gold because of the following facts:

- (a) The large amounts of gold known to have been looted by the Germans from the countries which they occupied in Europe before and during the course of the war. It is known that at least 579 million dollars worth of gold was looted by the Germans and made available to the German Reichsbank. This figure represents a conservative tabulation based upon the estimates of the countries from which gold was looted and upon a careful examination of the records of the Germans.
- (b) The relatively small amounts of legitimate gold available to them.
- (c) The very small proportion of the looted gold which appears to have remained in Germany at the end of the war or to have been disposed of in countries other than Switzerland. The amount of such looted gold now identified as being in Germany at the end of the war or disposed of to foreign countries other than Switzerland is only 169 million dollars. These figures have been derived from a complete inventory of the gold found in Germany at the end of the war and a thorough examination of the records of the Reichsbank, including a detailed tracing of the processing and disposition of more than half of the gold originally looted.

Subtraction of the loot thus traced to German war-end stocks and to third countries (169) from the total loot (579) leaves 410 million dollars worth of loot or more than the entire amount of the known shipments to Switzerland to be accounted for.

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3. Even if one makes the assumption, which is quite unrealistic but presents the most favorable possible case for the Swiss, that the shipments which they received included all of the non-looted gold available to the Germans during the war, there still remains an absolute minimum of 185 million dollars of the gold taken by the Swiss from the German Reichsbank which must have been looted.

- (a) A thorough examination of the records of the German Reichsbank and intensive interrogations in Germany of high Reichsbank officials in a position to know the true facts have determined the amount of hidden reserves of gold held by the Reichsbank before and during the war in addition to the published reserves which were known to the world.
- (b) For the purpose at hand June 30, 1940 has been chosen as the base date in order to make the case as favorable as possible to the Swiss and eliminate any uncertainty as to legitimate acquisitions of gold by the Germans prior to their attack on the low countries. The Reichsbank's total gold holdings on that date were 232 million dollars.
- (c) From the holdings shown above (232 million dollars), there must be subtracted an amount of 49 million dollars worth of loot accumulated by the Reichsbank in the preceding year, which gives a total of 183 million dollars worth of non-looted gold stocks held on June 30, 1940.
- (d) The only significant source of legitimate gold still open to the Germans after June 1940 was Russia. German records show that the total amount of gold received from Russia between the outbreak of war with Poland and the attack on Russia was 23 million dollars. Although it is clear that much of the gold was received prior to June 30, 1940 and, therefore, is undoubtedly included in the German gold reserve figure for that date (183 million dollars), we are making the assumption most favorable to the Swiss and assuming that all 23 million was acquired after June 30, 1940, and is, therefore, to be added to the gold reserve shown on that date as additional legitimate gold. The resultant total of 206 million dollars is the maximum possible amount of non-looted gold available to the German Reichsbank at any time after June 1940.
- (e) Subtracting from the total known shipments to Switzerland (398) the portion of those shipments which took place prior to the end of June 1940 (7 million) leaves an amount of at least 391 million dollars worth of gold received by the Swiss thereafter, and the difference between this amount and the maximum possible amount of non-loot available to the Germans in the same period (206) is 185 million dollars.

4. On the fairest assumptions the amount of loot taken by the Swiss from Germany can be estimated at 289 million dollars.

- (a) It is unreal to assume, as was done above, in calculating the absolute minimum figure of looted gold received by the Swiss from Germany that every ounce of non-looted gold available to the Germans was sent to Switzerland.

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- (b) It is more realistic to assume that the ratio of loot to total gold available to the Germans was reflected in all German gold shipments including those to Switzerland. The total amount of gold available to the Germans after June 30, 1940, as shown above, was 785 million dollars of which 579 million dollars or 74% was loot. Applying this percentage to the total amounts received by the Swiss it would appear likely that at least 289 million thereof was loot.

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DC/R

The Acting Secretary of State presents his compliments to the Honorable the Minister of Switzerland and has the honor to bring the following matter to the attention of the Legation of Switzerland.

During the course of the recently concluded negotiations, the Allied negotiators transmitted to Mr. Stucki a letter dated May 25, 1946 in the following terms:

"Referring to Paragraph VII of the Annex to the Accord of today on the subject of German property in Switzerland, we have the honor to bring to your notice that we reserve entirely the rights, derived from the act of Surrender and from their exercise of supreme authority in Germany, which the Allied Governments claim to exercise over the property of the German State existing in Switzerland, including the property of the Reichsbank and German

railroads.

XR-746.00113EW.

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CONFIDENTIAL FILE

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railroads.

"We hope that the Swiss Government will not take any measures which would derogate from these rights."

In his reply to this letter on May 25, 1946, Mr. Stucki, after referring to the above letter, stated: "Without admitting that this argument is well-founded, I will transmit the contents of your letter to my Government."

The Government of the United States has occasion to refer to the unsatisfactory situation which thus exists, and to express the hope that steps may be taken by the Government of Switzerland to rectify this situation in the near future. It may be pointed out that the authority of the Allied Control Council for Germany with respect to German official property in other areas has been recognized, and that such recognition is strictly in accordance with international law. Full sovereignty, as possessed by the Government of Germany, has been transferred to the Control Council and to the Governments of France, the United Kingdom and the United States, acting on its behalf. The Allied Control Council for Germany is the recognized

de facto

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de facto official authority in Germany, possessing full rights of authority not only by reason of its de facto position, in the total absence of other duly constituted or operative German authority, but also by reason of acts of Germany in the course of the surrender.

It is therefore hoped that German official and state holdings in Switzerland will be released to the Governments of France, the United Kingdom and the United States, acting on behalf of the Allied Control Council for Germany. The claims of the Government of Switzerland against these properties on account of expenses incurred in repatriation and protection of German nationals in Switzerland are known. The Government of the United States without presuming to speak for the other interested governments, may indicate its willingness to regard sympathetically disbursements on this account already made. It would be the intention of the United States, upon the turning over of these funds and properties to the Allies, to support recognition of an Allied obligation to use these funds

for

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for expenses incurred in repatriation of German nationals from Switzerland to Germany.

It is hoped that the Government of Switzerland may take appropriate measures in accordance with the sentiments expressed in this memorandum.

A copy of this communication is being transmitted to the Governments of France and the United Kingdom.

Department of State,

Washington,

June 24, 1946

ES:WSSurray:vc

6-20-46

*ESP
Cleared with
Mr Rubin*

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229344

DC/R

The Acting Secretary of State presents his compliments to the Honorable the Minister of Switzerland and has the honor to bring the following matter to the attention of the Legation of Switzerland.

In the Accord recently concluded among the three Allied Governments and the Government of Switzerland, Mr. Stucki addressed a letter to the chiefs of the Allied Delegations in which he stated that he confirmed that the Swiss Government will "examine sympathetically the question of seeking means whereby they might put at the disposal of the three Allied Governments, for the purposes of relief and rehabilitation, the proceeds of property found in Switzerland which belongs to victims who, by reason of violations by the late German Government, had died without heirs." In this connection, reference is made to Article VIII of the Paris Reparations Agreement, whereby certain sums are set aside for the rehabilitation

and

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CS/RH

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and resettlement of non-repatriable victims of German action. Under Paragraph C of Article VIII, it is agreed that "governments of neutral countries shall be requested to make available for this purpose....assets in such countries of victims of Nazi action who have since died and left no heirs."

The Government of the United States, pursuant to its obligations under the Paris Reparations Agreement, desires to request that the Government of Switzerland take the necessary action to make available such amounts as may be included in the assets in Switzerland of victims of Nazi action who have died and left no heirs, to the committee established under Article VIII of the Paris Reparations Agreement, which committee will act in consultation with the Intergovernmental Committee on Refugees. As was pointed out during the course of the Allied-Swiss negotiations, an entirely unprecedented situation has arisen by reason of the complete extermination by the Nazis of whole families, some of whom have held assets in foreign countries. It is believed that a considerable

proportion

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proportion of such foreign holdings by persons of such category were located in Switzerland. The Government of Switzerland will recognize the urgent and immediate necessity of non-repatriable victims of German action and the equitable claims of such persons upon heirless properties in all lands.

The Government of the United States appreciates Mr. Stucki's statement that the Swiss Government will examine this question sympathetically. In the light of this statement, it is hoped that the matter will be considered by the Swiss Government in the immediate future and that the procedures for implementing this program will be formulated.

A copy of this communication is being transmitted to the Governments of the United Kingdom and France.

Department of State,

Washington,

June 24 1946

MD

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6-20-46

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Mr Rubin

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MD

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By *JA* NARA Date *7/6*

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DECLASSIFIED
Authority WNO 998712
By JA NARA Date 7/11

RG 84
Entry 3197: Stockholm Legation
File Confidential File '45-'46
Safes - Looted
Gold - 1946
Box 4



Confidential

Stockholm, May 17th, 1946.

Mr. Donald W. Smith,
American Legation,
S t o c k h o l m .

LEGATION OF THE UNITED STATES
OF AMERICA
SEP - 5 1946
STOCKHOLM

File

7/13

851

Dear Mr. Smith,

I refer to your letter of May 6th in which you ask for details regarding the total volume of the gold transferred to the gold deposit of the Sveriges Riksbank with the Swiss National Bank at Bern and further regarding the gold released from this deposit and sold in Switzerland.

In reply I beg to hand you the enclosed memorandum and schedule.

Sincerely yours,

Barthoff

Encl.

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Authority WFO 998712
By JA NARA Date 711

RG 84
Entry 3197: Stockholm Legation
Confidential File '45-'46
File Safe Haven - Looted
Gold - 1946
Box 4

CONFIDENTIAL



Stockholm, May 16th, 1946.

File
151

Mr. Donald W. Smith,
American Legation,
Stockholm

LEGATION OF THE UNITED STATES
OF AMERICA
SEP - 5 1946
STOCKHOLM

Dear Mr. Smith,

Reference is made to your visit on April 26th when you and Mr. Knox asked some questions regarding the import and export of gold between Sweden and Germany (including Austria) during the period April 1st 1938 until the end of May 1945.

The questions raised by you and Mr. Knox are answered in the enclosed schedules and the information given below.

In enclosure number 1) you will find a list of physical imports of gold by the Sveriges Riksbank from Germany whereas the physical exports are listed in enclosure number 2).

As far as the Sveriges Riksbank is concerned there have been no shipments of gold from other countries to Sweden for German account and no shipment of gold of German origin from Sweden to other countries.

You will be aware of the fact that gold transactions have been made not only by the Sveriges Riksbank but also by private firms and individuals. Thus gold has been imported and exported for industrial and technical purposes. We have tried to get an idea of the magnitude of such transactions and have come to the conclusion that they have been of limited importance. As far as we can judge they have had a purely non-monetary character. I am therefore afraid that an investigation which would mean a lot of work would not justify the results. You will know

Return to
Knox

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Authority WNO 948712
By JA NARA Date 711

RG 84
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File Confidential File 45-46
Safely - Looted
Gold - 1946
Box 4

Mr. Donald W. Smith, S t o c k h o l m. 16.5.1946. -2-

that under the present exchange regulations every export of gold needs a special license granted by the Foreign Exchange Office (Valutakontoret). For your guidance I give you below the number of export licences granted in 1940 - 1945 for export to all countries, not only Germany. I regret not to be able to give you any statistics regarding the corresponding fine weight which is partly due to the fact that the export licences comprise all sorts of gold, e.g. sweep-washings.

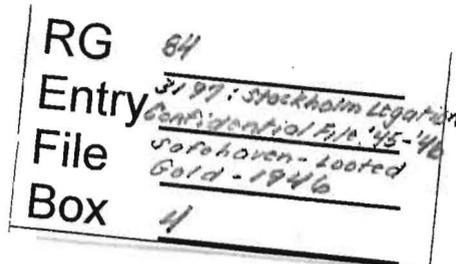
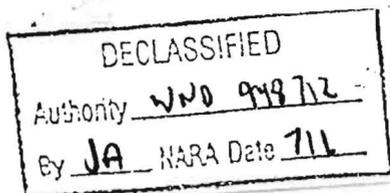
Export licences for gold granted in	Total number
1940	132
1941	205
1942	190
1943	231
1944	306
1945	232

It ought to be mentioned that probably most of the gold exported from Sweden to Germany has been reimported as wrought gold (e.g. gold foils, fountain pen nibs etc.)

Sincerely yours,

Ivar Rooth

(Ivar Rooth
Governor of Swedish Riksbank)



651.5 DWS:mea

Sol?

Eh

Stockholm, May 6, 1946.

Dear Governor Rooth:

Reference is made to the confidential memorandum dated March 6, 1946 regarding the gold holdings of the Sverige's Riksbank which I received through Statssekreterare Dag Hammarskjöld.

In paragraph 8 of the memorandum of March 6, reference is made to certain transfers of gold made by the German Reichsbank to the Swiss National Bank at Bern for the account of Sveriges Riksbank. If possible, I would appreciate details regarding the total volume or value and breakdown by years of the gold transferred in January 1941, 1942, 1943 and 1944. I should also like to be informed regarding the volume of gold which was released from the deposit and sold in Switzerland, as we should like to have a complete picture of the Swedish gold transactions during the period April 1, 1938 through December 1945.

Any information you are able to give me on the foregoing will be greatly appreciated.

Sincerely yours,

Donald W. Smith

Governor Ivar Rooth,
Riksbanken,
Stockholm.

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DECLASSIFIED
Authority WFO 949712
By JA NARA Date 711

RG 84
Entry 3197: Stockholm Legation
File Confidential File 45-46
Box Safe Haven - Looted
Gold - 1946

Eu.

MEMORANDUM TO FILES

May 2, 1946.

GOLD
—

I, with Donald Smith, called on Governor Rooth of the Swedish Riksbank and gave him the gist of the cabled instruction received from the Department concerning possible acquisition from Germany by Sweden of certain gold stocks. The cabled instruction is #695 of April 12.

GK/eeb.

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Authority WFO 98872
By JA NARA Date 711

RG 84
Entry 3197: Stockholm Legation
File Confidential File, '45-'46
Sofa Haven - Looted
Gold - 1946
Box 4

Confidential

Sold

MEMORANDUM

April 19, 1946.

To: Donald Smith
From: Gordon Knox

Justice Sandström of the FCCO told me yesterday that during the war Sweden bought certain gold from Germany and has since learned that said gold was looted; that the Germans had re-melted it and altered the markings on it. The above may be of interest in view of the recent cable from the Department concerning gold holdings.

SK

GK/eeb.

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By	JA NARA Date 711

RG	84
Entry	3197: Stockholm Legation
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Box	Safes/looted Gold-1946
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13

PARAPHRASED

Message from the Department, April 12, 5 pm, 1946

There is immediate necessity for an estimate of the total weight (in kilograms) and value of all monetary gold shipments to Sweden from Germany during the period April, 1938 to May, 1945. The estimate should be made from available information, using both unofficial and official sources. However neither the Swedish Riksbank nor the Swedish Government should be formally contacted in this matter at present.

Included in the estimate should be information on the following points:

(a) Shipments from Germany direct, or indirectly from other countries for German account (i.e., the Swiss National Bank on German order.) In the case of indirect shipments identify the country. The data should include the name of the sender (i.e., the German Reichsbank), the date of arrival of the shipment in Sweden, and the weight (in kilograms) and value.

(b) Data on reshipments of such gold of German origin from Sweden to other countries, including for each shipment the volume, country or place of destination and if possible the receiver and date of dispatch of shipment.

(c) Where such transfers have taken place, any data obtainable on gold transferred for German account to or from Riksbank accounts with foreign central banks--chiefly Switzerland--and the totals of such transfers during the period under consideration above.

Reference is made to the Department's telegram number 286 of February 7, 1946.

PARAPHRASED

BYRNES

reh

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 Authority WFO 948712
 By JA NARA Date 7/11

RG 84
 Entry 3197: Stockholm Legation
 File Confidential File 45-46
Sofahaven - looted
Gold - 1946
 Box 4

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Memorandum

regarding the development of the gold holding of the Sveriges Riksbank from January 1st 1939 until December 31st 1945.

The total gold holding of the Sveriges Riksbank at the beginning of 1939 amounted to Kr. 707,229,753:-- whereas the corresponding figure at the end of 1945 was " 1,062,073,345:86. All gold belonging to the Sveriges Riksbank appears in the books of the Bank at the old parity price of Kr. 2,480 per kg fine; thus the increase in the gold holding " 354,843,592:86 corresponds to a quantity of approximately 143,082 kg fine gold.

The gold was located as follows:-

	<u>Within Sweden</u>		<u>Abroad</u>	
	at 2480 kr./ kg. fine Kr.	Kg. fine (approx- imately)	at 2480 kr./ kg. fine Kr.	Kg. fine (approx- imately)
At the beginning of 1939	502,700,518:31	202,702	204,529,234:69	82,471
At the end of 1945	179,432,130:69	72,352	882,641,215:17	355,903
<u>Net decrease in the gold holding within Sweden</u>	323,268,387:62	130,350		
<u>Net increase in the gold holding abroad</u>			678,111,980:48	273,432

The changes in the gold holding as shown above are due to purchases and sales of gold as well as to shipments of gold.

Gold within Sweden.

The gold within Sweden consisted of the following items:-

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	(approximate figures at Kr. 2480 per kg. fine)	
	Beginning of 1939	End of 1945
1) Gold bars (also comprising unimportant amounts of old Swedish gold coins)	403.672.000	88.514.000
2) Scandinavian gold coins minted in accordance with the Law of 1873	45.628.000	46.056.000
3) Foreign gold coins	53.400.000	44.862.000

1) The sharp fall in the figures for gold bars is mainly due to heavy shipments of gold from Sweden to the Federal Reserve Bank of New York during 1939 and at the beginning of 1940. On the other hand the production of the Bolidon gold mines has been bought by the Sveriges Riksbank and such bars that remain unsold are entered on the books under this heading.

All gold bars held by the Sveriges Riksbank within Sweden at the end of 1945 were in the possession of the Bank on January 1st 1939 or have been produced within Sweden after that date. However gold bars with a total fine weight of 2.742 kg have temporarily been earmarked in the name of the Swiss, German and Turkish central banks. These bars have then been repurchased by the Sveriges Riksbank without having left its vaults. At the end of 1945 no gold was earmarked with the Sveriges Riksbank.

2) The slight increase in the holding of Scandinavian gold coins is due to a multitude of minor purchases over the counter.

3) The decrease in the holding of foreign gold coins is due to the fact that the Sveriges Riksbank has been selling considerable amounts of i.a. foreign gold coins to dentists and for industrial purposes. Gold bars and parts of gold bars have also been sold for the said purposes. Foreign gold coins have also been sold to the Swiss National Bank to procure Swiss francs. On the other hand there have also been purchases of gold coins. Thus in July and August 1944 the Sveriges Riksbank bought RM 4.200.000 in German gold coins from the German

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Reichsbank for settlement of normal commercial and financial transactions known to the Allied Governments.

Part of the gold (bars as well as coins) sold within Sweden for industrial purposes has been exported and a corresponding quantity reimported as wrought gold (gold foils, fountain pen nibs etc.). These transactions have been carried out under the supervision of the Royal Swedish Mint.

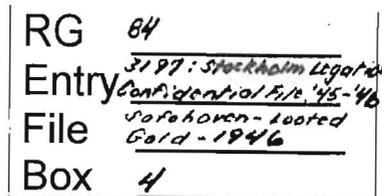
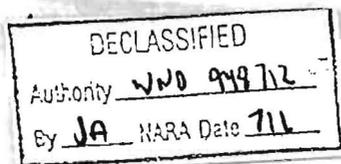
Gold abroad.

The gold held abroad by the Sveriges Riksbank consisted of the following items:-

(approximate figures
at Kr, 2480 per kg fine)

Deposited with	At the beginning of 1939		At the end of 1945	
	Kg. fine	Kronor equivalent	Kg. fine	Kronor equivalent
1) Federal Reserve Bank of New York	70.855	175.720.000	157.188	389.826.000
2) Bank of England	11.554	28.655.000	0	0
3) South African Reserve Bank (Pretoria and Capetown)	0	0	141.788	351.636.000
4) Bank of Canada	0	0	31.589	78.340.000
5) Banco Central de la República Argentina	0	0	2.130	5.283.000
6) Banque de France	0	0	6.993	17.343.000
7) Bank for International Settlements (gold sight account)	62	154.000	34	85.000
8) Swiss National Bank	0	0	16.181	40.128.000

- 1) - 4) It is understood that no comments will be necessary regarding the items 1) - 4) above.
- 5) The gold held with the Banco Central de la República Argentina in Buenos Aires was shipped in May 1944 from the deposit of the Sveriges Riksbank with the South African Reserve Bank.
- 6) The gold held with the Banque de France in Paris was bought in December 1945.
- 7) The gold sight account of the Sveriges Riksbank with the Bank for International Settlements in Basle exists since



4.

many years. This account has mainly been used for international payments such as remittances between the Post Masters General in different countries. As the account is kept in terms of kg fine gold no details are available regarding the gold in cover for such accounts that may be kept by the Bank for International Settlements.

- 8) The gold deposit of the Sveriges Riksbank with the Swiss National Bank in Bern shows the following transactions:-

In January 1941, 1942, 1943 and January 1944 transfers of gold were made by the German Reichsbank. This gold was bought by the Sveriges Riksbank in order to enable the settlement of normal commercial and financial payments from Germany to Sweden known to the Allied Governments. In 1942 approximately 1,000 kg fine gold was transferred to the deposit of the Sveriges Riksbank with the Swiss National Bank by the Bank for International Settlements from which the Sveriges Riksbank had bought it. A considerable number of gold transfers from Sweden to Switzerland were made by air in 1941. On the other hand part of the gold in this deposit had to be released from the deposit and sold in Switzerland to meet the demand for Swiss francs in the Swedish market as well as from abroad; e.g. the Sveriges Riksbank at the request of the U.S. Treasury placed 25,8 million Swiss francs at the disposal of the Federal Reserve Bank of New York.

All gold bars remaining in the gold deposit of the Sveriges Riksbank with the Swiss National Bank on December 31st 1945^{x)} were originally transferred to this deposit from the German Reichsbank. The total weight of these 1349 bars amounted to 16,313,19758 kg fine gold. Out of this gold 132 kg fine gold belongs to the Royal Swedish Air Board.

x) Since then part of this gold has been sold to the Swiss National Bank.

Stockholm 6.3.1946.

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Imports of gold to the Sveriges Riksbank from Germany.

	Kg fine
1940 4/6	3.003,2294
(7/8)	1.502,1118 ✓
1941 17 - 20/8	<u>1.008,0486</u>
<u>Total</u>	<u>5.513,3898</u>

16.5.46.

