

Allied Relations and Negotiations With Sweden

A. *The Allies and Sweden's Wartime Neutrality*

The geography of Sweden's wartime position, surrounded by German armed forces in Norway, Denmark, and Finland and cut off by the blockade imposed by both the Germans and the Allies, shaped the character of its neutrality stance and the Allies' economic warfare policies alike. Until 1943, Allied economic relations with Sweden were regulated by the Anglo-Swedish War Trade Agreement of December 1939, as modified to respond to the changing military situation in Scandinavia. The December 1939 agreement, in which both countries undertook to maintain the exchange of goods at the normal level (i.e., that of 1938), had two main provisions: Britain would not impede Swedish imports of reasonable quantities of commodities, and Sweden promised not to re-export certain specified goods and to maintain its total exports to Germany at 1938 levels. During the first several years of the War, Britain was satisfied that Sweden honored the terms of the 1939 trade agreement. German occupation of Denmark and Norway in April 1940 made the threat of German invasion of Sweden real. Sweden's neutrality was confirmed and defined by an exchange of letters between King Gustav and Adolf Hitler that same month. Swedish wartime diplomacy sought to ward off German invasion by adopting a neutrality that sacrificed some of Sweden's independence and made significant concessions to Germany.

While the Allies understood Sweden's strategic plight and were sympathetic to a fellow democracy, concern persisted over Sweden's contribution to Germany's war effort. Throughout most of the War, Sweden managed to avoid becoming an economic province of Germany, which now occupied Sweden's pre-war markets in Europe and controlled its ability to conduct commerce via both the Baltic and the Atlantic. The Allies sought to encourage Swedish independence and decried and worked against Swedish actions that supported Germany. Anglo-Swedish trade agreements and subsequent Allied-Swedish agreements after 1941 allowed Sweden to import controlled amounts of essential goods and products in exchange for limitations on their re-export and reductions of other exports to Germany. From early in the War, Allied experts felt that if exports of Swedish iron ore and wood products could be eliminated, Germany's ability to carry on the war would be severely injured.¹

The Allies were also concerned that Sweden did not sufficiently resist German demands for concessions that directly aided Germany in its conduct of the War in Europe. In July 1941 a fully-equipped German division crossed Sweden from Norway to Finland; through much of the War, Sweden permitted German troops and matériel to transit Sweden to and from Norway and Finland. According to U.S. estimates, 250,000 trips by German troops (presumably on leave traveling in "sealed cars") crossed Sweden in each direction, and 250,000 tons of equipment transited Sweden. German forces in Finland after the Finnish decision to go to war against the Soviet Union in the summer of 1941 used Swedish railways for the movement of troops and supplies to and from Germany. Sweden permitted German military supply ships to sail in Swedish territorial waters and even provided naval escorts for them. German courier aircraft transited Swedish air space.²

Sweden attempted to offset its concessions to Nazi Germany by maintaining political relations and essential economic ties with the Allies. Without energy sources of its own, Sweden desperately needed the fuel and other supplies that could only come from the West. Germany selectively lifted its blockade of the

¹ "Trade Policy Toward Sweden: A Summary of Essential Facts on Sweden's Relations with the Enemy and with Area outside the Blockade," prepared by the Board of Economic Warfare, Office of Economic Warfare Analysis, November 3, 1942, gave the following assessment of the importance of Swedish iron ore:

"In terms of iron content, the high grade Swedish ore delivered in 1941 amounted to 18 per cent of the total available to Germany, but actually the Swedish ore is even more important than this ration indicates: the loss of the Swedish supply would require the mining and transport additionally of 20 million tons of low grade German and French ore, of 6 million tons of coal and 4 millions ton of coke. Loss of the Swedish wood products would materially reduce the already restricted supply of textiles in Axis Europe and would tend further to reduce agricultural production (by the loss of paper binding twine) and mining output (by the loss of pit props)." (RG 169, Office of the Administrator, Records Analysis Division, Research Reports and Studies)

² "Trade Policy Toward Sweden," *ibid.*

entrance to the Baltic Sea to allow such Swedish-Allied commerce as a reward for Swedish cooperation. Early in the War, Britain and the United States did not seek to draw Sweden into the War but rather favored a neutral Sweden that would better restrict its contribution to the German war effort. Sweden also continued a pattern of limited covert cooperation with Britain and the other Allies, including the transport of military-age Norwegian internees and the occasional repatriation of Allied military air crews forced down in Sweden. Sweden also attempted to support both Denmark and Norway against Germany. In 1943 Sweden rescued from German persecution as many as 7,000 Danish Jews, and protested, albeit unsuccessfully, the German deportation of over 1,200 Norwegian teachers and students.³

U.S. entry into World War II immediately threatened Sweden's precarious neutrality. The requirements of the U.S. war effort pre-empted supplies, particularly oil and rubber, that could have been exported to Sweden even in limited quantities. Without these supplies, the Swedish economy and even the possibility of military resistance to Germany would be seriously compromised. Within the U.S. Government, the State Department tended to take a sympathetic view of Sweden's wartime plight. The Treasury Department and the military were more inclined to resent Swedish concessions to the Germans and to deny Sweden needed supplies until it adopted more pro-Allied policies. U.S. economic warfare actions against Sweden in 1942 focused on detaining ships with safe conduct permits from Germany from carrying cargoes of supplies to Sweden.

B. Allied Negotiations With Sweden To Halt Swedish Wartime Exports and Concessions to Nazi Germany

It was a generally held view among Allied economic warfare experts early in the War that the German war effort depended on iron ore from Sweden and oil from the Soviet Union and that without these materials, the War would come to a halt. Sweden supplied 40 percent of Germany's total iron supply in 1939 and 1940, but the proportion dropped off to 25 percent during the war years as Germany exploited resources in occupied Europe. Sweden exported 10 million tons of iron ore to Germany in 1939, and in 1943 exports still totaled 9.5 million tons. British experts during and after the War were convinced that Sweden's provision of iron ore was the most valuable of all of the contributions of neutral countries to the German war effort. Not only was the quantity of iron ore important, but the high quality of the ore made steel making more efficient, and the use of Swedish ships for transport eased delivery problems for Germany.⁴

The Swedish Government sent Erik Boheman, Secretary General of the Foreign Ministry, to London and Washington in the autumn of 1942 to obtain a relaxation of the blockade of oil and rubber for Sweden. Prime Minister Winston Churchill and Foreign Secretary Anthony Eden made clear that the

³ In a conversation with Acting Secretary of State Robert Lovett on October 26, 1948, then Swedish Ambassador to the United States Erik Boheman described Sweden's wartime success in warding off Germany's recurrent considerations to invade Sweden. Boheman's conversation was mainly aimed at explaining Sweden's current reluctance to enter into any sort of a military alliance with the West aimed at the Soviet Union. The record of his conversation with Lovett summarized Boheman's view of the Swedish attitude on "neutrality": "He deplored the use of the word 'neutrality' which was most inaccurate and misleading, since this neutrality points only one way and has never taken into consideration the possibility of conflict with the Western powers. I [Lovett] remarked that we had run through a number of terms like 'non-intervention' and 'non-belligerence', and he [Boheman] said that perhaps one of these would be better adapted to the situation. He wanted to make it clear that there was no failure on the part of Sweden to discriminate between the two sides; Swedes were practically unanimous in siding with the West. Sweden continued to use the word 'neutrality' as a convenience because of its long tradition, though it was perhaps something of a blind which did not correctly designate the Swedish attitude." (Memorandum of conversation, October 26, 1948, RG 59, Executive Secretariat Records, Lot 53 D 444)

⁴ Allied perceptions of Swedish trade, particularly iron ore and ball-bearing exports, are discussed authoritatively and in detail in Medlicott, *The Economic Blockade*, vol. II, pp. 173-205. Medlicott summarized his principal findings in *The War and the Neutrals*. Gerhard Weinberg, *A World At Arms: A Global History of World War II* (New York, 1994), pp. 73-74 and 77-78, surveys German sources regarding Sweden's trade with Germany during the War as well as the argument among scholars as to whether Sweden could have stopped the War by halting the export of iron ore. He concludes that Sweden could not have because the German economy had other sources to draw upon.

United Kingdom did not want Sweden to enter the war, but they urged on Boheman the need for more constraints on Swedish concessions to Germany. In October 1942 Boheman traveled to Washington to argue Sweden's case with the various U.S. Government agencies responsible for economic warfare policies. He met with, among others, Assistant Secretary of State Dean Acheson, an old friend from their school days in Stockholm.

