

Key memo on German aspects
VI. I. POSSIBLE U.S. WITHDRAWAL FROM WASH. ACCORD

REPRODUCED AT THE NATIONAL ARCHIVES

~~007-27~~ FOOTNOTE 351

Doc 1044

VI-111

DECLASSIFIED
Authority NND881032
By BGS NARA Date 11/3/96

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : EUR - Mr. Perkins; I - Mr. Fisher; E - Mr. Thorp; DATE October 27, 1950
WE - Mr. Peterson
FROM : GER - Geoffrey W. Lewis
SUBJECT: Swiss Accord

Reference is made to the memorandum of October 25 from Mr. Fisher in which it was suggested that GEA examine the question whether full and immediate compensation to German owners of assets in Switzerland would be contrary to the vital security interests of the U.S. and should therefore be avoided even at the cost of refusing to arbitrate our disagreement with the Swiss on this point.

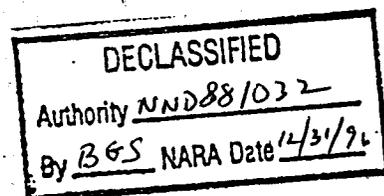
GER cannot state that such compensation would involve vital security interests of the U.S. under any reasonable definition of that term. GER does feel that requiring the German Government to pay full and immediate compensation would be harmful to Allied interests in Germany and that the effects would be sufficiently harmful to render arbitration extremely inadvisable. Aside from placing a heavy burden on an already over-strained German budget, full compensation would have important political repercussions. It would run counter to the spirit of the law on equalization of burdens now being considered by the Germans and would therefore alienate the German Government. (Adenauer has already made this plain in several letters and statements.) It would cause considerable resentment among the large group of refugees who would see their chances for obtaining needed relief compromised by the generous treatment of one particular group who may not need any relief or assistance. It would cause resentment among Germans whose property in other neutral countries was liquidated without compensation and Germans whose property elsewhere abroad was so liquidated. The picture is not at all improved by the obvious fact that this discriminatory treatment is based on the desire of some of the Allies to extract at this late date a comparatively few Swiss francs for reparation. At a time when we are striving for a closer political, economic and spiritual alignment of Germany with Western Europe and the North Atlantic community, any needless antagonization of Germany and the German people should be avoided.

These considerations lead us to the conclusion that we would be ill advised to agree to full compensation or run the risk of such compensation through arbitration. It also leads to the conclusion pointed out in Mr. Prud'homme's memorandum of October 20 to Mr. Peterson that we should avoid losing control of the situation by withdrawing as trustee, since this course entails the risk of a proposal for full compensation being put before the High Commission by the remaining or alternate trustees and the risk of not being able to stop such a proposal at that stage. It must be pointed out in this connection that withdrawal from the trusteeship raises the possibility that the remaining or alternate trustees will permit the compensation issue to go to arbitration. The process of arbitration may well take from 6 months to 2 years. During that period it may become

advisable

(NOTE: UNDERSCORING IS NOT PART OF THE ORIGINAL DOCUMENT.)

262, 6041/10-275-0



VI-142

- 2 -

advisable or necessary for the occupying powers to relinquish the reserved powers under which they are presently technically able to provide for full compensation in Germany. However, having notice that an issue has been placed before an arbitral tribunal which may require action by the occupying powers, they could not in good faith relinquish the powers which would be required to act on the decision of the tribunal, regardless of the merits of other considerations which may speak for such relinquishment. The tail would indeed be wagging the dog.

If the matter cannot be stalled indefinitely as suggested in GEA's memorandum of October 20, then the solution preferred by GER is to continue the current argument over linking the intercustodial issue to the Accord until the Swiss recede from their position. We should then agree to renew negotiations on the Accord and present to them the plan for partial compensation which was developed last May at Frankfurt. If the Swiss reject this plan as inadequate and call for arbitration we should state very frankly that, regardless of whether or not we have an obligation under the Accord to provide full and immediate compensation, conditions in Germany have changed so that we simply cannot implement in 1950 an agreement negotiated in good faith in 1946 if such agreement is interpreted as providing such compensation. We would point out that this is not a disagreement on the interpretation or application of the Accord which would be subject to arbitration but is instead a recognition of a situation of fact which cannot be erased by any amount of arbitration. If we are then unable to reach an agreement with the Swiss, the most likely result would be cancellation of the Accord by mutual consent which would leave us free to deal with German assets in Switzerland in accordance with the Potsdam Agreement or in some other manner.

GER recognizes that the problem of the Swiss Accord is primarily the responsibility of EUR and that any recommendations made by GER must be evaluated as to their practicability by the office which would be called upon to implement them.

If it is concluded that the procedure suggested above is not possible in the light of the present status of our negotiations with the Swiss GER must obviously accept EUR's recommendation for withdrawal at this time on the basis of a conflict of interest between our position as trustee for IARA under the Accord and our independent position on the intercustodial problem.

cc: Mr. Byroade

GER:GEA:MJDux:ras