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Remittances of gold from the Sveriges Riksbank to Germany

		Kg fine	
1940	18/3	300,716	
	27/3	551,272	
	28/3	401,118	
	29/3	100,439	
	1/4	201,123	
	3/4	502,182	
	18/4	149,963	
	27/7	188,512	
	2/8	233,073	
	20/8	12,492	
	9/9	12,494	
	13/9	<u>92,636</u>	2,746,020
1941	3/7	87,259	
	3/7	100,917	
	5/7	301,837	
	9/7	187,118	
	12/7	187,497	
	15/7	306,722	
	12/8	399,577	
	22/8	399,886	
	3/9	384,739	
	5/9	385,796	
	10/9	140,840	
	23/9	399,815	
	25/9	<u>399,856</u>	3,681,859
1942	4/2	399,754	
	10/2	<u>399,722</u>	<u>799,476</u>
		<u>Total</u>	<u>7,227,355</u>
			16.5.46

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AMLEGATION

STOCKHOLM

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Practically all items on agenda (for Ravndal) have been covered. However, full agreement has not yet been reached on all items nor has substantial progress been made re ultimate disposition assets.

Allies have agreed not to institute any radical changes in existing consultative procedure re marshalling liquidation German assets, have agreed to removal Black List and to institute defrosting procedure of Swedish assets in US in manner comparable to that worked out for such countries as France; to permit investigation Swedish assets in Germany; to treat Swedish property Ger in same manner as Allied property; and to provide Reichsmark compensation in Ger for any removals that may have been made to pay compensation in Ger for German assets liquidated in Sweden.

Swedes on their part have agreed to return all looted gold and on basis evidence currently available have agreed to return Belgium gold which Sweden bought from Germany totalling approximately 8.3 million dollars and such other looted gold as may be discovered in Sweden prior to December 1947. However, Swedes have insisted that out of Reichsbank

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account in Sweden they receive full compensation for looted
which is returned
gold ~~luxury~~ on grounds that ~~Reichsbank~~ Reichsbank had assured
Swedes that gold sold to Swedes would not be looted gold.

On question disposition assets Justice ~~Strom~~ Sandstrom
refused to discuss this question until all other matters have
been covered, to which Allies ~~have~~ acceded. Sandstrom then
stated that amounts which Sweden to make available (which he
did not at that time disclose) would be allocated to such
countries as Sweden might determine should receive funds and
that these funds would be used to pay off ~~in part~~ credits
which Sweden had already made to such countries. Allies
rejected this proposal since it would mean that Swedes would
in effect take over functions assigned to IARA of allotting
proceeds; that US would receive no share; that acceptance
would mean complete rejection Paris Reparations Agreement;
and that US, UK and France could not enter into agreement
which would provide for any settlement of financial relation-
ships between Sweden and third party countries. Allies sub-
sequently proposed that to meet Swedish desires in this matter,
amount in question should be handed over to US, UK and France
as trustees to be used for reconstruction and

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rehabilitation but with due regard for existing international obligations and commitments. Latter phrase would mean that US, UK and Fr would turn assets over to IARA but would informally agree with Swedes that we would exercise our influence on IARA so that countries with which Sweden did not have trade relations would be compensated for their share German external assets from other sources than kroner sources.

Sandstrom advised this satisfactory and then offered a contribution by Swedes of 100 million kroner, 25 million to be allocated to Inter-Governmental Committee on Refugees and 75 million to Allies under above formula. He made clear funds would not come out of liquidation German holdings in Sweden but that proceeds such assets would be placed in clearing and total of clearing, estimated at 228 million kroner, would be used for satisfaction Swedish claims including Dawes and Young bonds, compensation for restitution looted gold, commercial claims, etc. He estimated this would leave balance of 150 million kroner which would be held by Swedish Government to be disposed of at a later stage in agreement with a reconstituted German government.

Allies strongly rejected this proposal on following grounds:

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Swedish creditors would receive almost full payment on their claims against Germany and would be better off than creditors in any other country; earmarking of balance of 150 million kroner for future German Government was entirely unacceptable since it failed to recognize heavy expenses incurred by Allies in maintaining minimum economy and living conditions in Germany today, and that such procedure would not be in accordance with security objectives these negotiations; amounts Swedes offering was very small percentage of Swedish national income and considerably less than Sweden would have to contribute were it member of UNRRA, that payment of Swedish creditors against Germany in ~~not~~ much greater percentage satisfaction than creditors in countries which had actively fought against Germany would give rise to considerable ill feeling against Swedes and might lead to difficult relations. Allies pointed out that all concessions to date had been by the Allies and practically none by Sweden although Sweden made some ~~argument~~ argument that they had conceded with respect to gold. This was pointed out not to be so since return of looted property had clearly been stated by Swedes to be Swedish Government policy, and in any event, Swedes were asking for compensation even for this.

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Sandstrom recognized and stated appreciation of Allied spirit but to date has not yielded on amending his proposal.

Allies then submitted following proposal:

1. 50 million kronor to be donated by Sweden to International Governmental Committee on Refugees.

2. 75 million kronor to be handed over to Allies under above stated and agreed to formula.

3. Estimated balance in clearing of 150 million kronor, in recognition Allied expenses in Germany, to be turned over to Allies as trustees to be used in same manner as 2 above.

At subsequent meeting Allies strongly reiterated refusal accept 100 million kronor and referred again to counter-proposal set forth above. Sandstrom argued Allied proposal meant Sweden would yield 3/4 German assets and Allies replied that Allies would only be getting 150 million kronor out of total 385 million German assets since 50 million allocated for refugees and 75 million to US, UK, and Fr for IARA represented contributions by Sweden not connected with German assets question. Sandstrom also pointed out danger to Swedish economy which would result from purchases in Sweden by IARA countries. Allies pointed out that Sweden had not in its credit agreements made arrangements for repayment and therefore to extent funds were used to reduce these loans no harm would

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result to Swedish economy. Moreover program elimination German assets brings assets into Swedish ownership with payment provision favorable to Swedes. Reference was made to press reports loan to Russia of \$250,000,000.

Sandstrom stated proposal made by Allies was outside scope his instructions and that in fact proposal he had made of 100 million kronor had exceeded instructions. Allies expressed considerable surprise at this pointing out Swedes knew question would arise during negotiations, that this was one of the basic problems set forth on the Agenda since Allies in their notes had claimed all assets, that Swedes were acquainted at least with general outlines of Swiss proposal before Swedes left Stockholm. Sandstrom recommended negotiations be adjourned until fall when they could be resumed at Stockholm. Allies pointed out that breaking off negotiations at this time would be most undesirable and might lead to consequences that would

make it more difficult to reach agreements subsequently. Allies also pointed out disadvantages of arbitration procedure.

Meetings have adjourned until June 24. Above sent to you for your info.

*Acheson, Acting
(JFR)*

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229366

LEGATION OF THE
UNITED STATES OF AMERICA

BRK
~~WVE~~
PTC

Bern, June 24, 1946

Dear Paul:

I gather from world wide press and radio reports that you have settled down again in 384 having carefully avoided any mountain climbing and particularly an expedition to Bern, undoubtedly because you had heard I had returned.

All seriousness aside, I understand you did your usual good job (but may have left the door open for a further trip later if you so wish). We shan't forgive you though for not having stopped off here before your return.

Knowing your cute interest in certain negotiations, of which you may have heard prior to your take-off, I am sending you a translation of the extensive report of the Federal Council on the Accord signed (in your absence, in case you haven't heard) on May 25th. The original of this with the texts in French and German went forward in the usual way under despatch No. 13963 of June 18th. This translation will also go forth in the routine way under cover of a despatch, but as it may take ten days to two weeks to get there, I thought you, Woodie and Ben might like to stay up nights reading this document which is one of the longest I have seen preambuling such a short proposed decree.

There are quite a number of things which you and I could talk about on the basis of this message, but not at the moment.

As I write, the Swiss Parliament is starting discussion on this Accord and you will have had telegrams from us on the progress of the discussion before you receive this. The Accord is expected to

be

Paul C. Culbertson, Esquire,
Western European Division,
Department of State,
Washington.

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be approved within the next few days. Then the job begins.

I shouldn't tell you but I was very sorry not to get out to see Marie, especially as you were not there, but the ^{blasted} Swiss kept us working the last few Sundays as you may have heard.

Boonie joins me in sending love to her and you can take whatever is left of it. When do you plan to come this way again and, if so, will you have the sense to bring Marie with you ?

Thanks again for all the discourtesies during my visit and please remember me to Doc, Woodie, Ben and Jamie if he is still there.

Yours never,

Bar
J. P. Ryan

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Message from the Federal Council to the Federal Assembly concerning the approval of the financial Accord concluded in Washington.

(June 14, 1945)

Mr. President, Gentlemen,

We have the honor to address to you a message, together with a draft decree, concerning the approval of the financial Accord concluded in Washington.

I. Background material

By decree of February 16, 1945, we blocked German assets in Switzerland. This measure was not taken only because of the negotiations which had started shortly before with an American, British and French delegation. It also originated in the fact that all the Swiss assets in Germany had been for years and, as is well known, were still subjected to a prohibition of transfer and that we wished, for this reason, to secure, through our blocking decree, a certain claim to German assets in Switzerland. The negotiations with the Allies were concluded by an accord on March 8, 1945. It appears appropriate to mention the following provisions of this accord.

In the first place, Switzerland stated its will to prevent its territory from being used for the concealment of stolen assets and undertook to grant every facility in order that the dispossessed owner could come into possession of his property which might be discovered in Switzerland. It also undertook to lift or relax the blocking of German assets in Switzerland only after consultation with the Allied Governments. Moreover, it was asserted on the Swiss side that the Federal Council would, of its own accord and for its own purposes, effect a census of German assets in Switzerland or administered from Switzerland. Finally, the Federal Council, in agreement with the Swiss National Bank, declared that it was willing to restrict gold purchases from Germany to the amounts required for the German diplomatic and consular services, the amounts needed for prisoners of war and internees, as well as for payments to the International Red Cross.

A decree of the Federal Council dated May 29, 1945, laid down the obligation of declaring German assets in Switzerland and instructed the Swiss Compensation Office in Zurich to effect this census.

From a press communiqué concerning the Potsdam conference of August 2, 1945, it appeared that the Allied Control Council in Germany had been entrusted to take the necessary measures to control and take possession of German assets abroad, which assets were to be used for the payment of reparations to the Western Allies. By notes of August 3rd and 4th, 1945, the diplomatic representatives of the United States, Great Britain and France informed the Federal Political Department that the occupying powers in Germany put forward a claim to the right of control or ownership of German assets in Switzerland. In its reply, the Political Department stated that the Federal Council could not understand on what legal

grounds

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grounds this claim was based and that the *de facto* occupation of the German territory by the Allies could hardly have legal effects outside of Germany. This note and the *Aide-Mémoire* of November 1, 1945, remained without reply for a long time; on the other hand, the declarations made concerning individual cases as well as the general attitude of the three Allied Governments showed that the latter attached a great deal of importance to the problem of German assets in Switzerland and that several Swiss requests concerning for example the unblocking of Swiss assets in the United States and the discontinuance of the Black Lists would have no chance of being taken into consideration as long as this problem was not solved. It was learned through the press that "Law No. 5 of the Allied Control Council" decreed in Berlin on October 30, 1945, by order of the Allied Supreme Military Commanders provided that all German owners of assets in neutral countries were expropriated and that these assets were transferred to the Allied Control Council.

The Allies were informed of the results of the census of German assets in Switzerland. They also received detailed information concerning the working methods of the Swiss Compensation Office and the difficulties of all kinds which that office has had to overcome.

After long-drawn discussions through diplomatic channels the three Allied Governments, on February 11, 1946, sent us an identical note by which they informed us officially of the text of "Law No. 5 of the Control Council" of October 30, 1945. At the same time, they requested that German assets in Switzerland be liquidated, in agreement with the Allies, in order to prevent them from being used for the financing of a new war, and that the proceeds be placed at the disposal of the Allies for reparations purposes. We were invited, moreover, to send a delegation to Washington to negotiate on these demands and on other matters. After a careful study of the question, we accepted the invitation, while reserving our legal point of view which differed from that of the Allies, and the Swiss delegation was designated as follows:

- Mr. W. Stucki, Minister Plenipotentiary, Chief of the Division of Foreign Affairs, head of the delegation;
- Mr. E. Reinhardt, Director of the Federal Finance Administration;
- Mr. A. Hirs, member of the Board of Directors of the Swiss National Bank in Zurich;
- Mr. D. Schindler, Professor of Law in Zurich;
- Mr. H. Schwab, President of the Swiss Compensation Office in Zurich;
- Mr. H. Ott, Secretary General of the Swiss Compensation Office in Zurich;
- Mr. R. Hohl, Counselor of Legation, Chief of Section at the Political Department;
- Mr. J. Strassale, Financial Counselor at the Swiss Legation in Washington.

Mr. William Rappard, Professor in Geneva, who had been invited by American Universities for a series of conferences, placed himself at the disposition of the delegation as counselor.

After

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After extensive discussions with the National Bank and the Permanent Delegation for Commercial Accords, we laid down the instructions to be followed by the delegation.

On March 11, 1946, the delegation left Switzerland by air and reached Washington in three stages.

II. The Negotiations. First Phase.

A. German assets.

On March 18, negotiations were begun between the Swiss delegation on one side and the delegations of the United States, Great Britain and France on the other. According to the instructions received, the Swiss delegation set forth in detail, orally and in writing, the legal viewpoint of Switzerland. In particular, it stated that in its opinion it was at least doubtful whether the Allied military authorities in Germany should have the right, according to the general principles of law and the provisions of the Hague convention of 1907 concerning laws and customs of war on land, to dispose of German private property. In any case, it was impossible for Switzerland to consider these measures as legally valid for its territory. The rights of the occupying powers could never be more extensive than those of a legal German government. If such a government had made the same claims on Switzerland, they would have been rejected, if only for the reason that Swiss assets in Germany had been blocked for a long time - and still are, by the explicit will of the Allied authorities in Germany - and that therefore Switzerland cannot be required to liberate German assets while Swiss assets in Germany, which are of a considerably greater value, remain unutilisable. Furthermore, it was stated by the Swiss, international law as well as Swiss law is based upon the principle of protection of private property. At the utmost, it could be touched only if payment of an appropriate indemnity were made. It was finally stated that Switzerland could not tolerate the activity of foreign authorities or agents on its territory. These various objections, which Switzerland would also have been obliged to set forth against a legal German government, prevented Switzerland from agreeing to Allied demands.

The Allied point of view was set forth as follows: Due to the unconditional surrender of Germany, the governments of the occupying powers have taken over the supreme authority in that country and claim for themselves all the rights of a German government. The occupation of Germany does not present the characteristics of an occupation of war, as hostilities have ceased. Consequently, the Hague convention of 1907 is not applicable. As it exercises the supreme legislative and executive authority in Germany, the Allied Control Council has the right to lay claim on all German assets in Germany and abroad, as did the former German government by the law of December 12, 1938 concerning currency control. By the "Law No. 5 of the Control Council", the disposal of German assets has been provided for and Switzerland is bound to cooperate in executing this law.

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Of course, the Swiss delegation, for the reasons already given above, was not able to share this juridical conception. The Allies then set forth considerations of a different nature: the Allied war effort and their victory are of the greatest importance also to Switzerland. If the war had ended differently, it is not likely that an independent Switzerland would exist today. It would not be understood, therefore, if this country, which contrary to nearly all other European states, was spared the horrors of war and which from all points of view is in a situation infinitely more favorable than that of the other countries, should refuse to help apply a measure, the aim of which is to make German property participate in repairing the losses caused by German attacks. The Swiss delegation was not able to refute these arguments which are of a moral rather than a juridical nature. It called to mind the considerable work accomplished hitherto by the Swiss people and its authorities in favor of war victims of all categories and stated that Switzerland was ready to continue to help pacify and rebuild Europe within the limits of its strength. Nevertheless, it continued to decline any juridical obligation, stating notably that for a neutral state it would not be possible to participate in any "reparations" in the proper sense.

The legal conceptions of the two parties being irreconcilably opposed, the Swiss delegation decided to make a concrete proposition, which had been provided for in the instructions received. Accepting the idea that the German assets in Switzerland should not be able to be utilized to finance a future war, but firmly retaining the principle that private property cannot be seized without an indemnity, it proposed as follows:

To establish an obligatory clearing of capital between the assets in Switzerland which belong to Germans residing in Germany, and Swiss assets in Germany. German assets held in Switzerland would thus be utilized as a partial compensation for Swiss assets held in Germany. The owner of assets in Switzerland, residing in Germany, would thus lose his Swiss francs but would receive the counter-value thereof in the currency of his country, that is, in Reichsmarks, from the Swiss assets in Germany. The two most important consequences of this proposition were, on one hand, to leave intact the assets held in Switzerland by Germans residing in Switzerland, and, on the other hand, to necessitate the cooperation of the Allies in German territory.

The Allies rejected this proposition. They set forth that they had no interest in creating the necessary organization in Germany to permit the satisfaction of the Swiss claims. Their sense of justice, they stated, could not tolerate that in this manner Swiss holders of credits, which might even result from speculations, should be paid in full or partially while the true victims of war, in their own countries, would receive nothing or nearly nothing. Finally, however, the Allies declared themselves ready to accept the principle of compensation. In other words, they were ready to indemnify in Reichsmarks owners residing in Germany of assets held in Switzerland. However, at first they claimed for themselves the total proceeds of the liquidation of German assets in Switzerland. At the end of March, they offered to retrocede to Switzerland 20 percent of the proceeds of this liquidation. At the same time, the Swiss delegation after difficult negotiations had succeeded in obtaining

from the Allies the

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assurance that Swiss sovereignty would be absolutely respected during the liquidation of German assets. In this manner, the previous demand of the Allies requesting that German assets in Switzerland be seized, administered and liquidated by a commission in which the Allies would have had the majority became null and void. The discussions of a sub-commission also showed that no marked differences of opinion existed any longer between the Allies and the Swiss delegations concerning the results of the census of German assets which was made by Switzerland.

B. The problem of gold

Several times, notably during the negotiations at Bern during February and March 1945, the Allies had mentioned the problem of gold allegedly stolen by Germany in the German-occupied territories. This problem was mentioned in the note of February 11, 1945 as an important point in the program of the negotiations. At Washington, a sub-commission of the four delegations handled the concrete side of this problem, but was unable to clarify it adequately. In a detailed memorandum, the Allies claimed that gold of at least 200 million dollars in value, which had been transferred from Germany to Switzerland during the war, had been stolen by Germany. The good faith of the Swiss purchaser, in this case the National Bank, was not, in fact, contested, but it was asserted that the bank had not exercised the necessary prudence. This is shown, it was stated, by the following facts, which were revealed by a careful examination of the Reichsbank accounts and the questioning of German officials:

"On June 30, 1940, Germany had a total of 232 million dollars in gold at its disposal. From this amount, the 95 million which were stolen in Austria and Czechoslovakia, as well as in Poland and Danzig, must be deducted. On the other hand, Germany received from Russia 25 million dollars before the beginning of the German-Russian war. At the date indicated, Germany consequently had a total gold reserve of 160 million dollars at its disposal. According to the Allied findings, Germany stole at least 585 million dollars in gold in German-occupied countries; 252 million dollars have been found by the Allies in Germany. Switzerland purchased far more gold from Germany than the latter ever legally possessed."

No precise claim concerning this gold was made at the time. When the chief of the Swiss delegation formulated a precise question stating that he was obliged to inform his government as exactly as possible, the Allies refused to formulate a precise request, in the opinion that the Federal Council should decide for itself on the basis of the information which had been transmitted, whether it desired to make a proposition. A detailed questionnaire which the Swiss delegation had handed to the Allies remained unanswered, because Switzerland, in the opinion of the Allies, should first declare itself ready in principle to restitute all the gold stolen by the Germans before any other information could be furnished.

During the course of the previous negotiations, the Allies repeatedly stated that the neutrals in general and Switzerland in particular had several times during the war been warned not to purchase gold from Germany. In fact, the newspapers in Allied countries published a communication on January 5, 1943, informing all interested persons, particularly those residing in neutral

countries,

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countries, that the Allies intended to do all that was in their power to oppose the methods of spoliation practiced by their opponents in the occupied countries. The Allies reserved for themselves the right to declare worthless the transactions concerning stolen property.

Referring to this statement published in the press but which was never officially communicated to Switzerland, the American Legation in Bern on February 23, 1944, officially communicated to the Swiss a statement of the American Minister of Finance mentioning in particular the illegal acquisitions of gold made by Germany and warning the neutrals against purchasing this gold from Germany.

Finally, on October 2, 1944, the Allied diplomatic representations in Bern informed us of resolution No. 6 of the Bretton Woods conference. This resolution also mentions the spoliations committed by Germany in the occupied countries and invites the neutrals to take appropriate measures in this regard.

Already long before the beginning of the negotiations in Washington, the Swiss National Bank had given the Allies detailed information concerning its gold policy during the war and its imports and exports of this metal. It stated that it was obliged to maintain the value of the Swiss franc fixed by the Federal Council by buying and selling gold. During the war, the Swiss franc had, for understandable reasons, become one of the currencies which was most sought after by the belligerents not only in Europe, but also outside the limits of the Continent. As the issuing bank of a neutral country, the National Bank could not in this regard treat the two groups of belligerents in a totally different manner. Thus Switzerland purchased gold from the Allies valued at 3 billion 700 million Swiss francs, whereas the gold which it purchased from Germany against Swiss francs amounted to only 1 billion 200 million francs. The gold purchased from the Allies remained deposited in London, New York and Ottawa and was, it is known, blocked to a large extent. On the other hand, the gold purchased from Germany was without exception imported into Switzerland, the National Bank having always refused to agree to the German request to establish a gold deposit with the Reichsbank. The National Bank decreased to the largest possible extent its purchases of gold in Germany, particularly after receiving the Allied note of February 23, 1944. Furthermore, purchases of gold are not absolutely excluded, even by the agreement of March 8, 1945; they are simply reserved explicitly for certain determined purposes. Finally, the National Bank has always emphasized that, it had continuously been assured by the Germans that the gold purchased in no way originated in occupied countries. In all the purchases of gold from Germany, it observed the prudential measures which are customary in relations between issuing banks.

With regard to the information and estimations of the Allies, our negotiators answered that it was impossible to go by findings made after the end of the war by the victorious powers - findings which could in no way be checked by Switzerland - and that it was necessary to accept the statements which the National Bank could in good faith make during hostilities. The sum of 1.2 billion francs of gold purchased from Germany during the war by the National Bank and that of approximately 1.6 billion representing the total imports of gold into Switzerland - imports and exports of gold having been unrestricted in Switzerland until the end of 1942 - are less than the quantity of gold which was at the dis-

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posal of the Reichsbank at the beginning of the war and during hostilities according to Swiss estimates, which were confirmed by other sources. The taking over of the gold reserves in Austria and Czechoslovakia could not be considered as a "theft". The fact must also be taken into consideration that Germany probably received gold from its allies and the neutrals during the war. For these reasons, our delegates stated that an obligation to reconstitute gold could not be acknowledged on the basis of information and estimates of such a general character.