After a month of negotiations with Swedish officials and among Washington agencies, in November 1942 President Roosevelt, responding to a suggestion from Churchill, directed the immediate release of 30,000 tons of oil for Sweden and fixed a quarterly export level to Sweden of that quantity, provided that Sweden release two Norwegian ships in Sweden to sail to Britain with cargoes of urgent materials, including ball-bearings and ball-bearing-making machinery. The United States also insisted on other Swedish concessions, including reduction of the export of iron ore to pre-1939 levels, curtailed transit through Sweden by the German military, and the end of Swedish naval convoys for German ships in the Baltic. Since Sweden felt it could not release the two Norwegian ships without drawing a reaction from Germany, including the ending of safe passage for any Swedish vessels out of the Baltic, this part of the agreement was delayed for nearly a year.⁵

Beginning in 1943 U.S. diplomacy focused more sharply on pressing Sweden to abandon its policy of concessions to Germany and to move toward full support of the Allies. In January 1943 Secretary of State Hull instructed the U.S. Legation in Stockholm to inform the Swedish Government that "the determining factor in our relations with Sweden during the war must be the degree to and manner in which Sweden is prepared to and does resist Axis demands which are contrary to Sweden's rights as a neutral and independent democratic nation." The United States would no longer be willing "to continue to accept the pleas of expediency and force majeure as excuses for giving in to Germany" in such matters as the transit of German troops and military equipment across Sweden. The United States would not acknowledge any moral claim by Sweden to urgent supplies such as oil unless Sweden "gave concrete evidence of her determination to stand up for her rights against Germany and use the weapons at her disposal to that end." Hull cited Sweden's control of iron ore exports to Germany as one such weapon.⁶

Hull's message inaugurated another round of trade negotiations in London among U.S., British, and Swedish officials aimed at revising the 1939 Anglo-Swedish agreement and placing commerce with Sweden on a basis that more accurately reflected the military and economic realities of the growing certainty of Allied victory. The negotiations led to an Allied-Swedish agreement in London in September 1943 under which the United States and Britain allowed an increase in exports to Sweden, including critically needed oil and rubber, in exchange for which Sweden abrogated its agreements with Germany for the transit of German military matériel (exclusive of oil) and German soldiers across Sweden, further reduced iron ore exports, ended Swedish naval escorting of German ships in the Baltic, and reduced ball-bearing exports.⁷

⁵ *Foreign Relations*, 1942, vol. III, pp. 359-375, and Acheson, *Present at the Creation*, pp. 50-51.

⁶ Telegram 26 to Stockholm, January 7, 1943, *Foreign Relations*, 1943, vol. II, pp. 739-741, and Hull, *Memoirs*, vol. II, pp. 1345-1346

⁷ *Foreign Relations*, 1943, vol. II, pp. 741-815, in particular despatch 11348 from London, September 24, 1943, pp. 805-815, for the text of the agreement. Swedish exports of iron ore to Germany, which had averaged more than 9 million tons annually from 1939 to 1943, were reduced to 7 million tons in 1944. In a decrypted message of August 16, 1943, to the Japanese Foreign Ministry, the essential text of which was made available to U.S. leaders in a "Magic" summary of August 27, 1943, the Japanese Ambassador in Berlin reported on information received from the German Foreign Office on how Sweden and Germany were circumventing the announced termination of the 1940 agreement under which German soldiers on furlough and munitions passed through Sweden on their way to Norway. The Ambassador's report stated in part: "As a matter of fact, however, soldiers on furlough can still travel through Swedish territory. I am now giving you very secret information, for the fact is that, as long as the contents of the goods can be told at a glance, Sweden will wink at shipments of army clothing, foodstuffs and certain munitions which heretofore have been shipped as ordinary commercial freight. In other words, a formula has been worked out satisfactory to both governments." Message No. 940 from Berlin to Tokyo, August 16, 1943, and "Magic" Diplomatic Summary, August 27, 1943, RG 457, Historic Cryptographic Collection, Pre-World War I Through World War II, Diplomatic Message Translations, Box 377 and "Magic" Diplomatic Summaries, 1942-1945, Box 6, respectively.

Secretary of War Henry Stimson and Secretary of the Navy Frank Knox opposed the September 1943 agreement negotiated by the State Department and the Board of Economic Warfare (the predecessor of the Foreign Economic Administration) and argued that oil sent to Sweden would aid Germany, that Swedish exports and concessions to Germany continued, and that the United States had received no commensurate benefits from Sweden. Secretary of State Hull countered that Caribbean oil sent to Sweden in Swedish ships was no drain on American supplies or tankers, that Sweden had in fact made important concessions to the Allies, and that Allied shipments would bring about a substantial reduction in Sweden's economic assistance to Germany. President Roosevelt settled the dispute between State and War and Navy by siding with Secretary Hull and in favor of the Allied-Swedish agreement.⁸

C. Sweden's Cessation of Trade With Germany

During the last 18 months of World War II, unremitting Allied diplomatic pressure and the crumbling of the Nazi war effort moved Sweden gradually to reduce and ultimately to end its trade to Germany. In implementation of the September 1943 agreement, Swedish exports of iron ore to Germany, which had averaged more than 9 million tons annually during the War, were reduced to 7 million tons in 1944. The export of Swedish ball-bearings to Germany was also steadily reduced during 1944. During the War, Germany made extravagant use of ball-bearings, and almost a third of the total German production went into aircraft production. Nearly 90 percent of the approximately 100 million bearings used by Germany annually was manufactured in Germany, and 60 percent of these were produced in Schweinfurt by a subsidiary of the Svenska Kullagerfabriken (SKF) owned by the Enskilda Bank of Stockholm, which was owned by the Wallenberg family.⁹

In 1943 Allied war planners singled out the German ball-bearing industry as a potential bottleneck in the German war economy. In an effort to eliminate this critical component in German war production, U.S. bombers mounted major high-risk air raids on Schweinfurt during August and October 1943. The 16 raids against these ball-bearing targets, of which those on August 17 and October 14 were the largest, were the most disastrous American daylight bombings of the war. More than 50 U.S. heavy bombers were lost and many others damaged in the two major raids. The bombing temporarily set back but failed to cripple German ball-bearing production, and Germany reorganized and decentralized this production so as to avoid further efforts to destroy it from the air.¹⁰ Postwar analyses determined that the Allied bombing campaign reduced German ball-bearing production by at least a quarter, but German industrial countermeasures and improvisations, including the determination that fewer ball-bearings were necessary for various production purposes, warded off any serious consequences. Moreover, the Allied-Swedish trade agreement of September 1943, which halted exports of ball-bearings, neglected to impose restrictions on exports of high-grade steel used to manufacture ball-bearings and appears to have allowed Sweden, largely through an SKF subsidiary, to undertake to provide Germany with 30,000 tons of ball-bearing steel, largely offsetting the drop in the export of finished ball-bearings.¹¹

After the unsuccessful air campaign against the Schweinfurt ball-bearing plants, the SKF plant in Sweden assumed even greater importance to U.S. officials. SKF was the largest foreign supplier of ball-bearings to Germany, supplying up to 70 percent of German imports.¹² The FEA, whose analysis of German ball-bearing shortages contributed to the Schweinfurt bombing campaign, followed up the raids by taking the lead in negotiating a special \$5 million preclusive purchase deal between the U.S. Commercial Corporation (USCC) and SKF for a portion of SKF's June-October ball-bearing production. The agreement

⁸ Hull, *Memoirs*, vol. II, pp. 1346-1347.

⁹ United States Strategic Bombing Survey, Vol. 53a, *The German Anti-Friction Bearing Industry* (Washington, D.C., 1947), pp. 7 ff. and Martin Fritz, "Swedish Ball-Bearings and the German War Economy," *Scandinavia Economic History Review* (1975), pp. 29-32.

¹⁰ Wesley Travers Craven and James Lea Cate, eds., *The Army Air Force in World War II: vol. II, Europe: Torch to Pointblank, August 1942-December 1943* (Chicago, 1949), pp. 685-687 and 699-707; "Report to Congress on Operations of the Foreign Economic Administration," September 25, 1944, p. 15, RG 169, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared by the Division; "Preclusive Operations in the Neutral Countries in World War II," pp. 43-44, *ibid.*, Records of the Analysis Division, Historical Monographs Prepared Outside the Division.

¹¹ *The War and the Neutrals*, pp. 75-76, and Fritz, "Swedish Ball-Bearings and the German War Economy," pp. 21-24.

