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MISC -

July 3, 1946

Dear Harley:

This is with further reference to your letter of May twenty-fourth, relating to German assets in Switzerland. Since my reply of May twenty-seventh to you, I have had a chance to look further into the matter.

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I note from the last paragraph of your letter that you agree with Mr. Paul that further negotiation could not yield more stringent terms with respect to seizure and elimination of the German assets in Switzerland. I understand that Mr. Paul discussed this matter with you on May sixth, almost three weeks before an Accord was signed. His impression and that of Mr. Rubin, who also attended the conference, was that you thought the Swiss offer should be accepted. This course of action, as I understand it, seemed best at the time because of the fact that the offer produced a substantial amount both for reparations and for restitution to the countries from which gold had been looted, and because the offer set up a mechanism for the elimination of German influence which was, on the whole, satisfactory.

As you know, the Allied Delegations, after long deliberation and mutual consultation, decided to and have accepted a compromise settlement. Accordingly, the question cannot now be reopened. The factors which impelled settlement on the basis of the final Accord - which I believe were thoroughly explored with you before action was taken - seem to me to indicate strongly the wisdom of this step.

Fundamentally, the Allies were seeking security objectives in these negotiations. By and large, these security objectives will be attained by the Accord, and would be seriously jeopardized in the absence of agreement. Although an agency of the Swiss Government is charged with the primary responsibility for the uncovering and liquidation of the German assets, this agency will work in close collaboration and consultation with a Joint Commission, on which the Allies will be represented. The Joint Commission will have access to all important information. I am sure that you will recognize - questions of sovereignty aside - that this is, in Switzerland, the most feasible method of operation, since it would be well-nigh impossible for the Allies to staff and operate an effective mechanism of this sort in a foreign country, where questions of local law, local investigatory procedures, and the like will have to be

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determined. The Joint Commission, moreover, will pass on the qualifications of the purchasers, particularly from the standpoint of security.

Aside from the security problem, which is handled satisfactorily in this way, the Accord makes immediately available to the Allies substantial sums which are badly needed for rehabilitation, restitution, and relief. You will recall that \$25,000,000 of German assets in neutral countries are to be devoted to resettlement and rehabilitation of non-repatriable victims of Nazi persecution. The agreement provides a source - which would not exist if the agreement were rejected - for these funds which will do much to relieve the distress and misery of Hitler's first victims. The understanding will also make available, in immediately useable form substantial sums which will be paid to countries damaged by Germany. The United States is only one of the many countries which will thus obtain some payment for the damage done by German aggression. I need hardly point out the need of some of our Allies for additional help.

Finally, you will recognize that, of the amount of looted gold purchased from Germany, about two-thirds of the amounts fairly provable will be returned by the Swiss. The Swiss Delegation, on several grounds, denied any liability. We, of course, did not admit the validity of any Swiss defense. But settlement of the claim on the basis finally adopted was certainly within the realm of the reasonable - particularly since the settlement was concurred in by France, the nation which has lost most gold during German occupation.

Had no agreement been reached, and had the matter merely been referred to the United Nations, the outcome would have been extremely doubtful. Any arbitral process, which might then have resulted, would have extended over a period of years. During the arbitration our security objectives would not have been advanced; and we should have waited long for the funds which refugees and victims of German attack need immediately. I am sure that I can mention to you also the deterioration in our chances of finally obtaining a satisfactory agreement had certain of our economic controls vanished during this period. I am, therefore, satisfied that the agreement was in the interests not only of this country but also of the United Nations as a whole.

Finally, I should like to mention that Mr. Snyder has assured me that the "defrosting" procedures which are customarily

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used by the Treasury, and which will be used in the Swiss case, upon ratification of the agreement, will effectively prevent the cloaking of German funds in the United States through Swiss accounts. These procedures have already been many times tested, and are found to be highly effective for this purpose.

Very sincerely yours,

(Sgd) HARRY S. TRUMAN



Honorable H. M. Kilgore,  
United States Senate,  
Washington, D. C.

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