The problem of "Belgian gold" was the object of particularly laborious discussions. The matter was as follows:

During the period 1939/40, the Belgian National Bank entrusted a part of its gold reserve to the Bank of France to be placed in safety. Immediately before the conclusion of the French-German armistice in June 1940, Belgium requested that this gold be transferred from Bordeaux to London on a British cruiser. Instead of this transfer, the gold was transported to Dakar on a French ship. Although on October 29, 1940, the Bank of France had already explicitly engaged itself to return the Belgian gold to the Belgian National Bank, this gold was later handed over to the Germans by the Laval government and transferred to Berlin where it was finally requisitioned by Germany against payment of a corresponding sum in Reichsmarks. The Allies affirm that this gold was then melted and transferred to Switzerland, provided with false seals and false accompanying papers. According to information given by the Governor of the Belgian National Bank, the Swiss National Bank effectively accepted 378.6 million Swiss francs worth of Belgian gold from the Reichsbank, without, of course, being aware of its origin. It appears, furthermore, that 153 million francs worth of this Belgian gold were deposited to the account of the Reichsbank in Switzerland, from where the Reichsbank reportedly sold it to third persons without any collaboration by Switzerland. Today, the Swiss National Bank still possesses approximately 160 million francs of Belgian gold. The difference of 218 million francs represents the sum which was re-sold long ago by the National Bank within the limits of its activity.

During a law-suit held in the United States, France returned to the Belgian National Bank the gold which had previously been entrusted to it. Supported by its Allies, France requested the Swiss National Bank to return the portion of this Belgian gold which it has purchased. At the beginning, this request even concerned gold which had never been acquired by the National Bank, but which had simply been transited through the account of the Reichsbank in Switzerland. Finally, the discussion was limited to an amount of 378.6 million francs, of which only 160 million francs could be considered for a suit for an eventual claim (restitution), whereas for the balance, there could only be an eventual right of appeal by the purchasers against the National Bank.

Detailed reports by Swiss and foreign jurists were requested concerning the legal problems raised by the gold problem. We also had to consider the fact that the Swiss National Bank possesses a considerable gold deposit in New York and that eventually, by requesting the sequestration of this deposit, it would have been possible to give competence (constituer un fer) to a court in the United States.

During

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During the period from April 2 to 6, all the questions concerning German assets and the problem of gold were carefully examined by the Federal Council and the Board of Directors of the National Bank. They were also discussed with the Chief of the Swiss delegation who had returned to Bern to report. In our session of April 5, 1946, we gave new and more extensive instructions to our delegation, which Minister Stucki took with him when he left for the United States.

III. The Negotiations, Second Phase.

On April 11, 1946, the head of the Swiss delegation informed the Allies in writing that the Federal Council, while it still maintained in full the Swiss legal thesis, had decided to facilitate the quest for a practical solution and had authorized the delegation to agree that Switzerland would:

- a. Surrender to the Allies a part of the proceeds of the liquidation of German assets in Switzerland;
- b. Put at the disposition of the Allies a certain sum in settlement of the gold question.

In their reply of April 12, the Allies voiced their satisfaction that, thanks to the spirit of understanding which prevailed in the Federal Council, the negotiations could now be carried beyond this impasse. In fact, important objections were again raised against the Swiss thesis but the Allies expressed the opinion that a practical solution should be found. At the same time, they proposed to begin drawing up the text of an accord.

Briefly stated, the negotiations concerning the three main questions developed as follows:

1. After some rather painful bargaining which the Swiss negotiators would have gladly spared themselves, the delegates finally arrived at an understanding - which had been in the air for a long time - whereby they agreed to share equal parts of the proceeds of the liquidation of German assets in Switzerland. After surmounting many difficulties, the delegations finally agreed upon the definition of these German assets as well as upon certain exceptions with regard to their seizure and liquidation.

2. The negotiations on the gold question were much more difficult. The Allies demanded repeatedly and insistently that Switzerland should declare in principle its willingness to restore all the gold "stolen" by Germany; only after this declaration would it be determined where and for what sums this gold had been illegally acquired and whether it had been purchased by Switzerland. As the sums in question were very great, as many factual questions brought up by Switzerland had been shelved without answer, and finally since the definition of the term "stolen" ("looted") had not been agreed upon, Switzerland was not in a position to make such a declaration, the effects of which could not be foreseen. The discussions on this question were heated and not always agreeable and the tension which prevailed was even reflected in the notes exchanged on this point.

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The Swiss delegation by no means claimed that the general principles contained in the decree of the Federal Council of December 10, 1945, on the restitution of looted property were not applicable to the gold. Nor did it contest the fact that, according to this decree, the question of whether the acquirer of looted property had acted in good faith was not the decisive factor. However, it did maintain the necessity not only of proving the identity of the looted asset but also of determining whether this asset had really been taken away from the owner, illegally and by force in a country occupied by the Germans. Our delegation stated that the identity of stolen gold with gold deposited in Switzerland or acquired by Switzerland was alleged and made plausible only in the case of the "Belgian gold" amounting to 378.6 millions. Only this sum can be seriously considered in the discussions. Of this sum about 160 million francs remain in the Swiss National Bank, the rest having long ago been sold to third persons within the limits of the Bank's activity. Theoretically, it is true, an eventual appeal may be envisaged on the part of the buyer with respect to the gold which the Swiss National Bank resold. But that would presuppose that a series of proceedings in various countries had been decided in favor of the dispossessed owner. In all such legal cases, in Switzerland as well as elsewhere, the objection which could successfully be raised, according to Swiss point of view, would be that this Belgian gold had not been looted by the German authorities in France but requisitioned by them in Berlin, in accordance with the German law in force before the war, after the legal government of Pierre Laval, violating an accord, had sent for the gold at Dakar and transported it to Berlin. Switzerland could not consider pertinent the objection raised by the opponent, namely that the government of Laval had acted under pressure and that it was not a legal French government whose actions are binding upon the present French government. Our negotiators declared that it would be unjust and unacceptable that Switzerland, that is the Swiss National Bank, which had acted in good faith, should bear the responsibility for an act of "collaborationism" on the part of Laval.

Considering the fact that since the official warning of the Allies on February 23, 1944, about another 160 million francs worth of gold came into Switzerland from Germany and that the sum, approximately, of Belgian gold is today still in possession of the Swiss National Bank, the Swiss delegation hoped to find a solution on this basis. It offered at first a sum of 100 million Swiss francs. This offer was considered too low. Without any counter proposal on the part of the Allies, the negotiations on the formulation of the text of the accord continued. Other indications also led to the conclusion that the Allies considered an agreement on the general basis of the Swiss offer possible.

However, on April 23, the Allies suddenly demanded a sum of 130 million dollars, approximately 560 million Swiss francs or five and one-half times the sum proposed by Switzerland. This sum was also considerably greater than the total of Belgian gold bought by the Swiss National Bank, that is to say than the sum which could seriously be considered for discussion. As this demand greatly exceeded the extreme limit of that which the Swiss delegation was authorized to give, the Swiss delegates, without the least hesitation, declared it absolutely unacceptable. This attitude of the Swiss delegation brought about a temporary suspension of the discussions.

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The Swiss Minister, while remaining in close contact with the head of the Swiss delegation, continued his discussions with the American chief of foreign affairs and prepared the way for the resumption of negotiations by the delegation. On May 2, 1946, the Chief of the Swiss delegation informed his Allied colleagues of the extreme limit to which the Federal Council would go in making concessions. The delegation and the Federal Council held firmly to their offer which was finally agreed to.

3. On the basis of the Potsdam decisions of "Law No. 5 of the Allied Control Council" of October 30, 1945, the Allies had demanded that the German assets in Switzerland should be seized, administered and liquidated by a committee composed of three representatives of the Allies and one representative of Switzerland. Thus a foreign body would have exercised board rights of investigation and execution on Swiss territory. This was naturally unacceptable to Switzerland. After some very stubborn arguments, the Swiss delegation was finally able to avoid these infringements upon the Swiss sovereignty and have it agreed that all duties relating to the investigation and administration of German assets in Switzerland should devolve solely upon a Swiss authority. However, the Allied representatives shall continue to receive, as was the practice long before the conclusion of the Accord, complete information on the activity of the Swiss Compensation Office and will be consulted on important questions. Inasmuch as they are directly interested in the proceeds of the liquidation, the Allies have a right to appeal in Switzerland against the decisions of the Swiss Compensation Office. In order to settle disagreements concerning the interpretation and the execution of the Accord, appeal to arbitration is foreseen as the normal procedure. Thus the Allies may submit to an international court of arbitration, for a final decision, the ruling of the highest Swiss court of appeal.

4. It is severely necessary to mention that the fulfillment of the important obligations to which Switzerland has committed itself in this Accord depended from the start upon the unfreezing of the Swiss assets which have long been blocked in the United States and upon the satisfactory settlement of the question of the Black Lists. These Swiss demands have been fulfilled in the Accord.

IV. The Federal Council's Appraisal of the Accord

1. The German Assets

In their notes of August 3, 1945, the Allies had already voiced their claims to all the German assets in Switzerland. The same claims were made in the notes of February 11, 1946 as well as at the beginning of the negotiations in Washington. The assertion published in the press that the assets of the Germans in Switzerland were excluded from the very beginning is not true.

The Federal Council realized from the very beginning that Switzerland, in spite of its desire to arrive at an agreement, could in no case renounce certain legal principles; this was emphasized in the instructions of the Federal Council to the delegation. The delegation was therefore obliged to oppose any special measure directed against the assets of the Germans living in Switzerland. Aside from the fact that such measures would have thrown the dispossessed owners onto public relief or lead to their expulsion, they would have been absolutely incompatible with the Swiss legal concept regarding the protection of private property. Furthermore, the Swiss delegation was instructed not

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to receive any solution which did not respect the principle according to which measures of dispossession may be carried out only with corresponding compensation. In both cases the Federal Council would have preferred to break off the negotiations rather than give in. The Swiss delegation energetically supported and gave the reasons for this attitude.

Already during the first week of the negotiations it appeared that the legal concepts of both parties were absolutely and irreconcilably opposed. The Swiss delegation therefore proposed to submit to a court of arbitration the question whether the Allies could lay a legal claim to the German assets in Switzerland. The Allies did not accept this suggestion mainly because such a procedure would have been too long and would have brought about a great depreciation of the German assets to the disadvantage of all concerned. The Allies desired a practical solution of the question and finally declared themselves willing to take into consideration the two legal principles represented by Switzerland and presented above, that is, they agreed to limit their demands to the assets which German citizens residing in Germany own in Switzerland and to accept for these assets the principle of compensation in Reichsmarks.

Under these circumstances, the Federal Council believes it would not have been justified in adopting once again an absolutely negative attitude towards the Allied demands thus bringing about a rupture in the negotiations with all its consequences. In the first place, the reproach would have been made that Switzerland had refused to contribute in any manner whatsoever to the efforts made to prevent German assets abroad from being used to finance a new war. Then, even if Switzerland, now as before, continues to refuse to consider "Law No. 5 of the Allied Control Council" of October 30, 1945, as applicable to its territory, it was not possible to ignore the fact that this law constitutes for the Germans living in Germany a de facto law and that these Germans are dispossessed of their foreign assets. It also had to be remembered that this state of affairs would probably not be modified in the near future since the provision in question will, in all likelihood, be confirmed in a peace treaty. Therefore, Switzerland could hardly defend to the very last those assets which, by virtue of the legal system to which the owners are subjected, had already been confiscated from their owners without compensation. Of decisive importance was the fact that freedom of capital and clearing traffic between Switzerland and Germany has not existed for a long time. In fact, it is known that all Swiss assets in Germany were blocked by measures taken by the former German government and that we were thus deprived of the possibility of transferring these assets into Switzerland. These Swiss assets in Germany are in any case considerably greater than the assets owned in Switzerland by Germans residing in Germany. We do not think that the Swiss people would have understood nor that it would have appealed to their sense of justice if, under these circumstances, the assets in Switzerland belonging to Germans residing in Germany had remained intact. For this reason the Swiss delegation received and carried out instructions to propose a forced compensation.

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In principle this solution presented nothing new. In fact, in every clearing agreement the State, in the same manner, determines that an asset expressed in a certain currency shall be paid in another currency and under what conditions this payment shall be affected.

The Swiss were naturally aware that the suggestion to compensate for German assets in Switzerland with Swiss assets in Germany would weaken our legal position in the eyes of the Allies. From this moment on, it was not so much a question of legal aspects as of material interests. The Allies who insisted that the Swiss suggestion could not be carried out without their help, consequently claimed the whole proceeds of the liquidation stating that their right to reparations deserved, morally at least, more consideration than the Swiss credits and assumed the obligation of compensating the German owners themselves. The solution finally adopted, according to which one half of the assets held in Switzerland by Germans residing in Germany will be used to care for the Swiss victims of the war and the other half for the reconstruction of Europe and especially for feeding the suffering and hungry populations, including the Germans, absolutely corresponds, in our opinion, to the circumstances and the principle of justice. We are not unaware of the fact that this solution constitutes a compromise and may thus arouse much criticism and even opposition from many quarters. Objections have already been voiced not only in Switzerland but also in Allied countries (naturally from an opposed point of view) where the Swiss concessions are considered absolutely insufficient. To appreciate this solution from the Swiss point of view it must be remembered that if the negotiations had failed not only would very important Swiss claims not have been satisfied but, if no agreement had been reached, the situation of the German owners residing in Germany of assets in Switzerland would have been severely better; indeed it would have probably been much worse than it now is. In fact, these assets would either have continued to be blocked for an indefinite length of time or they would have been unblocked. In this case, considering the legal situation and the almost unlimited means of control and pressure at the disposal of the Allies, the majority of these assets would have fallen into their hands with no compensation whatsoever to the owners.

A number of difficult problems is raised by the use of the Swiss share of the liquidation proceeds. As soon as these shall have been solved, we will make a report to the Federal Assembly and will submit to it our suggestions.

2. The Question of the Gold

As we have already pointed out, the Allies stated that during the war approximately 200 million dollars worth of gold (more than 800 million Swiss francs worth) which Germany had seized in occupied countries came into Switzerland. The Swiss were all the more unable to verify this statement as the Allies made their replies to the numerous questions

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asked by Switzerland in this matter dependent upon the condition that we declare ourselves in advance willing to restore the whole sum of the "stolen" gold. It would have been impossible for our delegation to make such a declaration because there was already a difference of opinion between the Allies and Switzerland concerning the term "stolen". For example, the gold which Germany had taken over in Austria and Czechoslovakia long before the war is considered by the Allies as "stolen" gold although, and this must be said in parentheses, these operations never led to the breaking off of relations between the Allied issuing banks and the Reichsbank.

Finally the Allies did not ask Switzerland to return the 200 million dollars, a sum which was obtained from more or less theoretical calculations. They demanded a sum of 130 million dollars. According to the Allies this sum represented the total gold which had belonged to the National Bank of Belgium and which is reported to have entered Switzerland as described above. This sum also could not be considered by the Swiss delegation as a serious basis for discussion. Aside from the fact that it is considerably greater than the total Belgian gold imported into Switzerland, this sum includes 153 million francs which the Swiss National Bank never acquired but which was sold by the Reichsbank directly from its account in Switzerland to third parties. Our delegation, however, was obliged for various reasons to discuss the remainder of the sum which amounted to 378.6 million francs. One of these reasons was that we had expressly and repeatedly declared ourselves ready to take the necessary measures to see that owners dispossessed by Germany could reclaim any property of theirs which might be found in Switzerland. For this purpose our decree of December 10, 1945 was issued. According to this decree - which in this point is similar to Swedish legislation - the fact that the acquirer of stolen goods was acting in good faith is not decisive. We also had to bear in mind the warnings of the Allies mentioned above. However, the determining factor for us and for our delegation was the importance placed by the Swiss authorities and the Swiss National Bank on not risking to be accused of wishing to keep, without compensation, the gold which had been illegally taken from friendly countries which were severely tried during the war. World public opinion, which a small country cannot ignore in such a case, would certainly not be satisfied with our reassurances of the good faith and the prudence of our National Bank and of the necessity for maintaining close economic relations with Germany during the war. Furthermore, the eventuality had to be considered of foreign tribunal ruling on a plea directed against the Swiss National Bank. In such a case the fact that the Germans had requisitioned the gold in Berlin and had not taken it from an occupied country would not play a decisive role. However, the consideration of this risk would not have justified the sum of 250 million francs which had been agreed upon.

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What appeared important to us was to avoid giving Allied countries touched by the war, whose situation is so much worse than ours, the impression that we were guided by petty considerations. We are so much the more entitled to consider this relatively important sum as a contribution from Switzerland for the reconstruction of Europe.

It goes without saying that by virtue of this Swiss payment the question of the gold is settled directly and indirectly at the same time. By that we mean that we are insured against any eventual right of appeal on the part of third parties who have purchased this Belgian gold from the Swiss National Bank. The Accord contains the necessary guarantee in this respect.

3. Questions of Method

The Allies had requested, in accordance with the Potsdam decisions and with the decrees of the Allied Control Council, that the German assets in Switzerland be entrusted to an inter-Allied commission for administration and liquidation. We answered an emphatic no to this demand saying that it was incompatible with Swiss sovereignty. Even when the Allies agreed to include a Swiss representative on this committee who would have the same rights as the Allied representatives, the Swiss delegation felt compelled to maintain its opposition. Nor would we have been able to accept a solution according to which such a committee and a Swiss authority would have acted together in seizing, administering and liquidating the German assets. After long and not always agreeable discussions the Swiss delegation succeeded in bringing the Swiss idea to bear according to which only a Swiss authority has the right to act upon Swiss territory. The seizure, administration and liquidation of German assets in Switzerland is the business solely of the Swiss Compensation Office the decisions of which may be referred to a Swiss court of appeal by those interested as well as by the committee mentioned above. For eventual differences of opinion concerning the interpretation of this important international accord, an arbitration clause is provided. The Allied governments may, if they so desire, appeal to an international court of arbitration against the decision of the Supreme Court of Appeal instituted in Switzerland. This provision entails no restriction of Swiss sovereignty.

Since the Allies are directly and greatly interested in the liquidation of German assets in our country, the right to obtain information on this liquidation could not be denied to them. The agreement provides for the mutual exchange of information and consultation with the committee on important points. We realize that the collaboration between the Swiss Compensation Office and the mixed committee cannot be harmonious unless both sides display their good will, their comprehension and their tact.

4. The

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4. The Swiss Claims

The Accord satisfied the demands which Switzerland expressed from the very beginning concerning the unfreezing of Swiss assets in the United States and the abolishment of the Black Lists. We would like to point out the gesture of the American Government which liberated the assets of the Confederation and of the Swiss National Bank before the agreement took effect, that is before it was approved by the Federal Assembly.

We do not wish to terminate this report without thanking sincerely the Swiss delegation and its chief for the work accomplished with devotion, courage and intelligence during the course of very difficult negotiations.

In recommending the enclosed draft of the decree for approval, we ask you, Mr. President and gentlemen, to receive the assurances of our highest consideration.

Bern, June 14, 1946

In the name of the Swiss Federal Council

The President of the Confederation,

KOBELT

The Chancellor of the Confederation,

LEIMGRUBER

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(Draft)

Federal Decree
approving
the financial agreement concluded in Washington.

The Federal Assembly
of the
Swiss Confederation

after considering the message of the Federal Council of
June 14, 1946

decrees:

Art. 1

The Accord is approved which was concluded on May 25,
1946, between the representatives of the Federal Council on
the one hand and the Governments of the United States of
America, France, the United Kingdom of Great Britain and
Northern Ireland on the other hand.

Art. 2

The Federal Council is empowered to decree the neces-
sary regulations for the execution of the Accord of May 25,
1946, and to issue, if necessary, penal provisions.

RG	59	6 July 2000
Entry	Decimal File, 1945-49	
File	800.515/6-2446	
	to 800.515/6-2546	
Box	4210	

DECLASSIFIED	
Authority	NND 76050
By	JA
NARA Date	7/16

229384

311.22 MC-In 58465-
 201 Clary (Men)
 201 Kramer (Men)
 024 CAP
 371 Caplan
 201 Johnson (Caplan)
 311.22 MC-out 48135
 311.22 MC-out 26372
 Swedder
 386

July 2, 1946.

Dear General:

In WOL 48135 of 8 June 1946 it was suggested to General Clay that a new procedure might be adopted for reporting to COMUS on the course of the current negotiations with the Swedes on German external assets. Previously, during the Swiss negotiations, minutes of the discussions and other documents had been transmitted from the State Department to the Civil Affairs Division and thence, as enclosures to military letters, to Berlin for the attention of General Clay and Mr. Kramer, Chief of the External Assets Branch. The purpose of WOL 48135 was to propose that the State Department, in reporting the Swedish negotiations to USPOLAD, could at the same time include extra copies marked for General Clay and Mr. Kramer thus eliminating the need for separate War Department transmittal. This arrangement was acceptable to the War Department but General Clay's comments were also requested.

In CC 2126 (MC IN 58465) General Clay made it clear that the above procedure would not be in line with his desire to maintain direct channels of information on such matters of importance to quadripartite operations as those involved in the disposition of German external assets in neutral countries. General Clay recommended, therefore, that the previous procedure should be followed.

I enclose a draft cable assuring General Clay that future transmittals of information regarding Swedish-Allied negotiations will be made through the Civil Affairs Division. It is pointed out, however, that the State Department

has recently

Major General Oliver P. Echols,
 Director, Civil Affairs Division,
 War Department.

800, 515/7-246

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By	JA NARA Date 7/6

229385

has recently sent a number of documents reporting on these negotiations to USPOLAD with copies marked for General Clay and Mr. Kramer.

This draft has been discussed with Captain Stevenson of your office.

Sincerely yours,

signed JH H.
J. H. Hillering
Assistant Secretary

Enclosure
Draft cable

*Dispatched -
see encl.*

W.H.B.
A-H: Rudlin:bw *Ray*

GA Secretariat

RG	59	6 July 2000
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Authority	NW 76050
By	JA NARA Date 7/16

229386

PLAIN led

Routine

ONGUS

Action

*Dispatched as
WCB-26372
July 11, 1940*

State (General Hilldring)

D/PO - Mr. Petersen; CAD (SWEGG Directorate); CAD(State)

REURAD CC 2126

Future transmittals data re Swedish-Allied negotiations will be via CAD direct to ONGUS for General Clay. Up to present such transmittals via USPOLAD with copies for Clay and Kwasar have included:

1. Statements at formal opening by Assistant Secretary Clayton; Chiefs of Allied and Swedish Delegations.
2. Specification of German assets in Sweden and minutes of meetings of June 3, 4, 5 and 6.

12th

RG	59	6 July 2000
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Box	4210	

DECLASSIFIED	
Authority	NW 76050
By	JA NARA Date 7/6

229387

Draft Cable for Transmittal thru War Dept.