¹² Fritz, "Swedish Ball-bearings and the German War Economy," pp. 29, 32.

was concluded in April 1944. In March the Joint Chiefs of Staff had expressed to Secretary Hull their deep concern over the continued flow of SKF ball-bearings to Germany and sought his assistance in halting it. He replied in a May 19 letter that reflected the appreciation within the U.S. Government of Sweden's force majeure arguments for moving slowly in cutting off exports to Germany:

"No matter how unrealistic it may appear to us here, the factor which in the final analysis will control the Swedish Government's decision...is its conviction that full compliance with our demands will almost certainly expose Sweden to Germany military attack....This conviction is so strong that the Swedes, in their disbelief that their present bearing exports to Germany are as important as we say they are, strongly suspect that our real purpose in pressing them on this matter is not to obtain a reduction in ball-bearings but to involve them in war with Germany."¹³

The Allied diplomatic effort throughout 1944, which involved extended and difficult negotiations with the Swedish Government and had the attention of President Roosevelt and Prime Minister Churchill, gradually pressed Sweden to cut back further its exports to Germany. Germany's collapsing military fortunes in the summer and fall of 1944 after D-Day and the approach of Allied and Soviet armies to Germany itself, made U.S. leaders less willing to concede the danger of a German attack on Sweden. Secretary Hull considered threatening to take over Swedish companies in the United States and to deny Sweden critical supplies after the end of the War unless Sweden cut its ties with Germany. In a September 13, 1944, telegram to U.S. representatives in Stockholm, Secretary Hull made clear his feeling that the danger to Sweden of a German retaliatory attack had passed:

"We fail to appreciate the validity of the arguments used by the [Swedish] Foreign Minister in defense of Sweden's so-called 'neutrality policy'. In our opinion Sweden's policy has been based upon a determination to keep out of the war at all costs rather than one of strict neutrality. Hence, she has granted concessions to one belligerent group and then the other in accordance with fluctuations of the war. Now that the people of Sweden, as well as those of the United Nations, realize the defeat of Germany is a forgone conclusion, we cannot comprehend why the Swedish Government still hesitates to sever all trade with Germany."¹⁴

By October 1944 Sweden was willing to lay aside its fears of German attack in reprisal for ending concessions to Germany, and all ball-bearing exports to Germany were halted. In November Sweden agreed that all exports to Germany would cease, including iron ore. At the same time the Swedish Government agreed to release several hundred interned Allied fliers and allowed the Air Transport Commands to begin flights to Sweden.¹⁵

As the military balance on the Eastern Front swung in favor of the Soviet Union, Sweden's entry into the War or its provision of more explicit support for Allied armies became an issue. At the Tripartite Conference of Foreign Ministers in Moscow in October 1943, Soviet Foreign Minister Molotov proposed that the three Allies ask Sweden to provide air bases for the war against Germany, and he sought to draw a parallel between Swedish bases and those that Britain and the United States had gained in the Azores from Portugal. Secretary Hull, representing the view of President Roosevelt, would not rule out the possibility of seeking such bases in Sweden, but explained that the United States would not support a request for air bases because it would divert resources from the upcoming landing in Western Europe in 1944. Similarly, Foreign Secretary Eden felt that bases in Sweden would not be as effective as those already available in Britain.

Prime Minister Churchill agreed with Eden and President Roosevelt that both Turkey and Sweden should come into the War. He did not think that either of them would be overrun, and every new enemy would accelerate the defeat of Germany: "It would be a great advantage to bring Sweden into the war. We do not think the Germans have the strength to undertake a heavy invasion of Sweden. We should gain a

¹³ Hull, *Memoirs*, vol. II, p. 1347.

¹⁴ *Foreign Relations*, 1944, vol. IV, p. 638.

¹⁵ *Ibid.*, pp. 456-705; Hull, *Memoirs*, vol. II, pp. 1347-1348; Acheson, *Present at the Creation*, pp. 58-59. There appear to have been no German reprisals as a result of the cessation of trade and German authorities even granted safe conduct passes for Swedish ships entering the Baltic past the German blockade. (W.W. Calgren, *Swedish Foreign Policy in the Second World War*, translated by Arthur Spender (London, 1977), p. 206)

new country and small but good army. Our gains in Norway would be far reaching." Churchill felt that air bases in Sweden were not necessary, and he wondered what was behind the Russian proposal.¹⁶

In advance of the Heads of Government Meeting at Tehran in November 1943, Allied diplomatic and military leaders took stock of the Soviet desire to draw Sweden into the War. Foreign Minister Molotov reiterated the Soviet insistence that Sweden cooperate in the War when he made a public statement criticizing Sweden's neutrality during a reception in Moscow on November 11 marking the Bolshevik Revolution. The Swedish Minister in Moscow, who seemed to be seeking advice, told Ambassador W. Averell Harriman that Sweden was ready to take "certain risks," but his government was not ready to go very far: "He pointed out that it was the ambition of the King to lead his people through the war without the suffering that would come from participation. He talked about the difficulties that neutrality to the end would present in their permanent relations with Moscow."¹⁷

On November 18, 1943, in preparation for the Tehran Conference, the Combined Chiefs of Staff submitted a paper on operations to defeat Germany and its satellites that called for the planning of military operations in Scandinavia: "Such plans should envisage collaboration with the U.S.S.R., with particular reference to opening communications to Sweden and developing a situation favorable for Sweden to enter the war."¹⁸ At the Tehran Conference in December 1943, Churchill took the opportunity to express the importance he saw in "Finland's being out of the war and Sweden's being in by the time of 1944 landings in France," to which Stalin expressed assent.¹⁹

D. Sweden and the Safehaven Program

U.S. and British efforts to enlist the Swedes in the wartime Safehaven program to identify German external assets and prevent their being used to help the German war effort or for a revival of Nazism after Germany's defeat, began in earnest in 1944. Economic reporting was a basic element of the Safehaven intelligence activity that was conducted in Sweden from early in the war. Reporting officers were able to determine the extent of Swedish commerce with Germany, particularly exports of iron ore and ball-bearings. The Office of Strategic Services (OSS) also developed extensive information on gold and currency transactions.²⁰

As the end of the War approached, the United States and Britain found themselves unable to agree on economic security objectives with Sweden. Britain favored a more limited program, focused on the

¹⁶ The U.S. Record of the Second Meeting of the Tripartite Conference at Moscow, October 20, 1943; telegram 472 from Churchill to Roosevelt, October 23, 1943; telegram from Roosevelt to Hull, October 26, 1943; memorandum by the Secretary on Turkey and Sweden, October 28, 1943, *Foreign Relations*, 1943, vol. I, pp. 586, 621, 644, and 655-656.

¹⁷ Telegram SD 1 from Harriman to the President, November 11, 1943, *ibid.*, The Conferences at Cairo and Tehran, 1943, pp. 182-183. According to a decrypted message from the Mexican Ambassador in Stockholm to the Mexican Foreign Ministry on September 1, 1943, a summary of which was made available to U.S. leaders a few days later, the Acting Swedish Under Secretary for Foreign Affairs commented upon the German sinking of two Swedish fishing vessels, affirmed that Sweden would not be intimidated by Germany and intended to protect the rights of her nationals and, if necessary, "defend them to the last by force of arms." ("Magic" Diplomatic Summary, September 9, 1943, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 7)

¹⁸ C.C.S. 398, November 18, 1943, *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, p. 212.

¹⁹ U.S. record of the Tripartite Luncheon Meeting at Tehran, December 1, 1943, *ibid.*, p. 591. According to the decrypted report of the Mexican Minister in Stockholm to the Mexican Foreign Ministry on December 18, 1943, made available in summary form to U.S. leaders on December 24, 1943, Sweden was moving to improve relations with the Soviet Union. The Minister reported that, "At a dinner last night by the Russian Chargé, the Assistant Chief of Political Affairs of the Swedish Foreign Office made a speech in which he thanked Russia 'for what she has done for all of us,' adding that 'thanks to her, our future has been made secure.' The words of this public official, who spoke practically as a belligerent, made a profound impression on those present. Since the Swedish diplomatic service is known to be an example of discipline and organization, it is believed that he spoke on the authority of his superiors." ("Magic" Diplomatic Summary, December 24, 1943, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 8)

²⁰ Eizenstat Report, pp. 43-44.

control of gold. The United States advocated including all enemy assets as stipulated in Bretton Woods Resolution VI and using the prospect of renewed trade agreements with the Swedes as an inducement for broader cooperation. In spite of these divisions, the Allies' entreaties to Stockholm appeared to have had some effect. In September 1944 the Swedish Parliament (Riksdag) voiced its support for the Safehaven program, noting that Sweden felt a responsibility to assist in the postwar recovery of Europe, and in February 1945 Sweden began a census of its gold and foreign exchange holdings to determine how much might be linked to Axis investors.²¹

By spring 1945 the British agreed to the broader U.S. objectives. A joint Safehaven proposal for Sweden was drafted, and the U.S. Embassies in Lisbon and Madrid were advised to use it as the basis for their Safehaven talks.²² Informal talks in Stockholm began in late April. The Swedes noted their support for the principles of Bretton Woods Resolution VI and their desire to not "assist the Germans in hiding assets" in their country, but indicated some confusion over the details of the resolution. The Allies described the implications of the resolution for the Swedes and its importance in thwarting any Nazi plans for postwar resurgence.²³

By the summer these negotiations produced tangible results. Sweden passed a series of decrees to control German property by restricting its sale or dispersal, and expanded the range of the census to include all types of German property. The Foreign Capital Control Office (FCCO), an administrative and investigative body which had adopted tightened exchange control regulations in November 1944, was charged with implementing the new decrees and penalizing violators. In January 1946, after Allied prodding, Sweden expanded these laws to include controls over German subsidiaries.²⁴ The FCCO was augmented to include more than 80 experts and personnel and was headed after March 1946 by former Justice of the Supreme Court, Emil Sandstrom, who was well-known for his pro-Allied sympathies.²⁵

E. Preparation for the Postwar Allied-Swedish Negotiations on Looted Gold and German External Assets

The OSS made an important contribution to understanding the nature and scale of wartime German-Swedish transactions on gold and other assets. The OSS intelligence branch, X-2, reported on clandestine wartime German projects in Sweden to acquire urgently needed economic assets, including the flow of gold and other valuables. From at least August 1944, the OSS had reports that the German Legation in Stockholm was selling diamonds looted from the Netherlands State Bank on orders from the German Reichsbank. Activity was documented involving individuals and private firms who smuggled gold into Sweden or exchanged it for gasoline or other goods. The evaluation of this latter activity was corrected after the War by official information about wartime gold transfers to the Swedish Riksbank. Information also reached the OSS during the War about the role of the Swedish Enskilda Bank, owned by the Wallenberg family, which appeared to have received more than \$4.5 million from the Reichsbank in 1940 and 1941, and was suspected of having acted as a purchasing agent through intermediaries for the German Government of bonds and securities in New York.²⁶

²¹ Telegram 1730 from London, March 7, 1945, RG 59, Decimal Files 1945-49, 800.515/3-745; telegram 1497 from Stockholm, April 21, 1945, *ibid.*, 800.515/4-2145; memorandum from Rubin to Hilldring, December 2, 1946, *ibid.*, 800.515/12-246.

