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By *ER* NARA Date *7/8/86*

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RG 59
1945-194
box 420

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: May 6, 1946

SUBJECT: **The Swiss Negotiations**

PARTICIPANTS: **Senator Kilgore, Mr. Paul and Mr. Rubin**

COPIES TO: **IS - Mr. Surray
 Mr. Reagan
EUR - Mr. Hickerson
Treasury - Mr. Orvis Schmidt**

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Pursuant to arrangement, Mr. Paul called on Senator Kilgore, in the latter's home, to advise him of the latest stage of the negotiations. Mr. Paul indicated that the Swiss had offered a fifty-fifty split on the German assets, 250 million Swiss francs in settlement of the gold question and that, in Mr. Paul's opinion, this offer was the best deal that could be negotiated at this time. Mr. Paul pointed out that perhaps in a different negotiation some time hence the Allies might be able to work out a better deal with the Swiss, but that this depended almost entirely upon the willingness of the United States to continue controls, particularly the Proclaimed List and the blocking of Swiss assets in the United States.

In response to Senator Kilgore's inquiry on the facts of the gold question, Mr. Paul explained that we had been able to trace approximately \$125 million of Belgian gold to Switzerland. Of this, something under \$40 million had been placed on deposit and had been sent to other countries, pursuant to the orders of the Reichsbank. The remainder, about \$85 million, had been purchased by the Swiss and remained in their possession. Of this the Swiss proposed to turn over to us the dollar equivalent of 250 million Swiss francs, the remainder to stay in Swiss possession. Mr. Paul indicated the possibility that some of the gold which had been placed on deposit in Switzerland and thereupon transferred might be followed into the countries to which it had been transferred. Mr. Paul explained that the Swiss would be retaining a substantial amount of gold - approximately one-third - of the amount which they had purchased and which we felt was looted. More perhaps could be obtained if litigation were instituted, but this was the best which had come out of these negotiations.

In the discussion which followed, Mr. Paul indicated his feeling that a better deal perhaps might be worked out with the Swiss if the United States were firm in a policy of application of economic sanctions and of continuation of the freezing controls and black list, and if agreement on these matters could be worked out with the other interested United Nations, particularly the British. Senator Kilgore indicated his feeling that the most effective sanction was the freezing controls and he had some doubt that the British would go along on any application of continued economic pressures on the Swiss. Mr. Rubin stated that the question of the black list had been taken up with the British, and that so far it had been indicated that the British would not continue the Statutory List beyond June 30, 1946. He stated also that the British had said that this decision could only be reversed if Mr. Truman were to take up the matter with Mr. Attlee.

Senator Kilgore inquired about the procedural aspects of the agreement as it presently stood. After making clear that a number of these matters were not as yet finally settled, Mr. Paul stated that the procedures contemplated liquidation of the properties by a Swiss agency, which was to be supervised by a joint commission, doubtful cases to be referred to an umpire. He said that one portion of the proposed agreement was that information gathered by the Swiss through their census would be made available to the joint commission. Senator Kilgore inquired specifically about whether information which was relevant to the General Aniline - I. G. Chemie question would be obtained from the Swiss. Mr. Paul stated that a good deal of that information should be made available if the agreement worked out. He pointed out that, no matter how good the agreement might be, it would be extremely difficult to get information unless the spirit of the agreement was kept in mind on both sides, and unless there was a real cooperation.

Mr. Rubin mentioned the fact that the burden of proof in a suit for just compensation with respect to General Aniline might well be transferred to the Swiss under legislation now pending before the House Judiciary Committee. Mr. Rubin added that he was somewhat skeptical of the amount of information which would be obtained from the Swiss under any agreement, but felt that a considerable amount might be obtained under the procedural terms of the presently proposed agreement. He emphasized that a better agreement might perhaps be worked out if a strong position were maintained by the Allies for a substantial period of time, but stated his belief that the pressures for relaxing, rather than tightening, controls were increasing all the time. Senator Kilgore stated that he knew this very well, and that he was receiving daily a great many letters in this general vein.

Senator Kilgore, in summing up his reactions, stated that he felt that the security aspects of the proposed agreement were the more important, and that apparently the agreement did about as well as could be done with respect to the problem of security. He indicated that he had never expected to get a great deal from the Swiss on the monetary side, and stated that he felt that the agreement outlined by Mr. Paul did quite well on this aspect of the problem. In response to Mr. Paul's

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question, Senator Kilgore indicated that he would accept the terms suggested, if the problem were up to him.

There was some general conversation about the question of controls and pressures for their relaxation, and the lack of willingness of the other Allied Governments to maintain or increase controls, and the meeting then adjourned.

ESP:SJRubin:PJ