TO : OMGUS, Berlin for Clay
FROM : State thru WARCAD

Reference: your CC 2126

Future transmittals data re Swedish-Allied negotiations will be via CAD direct to OMGUS for General Clay. Up to present such transmittals via USPOLAD with copies for Clay and Kramer have included:

1. Statements at formal opening by Assistant Secretary Clayton; Chiefs of Allied and Swedish Delegations.
2. Specification of German assets in Sweden and minutes of meetings of June 3, 4, 5 and 6.

*No clearance required -
Aug*

CC 2126 is ~~the~~ 2 58465

ES:EKallison:JABirch:bfo

7-2-46

*A-H
G-A Sec, 207*

RG	59	6 July 2000
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Authority	NW 76050
By	JA NARA Date 7/6

229388

WAR DEPARTMENT
CLASSIFIED MESSAGE CENTER
INCOMING CLEAR MESSAGE

From: ONGUS Berlin, Germany signed Clay

To: War Department

NR: CC 2126

18 June 1946

The procedures outlined urad WCI 48135 would not meet with our desire to maintain the present direct channels of information on matters of such importance to our quadripartite operations here.

As pointed out in ourad CC 6350 re compensation for German external assets in Switzerland, 3 power negotiations on diplomatic level should take into account and be coordinated with realities of 4 power obligations in Germany. Only by being assured that we are in close touch with negotiations there, we gage effect on our activities here and act accordingly.

Recommend press and cable procedures in this matter be continued.

End.

CC 6350 is CM IN 1354 (7 Jun) CAD

ACTION: CAD

INFO : D/I, D/SSP, D/FO, CAD (State), BD, Mr Petersen, SERVAT,
C of S

MC IN 53465

(18 Jun 46) DTG 181230E SVC

UNCLASSIFIED

333/188

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to 800.515/7-346
Box 4210

DECLASSIFIED
Authority NW 76050
By JA NARA Date 7/6

229389

WAR DEPARTMENT
CLASSIFIED MESSAGE CENTER
OUTGOING CLEAR MESSAGE

CAD Opns Div, WDGS OPD
311.23 CAD, Capt Stephenson
Ex 6432

8 June 1946

OMGUS Berlin Germany

CG USFET Frankfurt Germany

Number WCL 48135

Signed WARCAD

German external assets is subject. State Dept intends report fully on course of Swedish negotiations via cable and pouch material to USPOLAD and Kermer. This would eliminate need for separate WD transmission of this material to OMGUS and would save time. This arrangement acceptable to WD provided it is satisfactory to you. Request your comments.

End.

ORIGINATOR: CAD
DISTRIBUTION: D/PO
Mr Petersen

MC-OUT-48135

(June 46)

DTG 101658Z

tk

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Authority	NW 76050
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NARA Date	7/6

229390

Minutes of the Swedish-Allied Safehaven Negotiations

June 18, 1946
Morning Session

The Proclaimed and Statutory Lists

Looted Gold

The discussion opened by Mr. Rubin explaining to Justice Sandstrom that the gold memorandum to be furnished by the Allies in accordance with the discussion on June 10 was not yet complete. Justice Sandstrom suggested an oral summary might be made. Mr. Rubin responded that the memorandum would be ready in approximately one-half hour, and that we might meanwhile discuss some other point. Justice Sandstrom suggested the Proclaimed and Statutory Lists.

The Swedish View

Justice Sandstrom held that recognition of the Proclaimed and Statutory Lists had been the subject of discussion in the Swedish Riksdag and the decision had been reached that recognition could not be given. The Swedes stated that they had protected the interests of world security by both formal and informal means in Sweden with such success that there was no need for Sweden to recognize the Lists. Justice Sandstrom pointed out that the Allies had every right to specify undesirable trade connections to our own nationals, but that the Black List procedure contravened our friendly trade declarations.

Justice Sandstrom objected to the Proclaimed List specifically on the following grounds:

1. Listing procedures tend to interfere with internal Swedish trade.
2. Obtaining of information for listing from Swedish sources is not what Sweden would expect of friendly diplomats.
3. Swedish legislation prohibits commercial intelligence dispensing in Sweden.
4. Swedish public opinion is that the Allies are interfering in Sweden.
5. The list was used by the Allies as a threat and also as a temptation (to unscrupulous businessmen to denounce competition).
6. The lists are punitive, and represent quasi judicial act without usual democratic protective procedures.

Justice Sandstrom further suggested that punishment meted out for trading with the enemy should perhaps have been against the Swedish Government, rather than against the businessmen who only carried out the stated policy of their government. He further pointed out that our listing practices should have been influenced by the obvious success of local Swedish controls. Justice Sandstrom suggested that the placing of a firm under the control of the FCCO should have been sufficient reason to de-list.

Justice

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229391

Justice Sandstrom stated that Sweden understands well that war brings the necessity for taking strange steps, and that Sweden's principal complaint against the lists lies in their continuation since the war. The Swedish Negotiator further stated that he saw no connection between the discontinuation or continuation of the lists and Safehaven matters.

Justice Sandstrom also evidenced the impression that German firms and Italian firms could now trade with the United States, a thing which Swedish firms on the Proclaimed List could not do. He further implied that Swedish efforts at clearing out German economic penetration, presuming Proclaimed List firms to be targets, had been interfered with by outside sources. (The implication being that the Allied Legations were the outside sources referred to.) Justice Sandstrom also held that the Black Lists were disguised sanctions.

Justice Sandstrom quoted the well-known editorial in the London ECONOMIST to the effect that "economic warfare is dead, but refuses to lie down" and its refusal to lie down is evidenced in the continuation of the lists. The Swedish Negotiator indicated the far-reaching effect of the Proclaimed List, in the reduction to a practically inoperative status, of the Wenner-Gren foundation.

Justice Sandstrom suggested that he would like our plan of continuing to advise American exporters not to deal with former Proclaimed List firms to exclude Sweden. He stated that, however, he understood that the rendering of purely commercial advice was a function of any government with which another government could not interfere.

The Allied View

The United States Negotiator stated that the Allies had agreed among themselves that Black Listing is inconsistent with friendly trade, but that it was a necessary result of the war. He stated also that the Allies had weighed carefully the Swedish objections to the Black List, but pointed out that only an ideal world would permit friendly exchange of information between belligerents and neutrals and the resultant so-called "star chamber" method seemed the only suitable one. Mr. Rubin stated further that the Black Lists are definitely not a disguised sanction and are inseparable from Safehaven matters in the interests of full security. The three Allied Negotiators indicated that upon the reaching of satisfactory agreement on the general Safehaven program in Sweden as a result of these negotiations, Sweden could expect the immediate removal of the Proclaimed and Statutory Lists. As to the relation of the lists with the matters under discussion in these negotiations, the United States Negotiator pointed out that it was at Sweden's request that the Proclaimed and Statutory Lists were included on the agenda. Mr. Rubin explained in addition that the Allies recognized fully Sweden's efforts to clean out German economic penetration and stated that if we had been permitted to participate in that activity, it is quite likely that the lists would have disappeared at a more rapid rate.

The British Negotiator stated that the Black Lists are an emotional matter in the Allied countries as well as in

Sweden,

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By	JA
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229392

Sweden, and that the public mind in the US, UK and France has insisted that all sides of the German economic penetration question be settled. Mr. Surrey stated that the security aims inherent in our entire economic warfare operations clearly establish the connection between the Lists and other facets of the Safehaven operation.

The British Negotiator pointed out that the London ECONOMIST, quoted by Justice Sandstrom, is not an official organ of the British Government.

After clearing up some of the smaller points raised by Justice Sandstrom in connection with current trading possibilities between Germany, Italy and the United States, it was pointed out to him that as soon as a satisfactory agreement is concluded in the present negotiations, the lists may be expected to be discontinued.

Looted Gold

The discussion opened immediately following an exchange of memoranda and tabulations of gold between the Allied and the Swedish Delegations. The tabulations referred to are attached marked "Attachments A and B" and are identified as to the government furnishing each.

The Allied View

The United States Negotiator suggested that the discussion be limited to generalities pending each Delegation having an opportunity to examine the memoranda furnished by the other. He further suggested that inasmuch as the Swedes had previously rejected our basic premise with reference to all German gold sales after January 5, 1945 consisting of loot, it was of little purpose to continue discussion of the details underlying that position. Mr. Rubin stated then that it might be more profitable to discuss that portion of the material in which we already are in agreement.

It is the Allied view that certainly all German gold sold after February 22, 1944 (date of the Allied Gold Declaration) falls within the definition of loot as seen by the Allied Government. Mr. Rubin further pointed out that the effect of any agreement made with Switzerland on the sale of looted gold to Sweden must necessarily be nil and that the Swedish gold on deposit in Switzerland is a matter for negotiations with the Swedes.

The Swedish View

The Swedish Negotiator continued to reject the Allied desire to regard German gold sales after January 5, 1945 as loot and suggested that perhaps the date of February 22, 1944 might be accepted. The Swedes finally stated that they are quite willing to continue the examination of the gold sales and to give the Allies an opportunity to extract more information from the records in Germany. The Swedish Government stands ready to make restitution of any proven loot, the Swedish Negotiator stated.

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Gold Depot with Schweizerische Nationalbank as per 8/5 1946 inkg (fine gold).

Delivered		Thereof gold supposed to be of Belgian origin
1. 11/11 1942	3997,49058	
2. 15/2 1943 and 19/2 1943	2003,65508 (2007,4847)	
3. 15/4 1943	1010,16900 (1002,1455)	532,81105
4. 14/7 1943	94,08981 (503,3215)	94,08981
5. 17/8 1943	1001,56605 (1005,9067)	1001,56605
6. 25/11 and 29/11 1943	3100,19335 (3016,3476)	2999,84308
7. 17/1 1944	998,96986	998,96986
8. 28/3 1946 From Banque de France 893,27785		
	<u>Total 13099,41158=1084 bars</u>	<u>5627,27985</u>

Reservation is made for later checking of figures.

Submitted by Swedish Delegation, 6/12/46

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229394

List showing Swedish acquisitions of gold from German Reichsbank deposited in Switzerland, showing also subsequent disposal thereof.

<u>Date of depositing</u>	<u>Quantity kg fine</u>	<u>Disposal</u>
1. 14/11 1942 (11/11?)	3997,49058	Remains in Depot
2. 13/2 and 19/2 1943	2007,4847	Remains in Depot
3. 25/1 and 28/1 1943	2007,4847	Probably sold to the Swiss
4. 15/4 1943	1002,1455	Remains in Depot
5. 20/5 1943	510,4808	Probably sold to the Swiss
6. 23/5 1943	500,7137	Sold to the Swiss 11/3 1946
7. 5/7 1943 (14/7?)	503,3215	Sold to Kreditanstalt 26/7 1943 156,00685
		Sold to Nationalbank 3/1 1946 109,49509
		11/3 1946 143,40872
		In depot <u>94,08981</u> 503,00047
8. 31/7 1943	503,3215	Sold to the Swiss 11/3 1946
9. 16/8 1943	1005,9067	Remains in Depot
10. 21/9 1943	210,01086	Sold to the Swiss 11/3 1946
11. 1/12 1943	3016,3476	Remains in Depot (2999,84308)
12. 15/1 1944	<u>998,96986</u>	Remains in Depot
<u>Total</u>	<u>16,263,678</u>	

To complete the above list ought to be mentioned that the Riksbank on 7/8 1944 bought about 1502 kg German goldcoins which according to information given at that time, had belonged to the German Reichsbank since 1923/1924.

Submitted by the Swedish Delegation, 6/12/46

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KARA Date	7/16

229395

CONFIDENTIAL

REVISED ESTIMATE
GERMAN GOLD MOVEMENTS
FROM MARCH, 1938 to May, 1945 (In Millions of U.S. DOLLARS)

<u>INCOME</u>		<u>OUTGO</u>
Germany's estimated gold reserves as of March 1, 1938 (Published gold reserves were only 29)	103	Sold to Swiss National Bank 278.2
Purchased from Russia	23	Possibly sold to Swiss commercial banks before 1943 20.0
Taken from Austria	53	Washed through Swiss National Bank depot account and eventually shipped to Portugal, Spain, and Sweden or transferred to such account with SNB
" " Czechoslovakia	33	94.2
" " Danzig	4	Rumania
" " Poland	12	32.5
" " Holland	164	Sweden
" " Belgium	223	6.0
" " Yugoslavia	25	Found in Germany (including 6, earmarked for Italy) 32 earmarked for Hungary (found in Austria)
" " Luxembourg	5	295.0
" " Italy (earmarked)	64	Sold to or used in other countries, mainly Middle East and Turkey
" " Hungary (earmarked)	32	15.0
	<u>741</u>	740.9

The above table of German gold movements based on best available information and documentation bears out as correct the assumption that Germany had before the removal of gold of the Austrian Central Bank gold reserves of not more than about \$100,000,000 worth of gold; the published gold reserves were only \$29,000,000. Adding about 23 million legitimately acquired from Russia before the outbreak of the war and 53 million which were taken from Austria and 33 million taken from Czechoslovakia, the latter two amounts by force, Germany started the war with about \$210,000,000 worth of gold, of which only about 125 million was legitimately owned. From British and American intelligence information and other sources, it was computed that Germany sold from the outbreak of the war up to June 1943 about \$220,000,000 worth of gold. From this it is clear that Germany sometime before June 1943 had not only spent its legitimately owned gold but also the Austrian and Czechoslovakian gold and therefore had spent since early 1943 only looted gold. This conclusion is literally correct, of course, only if the first-in-first-out principle is assumed. However, even if this should not be the case, legitimate gold could be possessed by Germany in early 1943 only by the fact that she had spent looted gold first. Since monetary gold is fungible stuff (*res fungibilis*), such consideration doesn't matter legally.

If we discount dependability of the aforementioned intelligence information, the following calculation leads to the same result: from the

above

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above table it can be seen that Germany's total income of gold amounted to about \$740,000,000 worth of gold. If one deducts from this amount the about-295 million, one arrives at a figure of about 445 million sold or otherwise spent by Germany during the war. Since the German war lasted 5½ years, Germany sold during these 5½ years 445 million or (if we assume an even rate of sales) she spent about 85 million a year. By spring 1943, that is, 3½ years after the beginning of the war, about 300 million were spent. In other words, more than double the amount of the legitimate gold owned by Germany at the outbreak of the war, was spent by her by the spring of 1943. Thus we have made ample allowance for the consideration that at the beginning of the war the annual rate of spending was lower and was probably increasing after the first year of war when Germany began to secure material abroad, and otherwise increased her foreign activities.

ES:OFFletcher:jd 6-12-46

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229397

DEPARTMENT OF STATE INCOMING TELEGRAM

DC/R ACTION COPY

JUL 9 - 1946 DEPARTMENT OF STATE

File 7-29-46

ACTION: EUR INFO: S U C NEA DC/L ITP ESP OFD A-B A-C A-H OCD OIC DC/R

CTC -16 Paraphrase before communicating except to Government Agencies.

2447

Paris

Dated July 8, 1946

Rec'd 8:30 a.m., 9th

RESTRICTED SECRETARY OF STATE DEPARTMENT OF STATE

3342, July 8, 7 p.m.

One. Following is text of an agreement concluded 8 July among the US, UK and France with respect to the control of looted articles:

"The Govts of the US, UK and France have agreed to recognize the usefulness of a common Comarche to be made to the neutrals recommending that certain measures be taken by them with view to discovering in their territory cultural property looted by the enemy in countries formerly occupied by it and to control such property and prohibit its exportation abroad (this relates to articles including books, manuscripts and documents of an artistic, historical, archeological, scientific, pedagogic or religious character).

"With this in view they agree to request the governments of the liberated countries to furnish the governments of neutral countries as soon as possible lists of spoliated articles which have not as yet been restituted through the recuperation operations now being made in Germany and Austria (it being understood that, if necessary, these lists might be completed by means of additions thereto and that as recuperated objects are received notification will be given of their deletion).

"The three

RESTRICTED

Handwritten notes and stamps in the left margin.

DEPARTMENT OF STATE OFFICE OF THE LEGAL ADVISER JUN 28 1946

Confidential File LRC

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

RG 59 Entry File Box 4210 6 July 2000

DECLASSIFIED Authority NND 760650 By JA NARA Date 7/1

229398

RESTRICTED

-2-#3342, July 8, 7 p.m., from Paris

"The three governments will recommend to the governments of the liberated countries that they exchange their respective lists and send copies to the governments of the US, and UK and all other governments which the countries interested in this procedure may consider useful.

"The three governments will invite the neutral governments to seek out immediately looted articles in their territory and instruct the national customs authorities to prohibit the export of any article which may be presumed to have been looted. The governments of the liberated countries will submit as soon as possible to the neutral countries lists of art objects looted within their territory for the purpose of assisting the investigations undertaken by the neutral countries. The customs authorities of the neutral countries should refer doubtful cases to their governments which will make every effort to identify the articles and to verify the good faith of proposed transactions making use of local art experts, police and information services. If any doubts still remain, the neutral governments will submit such cases with detail and photographs of the articles in question for the examination of the three governments. Furthermore, the lists should be circulated to art dealers, museum authorities and specialized people who will be under the same obligation of vigilance as the customs authorities and compelled to refer suspicious cases to the central administrations. The governments of the neutral countries shall, furthermore, alert their public opinion with regard to their interest in looted articles by means of the press and all other kinds of publicity requesting that all suspicious cases be notified to the police and other governmental services.

The Governments of the US, Great Britain and France underline the usefulness which the application of the above indicated measures represent for the liberated countries as well as for themselves and

that they

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229399

RESTRICTED

-3-#3342, July 8, 7 p.m., from Paris

that they are desirous of having the neutral countries adopt them. Each government undertakes to effect all appropriate measures and will request the governments of the liberated countries to do likewise".

The Dept requests that an appropriate note along the lines of this agreement be presented to the government to which you are accredited as soon as possible. This note should be presented in conjunction with your British and French colleagues who will receive similar instructions from their Governments.

Sent to Dept as (?), Lisbon as 49, Stockholm as 42, Dublin as unnumbered, Vienna as 109, Oslo as 10, Copenhagen as 14, Brussels as 100, The Hague as 22, Praha as 78, Belgrade as 29, Warsaw as 141, Athens as 33, repeated to London for information as 515.

CAFFERY

(?) Repetition of garbled portion has been requested.

RB

RESTRICTED

RG	59	6 July 2000
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229400

DEPARTMENT OF STATE
INCOMING TELEGRAM

ACTION COPY

ACTION: EUR—

INFO:

S
U
C
NEA
DC/L
ITP
ESP
OPD
A-B
A-C
A-H
OCD
OIC
DC/R

RAA
Paraphrase before com-
municating except to
Government Agencies.

CORRECTED PAGE 3 - 7-9-46
8:47 P.M.

CORRECTION UNDERLINED

2447

Paris

Dated July 8, 1946

Rec'd 8:31 a.m., 9th

RESTRICTED

to ES
in Baker

JUL 10 1946
DEPT OF STATE

-3- #3342, July 8, 7 p.m., from Paris

that they are desirous of having the neutral countries
adopt them. Each government undertakes to effect all
appropriate measures and will request the governments
of the liberated countries to do likewise".

Two. The Dept requests that an appropriate note
along the lines of this agreement be presented to the
government to which you are accredited as soon as
possible. This note should be presented in conjunction
with your British and French colleagues who will receive
similar instructions from their Governments.

Sent to Dept as 3342, Bern as 74, Madrid as 153,
Lisbon as 49, Stockholm as 42, Dublin as unnumbered,
Vienna as 109, Oslo as 10, Copenhagen as 14, Brussels
as 100, The Hague as 22, Praha as 73, Belgrade as 29,
Warsaw as 141, Athens as 33, repeated to London for
information as 515.

CAFFERY

RB

RESTRICTED

SW

7. W. 800. 515 / 7-8 46 copy

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229401

PREPARING OFFICE
WILL INDICATE WHETHER

4710
OUTGOING TELEGRAM

PREPARING OFFICE WILL
TYPE HERE CLEARLY THE
CLASSIFICATION OF THE
MESSAGE:

Collect

Charge Department:

Department of State

Washington

CLEAR

Charge to

NIACT-US URGENT

AMLEGATION,

JUL 18 1946

STOCKHOLM. EIGHTEENTH
1209

Accord

Swedish ~~agreement~~ being signed today 2:30 p.m.

Wash time. There follows text of joint press release
being issued 3:00 p.m. (Sent to Stockholm as 1209; rptd
as 5479
to London/and Paris as 3520). Copies of exchange of letters
will be transmitted by pouch in very near future.

QUOTE Delegations representing US, Fr and UK have
arrived at accord with Swed Delegation on subjects touching
German assets in Sweden and related questions which they
have been studying together in Wash for past six weeks at
invitation of US Govt. Following statement has been agreed
between Delegations:

German assets in Sweden, nature and extent of which have
been carefully examined, will be liquidated, in continuation
of Sweden's policy of elimination of German economic interests
in Sweden.

Existing procedures for mutual exchange of info between
Allies and Sweden will be maintained. Proceeds of liquidation
of German assets are now estimated to be approximately
375 million kronor. Of this amount 150 million which shall be
considered to be remainder left after clearing of these proceeds

800.515/7-1846

800.515/7-1846
ORIGINAL FILE

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for

Department of State

Charge Department:

Washington

Charge to

-2-

against certain Swedish claims will be made available by Swedish Govt to be used for purchase of commodities for German economy. These purchases, which would otherwise be at expense of Allies, are not limited to Swedish market but can be made in any other country. Provision will be made by Allies for compensation in German money of German owners concerned by these measures.

In accordance with its policy to restitute looted property Swed Govt agrees to restore monetary gold acquired by Sweden and proved to have been looted by Germany. Provisionally amount now traced and to be restored is about 7 tons.

Provision will be made for equitable compensation in Germany for removals or other disposition by Allied authorities of property belonging to Swed nationals or property in which there is substantial Swed ownership interest.

In pursuance of its policy to participate in work of reconstruction and rehabilitation Swed Govt proposed to make following contributions:

- 1) 50 millionskronor to Inter-governmental Com on Refugees for use in rehabilitation and resettlement of non-repatriable victims of German action;
- 2) 75 million kronor for aid and rehabilitation of countries devastated by war who were represented at Paris Reparations

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Washington

Charge to

-3-

Conference.

Govt of US has undertaken to unblock Swed funds in US according to procedure which is being worked out.

Allies have already eliminated "blacklists".

Other matters of common interest have been satisfactory settled between negotiators.

Accord is subject to ratification by Swed Parliament.

Seymour Rubin represented US in negotiations; Christian Valensi, Fr; ~~Mxx~~ Francis W. McCombe, UK; and Justice Emil Sandstrom represented Sweden. UNQUOTE.

*Byrnes
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From

Bern

Dated: July 20, 1946

Rec'd July 31, 12:19 p.m.

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Secretary of State,

Washington.

A-330, July 20, 1946.

"Did Sweden Come Out Better?" (in German external assets negotiations) is question DER BUND (Bern, circulation 28,500) asks on front page today.