²² Memorandum from Rubin to Hilldring, December 2, 1946, *ibid.*, 800.515/12-246; telegram 3157 to London, April 22, 1945, *ibid.*, 800.515/4-1445.

²³ Details of those meetings and particularly the responses of the Swedes, their interests and concerns, are in telegram 1496 from Stockholm, April 21, 1945, *ibid.*, 800.515/4-2145. The results of subsequent meetings held in July are contained in telegram 2544 from Stockholm, July 20, 1945, *ibid.*, 800.515/7-2045.

²⁴ Memorandum from Rubin to Hilldring, December 2, 1946, *ibid.*, 800.515/12-246.

²⁵ "Report on Swedish Negotiations With Respect to German External Assets and Related Questions," undated, by Rubin, copy transmitted by Rubin to Hilldring, December 2, 1946, *ibid.*, 800.515/12-246. [Hereafter cited as Rubin Report on Allied-Swedish Negotiations]

²⁶ "Germans Selling Diamonds in Stockholm," August 11, 1944, RG 226, Entry 108, Washington Registry Special Intelligence Field Files 1943-1951, Box 316, Folder T-2200. The report is graded "C-3," the lowest possible rating. Murphy to Mowinckel, June 4, 1945, "X-2 Case Materials Illustrating German Safehaven Practices," *ibid.* See also "Enemy Capital in Sweden," August 14, 1944, *ibid.*, a low-grade

The perceived close relationships among the Wallenberg family, the Enskilda Bank, and German-owned or German-controlled firms in the United States caused concern among U.S. authorities throughout World War II. Suspicions that the Enskilda Bank was serving as an intermediary for German businesses preceded the outbreak of the War and continued after the War, particularly as it applied to the American Bosch Company, a wartime manufacturer of important components for engines for automobiles, aircraft, and ships. In what American officials came to regard as a measure to "cloak" German assets in the United States, the Wallenbergs' Enskilda Bank in May 1940 bought American Bosch Corporation (ABC), the U.S. subsidiary of the German firm Robert Bosch, G.m.b.H., with an arrangement to return ABC to its German owners after the War. The purchase, which appeared to be an attempt by Enskilda to protect Bosch's American properties from facing the risk of confiscation in case of war, was formally canceled in December 1941, although in fact the Wallenbergs and Enskilda may not have relinquished ownership of ABC and assisted Bosch AG until December 1944 by hiding its ownership of these and other companies in the United States.

These suspicions persisted, despite undertakings by the Swedish Government and its Embassy in Washington assuring U.S. authorities that Swedish firms, including Bosch, operating in the United States were bona fide Swedish-owned businesses without German interests or control. The suspicions were greatest among Secretary of the Treasury Morgenthau and his staff, who were persuaded of the Wallenberg and Enskilda Bank's continuing connections with German financial and industrial enterprises and their role in helping German financial activities in Sweden. The U.S. Safehaven program acquired evidence after the War that the Wallenbergs' Enskilda Bank financed German wartime economic undertakings, including the construction in Sweden of naval ships that were passed off as fishing boats. In the immediate postwar years, the suspicions about the Wallenberg and Enskilda activities led to their blacklisting, intensive investigations, and the blocking of the assets of American Bosch. The long wrangle between the Enskilda Bank and the U.S. Government over the Bank's alleged wartime collusion with Germany was settled out of court in 1950. In September 1950, on behalf of the U.S. Government, then Attorney General J. Harold McGrath concluded with Enskilda Bank a settlement of the Bank's law suit providing that the Bank receive \$2.6 million (the U.S. Government received nearly \$5.2 million) from the proceeds of the sale in the United States by the Alien Property Custodian of American Bosch Corporation.²⁷

In November 1945 Sweden provided U.S. Treasury Department officials with reports concerning Swedish gold transactions during the War.²⁸ In comparing these records with data on German gold holdings at the time of the Swedish purchases, Treasury believed that Sweden had acquired \$22.7 million of looted Belgian gold. The State Department expert on German gold movements, Otto Fletcher, estimated Germany's wartime sales of gold to Sweden of \$18.5 million and Swiss purchases of gold from Sweden of \$17 million.²⁹ For negotiation purposes, the Allies reduced the claims to about \$17 million.³⁰ On March 8,

intelligence report, but typical of the kind of information obtained. Despatch 7063 from Stockholm, "Transmission of Information Concerning Shipments of Gold Between Sweden and Germany," Safehaven, May 20, 1946, *ibid.*, Box 25, Folder 143; London 165: Safehaven no. 413, "Financial Contraband, Stockholms Enskilda Bank, Stockholm," May 8, 1946, *ibid.*, Entry 183, Washington Secret Intelligence/Special Funds Records, Box 27, Folder 157.

²⁷ U.S. Government records addressing Wallenberg and Enskilda Bank issues during and after World War II account for a large body of documentation scattered through files at the National Archives and Records Administration, some of it open to public research at the end of 1996. These include RG 84, Embassy Stockholm, 1936-1952; Records of Under Secretary of State Acheson, especially the Records Pertaining to Economic Warfare; and Records of the Division of Economic Security Controls (Lot 54 D 324). Among the records of the Department of the Treasury, RG 131, Foreign Funds Control and Acc. 56-66A-816, Miscellaneous Cases; among the records of the Foreign Economic Administration, RG 169, Records of the Intelligence Security Staff, Safehaven. State and Justice Department records regarding the extended litigation over the Bosch case, Vargos, et al. v. McGrath (or Clark), are in Box 330 of RG 131. In an article in the Swedish periodical *Dagens Nyheter* in February 1997, Gerard Aalders and Susanne Berger cite a U.S. Justice Department report describing the German Bosch parent corporation wartime measures to reacquire American Bosch, including the deposit of 1,150 kilograms of gold obtained from the Reichsbank and deposited in Swiss bank accounts on behalf of Enskilda.

²⁸ Schwartz to Schmidt, February 8, 1946, RG 131, Entry 243, Box 256, Enforcement 1946.

²⁹ "German Movements of Gold (Estimate)," prepared by Otto Fletcher, February 5, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646. According to SICE, "Gold Transactions," pp. 14, 16, and 17, the

1946, British and French representatives met with officials from the Treasury and State Departments to discuss Swedish gold movements during the War. Although the United States had detailed accountings, the information about Swedish gold reserves was imprecise. The reserves had increased during the War, but the Allies could not determine if this was due to looted gold. In at least one instance, the Germans had attempted to sell gold looted from Belgium to Sweden, but the Swedes had apparently refused to buy.³¹

As in the case of the other wartime neutral nations, the Allies approached Sweden on the restitution of looted monetary gold and the application of German external assets in accordance with policies worked out at the Potsdam Conference in July 1945, the Paris Reparations Conference of November 1945-January 1946, and the assumption by the Allies of authority in occupied Germany through the Allied Control Authority. On February 11, 1946, the U.S. Embassy informed the Swedish Government of the details of ACC Law No. 5, vesting title of German assets in other countries to the Occupation authorities, and invited a delegation to Washington to discuss its implementation in Sweden. Although Sweden consented to the talks, it expressed grave concerns over the Allied claims to these assets.³² On April 5 the Swedish Foreign Office advised the Embassy that Sweden would have to put the decision to the Riksdag, where it would probably be defeated "based on belief that Allied claim not valid in international law and hence violation private property rights."³³ In addition, the Swedes requested that their assets in the United States, frozen after the War, be released prior to negotiations and that they be allowed to inspect Swedish property in Germany. The Allies refused, claiming that both issues needed to be addressed in formal negotiations.³⁴

By the end of March 1946, the United States believed it had "almost complete information concerning German assets in Sweden" and began pushing for negotiations in Washington to determine their final disposition.³⁵ The United States and Britain developed a joint strategy shortly thereafter, paying particular concern to their defense of ACC Law No. 5.³⁶ The Allies argued that due to Germany's surrender and the June 1945 Declaration of Berlin, they had assumed "supreme authority with respect to Germany including all powers possessed by German Government" and the "right to marshal its assets, internal and external." The State Department hoped that an early start of negotiations with Sweden might inspire the Swiss to expedite their lagging negotiations with the Allies over restitution of gold and the use of German

Swiss National Bank sold no gold to Sweden, but the Reichsbank sold to the Swedish Riksbank via the Swiss National Bank \$20.4 million in gold, and the Reichsbank transferred directly to the Riksbank \$4.6 million in gold, a total of \$25 million. A paper submitted to William Slany by the Swiss National Bank on January 5, 1998, "Some Detailed Facts Relating to the Swiss National Bank's (SNB) Gold Operations During the Second World War," agrees that Sweden purchased no gold from the Swiss National Bank, but did purchase 17.9 tons (\$20.1million) from the Reichsbank deposit at the Bank. The Swedish Independent Archives Inquiry report of December 1997 to the Sveriges Riksbank, entitled "Sweden's Gold Transactions With Nazi Germany" (Section 1,3,3,2 in particular) calculates total gold purchases, acquisitions, and transfers from the Reichsbank to the Riksbank during the 1940-1944 period at 59,697 kilograms (\$67.2 million), of which 7,311 kilograms was looted Belgian monetary gold and 8,607 kilograms was looted Dutch monetary gold.