Article gives Reuter dispatch datelined Washington, July 19, stating Sweden surrenders 275 million out of 375 million crowns of German assets, returns 7 tons looted gold and promises to surrender further gold if latter is found by Allied search in Germany to have been looted. Article also gives dispatch from BUND's Stockholm correspondent saying 1) Swedish press considers that Switzerland came out of Washington negotiations considerably worse off than Sweden; 2) Sweden succeeded in maintaining her legal standpoint and avoiding Allied control in liquidation of German external assets, thereby upholding her full sovereignty; 3) Sweden's view that a Neutral could not act as executor for victorious powers in confiscation of enemy property was respected; property which can be proved to have been looted by Germany forms an exception to this legal principle. This also includes 7 tons of gold which Germany made as payment for Swedish deliveries and which were deposited in Switzerland for Swedish account and are to be refunded immediately to Allies.

DER BUND comments editorially: "Question as to whether Sweden came out better than Switzerland remains to be examined more precisely. Proportion of German assets Sweden surrenders appears to be less favorable than 50-50 split Allies agreed to with Switzerland. At present it also seems questionable whether Sweden actually succeeded in maintaining her



DEPARTMENT OF STATE
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Dear Sir,
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Bern/July 20, 1946/a-330

Page 2

her legal standpoint inasmuch as, like Switzerland, she is surrendering German assets and gold. Does the more favorable treatment consist in fact that Sweden avoided a Joint Commission? If so, it would be interesting to know why Sweden was shown more confidence than Switzerland. We hope that after official orientation on Sweden's Washington accord, information on all these questions can be given by competent official of Swiss Government."

Please inform Safehaven and Treasury.

HARRISON

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DEPARTMENT OF STATE
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3334
Stockholm

Dated December 10, 1945

CONFIDENTIAL O

Rec'd 1 p.m.

Division of Economic Security
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Jan 15, 1946
EST-121
DEPARTMENT OF STATE

Secretary of State
Washington

3597, December 10, 1 p.m.

In response to our informal approaches re
gold holdings of Riksbank (REDEPTS 2179, December 3)
we are now informed bank willing cooperate in
investigations and willing return to country of
origin any gold acquired which may have been
looted against corresponding claim to payment from
German assets in Sweden. An alternate procedure
for the bank's cooperation has been suggested,
however, namely, that we supply information
about mint marks, bar numbers and other data
of importance for an investigation. We are informing
appropriate authorities informally that it is
realized that information re stocks held in the
US and other countries abroad might not be
readily

CONFIDENTIAL O

Answered (expected) by
advis #30 to Stockholm Jan 5, '46
D.F.F.

DEPARTMENT OF STATE
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-2-3597, December 10, 1 p.m., from Stockholm

readily available but that presumably such data could be obtained by authorizing inspection of gold stocks held for Riksbanks account.

Concerning details re all other gold held by Riksbank in Sweden we are pointing out that it does not appear to be impracticable to furnish specific information requested in Department's A-264 August 1 and requested in formal reconsideration this matter by board of Riksbank and expressed hope that an understanding might be reached before January 1, 1946.

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JUL 30 1946

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No. 1503

To the
Officer in Charge of the American Mission,
Stockholm.

The Secretary of State transmits for the information of the Officer in Charge a copy of the Minutes of the Swedish-Allied Safehaven Negotiations held on June 13, 1946.

Copies of this instruction and its enclosures are being transmitted to American Missions at London, Paris, Bern, Madrid, Lisbon and Ankara and to the United States Political Adviser at Berlin. Additional copies formerly transmitted to the United States Political Adviser, Berlin for forwarding to General Clay and Mr. Samuel Kramer, will be forwarded to the Civil Affairs Division of the War Department for direct transmittal to General Clay and Mr. Theodore Ball.

Enclosure

Minutes of Swedish-Allied
Safehaven Negotiations of
June 13, 1946.

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Minutes of the Swedish-Allied Safehaven Negotiations

June 15, 1946
Morning Session

The Swedish Negotiators presented the Allied Negotiators with a corrected statement described as a "list of gifts and credits to various nations to aid in their relief and rehabilitation" (attached as Exhibit A) and after brief comment on the Swedish interest in their properties in Germany, submitted another statement entitled "list of Swedish subsidiaries in Germany" (attached as Exhibit B). The Swedish Negotiator then suggested that the discussion be on looted gold. Mr. Rubin expressed a preference for a discussion of patents pending the arrival of M. Valensi, the French Negotiator.

Patents

The Swedish View

Justice Sandström explained that Swedish patent law is quite similar to U.S. patent law. Patents in Sweden have a life of 17 years and may be continued on payment of a fee which is progressive. Patent application may be made by either the inventor or his assignee. The Swedish Negotiator explained that patent applications are carefully examined as to novelty, as a result of which examination many foreign inventors seek Swedish patents. He stated that a patent good in Sweden is usually good in other countries also a result of the very careful Swedish examination procedure.

Justice Sandström stated that another reason for the increase in patent applications in Sweden during the war was the naturally more rapid development of industrial techniques as a usual concomitant of war. The Swedish Negotiator stated that he does not believe that the Germans made any effort to use patents as a hiding place for flight capital. He pointed out that all foreign patents in Sweden are under Swedish legislation, and the movement of German patents is controlled by the FCCO. As a result of non-payment of fees some German patents are lapsing while others are being paid for by licensees and subsidiaries of German patent owners, he stated. Justice Sandström pointed out that the Swedish Government takes little initiative in the direction of protection of patents.

The Swedish Negotiator explained that before he could take any action in connection with the disposition of German patents, it would be necessary to receive instructions from Stockholm, inasmuch as patents are now frozen under Swedish law. Under this freeze existing licenses under Swedish patents continue to stand, he stated.

Justice Sandström pointed out that at an earlier stage in the Safehaven program the Swedish Government had offered a patent fee moratorium which the United States rejected. As a result of that rejection many patents are now lapsing, he stated.

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The Allied View

The Chief United States Negotiator, after making certain initial inquiries answered in the Swedish view presented, suggested that the ultimate disposition of German patents in Sweden be postponed until after the patent conferences between the IARA countries planned for July. The Allies would like to leave open the patent portion of any agreement to be signed following these negotiations with a view to inviting Sweden to consider the proposals arrived at at the proposed IARA conferences.

By way of explanation Mr. Rubin pointed out that the general United States policy in connection with German patents was one which intended the opening of German-held patents to the general public in signatory countries (IARA countries). Mr. Rubin stated that the Swiss had agreed to a similar proposal. The British Negotiator pointed out that the freezing procedure attempted by Sweden, if not modified to meet the Allied proposal, might put certain persons in a preferred position. He stated the British belief that German patents in Sweden represent flight capital to a sufficient degree to cause us concern.

Mr. Rubin suggested that the Swedish Government might find considerable advantage in reciprocity to be expected to grow out of becoming a signatory to an IARA patent agreement. All three Allied negotiators explained to Justice Sandström that they would of course expect careful consideration to be given to either a Swedish or an Allied request for special consultations in special cases. The three Allied negotiators also explained that it was highly desirable to include a patent provision in the final draft agreement following these negotiations. Mr. Schmidt suggested to Justice Sandström that the lapsing of German patents, now fairly wide-spread, would not injure the United States position at all, and in consequence our request that the Swedes consider adherence to any later IARA patent determinations were therefor predicated on the desire to establish uniform practices throughout the world in these and other matters.

Gold

The Allied View

The United States Negotiator suggested that the submittal by the Swedes of a corrected copy of their records of German gold transfers to Sweden established a principle that corrections are sometimes based on later discoveries. He explained to the Swedish Delegation that M. Valensi had requested from Paris the desired information regarding lists of numbers on bars of looted Belgian gold re-melted by the Germans. Mr. Rubin then alluded to the Swedish suggestion in a previous conference that we seek restitution from Switzerland of any looted gold sold by Sweden to Switzerland. He stated

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that it was his understanding that Sweden intended to retribute all looted gold now, or at any previous time, in her possession. After Justice Sandström responded that the Swedish intention to retribute concerned only that gold now in their possession, Mr. Schmidt inquired whether they would retribute any looted gold now in their possession regardless of source. Upon receiving an affirmative reply to this suggestion M. Valensi explained that it would be necessary to examine all Swedish gold purchases during the war years, as opposed to examining only the transactions with Germany. It was suggested that Sweden should subscribe to the theory that the first purchaser of loot is liable for restitution, in order to avoid a claim arising against a first purchaser after loot had been restituted by a second or later purchaser, as in other business transactions. M. Valensi pointed out that the Swiss Government had settled on this first purchaser principle. In support of the first purchaser principle Mr. Schmidt explained that law and equity considerations lead to the utilization of this particular theory as well as practical considerations. Mr. Schmidt explained that in our view Swedish hands were clean in the gold dealings with Germany, but that Sweden should have examined more carefully gold purchases for loot bearing in mind the old concept of caveat emptor.

After some discussion of the applicable date in accepting the United States principles on restoration of loot as expressed by the declaration of January 5, 1945 against Axis Acts of Dispossession and the Gold Declaration of February 22, 1944, it was suggested that the Swedes would be liable to retribute in the gold listed on page 1 and the gold included in items numbered 9, 8, 10, 7b, and 7c, on page 2 of Attachment A of the Minutes of June 12, 1946 previously published.

In response to Justice Sandström's statement in this matter, each Allied Negotiator in turn expressed the appreciation of his government for the Swedish response in this matter which will benefit mainly such countries as Belgium and Holland.

It was agreed by the negotiating groups that there would be an extensive exchange of information and thorough re-checking of all figures of gold transfers to establish the final total. The United States Negotiator suggested that December 31, 1947 might be a good date to set as the time limit for exchanges of information on gold, and to consider a settlement made on information discovered up to that time to be final.

The Swedish View

Justice Sandström reiterated it was the Swedish intention to retribute only looted gold now in their possession, regardless of source, and that the Allies should approach the Swiss for any looted gold which might be found in the lot sold to the Swiss by the Swedes. He pointed out that Sweden had purchased gold during the war years from Germany, Switzerland, South Africa, and the Bank for International Settlements. These purchases would not require any particularly greater amount of checking than the German purchases, he stated.

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The Swedish Negotiator inquired whether gold which might be restituted by Switzerland out of a total lot sold by Sweden would give rise to a claim by Switzerland against Sweden. Justice Sandström accepted Mr. Schmidt's explanation of the first purchaser theory but with the reservation that he believed that it was not the simplest method. The Swedish Negotiator stated that he believed Sweden had shown reasonable care in their gold buying. The Germans had stated that there was no loot in the gold sold them; they had received pre-war ingots, and could go no further at the time of the purchase. He stated that he believed, however, settlement in this matter could be reached without Sweden expounding her principles and agreed to make restitution for any looted gold sold to Switzerland provided the Allies would furnish Sweden with a Swiss quit claim in the matter.

Justice Sandström responded to the Allied expressions of appreciation that Sweden was only doing its duty and affirmed the Allied agreements for exchanges of information but suggested the determination of a final information exchange date at a later meeting.

Repatriation

The Allied View

The United States Negotiator expressed appreciation of the activity of the Swedish Government in repatriating undesirable Germans, and stated that the only Allied request was that the Swedes complete the investigations in those instances yet pending. He suggested that there might be other names not yet submitted to the Swedish Government as nominees for repatriation and would appreciate it if the Swedish Government would allow us to present additional names in the next month or so. Mr. Rubin agreed, in response to a question from Mr. Grönwall, that data would be furnished concerning the reasons underlying any future Allied requests for repatriation.

With respect to the property of repatriates, the Allied Negotiators requested that it be treated as the property of any other German in Germany. Regarding the family of a repatriate, which family might remain in Sweden, it was suggested that these persons could be cared for under normal peacetime procedures.

The Swedish View

The Swedish Negotiator stated that the Allies could expect continuation of the Swedish activity in the direction of repatriation and could rest assured that all those persons nominated for repatriation, and determined to be obnoxious to Sweden, would be repatriated.

Mr. Grönwall explained that since Sweden was a democratic country we might naturally expect certain delays occasioned by appeals inherent in democratic handling of even enemy problems.

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229413

Afternoon Session

The Swedish View

Justice Sandström returned briefly to the gold issue and stated that the Swedes have a claim against Germany for selling looted gold to Sweden, and that an off-set, equivalent to the amount of any restituted gold, would be made against the Reichsbank account with the Swedish Riksbank. This off-set is to be made against the clearing account under the Swedish clearing law which permits unilateral action. The off-set is expected to be approximately 33 million kronor.

The Allied View

The Chief United States Negotiator requested a postponement of further discussion of the question of off-set of 33 million kronor against the clearing account and pointed out that the Allies reserved concurrence.

Swedish Assets in Germany

Justice Sandström stated that Sweden expected indemnification for reparations-removals affecting Swedish property. No indemnification is expected for restitution, but a reasonable amount comparable to rent in Germany would be claimed therefor. As to the determination of the amount of indemnification, the Swedish Negotiator stated that Sweden would expect at least enough to replace machines removed. He inquired incidentally as to whether United States plants had suffered from reparations-removals.

The British Negotiator suggested that all businessmen in Germany should be expected to write-off reparations-removals as a natural consequence of international business. After all, he said, a firm in Germany is a German firm. The Swedish Negotiator suggested that any Allied view that Swedish-owned property in Germany was really German property might well be extended to German property in Sweden, thereby rendering it Swedish.

Justice Sandström stated that after a satisfactory conclusion of these negotiations the Swedish Government would expect reparations-removals no longer to affect Swedish property in Germany. The Swedish Negotiator inquired as to whether any agreement against discrimination might also be effective in the Russian Zone. Justice Sandström stated he recognized that certain risks were inherent in extending business into other countries, but pointed out that the Allies, by virtue of their presence in Germany, were able to give special protection to their own interests, a protection not now extended to Swedish property. He stated additionally that the Paris Reparations Conference agreed on categories of property to be accorded certain priorities as respected reparations-removals for level-of-industry determinations; pursuant to

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which Sweden, not being a signatory, was given a priority less favorable than the Allied priority.

With respect to the question of certain Swedish-owned corporations in Germany being Swedish or German, and in response to the British Negotiator's promise that the established patrimony of a shareholder is not the patrimony of the company, Justice Sandström quoted Mr. Green Hackworth's statement that "A State can claim for its nationals against acts of another State damaging to the property of those same nationals." Justice Sandström went on then to request similar priorities against reparations-removals for Swedish plants as those given Allied plants.

In support of his contention that Swedish property was being discriminated against, Justice Sandström read an unfortunate translation of Allied Control Council Law No. 52 in which it appeared the Allied Military Forces were taking over Swedish plants. This unfortunate translation was corrected, and Justice Sandström had it explained to him that Law No. 52 provided protective custody to Swedish plants as it would to Allied plants.

Justice Sandström explained that the list of Swedish companies in Germany previously submitted in these negotiations had caused some comment as to its length. He explained that a preliminary list containing only some 10 companies had been submitted as a test for the obtaining of data from Germany, and that the new longer list represented a complete picture of Swedish interests in Germany. Justice Sandström stated that it was the desire of the Swedish Government to obtain access to the head offices of the companies on this list in order to get general information as to their present status. He stated that Sweden did not propose to have a group of persons roaming over Germany at will examining all sorts of details about the plants. Justice Sandström stated his understanding of the fact that it would be necessary to deal with Moscow concerning access to the Russian Zone.

Mr. Grünwall suggested that since the Allies argued occasionally that Swedish properties consisting of plants in Germany were actually German corporations, could not that same definition apply to German assets in Sweden. This point lead into the discussion of inter-custodial problems. Mr. Grünwall explained that the Netherlands Government would object to any disposition made of the Appelqvist Combine, as a fair portion of the shares are held by a Dutch company. The Allies would object if they did not dispose of the Appelqvist Combine. Inasmuch as no determination of the inter-custodial issue could be made, the Swedes agreed to resume discussions on Friday.

The Allied View

Mr. Rubin agreed that the Swedish expectation of a return on requisitioned property was reasonable, but that the Swedes should expect no treatment other than that given Allied corporations in the same position. He stated that our principal

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concern here was the larger corporations, plants, and factories. In the discussion of reparations-removals it was suggested that more complete information from Germany be awaited. Removals to the present time have been few, he said. Furthermore, stockholders in German companies could expect little return from the properties in Germany, for the tax burden, to be levied by an Allied or German Government, would be borne by corporations in Germany regardless of nationality. It is expected that indemnity claims would be paid in Marks, and that these Marks would be frozen in Germany. Mr. Rubin explained that naturally a fair value could be expected as indemnification for the removal of machinery, and responded affirmatively to Justice Sandström's questions as to whether United States plants had been subjected to reparations-removals. (Mr. Rubin alluded to the Russian Zone.)

After the Swedish suggestion that the Allied theory that all plants in Germany were German might be applied to the German plants in Sweden to call them Swedish, Mr. McCombe explained that that is a decidedly different situation, as Swedish law itself called them German.

The three Allied Negotiators stated very positively that no guarantee could be given against reparations-removals of Swedish property in Germany, for the reason that even Allied property was not safe from removal for reparations or in level-of-industry reductions. At the same time, however, the Allies assured the Swedes that they could promise no further "discrimination" against the Swedish property, but that it would be accorded the same treatment as Allied property in Germany. In response to Justice Sandström's citation of Mr. Hackworth's opinion as having established a precedent in international law, which provided nationals of one country with a right to recourse against another, the British Negotiator pointed out that he had written the dissenting opinion in this particular case in which Mr. Hackworth's opinion was rendered, and then cited another case in which exactly the opposite principle was established.

The United States Negotiator in returning to the matter of the reparations-removals pointed out that no foreign interest in Germany will be affected by removals, until purely German properties have been removed. Beyond that point it has been determined that all war industries, regardless of ownership, must be removed. Beyond that point we are prepared to treat Swedish property as we treat Allied property.

The United States Negotiator explained that the three nations represented here could give no guarantee as to the treatment to be accorded Swedish properties in the Russian Zone. However, with respect to Swedish access to the three Allied Zones, it was reasonable to expect that the Swedish investigating groups would be permitted to enter. Details can be worked out at a later date in Stockholm, Mr. Rubin said.

With respect to the inter-custodial problem which was raised by Mr. Grönwall, and the several cases mentioned thereunder, it was suggested that following a satisfactory agreement

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on the issues in these negotiations the Swedes could be present at the Brussels Inter-Custodial Conference and could thereafter become a signatory to agreements made there, if the Swedes wished to do so. While this group could not promise admission to that conference, the three powerful Allies supporting the Swedish request for admission to such a conference could certainly expect acquiescence from the other IARA member countries, Mr. Rubin said.

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Exhibit A

SUBMITTED BY SWEDISH DELEGATION ON 6-13-46
(Amends memo of 6-4-46 on this subject)

Credit arrangements introduced by the Swedish Government with
a view to further international reconstruction and a resumption
of international trade.

(Sw.kr. '000.000)

<u>Country</u>	<u>Credits</u>		<u>Overdraft facilities and other currency arrangements (advances etc.)</u>
	<u>to be met</u>	<u>remitted</u>	
x) Norway	215	150	160
x) Denmark	190	50	
Finland	189		15
Belgium			100
xx) France	60		
x) Holland	100		30
xxx) Sterling area countries			600
Czechoslovakia	24		
Italy	5		
Poland	<u>100</u>	<u> </u>	<u> </u>
	883	200	905

Notes: x) Includes, in the cases of Norway and Denmark, also certain amounts disposed before the liberation to cover refugee-costs in Sweden, the training of "po-lice-troops" etc. These amounts correspond roughly to the sums remitted. Of the credit granted to the Netherlands Sw.kr. 25 mill. were allocated to the financing of repatriation expenditure and current out-lays of the legation.

xx) Technically the credit was arranged as an overdraft. As the balance stands to-day, however, the sum must probably be considered to represent a long-term commitment.

xxx) The Anglo-Swedish Payments Agreement does not stipulate any limit to the sterling balances which may accrue to Sweden under the Agreement. By special twelve-months arrangements, however, the balances have until further notice been limited to approximately \$ 35 mill.

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By	JA KARA Date 7/6

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Exhibit B

SUBMITTED BY SWEDISH DELEGATION ON 6-13-46

LIST OF SWEDISH SUBSIDIARIES IN GERMANY

American zone.

<u>Name and address of company</u>	<u>Swedish participation</u>	
	<u>RM</u>	<u>percent</u>
Fiva, Industrie-Finanzierungs & Verwaltungsgesellschaft m.b.H., Admiralstr. 40, Berlin	200.000	100
Formator G.m.b.H., Stuttgart	49.000	98
Autogen Gasaccumulator A.G., Johanniterstr. 16, Berlin W. 61	1.498.000	57
Algerien-Erz-Ges.m.b.H., Einemstr. 9, Berlin-Schöneberg	5.000	100
Schwedenerz-Ges.m.b.H., Einemstr. 9, Berlin-Schöneberg	200.000	100
Elektrolux A.G., Oberlandstr. 36/40, Berlin	2.750.000	100
Lux G.m.b.H., Oberlandstr. 36/40, Berlin	750.000	100
Elektrolux G.m.b.H., Munich	600.000	100
C.H. Johansson & Co., G.m.b.H., Cobineustr. 32, Berlin	50.000	100
Wife Stahlakkumulatoren G.m.b.H., Nicolaistr. 2/6, Berlin-Steglitz	473.000	100
Vereinigte Kullagerfabriken A.G., Plants and offices in Schweinfurt, Cannstadt, Erkner-Berlin and Neckar-zimmern	59.865.800	100
Optimax G.m.b.H., Munich	20.000	100
Verkaufsges.m.b.H. für Zundholzmashinen der Radischen Maschinenfabrik, Durlach	100.000	100
Vereinigte Korkindustrie A.G., Berlin-Schöneberg	<u>2.544.500</u>	85
Total	<u>69.105.300</u>	

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British zone.