³⁰ Memorandum on Swedish-German gold transactions from January 1939 to December 1945, May 27, 1946, RG 56, Acc. 66A-1039, Box 6; Background of Programs, *ibid.*, Acc. 66A-816, Box 1.

³¹ Memorandum of conversation, March 8, 1946, RG 59, Decimal Files 1945-49, 800.515/3-846. Details on the Swedish Riksbank's gold transfers to the Swiss National Bank during the war are in letter from Rooth to Smith, May 17, 1946, *ibid.*, 800.515/5-1746; despatch 7063 from Stockholm, May 20, 1946, *ibid.*, 800.515/5-2046.

³² Note 901 to Swedish Royal Minister of Foreign Affairs, February 11, 1946, with attachments, *ibid.*, 800.515/3-446; telegram 410 from Stockholm, March 4, 1946, *ibid.*, 800.515/3-446; memorandum of conversation between representatives of the Swedish Foreign Office and U.S. Embassy in Stockholm, March 19, 1946, *ibid.*, 800.515/3-1946. The Swedish complaints over ACC Law No. 5 prompted the U.S. Embassy to work up a detailed legal analysis and justification of the law. (Despatch 6857 from Stockholm, March 29, 1946, *ibid.*, 800.515/3-2946)

³³ Telegram 638 from Stockholm, April 5, 1946, *ibid.*, 800.515/4-546.

³⁴ Rubin Report on Allied-Swedish Negotiations, December 2, 1946, *ibid.*, 800.515/12-246.

³⁵ Memorandum from Klayman to Martin, March 29, 1946, *ibid.*, 800.515/3-1946.

³⁶ Telegram 4216 from London, April 26, 1946; *ibid.*, 800.515/4-1646; and telegrams 706 and 707 from Stockholm, both April 18, 1946; *ibid.*, 800.515/4-1846.

external assets.³⁷ Although Sweden remained unmoved by the Allied legal claims to authority over German assets, it agreed to begin negotiations in Washington. As a "partial quid pro quo," however, Sweden again requested that the Allies acknowledge its right to conduct its own investigations about the status of German property in Sweden rather than jointly with the Allies. Although nothing formal was decided, by late April the Allies seemed inclined to approve the trade-off.³⁸

On the eve of the Allied-Swedish negotiations in Washington in the spring of 1946, important difficulties arose that seriously compromised the ability of Allied negotiators to reach an agreement that would provide adequate restitution and reparation undertakings by Sweden. Sweden had instituted satisfactory controls over German assets, but the issue of disposition of the proceeds from the liquidation of these assets raised important difficulties between Sweden and the Allies. Above all Sweden (stubbornly in the view of U.S. negotiators) maintained that the assets in Sweden belonged to individual Germans and not to any German government, and that any successor government to the Hitler regime, even the Allied Control Council, had no rights over individual German assets in Sweden. Allied negotiators were further handicapped by failure to agree on the use of economic sanctions against Sweden should the negotiations over German assets break down or proceed unsatisfactorily. Although the U.S. and French Governments supported the use of sanctions, the British Government was strongly opposed, and no agreement was reached concerning the use of sanctions should the Allied-Swedish negotiations break down.³⁹

F. Allied-Swedish Negotiations in Washington, May-July 1946

Formal Allied-Swedish negotiations on monetary gold and German external assets began in Washington on May 29, 1946. The negotiations were undertaken by the United States, Britain, and France on behalf of the other wartime Allies as a result of undertakings reached at the Paris Reparations Conference of November 1945-January 1946. It was originally intended by the three Allies that the negotiations with Sweden would be the first with the neutral nations, but Switzerland's demand that its negotiations begin first resulted in postponement of the Swedish talks. The formal invitation to Sweden was extended on May 4, 1946, to begin discussions on May 13 in Washington. Sweden delayed accepting until after another effort to refute the legal basis for Allied claims to German assets. The U.S. delegation was headed by Seymour Rubin, Deputy Director of the State Department's Office of Economic Security Policy and senior member of the U.S. team at the recently concluded Allied-Swiss negotiations.⁴⁰ The U.S. team also included representatives from the State and Treasury Departments. The British delegation was headed by Francis W. McCombe of the Foreign Office; the French delegation by Christian Valensi, Financial Counselor of the French Embassy in Washington; and the Swedish delegation by Judge Emil Sandstrom, President of Sweden's Foreign Capital Control Office (FCCO). Under Secretary of State for Economic Affairs William Clayton opened the conference with a statement in which he made clear that there was no intention in the discussions to criticize Sweden's neutrality policies during the War, but rather he urged the delegates to concentrate on the large issues: the claims of innocent victims of a war of aggression to compensation from the holdings of the aggressor nation and the desire to obtain security and peace.⁴¹

³⁷ Text of note to Stockholm transmitted in telegram 790 to Stockholm, April 18, 1946; *ibid.*, 800.515/4-1846; telegram 802 to Stockholm, April 18, 1946; *ibid.*, 800.515/4-1846; memorandum from Hickerson to Cumming, April 24, 1946; *ibid.*, 800.515/4-2446; Rubin Report on Allied-Swedish Negotiations, December 2, 1946, *ibid.*, 800.515/12-246.

³⁸ Telegram 977 to Berlin, April 26, 1946; *ibid.*, 800.515/4-2646; letter to the Foreign Minister, May 4, 1946, attached to a letter from Stockholm to the Secretary of State, May 4, 1946, *ibid.*, 800.515/5-1446; telegram 784 from Stockholm, May 6, 1946, *ibid.*, 800.515/5-646; letter from Surrey to Aminoff, May 13, 1946, *ibid.*, 800.515/5-1346; Rubin Report on Allied-Swedish Negotiations, December 2, 1946, *ibid.*, 800.515/12-246.

³⁹ Rubin Report on Allied-Swedish Negotiations, December 2, 1946, *ibid.*, 800.515/12-246.

⁴⁰ Rubin's appointment by Secretary of State James F. Byrnes as chief U.S. negotiator was approved by President Truman on May 15, 1946. Byrnes explained that Randolph Paul, who led the U.S. team in the Allied-Swiss negotiations of March-May 1946, would shortly resign as the President's special representative to conduct such negotiations. (Memorandum from Byrnes to Truman, May 24, 1946, Truman Library, Truman Papers, Records of Office of the State Department Executive Secretariat)

⁴¹ Rubin Report on Allied-Swedish Negotiations, December 2, 1946, RG 59, Decimal Files 1945-49, 800.515/12-246

From the outset, Sweden concurred with the Allies on the danger that German assets might be used to promote a revival of Nazism, but continued to maintain that by international law Sweden, not the ACC, had the right to decide how to liquidate these assets in Sweden. The British advocated basing an agreement on Sweden's moral obligation to help in the reconstruction of Europe, and they convinced the U.S. delegates that if they persisted in arguing for the vesting order on the basis of international law, the issue would go to international arbitration, which the Allies would likely lose. Seymour Rubin subsequently explained that the Allied legal position was further weakened by the excellent record of accomplishment of the Foreign Capital Control Office, which had been at work for a year before the negotiations began. The work of the FCCO and its cooperation with the Allied representatives lent considerable weight to the Swedish contention that Swedish and Allied efforts were already well-coordinated. Rubin also suggested that Sweden's application for membership in the United Nations also reinforced its claim to assume legal responsibility for the allocation of liquidated assets. During the discussions about gold at the Washington talks, the Swedish delegation made clear its readiness to return gold looted by Germany from the occupied countries but was uneasy about accepting the contention of the Allied delegations that all gold sold by Germany after a certain date, probably January 1943, was looted because Germany's own reserves, including hidden reserves and gold obtained from the Soviet Union and seized from Austria and Czechoslovakia, were exhausted by that time.⁴²

Negotiations moved swiftly and were concluded by July 3, but final agreement was delayed while approval was obtained from the Swedish Foreign Ministry. The Allied and Swedish delegations signed a formal accord on July 18. Of the estimated 378 million kroner (more than \$90 million) in German assets in Sweden, Sweden agreed to turn over approximately three-quarters to the Allies for purposes provided for under the Paris Reparations Agreement. The \$66.5 million in liquidated German assets were to be allocated to the Allies in the following manner:

- 50 million kroner (about \$12.5 million) would go to the Intergovernmental Committee on Refugees (later the International Refugee Organization) for the rehabilitation and resettlement of non-repatriable victims of Nazism.
- 75 million kroner (about \$18 million) was declared to be a "voluntary contribution" by the Swedish Government to the Inter-Allied Reparations Agency (IARA), excluding the amounts the United States, Britain, and France would get. It was agreed that decisions on the particular distribution of these \$18 million in liquidated assets would be made only after discussions between Sweden and the three major Allies on behalf of the IARA.
- 150 million kroner (about \$36 million) would go to assist in preventing disease and unrest in Germany. This sum would be placed in a special account in the Swedish Riksbank that could be used for purchases in Sweden or other countries of essential commodities for the German economy.

In return for the allocation of assets and the return of monetary gold, Sweden gained some concessions from the Allies. The accord permitted Swedish and German owners of liquidated property to be compensated in German currency; allowed for a Swedish mission to travel to the U.S., British, and French Zones of Occupied Germany to inspect Swedish properties; and called for the "defrosting" as soon as possible of Swedish assets frozen in the United States (estimated at the time at \$200 million). The Allies also agreed to the immediate removal of the "black lists," the procedure under which the U.S. Department of the Treasury identified a company or individual as being banned from trade and other transactions with the United States under wartime "Proclaimed Lists."⁴³

⁴² Seymour Rubin wrote a full account of the Allied-Swedish negotiations of May-July 1946, entitled "Allied-Swedish Accord on German External Assets, Looted Gold, and Related Matters," published in Department of State *Bulletin*, July 27, 1947, pp. 155-161. The text of the accord, July 18, 1946, was printed on pp. 162-168 of the same issue. A detailed account of the negotiations is included in Clarke, "The Safehaven Project," pp. 186-223, RG 169, Records Assembled by the Historian, Material on the Safehaven Project, 1943-1945, Box 991. Robert J. Schwartz included a summary account of the Swedish negotiations in "Draft of Sections of the History of Activities in Which the Treasury Department Participated with Respect to the Recovery and Distribution of Gold Looted by the Germans during the War and the Liquidation of German Assets Located Outside of Germany," January 29, 1952, RG 56, Acc. 66A-816, Special Subject Files, Box 1.

⁴³ Memorandum from Rubin to Hilldring, August 14, 1946, RG 59, Decimal Files 1945-49, 800.515/8-1446; Division of Monetary Research Activity Report, ca. July 1946, attachment to Division of

Little difficulty was encountered by the Allied and Swedish negotiators in resolving the issue of restituting looted gold. The Swedish delegation made clear from the beginning of the negotiations that Sweden would retribute looted gold that it had purchased from Germany. Agreement was reached early on that any gold removed by Germany from occupied Europe would be regarded as looted. The negotiations turned on the two remaining issues: first, precisely how much looted gold had been purchased from Germany and would be returned to the Allies, and secondly, what to do about such purchased looted gold that was subsequently sold to third countries.

The negotiators arrived at the following terms of agreement regarding gold, resolving the various matters at issue, and incorporated them into paragraphs 4 (a), (b), and (c) of the Allied-Swedish Accord and a separate statement made by the Allied delegation. Sweden agreed to the principle to retribute to the Allies "all gold acquired by Sweden and proved to have been taken by the Germans from occupied countries, including any such gold transferred by the Swedish Riksbank to third countries." July 1, 1947 was agreed upon as a deadline for the occupied countries to make claims regarding gold looted from them. On the basis of the evidence already available to the negotiators but subject to further checking, Sweden agreed to retribute 7,155.32664 kilograms of gold (worth approximately \$8 million) corresponding to the looted Belgian monetary gold acquired by Sweden. These undertakings were understood to be a "Gold Declaration."

Limitations on Sweden's obligations to retribute gold already transferred to third countries were effected by the negotiators by an article in the Accord and a separate statement by the Allied delegation. The article explained that "The Allied Governments undertake to hold the Swedish Government harmless from any claims deriving from transfers from the Swedish Riksbank to third countries of gold to restituted according to the above declaration." In a separate statement, the Chairman of the Allied delegation further refined the Sweden's immunity to claims for looted gold transferred to third countries:

"In connection with the paragraph in the letters exchanged today dealing with looted gold, we wish to confirm to you our understanding that, in view of the evidence already produced and checked, no further claim will be presented to Sweden by the Government signatory to the Paris Reparation Agreement or their banks of issue with regard to any gold acquired by Sweden from Germany and transferred to third countries prior to June 1, 1945."⁴⁴

Monetary Research Activity report, ca. October 11, 1946, RG 56, Acc. 66A-816, Box 19; "Draft of Sections of the History of Activities in Which the Treasury Department Participated..." January 29, 1952, by Robert J. Schwartz, p. 15, RG 56, Acc. 66A-816, Special Subject Files, Box 1; Schwartz to Richards, April 28, 1947, *ibid.*, Looted Gold: General; Background of Programs, 29 January 1952, *ibid.*; Schwartz to Richards, April 28, 1947, *ibid.*

⁴⁴ For text of the agreement, see 61 Stat. 3191-3237. See also "Draft of Sections of the History of Activities in Which the Treasury Department Participated..." January 29, 1952, by Robert J. Schwartz, pp. 15-16, RG 56, Acc. 66A-816, Special Subject Files, Box 1; and Rubin, "Allied-Swedish Accord..." Department of State *Bulletin*, July 27, 1947, p. 160. The Allied-Swedish negotiations of May-July 1946 and the resulting accord of July 1946 are summarized in "Sweden and the Nazi Gold," Sweden's contribution to the London Conference on Nazi Gold, December 1997, which is one part of the projected report of the Swedish Commission on Jewish Assets in Sweden at the Time of the Second World War. This Swedish official report also reviews in some detail the Swedish view of the post-accord negotiations over Belgian and Dutch looted gold.

The Allied-Swedish Accord committed Sweden to restitute at least \$8 million of looted Belgian monetary gold. It also held open the door for other claims by occupied countries, and Netherlands did subsequently file a detailed claim for 8.606 kilograms (about \$9.7 million) of looted gold within the July 1, 1947 deadline. Sweden, however, delayed the restitution of the gold to Belgium and to the Netherlands while it confirmed the accuracy of the information presented in the claims. Allied-Swedish negotiations dragged on and were not completed until 1955.

G. Evaluation of the Allied-Swedish Agreement of July 18, 1946

In a preliminary summary report on these negotiations addressed to Under Secretary of State for Economic Affairs Will Clayton and to Assistant Secretary for European Affairs H. Freeman Matthews soon after the conclusion of the agreement, U.S. negotiator Seymour Rubin noted that: "Generally, it seems agreed that the negotiations have ended successfully." The talks proceeded smoothly and with an "absence of the bitterness" that characterized the Swiss negotiations, and the final understanding was "a firm step forward in the removal of possible irritants between Sweden and the Allies. From the point of view of either economic security or reparations, it seems agreed that the understanding achieves our ends." Rubin stressed that the important economic security objectives of the Allies had been fully achieved, and the policies and procedures instituted by Sweden would ensure that all German influence or resources would be liquidated.⁴⁵ In comparison to the 50-50 split of German assets with the Swiss, the Swedes agreed to deliver almost 73 percent of their holdings.⁴⁶ He commented that there had been little or no difficulty in reaching agreement in the gold negotiations:

"It was agreed from the outset that any gold removed by Germany from the occupied areas, on whatever pretext or through whatever method, would be considered as having been looted. Discussions on the gold question were therefore reduced merely to the technical question of identification of the gold transferred by Germany to Sweden during the course of the war which had been removed from the occupied countries. The books on both sides were opened and, as a result, agreement was reached."⁴⁷

In his long final report of December 1946, Rubin wrote:

"In conclusion, it should be noted that the Swedish negotiations were conducted in a much more harmonious manner than the Swiss. Justice Sandstrom, 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 interests in Sweden but also a fully adequate realization of the principal part of the proceeds obtained from such liquidation."⁴⁸

⁴⁵ Memorandum by Rubin, July 24, 1946, copies to Clayton and Matthews, RG 59, Decimal Files 1945-49, 800.515/7-2446.

⁴⁶ Memorandum by Rubin, July 24, 1946, *ibid.*; Rubin Report on Allied-Swedish Negotiations, December 2, 1946, *ibid.*, 800.515/12-246. Minutes of the negotiations held on July 13, 1946, which include details of looted gold and other assets in Sweden, were attached to despatch 1503 to Stockholm, July 30, 1946, *ibid.*, 800.515/7-3046.

⁴⁷ Rubin, "Allied-Swedish Accord on German External Assets," Department of State *Bulletin*, July 27, 1947, p. 160.