<u>Name and address of company</u>	<u>Swedish participation</u>	
	<u>RM</u>	<u>percent</u>
Elektrolux Vertriebs G.m.b.H., Kurfürstendamm 235, Berlin	750.000	100
Elektrolux G.m.b.H., Hamburg	600.000	100
Elektrolux G.m.b.H., Köln	600.000	100
Stahlwerk Westig A.G., Unna/Westfalen	980.000	56
Brukkoncernen G.m.b.H., Düsseldorf	45.000	90
Hanseatische Acetylen Gasindustrie, A.G. Wilhelmsburg, Hamburg	840.000	42
Hammar & Co., G.m.b.H., Hamburg	50.000	100
Helsingborgs Gummafabriks Galoscher A.G. Tretorn in Liqu., Hamburg	200.000	100
Tretorn Gummi- und Asbestwerke A.G., Hamburg	4.484.200	93
A. Johnson & Co. G.m.b.H., Hamburg	30.000	100
Augustus Grundstücks A.G., Berlin-Grünwald	450.000	100
Schmag Schumacher Metallwerke A.G., Aachen	1.129.000	50
Sandvik Transportband G.m.b.H., Berlin-Scharlottenburg	22.950	
A.G. Astra-Werke, Branchoffices in Berlin, Königsberg, Kassel, Magdeburg, Munich, Bremen, Hamm, Stuttgart and Wien	6.000.000	100
A.G. Astra-Werke, Hamburger-Bergedorf	1.900.000	95
Alfa-Laval Separator, Döberitcherstr. 2, Berlin N.W. 40	1.000.000	100
Deutsche Zündholzfabriken A.G., Bismarck- strasse 105, Berlin-Charlottenburg, Plants in Lauenburg/Elbe, Ahaus/Westfalen, Mannheim/Rheinau, Coswig/Anhalt und Michelstadt	18.156.650	96,17
Norddeutsche Zündholz A.G., Berlin- Charlottenburg	8.000.000	100
Süddeutsche Zündholz A.G., Berlin- Charlottenburg	8.000.000	100
Deutsche Lysell-Fischkonservenfabrik, Heit- man Thomsen & Co., K.G. Einbuttelerstr. 63, Hamburg, Altona	113.000	90
Eddeholmstahl G.m.b.H., Düsseldorf	40.000	100
Ferro-Metall- und Pyrit A.G., Pragerstr. 15, Berlin W.	109.000	62,67
<u>Total</u>	<u>53.499.790</u>	

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French zone.

<u>Name and address of company</u>	<u>Swedish participation</u>	
	<u>RM</u>	<u>percent</u>
Aluminiumkapseln & Verschlussmaschinenfabr. A.V.M., Scheck & Bender, Frankenthal	11,000	55
Baltic Separat G.m.b.H., in liqu. Dusterhauptstr. 37/41, Waidmannslust/Berlin	300,000	100
Total	311,000	

U.S.S.R. zone.

Barnängens Vademecum G.m.b.H., Albrechtstr. 34/35, Berlin	450,000	100
Ejllberg Elektreden & Maschinen, G.m.b.H., Finsterwalde, with subsidiaries	5,980,000	100
Erisecoms Verkaufsges.m.b.H., Unter den Linden 43/45, Berlin W 8	60,000	100
Nordisk Transport & Spedition G.m.b.H., Am Zirkus 3A, Berlin NW 7	19,000	95
Rachenberger Sandvik G.m.b.H., Leipzig	210,000	60
lange. Lorcke & Co., Heidenau	48,000	64
Stalturbine G.m.b.H. Friedrichstr. 161/164, Berlin W 8	10,000	100
Deutsche Unionbank A.G., Unter den Linden 43/45, Berlin	4,000,000	100
Schönhauser Industriehof Grundstücks A.G., Unter den Linden 43/45, Berlin W 8	562,000	100
Juvana Werke Kurt Polster K.G., Herbertstr. 4/10, Chemnitz	500,000	50
A. Rollersche Verkaufsgesellschaft für Zündholzmaschinen m.b.H., Jägerstr. 15/16, Berlin W 8	100,000	100
Total	11,939,500	

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In addition to this there are at least 327 Swedish-owned buildings in Germany.

		<u>Estimated value in RM</u>
American zone	73	8,545,254
British zone	144	20,026,200
French zone	18	3,680,906
U.S.S.R. zone	92	7,242,230
<u>Total</u>	<u>327</u>	<u>39,494,590</u>

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ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

December 5, 1946

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AIR MAIL
SECRET

DEC 17 1946

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No. *1589*

To the

Officer in Charge of the American Mission,
Stockholm, Sweden.

The Secretary of State encloses for the information of the Officer in Charge two mimeographed copies of a report on the negotiations between the Swedish Government on the one hand and the Governments of the United States, the United Kingdom and France on the other hand on the question of German external assets located in Sweden and related questions. These negotiations were concluded on July 18, 1946.

Enclosure:

Two copies of Report. (*copy returned in 24 - shown*)

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SECRET

REPORT ON SWEDISH NEGOTIATIONS WITH RESPECT
TO GERMAN EXTERNAL ASSETS AND RELATED QUESTIONS

I

BACKGROUND

The "Safehaven" program in Sweden was instituted in September 1944 by the American Legation at Stockholm on the basis of instructions from the Department. While considerable work had been done prior to that time on enemy external assets located in Sweden, this activity was subsidiary to the more important economic warfare program. In September 1944, however, the Safehaven program first took concrete form as a basic part of our foreign policy toward Sweden.

In the first stages of the Safehaven program, the Allied objectives were the uncovering and identification of enemy assets and the immobilization of such assets so that they would not be available to the enemy during the war and would not revert to the enemy after the conclusion of hostilities. The Safehaven program also called for the identification and return of all looted property located in Sweden. The program, during this first stage, was primarily executed by the American and British missions, although complete cooperation was effected with other missions, principally the French and Soviet.

During the initial stage of the program, the Allies relied on the following statements of principles with respect to enemy assets and looted property:

1. The Inter-Allied Declaration on Axis Acts of Dispossession of January 5, 1943;
2. The Gold Declaration of February 22, 1944;
3. Bretton Woods Resolution No. VI.

(Copies of these documents are attached hereto as Enclosures 1, 2 and 3.)

In principle, the Swedish Government supported the Allied objectives with respect to looted property and after considerable discussion, stated it was fully sympathetic with the objective of marshalling and controlling German external assets. As a result of protracted negotiations, the Swedish Government in February 1945 instituted a census of gold and foreign exchange holdings in Sweden in order to determine the extent of foreign, and in particular German, holdings. In August of the same year, a general census of all types of German property was ordered and legislation was passed by the Riksdag in order to implement an understanding reached with the Allies. Briefly, the legislation consisted of:

1. Decree No. 520 for
 - (a) the restitution of property forcibly taken or confiscated by Germany;
 - (b) the return of such property even though held by bona fide purchasers in Sweden, with compensation to be paid by the Swedish Government to bona fide purchasers;
 - (c) the formation

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(c) the formation of a special tribunal to handle cases concerning looted property.

2. Decree No. 521 for

the administration in detail of Decree No. 520.

3. Decree No. 522 for

the control of enemy property located in Sweden, specifying that property belonging to Germans could not be sold or otherwise transferred except with the authorization of the Swedish Government. This decree also prescribed penalties for circumvention or attempted circumvention of its control provisions and provided that a declaration may be required regarding foreign (German) property in Sweden.

4. Decree No. 523 for

the administration in detail of Decree No. 522, including provisions for the appointment of an administrator of such German property or the issuance of an order of distraint in connection with such property in order to arrange for its safe custody.

5. Decree No. 526 prohibiting

the sale or dispersal of German properties in Sweden. (Shortly after the effective date of the above-mentioned legislation, it was found necessary for certain humanitarian reasons as well as for other considerations to provide for exceptions to the above decrees. Legislation to this end was undertaken in the form of ordinance No. 527 issued by the Foreign Capital Control Office (hereinafter referred to as FCCO), effective July 5, 1945, providing that the FCCO could administratively except certain German properties from the effects of Decree No. 526.)

(Copies of these declarations and other declarations subsequently passed by the Swedish Government are contained in Enclosure 4, "Royal Swedish Declarations and Regulations Relating to the Control of Foreign Exchange and Enemy Property" compiled by the Division of Economic Security Controls of the Department of State.)

In the summer of 1945, the Swedish Government began the orderly investigation of German assets in Sweden and subsequently instituted administrative regulations for the control of such assets. The question of the disposition of the assets was held in abeyance, since neither the Allies nor the Swedes had crystallized their policies on disposition. However, the Swedish Government had made it very clear that it intended to satisfy Swedish claims against Germany out of the German assets in Sweden. The Allies consistently voiced their opposition and obtained general temporary assurances that the Swedish Government would not dispose of German assets pending full discussion of the problem at a later date.

The Potsdam Protocol of July 1945 affected this problem, since it provided for the Soviet renunciation of any interest in German assets in Sweden, leaving those assets, inter alia, to go to the Western powers as reparation. Subsequently, with the passage of the Allied Control Council Law No. 5, the Allies formally claimed title to and control of all German external assets. However, the Allies did not begin negotiations on the basis of this law at that time since their policy with respect to proceedings under the Law was not fixed until the latter part of 1945 and early 1946.

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The Allied Missions in Sweden, particularly the American and British Missions, instituted informal consultative procedures with the FCCO, an agency created by the Swedish Government for the purpose of administering the various decrees affecting German assets. In particular, these procedures provided for the exchange of information between the Allies and the Swedish authorities concerning evidence of German assets, cloaked ownership of such assets, and procedures whereby information resulting from investigations in Germany could be coordinated with information obtained from Swedish investigations in Sweden. The American and British Missions made it clear to the Swedes that they considered the Swedish Government responsible for conducting investigations in Sweden but that the results of such investigations should be made available to the Allies. In pursuance of a policy of cooperation, the Allies made available all their information concerning German assets, requested investigation of several thousand firms and individuals in Sweden, and at Swedish request, initiated investigations in Germany concerning possible German holdings in Sweden. Information obtained from the files of the German Legation in Stockholm by the American Legation was also made available to the FCCO.

By the end of 1945 it was clear to the Allied Governments that the Swedish legislation concerning German external assets was not adequate. The Allies were particularly disturbed by the extensive freedom of action enjoyed by subsidiaries of German firms in the conduct of their affairs. Although the Swedish Government was at first reluctant to consider it necessary to impose more stringent controls, its initial failure to do so was based on an honest opinion that these subsidiaries were not evading the purpose and intent of existing legislation. However, on the basis of experience within their own countries, the Allies pointed out the necessity of exercising stringent control of such firms and in general of tightening all the regulations concerning German assets. The Swedes thoroughly examined the problem and subsequently reported their concurrence in the Allied opinion. As a result, new legislation was enacted which comprised:

1. Decree No. 885 of January 23, 1946

authorizing administrators to act for Swedish corporations over which Axis persons had a controlling influence if such measures were found to be necessary to assure suitable use of the property in the public interest and to exercise the same authority as would any of the corporation's otherwise duly constituted officials.

2. Decree No. 886 of December 14, 1945

specifying the details of the application of Decree No. 885.

3. Decree No. 887 of January 23, 1946

amending Decree No. 522 to provide for sale or other disposition of German-owned property under Swedish administration in order to prevent its destruction or deterioration and to provide for its utilization in the public interest.

4. Decree No. 888 of December 14, 1945

amending the terms of application of certain paragraphs of Decrees numbered 522-2.

5. Decree No. 889

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5. Decree No. 889 of December 14, 1945

amending the instructions to the FCCO concerning administration of various details of the processes of administration, distraint or Kvarstad.

The FCCO cooperated with the Allied Missions in the implementation of these decrees, consulting with them on the need for controlling certain firms, on the appointment of administrators, on information obtained from the files of the German firms, etc. These consultative procedures, however, were never formalized by written documents. The FCCO consistently maintained that it was under no obligation to consult with the Allies, declaring that consultation was entered into only to insure more complete and thorough administration of the regulations. The basic reason of the Swedish Government against formalizing the consultative procedure, as informally admitted by the FCCO, was that the Swedish Government could not politically place itself in a position of admitting that the Allies had any right or interest in German external assets. Moreover, any formal agreement providing for consultative procedures would, in Swedish eyes, have been a positive admission of their inability to administer satisfactory controls. The Allies, however, had no real objection to this position since the informal consultative procedure provided as much, if not more, than could have been realized pursuant to a formal agreement. Further, the Allies fully realized that the basic investigative work could only be carried out by the Swedish Government. Also in view of the shortage of personnel in the Allied missions, the Allies could only act on a consultative basis with respect to important policy decisions or important cases. The Swedish Government was concerned lest failure to cooperate on their part might lead to substantial additions to the Allied "Black Lists", and in fact such action was taken in certain cases where the Allies were of the opinion that the Swedish investigations were not satisfactory.

Partially as a result of Allied pressure, the FCCO was expanded and by September 1945 it included approximately 80 persons, among whom were bank investigators, auditors, accountants, lawyers, and administrators of German property. The agency was headed by a well-known pro-Allied Swedish diplomat, Mr. Einar Modig, formerly Swedish Minister in Turkey. Upon Mr. Modig's assignment in the spring of 1946 as Minister to Belgium, he was succeeded by a former Justice of the Supreme Court, Emil Sandström. Justice Sandström was also well-known for his pro-Allied sympathies.

Allied investigations revealed that Sweden had not been used as a haven for hiding German assets, but that most of the assets were in the form of "normal" investments of Germans in Sweden and had been made well before the war and in large part before the rise of Hitler. Thus several hundred firms were found to be German-controlled or owned and German minority interests were found in a somewhat smaller number. These findings naturally disregarded certain isolated and exceptional cases of secret German assets, which may have been hidden in bank vaults and similar places. The discovery of these assets will depend in part on an examination of the holdings and of the activities of suspicious persons and in part on pure chance. However, the "normal" investments of Germans in Sweden had been utilized by the Nazi Government not only in its preparation for war but also in its waging of war, and they comprised a serious economic invasion of Swedish industrial life.

With the institution

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With the institution of satisfactory controls over German assets and satisfactory procedures for identifying them, the question of the elimination of German interest in such assets and the disposition of the proceeds realized from their liquidation became of primary importance to both the Swedish and Allied Governments. In various discussions between the Allied missions in Sweden and Swedish officials, the latter revealed a very positive and stubborn view that they would not recognize Allied title to or control of these assets. They maintained that the assets belonged to individual Germans; that they did not belong to the German Government; and that the alleged successor to the German Government, the Allied Control Council, even if considered the de facto government in Germany, obtained no right to German assets in Sweden. The Swedish Government further held that it had the right to utilize certain of these assets, pursuant to the terms of its clearing agreement with Germany, to liquidate Swedish claims against Germany. Moreover, the Swedes stated that before any discussions could be held with them concerning these questions, it would be necessary for the Allies to present their legal position on their claim of title to and control of German external assets.

An additional difficulty arose with respect to the question of the use of economic sanctions in the event that Sweden or any other neutral failed to enter into a satisfactory agreement with the Allies. Although the American and French Governments supported the use of sanctions, the British Government was strong in its view that no preliminary agreement could be reached concerning the use of sanctions in the event the negotiations broke down. The British position prevailed.

It was originally intended that the Swedish negotiations would be the first negotiations with the neutrals on external assets, but in view of Swiss demands that negotiations be conducted with them, it was agreed among the Allies that the Swedish negotiations would follow rather than precede the Swiss negotiations. Prior to the opening of the negotiations, the Allied missions in Sweden, on the basis of instructions from their governments, had made substantial headway with respect to the other matters related to Safehaven problems. In August 1945, the U.S., U.K., French and Soviet Missions drew up a list of approximately 500 Germans whose continued residence in Sweden would, in the Allies' opinion, be a danger to peace and security. This list was presented to the Swedish Government with the request that the persons named therein be repatriated. The Swedish Government advised informally that repatriation could not take place until an investigation had been made by Swedish officials, but that information made available by the Allies would be utilized in the conduct of such investigation. The repatriation program proceeded very slowly, since initially the Swedish officials were disposed to repatriate only those Germans who had committed illegal acts in Sweden or who had acted directly against the interests of Sweden. The Allies pointed out that most of the Germans included in the list had willfully endangered the Allied cause, and continued to press for the repatriation of all such persons. Discussions dragged on, but upon the change of the personnel handling these matters in the Swedish Government, the Swedish repatriation program was accelerated so that by June 1946 all but approximately 70 Germans on the list had left Sweden. Those remaining were being investigated, and the Allies advised the Swedes that additional names would be placed on the list by common understanding. The Swedes unofficially agreed to the repatriation of "obnoxious Germans"; the term "obnoxious" meaning "obnoxious to the Allies" and not necessarily to neutral Sweden.

Considerable

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Considerable discussion was also had with the Swedish Government concerning the German official property. This property included the German Legation building, its contents (office equipment and a small sum of gold and money), contents of the German Consulates in Sweden, funds belonging to the Nazi party, to the Winter Help Organization, the German Academy and similar institutions. The Swedish Government refused to give official consent to the control of these properties by the Allies on the ground that the Allies are not the Government of Germany. However, through informal agreement, much of the property was liquidated and the funds placed in a blocked account, with the question of disposition being reserved by both sides. No decision was reached concerning the German Legation building.

Prior to the institution of the negotiations, the Swedish Government made it clear that Sweden was anxious to eliminate all German interest in the Swedish economy, but that this could only be accomplished by unilateral Swedish action. It was made clear that Sweden was not likely to accept assets, and that it intended to utilize a considerable part of the assets to satisfy Sweden's claim against Germany pursuant to its clearing agreement with Germany. The Swedish officials indicated, however, that Sweden was anxious to contribute to the reconstruction of devastated countries in Europe, but stated that such contribution could only be a small contribution in view of Sweden's already large contribution. The Swedish Government observed that discussions could be facilitated by the elimination of the "Black List" and by the removal of Treasury freezing controls over Swedish assets in the United States.

In order to expedite the institution of the negotiations the Allied Governments submitted through their missions in Sweden a statement of the legal basis of the Allies' claim to title to and control of German assets in Sweden. A copy of this statement is included as Enclosure No. 5. The Allies also advised the Swedish Government that the question of the removal of the "Black Lists" and the lifting of the freezing controls would be a proper subject for discussion at the proposed negotiations, but pointed out that the discussion of these questions could only follow a satisfactory conclusion to the discussions of German external assets. In response to the Swedish request concerning the protection of Swedish property in Germany and the right of the Swedish Government to arrange for the inspection of such property, a point which the Swedish Government advised the Allies would be of major importance to the success of the forthcoming negotiations, the Allies stated that this question could be discussed in the negotiations after the discussion on the German assets. Many of these views were expressed in a formal note, dated February 7, 1946, from the Minister of Foreign Affairs addressed to the American Minister at Stockholm which is enclosed herewith. (Enclosure No. 6)

The formal invitation to the Swedish Government was presented on May 4, 1946 (Enclosure No. 7), but the invitation did not set any specific date for the institution of the discussions. During the concluding days of the Swiss negotiations, the Allied Governments instructed their missions in Sweden to request the Swedes to come to Washington on May 13th. The Swedish Government advised that there would be some delay in arriving in Washington. The Allied Governments on May 4 transmitted a copy of the proposed agenda for the discussions. (Enclosure No. 8). On May 17 the Swedish Government replied to the Allied note of May 4. (Enclosure No. 9). This note advised that the

Swedish

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experts were examining the legal basis of the Allied claims, and pointed out the importance of treating with the question of Swedish assets in Germany. While expressing disappointment that this question had not been clarified prior to the institution of negotiations, the Swedish Government stated its willingness to open discussions in Washington and advised that its Delegation would consist of:

Mr. Emil Sandström, former Justice of the Supreme Court and President of the Swedish FCCO;

Mr. Gunnar Hägglöf, Swedish Envoy to The Hague; and

Mr. Tage Grönwall, Chief of Section in the Swedish Ministry for Foreign Affairs.

A copy of this communication is enclosed. (Enclosure No.10).

II

THE NEGOTIATIONS

The negotiations opened in Washington on May 29, 1946. Representatives for the Swedish Government were Justice Emil Sandström; Mr. Grönwall; Leif de Belprage, Commercial Counselor, Swedish Legation, Washington; and Mr. Tore Millquist as Secretary to the Swedish delegation. Mr. Hägglöf was unable to attend. The French delegation was headed by Mr. Christian Valensi, Financial Counselor, French Embassy. Mr. Valensi had as his assistants: Mr. Jacques DeBrosson, Inspector of French Treasury; Mr. Ernest Castan, Commercial Attache, French Embassy, Washington; Mr. Paul Blanc, Assistant to the Financial Counselor, French Embassy, Washington; and Mr. Marcel Flory, First Secretary, French Embassy, Washington.

The British delegation consisted of Mr. Francis W. McCombe as Chief of the delegation and Mr. Albert Frost of the British Embassy, Washington, as Assistant. The American delegation was headed by Mr. Seymour J. Rubin, Deputy Director of the Office of Economic Security Policy, Department of State, and consisted of Mr. Walter S. Surrey, Chief of the Division of Economic Security Controls, Department of State; Mr. William C. Trimble, Assistant Chief, Northern European Division, Department of State; Mr. Orvis A. Schmidt, Director, Foreign Funds Control, Treasury Department; and Mrs. Rolla R. Shwartz, Chief Enforcement Division, Foreign Funds Control, Treasury Department.

The following persons acted as assistants to the American negotiator: Mr. John A. Birch, Assistant Chief, Division of Economic Security Controls; Mr. Otto F. Fletcher, Special Assistant to the Chief; Division of Economic Security Controls; Mr. Ellis K. Allison, Chief, Swedish Unit, Division of Economic Security Controls; Mr. Gordon Knox, Second Secretary, American Legation, Stockholm; Mr. Melville E. Locker, General Counsel's Office, Treasury Department.

Mr. Irving J. Levy

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Mr. Irving J. Levy, Special Assistant to the Attorney General and Mr. Jacob Abramson, Chief Trial Attorney, represented the Department of Justice, and Mr. Philip Blacklow represented the Office of Alien Property Custodian.

The opening meeting consisted of the exchange of formal statements by the representatives of the various delegations. Mr. William L. Clayton, Assistant Secretary for Economic Affairs, Department of State, opened the meeting with a brief statement (Enclosure No. 11) in which he welcomed the Swedish delegation and expressed the opinion that the fundamental issues before the delegations would be solved in a harmonious fashion. Mr. Clayton made it clear that there was no intention in these discussions to attack the role of Sweden as a neutral and urged upon the delegations the importance of concentrating on the large issues--the claim of innocent victims of a war of aggression to compensation from the holdings of the aggressor nation and the obtaining of security and peace.

Mr. Rubin, in his opening remarks (Enclosure No. 12) briefly touched upon the authority of the Allied delegations as derived from the vesting decree of the Allied Control Council, the Paris Reparation Conference, and of the moral basis for the claim of the Allies. He also pointed out that upon the satisfactory completion of the discussions on the issue of German external assets, the Allied delegations would be prepared to discuss and agree upon the termination of such economic controls as were still in existence.

Mr. McCombe, Chief of the British delegation, briefly supported the statements made by Mr. Clayton and Mr. Rubin (Enclosure No. 13), as also did Mr. Valensi of the French delegation.

Justice Sandström, in his opening address, pointed out that the Swedish Government considered itself to be in full accord with the primary objectives of the negotiations, which he termed to be the "external security" objective and the giving of assistance toward the reconstruction of devastated areas. He briefly summarized the Swedish Government's record of identifying and controlling German external assets in order to contribute its part to the attainment of world security. With respect to the reconstruction of devastated areas, he referred to the contributions Sweden had already made to liberated countries and referred also to the fact that the Swedish Government considered that the proceeds realized from the liquidation of German assets would be insignificant in proportion to the sums which Sweden had already contributed. He summarized the Swedish position on the "Black Lists" and on Swedish assets in Germany. (Enclosure No. 14).

At the next meeting of the delegations, the Chief of the Allied delegations presented the Allied position with respect to their claim of title to and control of German assets in Sweden. Briefly, this position was that by reason of the surrender terms and Law No. 5, the Allied Control Council had attained full title to and control of German external assets. The vesting decree was analogized to similar decrees which had been issued by various Allied governments during the war, and it was pointed out that with respect to such decrees, this government and other Allied governments had given full extraterritorial effect to such laws. The Allies also stressed the moral claim which justified the turning over of the external assets to the Allies for purposes of relief and rehabilitation.

The Swedish negotiator stated the view of the Swedish Government was strongly opposed to any recognition of Law No. 5, and that Law No. 5, in effect, constituted an invasion of Swedish sovereignty.

Justice Sandström

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Justice Sandström declared that the Swedish Government did not intend to contest the purpose of Law No. 5 or the identity of the issuing authority, but that for the time being he would limit his government's position to its refusal to recognize that Law No. 5 could have any extra-territorial effect. He attempted to distinguish the precedents furnished by the Allies.

At subsequent meetings continued discussion was given to the legal issues involved in the issuance and recognition of Law No. 5. In the interest of going forward with the discussions, the Allied representatives made strong efforts to draw away from the legal issue and urge upon the Swedish delegation the importance of viewing the question from the practical and moral side. They stressed the fact that an agreement could be reached on the disposition of the German external assets without in any way jeopardizing the legal position of the Allies or the Swedish Government. They urged upon the Swedish Government the urgency of applying the proceeds arising from the liquidation of German external assets to the relief and rehabilitation of devastated and depleted economies. The Swedish delegation continued to press its legal views on the Allied delegations, but it was finally agreed that while each side would reserve its legal position, it would be more profitable to take up the specific items before the delegations in order to determine whether practical solutions could be arrived at entirely apart from and without jeopardizing the legal position of either the Allies or the Swedish Government.

During the course of the subsequent discussions, the Swedish delegation presented various statements concerning the operation of the Foreign Capital Control Office. The Swedish delegation stated the great care which the Swedish officials had taken to uncover and identify German assets and to exercise a rigid control over them; the extensive and satisfactory cooperation which existed between the Allied missions and the Swedish officials; the census which the Swedish Government had instituted and the supplementary investigations made pursuant to information obtained from the census and from other sources. The Allied delegations expressed their appreciation to the Swedish Government for its activities in this field and their confidence in the manner in which the Swedish Government was administering its controls. However, the Allied representatives observed that the Swedish authorities had not yet instituted any liquidation proceedings and that consequently there was no procedure governing the methods by which the Swedish authorities would liquidate German interests, nor the extent of consultation that would take place between the Swedish and the Allied representatives. Reference was made to the procedure established under the terms of the Accord entered into by the Allies and Switzerland whereby a joint commission had been established, consisting of representatives of the Allied and Swiss Governments, which commission was empowered to supervise a Swiss agency in the liquidation and disposition of German assets.

The Swedish authorities stated that they saw no difficulty in applying to the liquidation and disposition of German assets the consultative procedures already established for the identifying and marshalling of such assets. They stated, however, that the Swedish Government would consider the establishment of a joint commission as proof of an attitude of distrust on the part of the Allies of the effectiveness of the Swedish administration. They made it very clear

that their

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that their instructions prohibited the concluding of any formal arrangements which would give the Allies a control or voice in the Swedish administration of German assets.

In rejoinder, the Allied representatives stated that the establishment of a joint commission or any similar arrangements was not intended to imply any criticism of the Swedish administration of German assets nor any lack of trust of the effectiveness of such administration. However, the Swedish delegation was reminded that the Allies had laid claim to the title to and control of German assets; that while they had agreed to work out the discussions so that the legal position of both sides could be protected, this did not mean that they could relinquish all the resulting effects derived from the Allied position. They emphasized the importance of mutual cooperation in the liquidation of German external assets, the need for full exchange of information, ideas, and opinions, and the desirability of regulating this exchange in a manner that would avoid future misunderstandings by either party to the discussions. The Allies pointed out that certainly the Swedish Government could find no objection to the submission of disputes to arbitration as had been provided for in the Swiss Accord. Arbitration could not be considered an invasion of Swedish sovereignty, but would merely be in conformity with international practice, and would provide a means for avoiding unnecessary friction between the Allies and Sweden.

The Swedish representatives strongly opposed any proceeding which would include the submission of disposition to arbitration, emphasizing that the Swedish instructions made it clear that they could not agree to any procedure which would derogate from the claim that the administration of the Safeguard program in Sweden was entirely a question for the Swedish authorities. They pointed out that an arbitration clause would necessarily mean that Sweden recognized the right of the Allies to have some voice in and control over the administration of German external assets in Sweden. The matter was argued extensively along the above lines. It was finally agreed that in the interest of expediting the negotiations, it would be preferable to discuss other items on the agenda, and subsequently revert to those matters upon which a satisfactory agreement had not been reached.

The Swedish authorities at the meeting of June 4 presented a specification of German assets in Sweden. (Enclosure No. 15). This specification did not take into account the value of patents, contractual rights and other intangible property. The Swedish statement was based on the census returns as well as the results of special investigations made by the Swedish authorities. The total face value on all German assets in Sweden, according to the Swedish authorities, was \$107,700,000. The Swedes estimated that the return which would be realized by the forced liquidation of these assets would equal approximately \$92,500,000. The difference between the face value and the estimated value to be realized from liquidation was satisfactorily explained by the Swedes as a result of deterioration of certain assets, use of certain funds for living expenses of Germans in Sweden, for payment of current obligations, and similar reasons. The Swedes emphasized that their estimates were not to be considered as final, that they were subject to change on basis of current and future investigations. However, they stressed their opinion that the investigations would not uncover any large additional amounts of German assets in Sweden, an opinion shared by the representative of the American Legation in Stockholm.

The care with

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The care with which the specifications had been drawn up and the detailed explanation given by the Swedish delegation demonstrated the satisfactory administration being given to this problem by the Swedish authorities. The Allies pointed out, however, that the Swedish figures did not take into account German assets which may be located outside of Sweden but held through Sweden. They indicated that while these accounts could not form a part of the Swedish administration of the liquidation of German assets, it would nevertheless be essential for the Swedish authorities to give full information concerning such holdings in order that the Allies might obtain the liquidation of the assets in those countries in which they are physically located. The Swedish authorities initially resisted any such action on the ground that Sweden could not be held responsible for the liquidation of assets over which they had no control. At a subsequent meeting, however, they yielded to the Allied position that while they did not have physical control over such assets, they necessarily had control over the information as to the holder of the assets and control over any action the holder of the assets might attempt to take.

In order to expedite the progress of the negotiations the Allied authorities presented to the Swedish delegation on June 5 an outline of the proposed accord (enclosure 13). Briefly this Accord provided for the Foreign Capital Control Office to uncover, take into possession and liquidate German property. The Allies agreed that provision would be made in Germany for suitable compensation to those persons whose property was so liquidated. The proposed Accord provided for the continuation and extension of the joint consultative procedure already established; for the reciprocal exchange of all information relative to German property and sales of German property which would be made by the Swedish authorities; for agreement with the Allies on the terms of the sales, the desirability of the purchaser and the sale price. Provision was made for prohibiting the satisfaction of liens arising out of transactions occurring after August 25, 1939 unless the claimant could prove the bona fides of his claim. The satisfaction of all unsecured claims was prohibited. The FCCO was required to remove undesirable persons from firms under its control. Provision was made for submission of disputes between the FCCO and the Allies to an umpire, to be agreed upon between the four governments.

In commenting upon this proposed Accord, Justice Sandström pointed out that the satisfactory administration of German assets was established by Swedish legislation, and that the Swedes could not in these discussions alter such legislation so as to provide for Allied participation in the administration of the program. Justice Sandström urged upon the Allies the fact that procedures already exist for the exchange of information and that it would not be necessary to formalize these procedures by a written Accord. He argued that a formal agreement providing for such a procedure might be disapproved by the Riksdag, and further that such an agreement might contain terms which would later be subject to misinterpretation. In short, the Swedish position was that the Accord should provide nothing with respect to the administration of German external assets or the establishment of consultative procedures with respect to such administration. Justice Sandström urged that these matters be left to what he termed the existent "gentlemen's agreement". The Swedish negotiators insisted that the draft Accord could not serve as a basis for agreement and suggested that it might be more profitable

to continue

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to continue the discussions by covering the various items on the agenda. The Allies suggested that it might be profitable to discuss next, the ultimate disposition which would be made of the German assets, and to arrive at an agreement on what share would go to the Allies and what share would go to the Swedish Government. However, Justice Sandström consistently refused to discuss this point until all other questions had been covered.

At subsequent sessions the negotiators discussed at considerable length the various points included in the agenda:

(1) The Allies explained that their claim to all German official and parastatal property was based on the terms of surrender and the position of the Allies as the de facto government of Germany. Justice Sandström stated that the Swedish Government would not recognize the Allied Control Council as the de facto government in Germany and would not consider that the surrender documents constituted anything more than the surrender of the German army. He insisted that his instructions prohibited him from agreeing to the turning over of German official property to the Allies.

(2) The negotiators then turned to the question of looted gold. The Allies explained their position that German legitimate gold reserves at the time of the outbreak of the war had necessarily been exhausted by 1943, and that consequently any transactions in gold by the Germans after that date must have been transactions in looted gold. The Allies pointed out that it was possible that in early 1943 the Germans may still have held certain gold which derived from the German gold reserve at the outbreak of the war, but that such holdings could only be made possible because of their acquisition of looted gold. Thus if Germany had not engaged in such lootings, they would have exhausted their gold holdings by early 1943. Therefore the Allies argued that any Swedish acquisitions of gold from Germany after 1943 must be considered as acquisitions of looted gold, and therefore should be returned to the Allies for appropriate distribution to the countries from which gold had been looted by the Germans. The Allies stated that they had detailed evidence on Belgian gold held by the Bank of France, which had been looted by the Germans, remelted and subsequently sold by the Germans as German gold. They agreed to give the Swedish authorities full details on the numbers of the bars of such gold. They pointed out, however, that full records on all German gold lootings and transactions were not available, and that consequently one could only do justice by relying on the valid assumption that all acquisitions of gold from Germany after early 1943 were acquisitions of looted gold.

Justice Sandström stated that Sweden was committed to the policy of restituting proven loot, including gold, and that Sweden was prepared to give full information on its gold transactions in an effort to distinguish between looted gold and legally transferred gold. He pointed out that the Swedish authorities had German assurances that no looted gold was being sold to them after January 5, 1943, the date of the Allied Declaration on Axis Acts of Dispossession. However, he added clearly that some of the gold acquired by Sweden from the Reichsbank depot in Switzerland may have contained looted gold. He stated that the Swedish position was that they would return gold proven to be looted, but that they could not accept the Allied position on the depletion of German gold reserves. He stated that even if Germany had found it possible to transfer gold to Sweden legally after January 5, 1943, only because it had built up its gold supply by lootings, the Swedish Government could not be made responsible to return gold purchased after that date which in fact was not looted gold.

He referred

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remove the Lists once it appeared that the Safehaven objectives would be realized.

(4) On the question of German patents in Sweden, Justice Sandström gave a detailed explanation of the basis for the large amount of German patents filed in Sweden. He pointed out that the examination accorded patent applications in Sweden is generally recognized as being of a high caliber and that consequently during the war German firms were anxious to obtain such examination, which could not be obtained from the German Patent Office. Moreover he pointed out that during the war there was naturally a more rapid development of industrial techniques and that this partly accounted for the increase in German patent applications. He stated that German patents are now frozen in Sweden. Justice Sandström advised that he could not agree to any change in this situation without further instructions from Stockholm.

The Allied negotiator stated that the Allied Governments were anxious to make German patents, wherever located, freely available to the nationals of all countries other than ex-enemy countries. They referred to the fact that a conference on this question was to be held shortly in London, and that it was intended to invite Sweden to adhere to such principles as might be adopted by that conference. The Allies pointed out that Sweden would obviously gain from entering into such an agreement since its nationals would have made available to them German patents in the Allied countries. Justice Sandström stated his agreement with the objectives of the program and his belief that Sweden would adhere to such a policy, but naturally reserved his Government's position pending the formal submission of the result of the Patent Conferences.

(5) A brief discussion was also held on the question of trademarks in which the Allied negotiator explained that the intent of the Allies was to eliminate German trademarks wherever they exist insofar as they represent spearheads of German economic penetration and in the public mind are associated with Germany. The Swedish delegation signified general agreement with the administration of such a plan, but pointed out that implementation naturally depended on a case by case consideration and on the results of subsequent discussions among the Allies on the general trademark policy.

(6) A brief discussion was held on the question of repatriation, during which the Allies expressed their appreciation for Sweden's past action and urged that the outstanding cases be disposed of expeditiously. The Swedish negotiators stated that the Allies could expect a continuation of the Swedish policy of repatriating obnoxious Germans in Sweden. Such delays as had occurred, they explained, arose out of the necessity of Sweden's granting, as a democratic country, a full investigation and hearing to those persons who were being considered for repatriation.

(7) The Allies referred to the fact that the Swedish Government had never authorized the Allies to obtain the records of the German Chamber of Commerce. The German Chamber of Commerce had been financed two-thirds of funds provided from Germany and consequently the Allies considered it to be German official property. They therefore concluded that the files of the German Chamber of Commerce should be made available to the Allies in the same manner as had been the files of the German Legation. The Swedish delegation replied that the German Chamber of Commerce was a Swedish organization, that its membership consisted in large part of Swedish nationals, and that these nationals had provided funds to the Chamber of Commerce. They therefore rejected the argument

that it was

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He referred to the War Trade Agreement of 1943 entered into between Sweden on the one hand and the United States and Great Britain on the other under which Sweden was required to accept gold in payment for goods purchased by Germany from Sweden. Subsequently Justice Sandström submitted statements on Swedish acquisition of gold from the German Reichsbank depot in Switzerland and from the Swiss National Bank showing the subsequent disposal of such gold. The Swedish figures are enclosed herewith (enclosure No. 17).

The Swedish figures included certain looted gold which had been acquired by them but subsequently sold to the Swiss. The Allies pointed out that it was necessary to hold the first purchaser responsible since otherwise the Allies would not be in a position to engage in gold transactions with any country until they had not only checked into their gold acquisitions from Germany, but also their acquisitions from other countries which had engaged in gold transactions with Germany. Initially the Swedish delegation opposed this position, but ultimately agreed to conform with this doctrine. On their part, the Allies withdrew from their position that all gold acquired after January 5, 1943 must be restituted, since the Swedish documents revealed not only that little would be gained by following this line of approach but also that no, if any, appreciable amounts would result therefrom. It was agreed that the Swedes would reconstitute Belgian gold obtained from the Swiss National Bank and acquisitions of gold obtained from the German Reichsbank. In effect the Swedish Government agreed to return amounts estimated now as 7,155.32664 kg. of fine gold, which is the quantity of gold derived from the Bank of Belgium, initially acquired by Sweden and regardless of the subsequent disposition made of such gold by the Swedish Riksbank.

The Swedish delegation subsequently stated that Sweden would have a claim against Germany for the amount of gold which they had to reconstitute in view of the German Government's guarantee that they would not transfer looted gold to Sweden. They stated that this offset would be made against the Reichsbank account with the Swedish Riksbank and would total approximately 35 million krona. The Allied delegation requested a postponement of the discussion of this point until the entire question of the disposition of German assets could be taken up, but they emphatically rejected the Swedish claim.

(3) The Swedish delegation next raised the question of the "Black Lists". Justice Sandström reiterated the Swedish Government's often stated objections to the "Black Lists". Principally these objections were that the listing procedures interfered with internal Swedish trade; that the procedures involved the supplying of information for listing procedures from Swedish sources; that Swedish legislation prohibits the dispensing of commercial intelligence by Swedish nationals; that the listing procedure is strongly opposed by Swedish public opinion; and that the Lists are punitive and represent quasi juridical action without the usual protection of democratic procedure. Justice Sandström stated that the Swedish opposition to the Lists arose primarily from their continuation since the war. In reply the Allied negotiators reviewed the basis for the institution of the Lists and the necessity for continuing them in the post-war period. They clearly pointed out that the Lists are not a disguised sanction; that the Allies were anxious to terminate the Lists, but that they were necessarily inter-related with Safehaven objectives and thus that their termination depended upon action aimed at achieving those objectives. The Allies made it clear to the Swedish delegation that they were prepared to

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that it was to be considered as official German property, but agreed to make available that part of the files of the German Chamber of Commerce in Sweden as would be of direct interest to the Allies in the Safehaven program.

(8) The Allied negotiators requested the Swedish delegation to obtain its government's cooperation in the development of a procedure for investigation of the source of looted securities which may be found in Sweden. They suggested that such investigations might be made on the basis of lists of securities looted by the Germans, which lists would be compiled by the governments of the countries from which the securities had been looted. The Swedish Government would be in a position to examine all transactions in the Swedish market in order to discover any securities so listed. The Swedish delegation agreed that any complete plan for the administration of a search for looted securities would be given sympathetic consideration.

At this point the negotiators had covered all items on the agenda, although agreement had not been reached on many of them. However, it was believed appropriate at this time to discuss the question of the ultimate disposition of German assets in Sweden. The Allies pointed out that apart from any legal consideration that may be involved in the disposition of the proceeds obtained from the liquidation of German assets, the Allied countries had a moral claim to these assets in order that they could be applied to the relief and rehabilitation of devastated and depleted areas. They stated that while they recognized that Sweden had claims against Germany, they felt certain that Sweden would not want to realize a larger percentage of its claims than would be realized by those countries which had suffered so much. The devotion of these assets to relief and rehabilitation was considered by the Allies to be consistent with Sweden's policy of giving aid and relief to the liberated and Allied countries.

The Swedish delegation reiterated its position that it would not accept the Allied legal claim. They emphasized that they recognized the Allied moral claim but pointed out that Sweden had already contributed extensively to the relief and rehabilitation of devastated areas. In this connection the Swedish delegation submitted a summary of Sweden's contributions to reconstruction and relief (enclosure no. 18). The Swedish delegation also pointed out that Sweden could not transfer any of the proceeds from Sweden, but that whatever amount would be made available to the Allies would have to be used within Sweden for the purchase of goods, subject to supply limitations. Justice Sandström therefore recommended that Sweden would, consistent with its legal position, write off a small part of Sweden's export credits to certain liberated countries designated by Sweden, but that such writing off would not involve the utilization of the proceeds of liquidation of German assets; rather it would be a further contribution by Sweden. With respect to the German assets, he proposed that Sweden would use these assets to off set claims of Swedish creditors against Germany and would retain the balance after such off set in a blocked account to be dealt with by subsequent negotiations with a future reconstituted German Government. Although initially no statement was made on the sum to be paid out of the German assets to satisfy Swedish claims against Germany, Justice Sandström subsequently stated that out of the total of German assets in Sweden, 228 million kronor would be paid into the clearing to satisfy Swedish claims, leaving a balance estimated at approximately 150 million kronor. Justice Sandström subsequently made known that Sweden would contribute under this proposal one million Swedish kronor to the liberated countries.

The Allied delegation

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The Allied delegation rejected this proposal in toto. They pointed out that while the Swedish proposal gave full consideration to the Swedish legal views, it gave no consideration to the Allied legal or moral arguments. They stated that the reservation of a sum in a blocked account to be disposed of at a future date in agreement with a reconstituted German Government is directly contrary to the security objectives of these negotiations with which the Swedish Government had declared itself in full sympathy. The Allies also pointed out that the Swedish offer to contribute to the relief and rehabilitation of devastated countries by writing off certain export credits left the decision entirely to the Swedish Government as to which countries were to receive such contributions. In effect this meant that the Swedish Government would take over the reparation responsibilities assigned to the Inter-Allied Reparation Agency.

At this point in the negotiations Justice Sandström indicated that it might be easier to reduce the number of participants in the discussions, and that the difficult question of disposition of German external assets and the ultimate problem of drafting an agreement could be better disposed of if a smaller number of persons were available. Accordingly at all future discussions the Allies were represented by the three chiefs of the delegation, Mr. Rubin, Mr. McCombe, M. Valonsi, and by Mr. Surroy, Mr. Birch, Mr. Knox and Mr. Schmidt. At certain meetings additional representatives of the French delegation were present.

In order to prevent a breakdown of the negotiations, the Allies proposed that a sum be handed over to the three Allied Governments acting as trustees for the countries signatory to the Paris Reparation Agreement to be used for reconstruction and rehabilitation, but with due regard to their existing international obligations and commitments. In effect this would mean that the allocation function would be turned over to the Inter-Allied Reparations Agency by the three Allied Governments who would use their influence in order to assure that countries with which Sweden did not have or contemplate trade relationship would not be compensated out of Swedish kronor under the IARA allocation procedure. Justice Sandström believed that this arrangement or one along these lines would be satisfactory.

The Allies subsequently proposed that the Swedish Government contribute 50 million kronor for the assistance of non-repatriable victims of German aggression, 75 million kronor to "reconstruction", and that the excess above the amount needed to balance the Swedish-German clearing, i.e. 150 million kronor, be placed at the disposal of the Allies, as trustees, for rehabilitation and reconstruction of devastated areas in consideration and recognition of advances of the Allies for the support of a minimal German economy. The inclusion of the phrase "support of a minimal German economy" was designed to satisfy the Swedish legal position that these funds were related to Germany and the German economy. It was stated to the Swedish delegation that the 75 million kronor and the 150 million kronor would be distributed by IARA, but that the three Allied Governments would make every effort to insure that the allocations would be made only to countries having trade relations with Sweden, and that the Swedish Government would be free to work out with those countries the problem of use of the funds so allocated to them. In this way, Sweden would be in a position to obtain those countries' agreement to use the proceeds to write off existing or future trade credits.

The Swedish

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The Swedish delegation pointed out that in effect the Allies were seeking to obtain the equivalent of three-fourths of the proceeds realized from the liquidation of German assets in Sweden, whereas the Allies had obtained only 50 percent of the assets in Switzerland. The Allies replied that the Swedes themselves had asked that the Swiss Agreement not be used as a basis of a Swedish accord. Justice Sandström advised that it would be necessary to clear the Allied proposal with his government and suggested the possibility of temporarily terminating the negotiations in order that he could personally report to his government. The Allies urged upon him the importance of reaching an accord as soon as possible and suggested that it would be preferable for the delegations to continue to work on these problems without interruption. Subsequently, Justice Sandström recommended that the 150 million kronor balance obtained from the liquidation of German assets in Sweden be used for the purchase of goods in Sweden for Germany, subject to agreement between Sweden and the representatives of the three Allies zones in Germany as to the types of goods which would be available. He made it clear that the use of these goods would be unconditional, subject only to supply limitations. He also indicated that the funds could be made available immediately and that the Swedish Government would be prepared to hold discussions concerning their immediate use as soon as it was desired.