⁴⁸ Rubin Report on Allied-Swedish Negotiations, December 2, 1946, RG 59, Decimal Files 1945-49, 800.515/12-246.

Within the State Department, there were some strong reservations regarding the accord negotiated with Sweden. Assistant Secretary of State for Occupied Areas John Hilldring was briefed in mid-August by W. A. Rudlin of his staff. Rudlin told Hilldring that the Allied-Swedish accord was better than that reached with the Swiss, and was "as good as could be expected given (a) the firm attitude of the Swedes, and (b) the implications of the decision by the State Department not to use sanctions or the threat of them in negotiation with the neutrals on German assets."

Rudlin identified three major drawbacks to the Allied-Swedish accord. First, it was very complicated, made up of 30 different exchanges of letters with the Swedish delegation, and called for the liquidation of German assets on such a piecemeal basis as to be impossible to summarize. Second, the accord incorporated Sweden's refusal to recognize the authority of the Allied Control Council or the validity of ACC Law No. 5. Instead of handing over the proceeds of the liquidated assets to the Allied Control Council or the Allies directly, Sweden undertook to allocate the proceeds directly for the support of refugees or to make "voluntary contributions" to member states of the Inter-Allied Reparations Agency (IARA) that Sweden found appropriate. Finally, the 150 million kroner (\$36 million) assigned by Sweden under the accord for the support of the German economy might appear to relieve the Allies of that much of the burden of occupation costs, but because the sum was in the Sveriges Riksbank, the United States and the other Allies would have to expend the equivalent of 150 million kroner in Sweden, and the Swedish economy would be the beneficiary.⁴⁹

H. Implementation of the Allied-Swedish Accord of July 1946

While the negotiators of the Allied-Swedish accord of July 18, 1946, were satisfied with what they felt was a successful resolution of the difficult issues of restitution and reparation, implementation proved to be difficult and contentious. Once the Swedish Parliament formally ratified the accord in November 1946, a portion of the accord was speedily executed. In July 1947 the Preparatory Commission of the IRO received from Sweden 50 million kroner (about \$12.5 million) for the support of non-repatriable refugees in Europe, of which a considerable portion was in sterling and other currencies that could be used for the rehabilitation and transportation of the refugees.⁵⁰

Sweden's implementation of the other provisions of the July 1946 accord stretched out into the postwar years. The contribution of \$36 million in liquidated German assets to the German economy was divided among the three occupying powers. The British share was turned over in April 1947, but agreements with the United States parceled out the American share, used for the purchase of Swedish products, from 1947 through 1951. The initial French shares were transferred by agreements in 1948, but a portion was withheld until December 1951 when the remainder was assigned to Bank deutscher Länder.⁵¹

As late as 1948 Sweden was still arguing that the Allies had no rights to German external assets in Sweden under ACC Law No. 5, prompting the U.S. Embassy to present a formal note to Sweden again explaining the legal basis for the Allies' claim.⁵² The protracted negotiations concerning the distribution of the 75 million kroner (\$18 million) in liquidated German assets earmarked under the accord for the IARA confounded the Allies. In August 1947 the Swedish Government rejected an IARA-proposed distribution of the \$18 million among the various European nations seeking to recover from Nazi occupation. Sweden proposed an alternative plan that retained most of the \$18 million for reparation to Norway, Denmark, and

⁴⁹ Memorandum from Rudlin to Hilldring, August 14, 1946, *ibid.*, 800.515/8-1446.

⁵⁰ Seymour Rubin and Abba Schwartz, "Refugees and Reparations," in *Law and Contemporary Problems, War Claims*, School of Law, Duke University, vol. 16, Summer 1951, No. 3, p. 382. Airgram A-83 from Stockholm, January 23, 1948, reported that \$6.5 million of the \$12.5 million contributed by Sweden to the PCIRO had already been expended, that another \$1.5 million in sterling would be transferred to the Jewish Agency for Palestine in the first four months of 1948, and the balance of \$5 million would be transferred for the purchase of necessary supplies by the Joint Jewish Distribution Committee. Abba Schwartz, Reparations Director of the PCIRO, told the Legation that the current requirements of the PCIRO had "received the most courteous and sympathetic consideration by the officials of the Riksbank." (RG 84, Legation Stockholm, Confidential File, 1948, 020-863)

⁵¹ Some details of the disposition of the value of German liquidated assets for use in occupied Germany are presented in "Sweden and the Nazi Gold," pp. 4-5, prepared by the Swedish Commission on Jewish Assets in Sweden at the Time of the Second World War.

⁵² Despatch 41 from Stockholm, including Note No. 28 to the Royal Ministry of Foreign Affairs, January 23, 1948, RG 59, Decimal Files 1945-49, 800.515/1-2348.

the Netherlands, nations which had already had received their full reparation shares from the IARA. Sweden would negotiate bilaterally with each recipient member nation rather than operate through the IARA.

In April 1948 U.S., British, and French representatives met in Paris at the Conference on Economic Security to discuss outstanding issues on the disposition of German external assets, and Sweden's delay in implementing the July 1946 accord was a prominent issue. At the meeting France referred to newspaper reports that indicated that the proceeds to Sweden from German assets had risen above the 100 million kroner level, raising the possibility of re-opening the Allied-Swedish negotiations in order to increase the allocation to the Allies of some of the excess beyond the 1946 estimates. U.S. representative Seymour Rubin was skeptical about the reports, doubted the possibility of obtaining any excesses from Sweden, and thought that the French representative was not enthusiastic about his own proposal.⁵³

The tripartite conference led to no change in Allied policies toward Sweden regarding German external assets, and negotiations dragged on until December 1949 when a distribution among nine IARA nations was finally agreed upon. Even this agreement proved to be not fully acceptable to Sweden which, by September 1952, had distributed all but 7 million kroner (\$1.4 million at 1952 exchange rates) destined for Belgium and Luxembourg (or the Belgian-Luxembourg Economic Union). Sweden insisted that the allocation to Belgium and Luxembourg be regarded as a repayable credit, a notion rejected by the would-be recipients. Ultimately, after further extended discussions with U.S.-British-French negotiators, the Swedish Government determined in December 1956 that the undistributed 7 million kroner from liquidated assets was being put at the disposal of the U.N. High Commissioner for Refugees.⁵⁴

In 1953 the Swedish Government sought to obtain Allied agreement to a proposal to have West Germany repay Sweden for the 150 million kroner (\$36 million) in external German assets applied under the July 1946 accord to forestall disease and unrest in Germany and to finance purchases essential for the economy. The \$36 million would come out of the massive U.S. postwar economic assistance extended to Germany and which West Germany began to repay under a 1953 agreement. Sweden preferred that the \$36 million revert to Sweden and that West Germany's repayment be applied to the compensation of former owners of German assets in Sweden. Such an arrangement would have allowed Swedish businessmen important financial exemptions in West Germany. The issue remained a matter of controversy between the Allies and the Swedish Government until it essentially expired in the wake of a West German-Swedish agreement settling questions relating to German assets in Sweden.⁵⁵

I. Swedish Restitution of Looted Monetary Gold

The implementation of the monetary gold aspects of the July 1946 Allied-Swedish accord proved to be as difficult as that of the liquidated German assets. Sweden did not turn over the agreed monetary gold by the March 1948 deadline, with Swedish negotiators claiming that the gold had not yet been properly identified. On March 15 the U.S. Embassy rejected this assertion and requested that the transfer be made promptly, as agreed, to the Tripartite Gold Commission.⁵⁶ The Allies discussed these compliance problems at the Conference on Economic Security in Paris in April 1948, where the French representative asked if Sweden's failure to live up to the 1946 accord did not warrant renewed negotiations with Sweden, but the United States felt that Swedish obligations under the accord were perfectly clear, and the only question that Sweden could legitimately raise was the identification matter.⁵⁷

⁵³ Report by Seymour Rubin, Chairman of the U.S. Delegation to the Conference on Economic Security, Paris, April 26-May 7, 1948, *Foreign Relations*, 1948, vol. II, pp. 859-865.

⁵⁴ Despatch 331 from U.S. Delegation to the IARA in Brussels, February 13, 1952, *ibid.*, Decimal Files 1950-54, 262.0041/2-1352; despatch 262 from Stockholm, September 15, 1952, *ibid.*, 262.0041/9-1552; telegram 432 from London, July 28, 1953, *ibid.*, 262.0041/7-2853; *IARA Final Report*.

⁵⁵ *Ibid.*, p. 33.

⁵⁶ Despatch 125, March 16, 1948, with attached Note No. 58, March 15, 1948, RG 59, Decimal Files 1945-49, 800.515/3-1648.