In considering this offer the Allied representatives had the basic problem of determining whether the Swedish offer could be integrated with the Paris Reparation Agreement. Apart from the 50 million kronor to be allocated to the Inter-Governmental Committee on Refugees for the rehabilitation and resettlement of non-repatriable victims of German action, the Swedish offer left a balance of 225 million kronor to be disposed of pursuant to the Paris Agreement. Under the percentages agreed to at the Paris Reparation Conference, this would give the US and the UK each approximately 63 million kronor. The French share would total approximately 36 million kronor. The total therefore of the US, UK and French shares would equal 162 million kronor. It would therefore be possible for the French, US and UK to absorb the 150 million kronor allocated for the purchase of goods for Germany as a part of their share, leaving the 75 million kronor to be distributed to the other governments signatory to the Paris Reparations Agreement, with a total of 12 million kronor to go to the US, UK, and France to complete their reparation share. The French, however, pointed out that because of the self-supporting nature of the French Zone, they were anxious to keep to a minimum the amount they obtained for purchase of goods for the French Zone. This would require the US, and the UK to take their entire share out of the funds allocated for the purchase of goods for Germany. The desirability of this was reviewed with the interested officers in the Department and in other government agencies, and it was finally agreed with the French and subsequently with the British, that this procedure would be satisfactory.

The Swedish negotiators were therefore advised that the Allies could accept their offer but that in accepting it they wanted it clearly understood that the Allies were treating both the 75 million kronor contribution to the IARA, and the 150 million out of the proceeds obtained from the liquidation of German assets, as funds to be allocated by the IARA. It was to be understood, however, that the US and the UK would draw their entire reparation share out of the 150 million to be used for the purchase of goods for Germany. It was also agreed, at the request of the Swedish delegation, that the US, UK and France would use their best efforts to insure that the IARA would not allocate any part of the 75 million kronor to Yugoslavia, with whom the Swedish Government does not presently have trade relations,

and that

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and that the allocation among the remaining countries would be coordinated as best possible with the desires of the Swedish authorities. However, the Allies emphasized that the final decision on distribution of the 75 million kronor would have to remain with the IARA.

With agreement reached on the question of the distribution of the assets, the negotiators proceeded to the drafting of an accord. The Swedish delegation made it clear that they had exceeded the terms of their instructions in the agreements already reached with the Allied representatives, and that the proposed accord, once completed, would have to be referred to Stockholm. They pointed out the necessity of drafting the accord in such manner as not to antagonize the Swedish Government and not to endanger its acceptability to the Swedish Riksdag. In the drafting of the proposed accord, which was completed on July 3, 1946, the following salient points arose:

1. With reference to the economic security provisions of the program, it was necessary that the accord spell out in only very brief terms the participation of the Allies in the administration and liquidation of German property in Sweden. This was accomplished by providing that the procedure already informally established as a means of exchanging information between the FCCO and the Allied missions in Stockholm would be continued and that all relevant information concerning the progress of liquidation would be supplied by the Swedish authorities. Reference was made to the world security interests, to the promotion of freedom of trade, and to the avoidance of sales to "cloaks". Sales were to be made to non-German nationals and wherever possible they were to be public sales. Persons considered dangerous from the point of view of security were to be removed from German-controlled enterprises. Provision was made for protecting the interests, direct or indirect, of persons of non-German nationality. Liens against German property, arising after August 1939, were to be presumed invalid unless proven otherwise, and unsecured claims against persons in Germany whose property in Sweden was to be liquidated were not to be satisfied out of such property.

2. It was agreed that the Government of Sweden would sympathetically examine the question of the disposition of German official property in consultation with the representatives of the three Allied governments, and similar treatment was to be accorded the physical property in Sweden of the German State Railways.

3. The Swedish Government agreed to restitute all gold acquired by Sweden and proved to have been taken by the Germans from occupying countries, with the provision that any claims of the occupied countries or their banks of issue not presented before July 1, 1947, would be barred. The Allies agreed to hold the Swedish Government harmless from any claims derived from transfers from the Swedish Riksbank to third countries of gold to be restituted according to the above declaration.

4. The terms of the accord covering the distribution of the proceeds of liquidation followed the lines of the agreement previously reached. Fifty million kronor was to be contributed by the Swedish Government to the Inter-Governmental Committee on Refugees for the use of rehabilitation and resettlement of Nazi victims of German action, and 75 million kronor was to be contributed to the relief and rehabilitation of the countries party to the Paris Reparations Agreement. The drafting

of this provision

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of this provision was extremely difficult since the Swedish authorities wished to have the 75 million kronor a contribution, while the Allies were insistent that the distribution of the 75 million kronor would have to be undertaken by the IARA. It was agreed, however, that there would be consultation between the Swedish Government and each of the countries which took credit for any part of the 75 million kronor.

With respect to the 150 million balance left from the distribution of the proceeds of the German assets in Sweden, after clearing against Swedish claims, the British representative advised that his government would not agree to any provision which would restrict the use of these funds to the purchase of goods in Sweden for the German economy. It was therefore agreed that for the purpose of preventing disease and unrest in Germany and towards the relief of the current burden of the Allies, the sum of 150 million kronor would be made available in a special account with the Swedish Riksbank for the purchase and delivery of goods to the American, British and French Zones, but that recognition would be given to the principle of multilateral trade and to the right to use of these funds for the purchase of goods in countries other than Sweden.

5. The Allies agreed to indemnify in Germany any Germans affected by the liquidation of property in Sweden.

6. A provision was included defining the German property to be dealt with under the proposed understanding, which definition included all property owned or controlled, directly or indirectly, by any person or legal entity of German nationality inside of Germany or subject to repatriation to Germany, other than persons who have not, since September 1, 1939, enjoyed full rights of German citizenship, or persons who were, by Nazi action, substantially deprived of liberty on political, racial, or religious grounds.

7. It was provided that questions of common interest relating to the understanding of differences would be submitted to an umpire, which procedure was to be the exclusive method of determining matters of disagreement relating to this understanding. The inclusion of this provision was difficult, since the Swedish delegation considered that any arbitration proceedings was in derogation of their position that the administration of the program was to be entirely a Swedish responsibility. Moreover, the Allied delegations refused to apply the arbitration provision to the question of non-discriminatory protection of Swedish property in Germany, since clearly the Allies could not bind the Allied Control Council and the IARA to submit to arbitration a question involving their functions and activities. The Swedish delegation finally agreed, however, not to apply the arbitration provision to that clause of the accord.

8. The Swedish delegation pressed for a guarantee that the Allied governments would compensate Swedish owners of property in Germany in Swedish kronor for any assets removed by the Allies under the reparation program or for other purposes. The Allied delegations refused to accept this principle but agreed that compensation would be paid to the same extent as was provided for nationals of Allied countries whose property was removed. The Swedish delegation insisted that the Allied position on Swedish property in Germany was inconsistent with their position on German property in Sweden to which they claimed title, and for the liquidation of which they had demanded the proceeds.

The Allies

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The Allies replied that the two cases were not at all identical; that in the one case the Swedes were liquidating all German interests in and title to property in Sweden, and that the owner was therefore entitled to equitable compensation, whereas in the case of the removals of property from Germany, owned by Swedish nationals, only a part of the assets were being removed and no change was being made in the title of the owner. The Allies pointed out that their action in Germany was no different than the normal governmental requisitioning of supplies of a going concern and that under well-established principles of international law, it was only necessary to pay compensation in local currency on a non-discriminatory basis for the assets so removed. The language finally agreed upon in this draft provided that it was the intention of the Allied governments to give non-discriminatory protection to the property in Germany of friendly foreign nationals and to give due consideration to the principles of equitable compensation for removals of properties from the zones of Germany occupied by the three Allied governments. The Allies also agreed to make arrangements for the admittance of an official Swedish delegation to visit the zones of Germany occupied by the military zones of the three Allied governments to inspect property of corporations in which Swedish nationals had a substantial interest or which were directly owned by Swedish nationals.

9. The Allies agreed to eliminate the "Black List" and the United States agreed that it would at the earliest possible date unblock Swedish holdings in the United States pursuant to a procedure to be worked out by the officials of the United States and Sweden. The Allies privately agreed with Justice Sandström not to delay the removal of the Black List until the agreement was ratified by the Swedish Riksdag. This was made necessary on the Allied side by the US-UK agreement to remove the lists on July 8, 1946. With respect to unblocking US assets in the United States, the Swedish delegation expressed the strong hope that these assets could be unblocked prior to the ratification of the agreement by the Swedish Riksdag, observing that this would be of substantial assistance in obtaining such ratification.

10. The draft accord provided that the Swedish Government would not sell or transfer German-owned patents in Sweden, pending its participation in such arrangements as may be agreed to among the Allied Governments. A similar provision was included with respect to German trademarks and copyrights.

11. The accord provided that it would take effect upon its approval by the Swedish Riksdag.

Considerable difficulty had been experienced in the drafting of this Accord, since the Swedish delegation carefully reviewed each phrase in the proposed Accord and insisted that there should be no language within the Accord which could in any way be construed as inconsistent with the Swedish legal position. In view of the fact that the Swedish Government considered its contribution of 50 million and 75 million kronor respectively as contributions unrelated to German external assets, while the Allies necessarily considered these sums as being, in reality, derived from the proceeds of the liquidation of German assets in Sweden to be distributed by the IARA, the problem of finding language to satisfy both these views was not easy. In many instances difficulties of language directly affected substantive issues. Unlike the drafting of the Swiss Accord, where the Swiss did not too carefully consider the exact language employed in the terms of the Accord, the Swedes were prone to question almost every phrase.

Finally,

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Finally, the proposed Accord was agreed to among the delegations and on July 3, 1946 it was referred to Stockholm by the Swedish delegation. A copy of the proposed Accord is enclosed herewith (enclosure no. 19).

Much to the displeasure and strong disappointment of the Allied delegations, the Swedish Government cabled back very specific disagreements with the proposed Accord and recommended changes in language which directly affected substantive issues. Apparently, the Swedish delegation received very strong instructions from their government which criticized them for having exceeded the terms of their authority. It thus became difficult for the Swedish delegation to compromise on language which had been submitted to them by the Swedish Government, even in those cases where they were not aware of the basis for the Swedish instruction and proposed change in language. Consequently, the last week and a half of the negotiations were devoted to a discussion of detailed language changes which seriously went into substantive issues. It was most difficult for the Allies to deal with the Swedish delegation in view of their iron-clad instructions. The principal difficulties which the Swedish Government had with the Accord were:

1. The Swedish Government insisted that the distribution of the 75 million contribution was to be determined in the final instance by the Swedish Government. The government maintained that since this sum represented a contribution, they had the right, in so making such a contribution, to determine the recipients and the amounts to be allocated to the recipients.
2. The Swedish Government restricted the use of the 150 million to the purchase of goods for delivery to the German economy by eliminating any reference to multilateral trade and by restricting the use of such funds to the purchase of goods in Sweden only.
3. The Swedish Government could not agree to the arbitration provision since it admitted, in their view, a participation in the Swedish administration by the Allied governments. Moreover, they opposed the view that the arbitration provision not be made applicable to the question of the protection of Swedish property in Germany.
4. The Swedish Government could not agree to the provision that all relevant information regarding the progress of the liquidation should be supplied to the Allies. Moreover, it took the position that its present policy is not to allow liens unless they are in fact bona fides and that therefore no provision was necessary for this. The Swedish Government also objected to the provision covering the removal of undesirable persons and to any inclusion of a definition of German property. Their objection to a definition was based on the fact that the Swedish legislation adequately provided for such definition and any other definition might be confusing and inconsistent with the terms of Swedish legislation.
5. The Swedish Government maintained that under no circumstances could it agree to consider favorably the Allied claim to official German property in Sweden and requested that this provision be eliminated from the terms of the Accord.

6. The

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6. The Swedish Government was not satisfied with the clause covering the protection of Swedish property in Germany.

7. The Swedish Government requested that in the unblocking of Swedish assets in the United States, Sweden be given most favored nation treatment. This was impossible, since in certain special cases, blocked assets were unblocked without any certification procedure. The Swedish Government also stated it would be satisfied with a provision giving Sweden the same terms as had been accorded Holland and Norway. This was also impossible, since the terms accorded those countries varied from each other, and in any event, Treasury applied a somewhat different procedure to neutrals from that applied to liberated countries.

Obviously, the Swedish objections raised considerable substantive difficulties. The discussions on these points were finally resolved in the manner set forth below.

The form of the agreement as finally reached was changed to a series of letters, some to be sent to Justice Sandström by the Chiefs of Allied delegations and others to be sent to the Chiefs of the Allied delegations by Justice Sandström. Although the form was not considered important, it should be noted that the use of this form permitted the Allies to obtain the inclusion of an arbitration provision.

A. The first two documents exchanged were identical letters covering the basic understanding. The letters provided that the Swedish Government would eliminate all German interest in Sweden and that the procedure already informally established shall be continued as a means of exchanging information regarding the discovery and liquidation of German property. In this way, the consultative procedure was definitely made applicable to the liquidation of German property in Sweden. This letter also covered the disposition of the 150 million kronor and provided that to assist in the prevention of disease and unrest in Germany, this sum would be used to finance purchases in Sweden, or in any other market, of essential commodities for the German economy. The inclusion of the phrase "to assist in the prevention of disease and unrest" was insisted upon by the Allies so that it would be clear to the public that this sum of 150 million kronor was not being made available to the Germans in order to better their position in comparison to that of the liberated countries, but was only being applied to maintain a minimum standard of living in Germany consistent with the terms of the Potsdam Protocol. It is also to be noted that purchases in markets other than Sweden are authorized.

The indemnification of Germans whose property in Sweden is liquidated is also included in this document. The document further provides for the restitution of all looted gold by Sweden, along the same lines as the previous draft, as well as the Allied governments' undertaking to hold the Swedish Government harmless from any claims derived from transfers from the Swedish Riksdag to third countries of gold to be restituted. Divergencies on the interpretation and scope of the above provision may be referred to arbitration if the four governments do not otherwise agree. The inclusion of this provision protects the Allies with respect to any important administrative actions by the Swedish Government and with respect to non-liquidation of property which the Allies consider to be German. This is accomplished by the fact that Article I of the letter provides that Sweden will eliminate German interests in Sweden, while the arbitration provision goes to the scope of this clause. Consequently, the Allies maintained that should

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the Swedish Government fail to treat as German property in Sweden which the Allies believe to be German, the question may be submitted to arbitration. The Allies made it clear to the Swedish Government, however, that they did not intend to use the arbitration clause unless absolutely necessary and to consider it only in cases of importance. The above clauses were agreed to by the Allies on behalf of the countries signatory to the Paris Reparations Agreement.

With reference to Swedish property in Germany, the provision gives non-discriminatory protection to such property and provides for compensation in local currency in the case of removals. Similarly, the letter does not change the provision of the previous draft covering the inspection of Swedish property in Germany by a Swedish delegation (enclosures no. 20 and 21.)

B. In a letter from Justice Sandström to the Chiefs of the Allied delegations (enclosure no. 22) the Swedish Government agrees that in the liquidation, sale or transfer of German property, due regard will be paid to world security interests; especially the interest of eliminating completely all forms of German control and economic interest, to the interest of the national economy and to the obtaining of the highest possible prices. This letter also provides that sales will be made to non-German nationals and, when practicable, will be public sales.

With respect to the interest of non-German foreign nationals in such property, they are to be dealt with in the same manner as those of Swedish nationals. The PCGC is obligated to inquire into the nature of the liens and claims against German property, and particularly those which arose immediately prior to and after the outbreak of war.

German property is defined as including all property owned or controlled, directly or indirectly, by any person or legal entity of German nationality inside of Germany or subject to repatriation to Germany, other than persons whose case merits exceptional treatment. This broad definition was deemed by the Swedes to be consistent with the terms of the definition included in the Swedish legislation, while the exclusion clause permits the Swedes administratively to exempt cases indirectly involving Swedish nationals or cases which merit special consideration for humanitarian reasons.

This letter is acknowledged by the Chiefs of the Allied delegations (Enclosure no. 23).

C. A letter from Justice Sandström to the Allied delegations (enclosure no. 24) provides that with respect to the paragraphs concerning the use of German assets in Sweden, the Swedish Government was able to make the engagement on the grounds that the proceeds of liquidation are German property and therefore may be used as payment for deliveries of commodities for Germany in conformity with the Swedish clearing legislation, provided compensation is given to the owner. The inclusion of this letter was made necessary by reason of the fact that the Swedish delegation was under instruction to make clear the Swedish legal position, i.e., it could make available these assets for such purpose only because they were legally entitled to do so under the terms of their agreement with Germany. In acknowledging this letter (enclosure no. 25) the Allies stated their understanding that the Swedish statement does not affect the arrangements described in the basic document. The Swedish letter

also sets

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also sets forth the understanding that the Russian Government would have no claim to use the German assets in Sweden for the benefit of the Russian Zone, which is confirmed by the Allies in their letter of reply.

D. A memorandum signed only by the Chiefs of the Allied delegations states that the understanding reached with the Swedish delegation does not preclude the possibility that if the liquidation of German assets in Sweden yields more than the estimated 378 million kronor, the Allies may request the Swedish Government to dispose of such excess in a manner similar to that which it had agreed upon for the disposition of the 150 million kronor. This memorandum was shown to the Swedish delegation which expressed its concurrence.

While it is not expected that the liquidation of German assets in Sweden will yield substantially more than the estimated 378 million kronor, this memorandum was drafted in order to protect the Allies at some future date from acting in violation of the terms of the Accord; for if the liquidation should yield substantially more than 378 million kronor, the Allies would wish to lay claim to it.

E. A letter from the Chiefs of the Allied delegations (enclosure no. 26.) to Justice Sandström states that no future claims will be presented to Sweden by the Governments signatory to the Paris Reparation Agreement with regard to any gold acquired by Sweden from Germany and transferred to third countries prior to June 1, 1945. While the terms of this letter are, on the face, limiting in effect, the Allies have not received any evidence of the existence of any such claims, and the inclusion of such a letter was necessary in view of the fact that the Swedish Government wishes to have a definite figure for their obligation in this respect. The letter is acknowledged by the Chiefs of the Allied delegations (enclosure no. 27).

F. A letter from Justice Sandström (enclosure no. 28) states that the Swedish Government will contribute 50 million kronor to the Intergovernmental Committee on Refugees and that it will use its best efforts to make the funds available as soon as possible and in such manner as to best carry out the aims of the Committee. This letter also states that the Swedish Government will make available 75 million kronor which they will allocate among countries party to the Paris Reparation Agreement; the decision on allocation to be made on the basis of exchanges of views with the Allies acting on behalf of such countries and with favorable consideration of their views. While this provision leaves the ultimate decision of the distribution of the 75 million kronor to the Swedish Government, it does provide for distribution to countries party to the Paris Reparation Agreement and with favorable consideration of the views of those countries. Therefore, while the Swedish Government maintains, on the face of the document, its right to make the final distribution, it is for all practical effect committed to follow the views of IARA. This letter is acknowledged by the Allies (enclosure no. 29).

G. A letter from the Chiefs of the Allied delegations to Justice Sandström reserves the Allied claim with respect to German official property in Sweden (Enclosure no. 30). This letter is acknowledged by Justice Sandström (enclosure no. 31). Similarly, a separate letter (enclosure no. 32) from the Chiefs of the Allied delegations sets forth the understanding that the Swedish Government will give favorable consideration to putting the rolling stock and accessories found in

Sweden

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Sweden of the German State Railways at the disposal of the appropriate Allied authority, which understanding is confirmed by Justice Sandström in his letter of reply (enclosure no. 33).

H. Other matters dealt with in the exchanges of letters are as follows:

a. The Swedish Government agrees to take steps to uncover property held outside of Sweden by or through Swedish nationals and to make the information obtained from such investigations available to the Allies (enclosures no. 34 and 35).

b. The Allies express their appreciation to the Swedish Government for the procedures established for the restitution of property located in Sweden looted by the Germans, which provision the Swedish Government agrees to continue in force until July 1, 1947 unless the applicable legislation is extended. The Swedish Government also agrees to cooperate in locating looted securities (enclosures no. 36 and 37).

c. The Swedish Government expresses its intention to repatriate as soon as possible such Germans as are determined by Sweden to be obnoxious. (enclosures no. 38 and 39)

d. The Swedish Government agrees not to dispose of German patents for three months except where, after notice to the Allies, this is made necessary. In this connection, the Allies point out the general policy expected to be followed with respect to German trademarks and copyrights which the Swedish delegation agrees to bring to the attention of the Swedish Government (enclosures no. 40 and 41).

e. The Swedish delegation agrees to recommend to its Government to place at the disposal of the three Allied Governments the proceeds of property found in Sweden belonging to victims of Nazi action who have died without heirs (enclosures no. 42 and 43).

f. The Swedish Government agrees to disclose to the representatives of the Allies any information contained in the files of the German Chamber of Commerce which may be relevant to the objectives of the understanding (enclosures 44 and 45).

g. The Allies advised the Swedish delegation that in recognition of the understanding reached with respect to liquidation of German interests they had eliminated the "Black Lists" so far as Sweden or known Swedish nationals are concerned (enclosures 46 and 47).

h. On its own behalf the Chief of the delegation of the United States stated that the United States of America would unblock Swedish holdings according to procedures to be worked out by the officials of the two countries (enclosures 48 and 49).

i. The Allies also advised the Swedish Government that they have under consideration the subject of Swedish representation in Germany and expressed the hope that satisfactory arrangements could be worked out for the establishment of such representation (enclosures no. 50 and 51).

In a memorandum written by the Chief of the United States delegation to the Chief of the French delegation, the United States Government on its own behalf and on behalf of the United Kingdom agrees that in the distribution of the 75 million kronor, a sum of 12 million kronor

will remain

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will remain after the countries other than the UK and France have been allotted their full share and that this entire sum of 12 million kroner will be allocated to France. In return the amount which the UK and US are to receive from this sum is to be included in the shares which these two countries are to receive from the 150 million kroner referred to in the principal letter. (enclosures 52 and 53).

In conclusion, it should be noted that the Swedish negotiations were conducted in a much more harmonious manner than the Swiss. Justice Sandström, at the conclusion of the negotiations, expressed his sincere appreciation for the manner in which the Allied Chiefs of delegations, and in particular their Chairman, the Chief of the American delegation, had conducted themselves and had cooperated with the Swedish delegation in meeting their admittedly somewhat difficult legal position. While some irritation was encountered with respect to the drafting of the exact language to be included in the understanding reached, at no time did the negotiations descend to the acrimonious stage that was reached during the Swiss discussions. In effect, these negotiations have provided a means for the satisfactory and harmonious elimination of Allied economic warfare controls with respect to Sweden, while at the same time yielding to the Allies not only a satisfactory elimination of German interest in Sweden but also a fully adequate realization of the principal part of the proceeds obtained from such liquidation. The negotiations were terminated in a spirit of complete understanding and sympathetic consideration of the views of all parties to the negotiations.