⁵⁷ Report by Rubin on the Conference of Economic Security, undated, *Foreign Relations*, 1948, vol. II, p. 863. The Swedish Independent Archives Inquiry report, "Sweden's Gold Transactions With Nazi Germany," Section 1,3,4,3, relates that in 1948 representatives of the French National Bank (France had compensated Belgium for its lost monetary gold) presented evidence to the Riksbank, including pages from the Prussian Mint Smelting Record for 1943, to substantiate the Belgian claim of the German conversion of the Belgian monetary gold and the transfer to the Riksbank of 7,311 kilograms of gold. Swedish

On May 12, 1948, Sweden delivered a note to the U.S. Embassy in Stockholm claiming that further investigations were needed to determine if its gold holdings included looted gold as defined in the July 1946 accord.⁵⁸ The State Department discussed a response with the British and French Embassies in Washington, and in July the three Allies delivered separate but similar notes to Sweden. The Allies argued that all investigations had been completed by the Bank of France and the Riksbank soon after July 1946 and that no further investigation was needed.⁵⁹ Ultimately, Sweden transferred to the Tripartite Gold Commission account at the Federal Reserve Bank in New York in December 1949 the 7,155 kilograms of gold stipulated under the July 1946 accord. Making up the transfer were 401 gold bars shipped from Sweden to New York in October 1947 and 170 gold bars shipped to the Swedish account at the Federal Reserve in December 1947.⁶⁰

Another difficult problem arose over the restitution of monetary gold looted by Germany from the Netherlands. This Dutch gold had not been discussed during the Allied-Swedish negotiations in Washington nor mentioned in the July 1946 Allied-Swedish accord. In May 1947, shortly before the expiration of the July 1, 1947, deadline for gold claims under the accord, the Allies began negotiations with Sweden for the restitution of 638 looted gold bars totaling 8,607 kilograms and worth about \$9.7 million. (The Reichsbank had not considered it necessary to re-smelt much of the looted gold, most of which consisted of bullion that had come from outside the Netherlands. The Prussian Mint did re-smelt over 85 million gold coins. More than half of the gold acquired by Sweden from Germany in 1942 and 1943 consisted of coins.⁶¹) Sweden challenged a portion of these claims, arguing that some of the monetary gold had been acquired before the January 1943 London Declaration. The Allies claimed, however, that the July 1946 accord clearly stated that Sweden would reconstitute all looted gold. Swedish representatives held firmly to their contention that the accord did not apply to looted gold acquired prior to 1943.⁶²

negotiators reduced the total Belgian gold for which Sweden was responsible to 7,155 kilograms by subtracting 156 kilograms to the Credit Suisse Zurich in July 1943 and therefore not returnable inasmuch as the Allied-Swedish accord of July 1946 held Sweden responsible only for the gold in Sweden's possession in June 1945.

⁵⁸ Despatch 221 from Stockholm, May 12, 1948, with two notes of May 4, 1948, attached, RG 59, Decimal Files 1945-49, 800.515/5-1248.

⁵⁹ Despatch 74 to Stockholm with attached draft note, July 13, 1948, *ibid.*, 800.515/5-1248.

⁶⁰ Federal Reserve Bank of New York's official Account Activity Report for the Tripartite Gold Commission (Attachment C to the Report of the Federal Reserve Bank at the London Conference on Nazi Gold, December 1997).

⁶¹ "Sweden and the Nazi Gold," report by the Swedish Commission on Jewish Assets in Sweden at the Time of the Second World War, presented to the London Conference on Nazi Gold in London, December 1997, pp. 8-9; and "Sweden's Gold Transactions With Nazi Germany," report by the Swedish Independent Archives Inquiry, December 1997, Section 1,3,4,4.

⁶² Schwartz to Schmidt, May 8, 1947, RG 56, Acc. 70A-6232, Box 22 (this report mentions only 84 gold bars looted from the Netherlands and subsequently acquired by Sweden); Memo to the Files re Meeting at State Department Concerning Looted Dutch Gold Acquired by Sweden, June 23, 1947, *ibid.* (this memorandum establishes 638 gold bars as the official tally of looted gold in the two additional Allied claims against Sweden); "Draft of Sections of the History of Activities in Which the Treasury Department Participated....," January 29, 1952, by Robert J. Schwartz, *ibid.*, Acc. 66A-816, Special Subject Files, Box 1.

According to "Sweden's Gold Transactions With Nazi Germany," Section 1, 3,4,4, and "Sweden and the Nazi Gold," pp. 9-10, the Riksbank acquired in 1942 and 1943 8,607 kilograms of looted Dutch gold of which 5,003 kilograms were coins. In the lengthy negotiations after the Swedish-Allied accord of July 1946, the Swedish negotiators took the position that 1,008 kilograms of gold acquired in November 1942 had been sold to Swedish industry and should not be included in the Dutch claim, reducing the total of negotiable looted gold to 7,599 kilograms. According to "Sweden's Gold Transactions With Nazi Germany," Swedish negotiators argued both (a) that gold obtained from Germany before the January 1943 Allied Gold Declaration had been obtained in "good faith" and (b) that only gold acquired after January 1943 could be regarded as looted gold. According to the report, Sweden's negotiating position on the Dutch looted gold was commented upon by the Chairman of the Riksbank Board of Governors, Dag Hammarskjöld: "It would seem to be impossible to claim 'acquisition in good faith' now if it had not been

In December 1947 the Netherlands furnished its final data on looted gold bars to the Swedish Riksbank. Sweden declared the evidence inconclusive. In November 1951 the State and Treasury Departments seemed ready to accept Sweden's argument but no action was taken. In fact, State did not even reply to a 1952 note from Sweden reiterating its claim that it was not accountable for any gold acquired prior to 1943. Swedish and U.S. representatives met to discuss the issue further, and their talks led to May 1954 discussions between Swedish and Dutch negotiators in Washington where the Dutch claim proved conclusive.⁶³ In April 1955 Sweden transferred to the Tripartite Gold Commission a further 479 bars of gold from its account at the Federal Reserve Bank in New York amounting to about 6,000 kilograms worth about \$6.8 million.⁶⁴

The Allied negotiators finally tried to bring the protracted negotiations over the Dutch looted gold to a conclusion by reducing the Allied claim by over a quarter if Sweden would come to a final agreement. For their part, the Swedish negotiators decided to conclude such an agreement rather than make use of the arbitration procedures provided for in the Allied-Swedish accord of July 1946. The compromise agreement, approved by the Swedish Parliament, provided for the transfer of 6 tons of gold to the Tripartite Gold Commission.⁶⁵

J. U.S. Attitude Toward Sweden's Postwar Neutrality

The nearly ten years of Allied-Swedish exchanges and negotiations over the implementation of the July 1946 accord on restitution and reparation were conducted against a background of evolving U.S. leadership in the reconstruction of Europe and the onset of the Cold War. Sweden was resolute in maintaining a policy of neutrality during the Cold War. It did not receive U.S. economic or military assistance, it did not become the site of U.S. bases, and it was not included in regional military and political alliances aimed at warding off possible Communist aggression, above all NATO. Sweden's wartime neutrality echoed in those occasions when Swedish and U.S. leaders sought to define an understanding of Sweden's position in the postwar Cold War world. Swedish Foreign Minister Osten Unden called on Secretary of State George C. Marshall in Paris on October 14, 1948, during a meeting of the United Nations and sought to explain traditional Swedish neutrality. He made a particular point of describing Sweden's careful neutrality toward the Soviet invasion of Finland in 1940 and the possible postwar Soviet threat to Finland. Secretary Marshall took the opportunity to explain his own views on neutrality, reminding Unden what would have happened if the United States had remained neutral in two world wars. He summed up his view of why neutrality was impossible in the modern world:

"After pointing out what the tragic results would have been in the world had the United States remained neutral, I explained what the world is now up against and what we are trying to do about it. I said that, unfortunately, we were confronted by a state which appeared to be utterly ruthless and devoid of all of the human decencies of modern civilization—a state which seized and used every expediency to serving its particular ends without regard to ethics. I said that if this ruthless force were not opposed, it seemed to us that we were confronted by the possibility of a gradual establishment over the world of police states, and that this was abhorrent to us. I said we were against such a development, whether it took the form of force such as the Norwegian experience with Germany, or the new form as exemplified recently in Czechoslovakia. I said that the United States was against the imposition on free peoples anywhere, against their will, of the police state."⁶⁶

claimed before or at the latest by the Washington agreement. Every attempt to avoid payment according to the line stated will easily assume the character of casuistry."

⁶³ Memo to the files, October 12, 1951; Willis to Bonbright, November 15, 1951; Minutes of the Swedish-Allied Conference on Looted Gold, May 19, 1954, all in RG 56, Acc. 70A-6232, Box 22.

⁶⁴ Swedish Riksbank Press Release, December 20, 1996.

⁶⁵ "Sweden's Gold Transactions With Nazi Germany," Section 1,3,4,4. According to the Federal Reserve Bank of New York's official Account Activity Report for the Tripartite Gold Commission (Attachment C to the Report of the Federal Reserve Bank at the London Conference on Nazi Gold, December 1997), the Swedish Riksbank transferred 479 bars of gold, comprising 192,904 ounces, from its account at the Federal Reserve to the TGC account on April 29, 1955.

⁶⁶ Memorandum of conversation between Secretary of State Marshall and Foreign Minister Unden, October 14, 1948, RG 59, Conference Files, Lot 53 D 444.