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SWITZERLAND AND THE UNFINISHED BUSINESS OF WORLD WAR II

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Reappraisals after the Cold War

World War II, with its global mass killings and the Holocaust, is the epochal event of the age. Each generation has its interpretation of the war's meaning and its heroes and villains. Despite the fact that the war ended more than half a century ago and the number of those who participated in the war and escaped death in the concentration camps is fast dwindling, the conflict retains the power to shock and surprise.

The war has spawned new issues, many of which can be termed the unfinished business of that global conflict. There are judicial issues such as the lax pursuit of Nazi war criminals and their collaborators living in the West; there are regional issues such as restructuring NATO to ensure the peace of Europe now that the Cold War has been relegated to the history books. And there remain unresolved Holocaust-related issues like looted Jewish art hanging in European museums and in private collections, and the role Switzerland and its banks played during the war.

The collapse of the Soviet Union and the end of the Cold War have altered moral perspectives in a fundamental way. It is now possible to look afresh at the policies of Western and Eastern European governments and those of neutral countries in ways not possible during the East-West confrontation. During this period of ill-disguised hostility, the energies of the West were concentrated on reshaping its economic and political institutions and containing Soviet expansionism. The great moral issues that arose from the war were pushed to the side and self-examination repressed. The de-nazification program in Germany and Austria soon became something of a joke and it was not long before Nazis with unsavory war records found their way to settle in the United States, Canada, and other countries in the West.

There was little inclination to examine the behavior of Vichy France or of neutral countries such as Switzerland or Sweden. Without high-level efforts to ferret out the truth, national mythologies were nurtured and it was not long before they were

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assimilated into the national psyche. Witness the myths that were propagated about the extent of French resistance to the German occupation, the claims by Germany's postwar leaders that most Germans opposed Hitler and that the German army was free of the taint of Holocaust-related crimes, and the widely believed myth of a great many Swiss that it was the power of their army that kept the Wehrmacht from invading their country.

Freed of the political imperatives of the Cold War, some of Europe's political leaders have shown a willingness to address the moral dimension of the past. One of the first to speak out was French President Jacques Chirac who acknowledged the willing role of the Vichy government in collaborating with the Germans in sending Jews to the death camps. The trial of Vichy official Maurice Papon is a demonstration by this generation of French people of their willingness to examine the criminal past of Vichy and to face up to the reality that Vichy was France. Austria, for the first time, has acknowledged that many of its citizens had carried out criminal acts against Jews following the *Anschluss*, and has set up a modest fund to provide token payments to survivors. French and Austrian Catholic bishops have come forward to acknowledge the failure of their church to help Jews escape the Holocaust in their countries. The union of French policemen offered a *mea culpa* for the role of the French police in rounding up Jews for deportation to the concentration camps. This national soul-searching is showing signs of making limited headway in other countries as well. No less an organization than the Red Cross publicly admitted to a "moral failure" for not having spoken out against Nazi genocide. The common mantra of those who argue the need to address the moral issues of the war, often in the face of strong political opposition by nationalist groups, is that a country unwilling to confront its past will be unable to face its future.

Switzerland Had a "Good War"

While the force of this logic has begun to take hold in a number of European countries, Switzerland has long stood out for its smug refusal to subject its wartime record, particularly its treatment of Jews, to public scrutiny. As a neutral, this alpine country was spared the horrors of the German military onslaught against its neighbors. Its cities were not bombed, its industries and commerce prospered, thanks to trade with both the Axis powers and the Allies, and its population did not have to endure anything more rigorous than rationing. From an economic point of view, Switzerland, it could be said, had a "good war," trading with both sides and emerging from the war with enormous gold and foreign

currency reserves. There are other aspects of Switzerland's unsavory war record that are coming to light over the past year and a half that have stripped it of an image that mixed financial probity and political neutrality, alpine landscapes and ingenious watchmakers.

During the war, the Swiss authorities repeatedly brandished the argument of neutrality to oppose Allied demands to cut back on trade with Nazi Germany. Neutrality, Berne argued, only meant non-belligerence and did not imply economic neutrality. Trade, particularly the sale of weapons and war-related material, became the *plat du jour* in the Swiss wartime marketplace. U.S. Undersecretary of War Robert P. Patterson wrote of this trade, in a document recently uncovered at the National Archives: "Down to the fall of 1944, the Swiss produced and exported to Germany large quantities of ammunition, aircraft parts, radio equipment and other military supplies.... They also furnished electric power to Germany, and their railroads carried a heavy traffic for the Germans between Germany and Italy. These activities were of substantial assistance to the Germans in waging war." Little wonder that Dean Acheson, who later became Secretary of State in the Truman Administration, wrote in his memoirs: "Neutrals were judged to be enemy sympathizers."

Much of this trade was financed from gold looted by Germans from central bank vaults in France, the Netherlands, Belgium, and the other countries overrun by German armies. An indeterminate amount of this gold was stolen from Jews, some of it literally torn from the teeth of death camp victims. This gold, along with monetary gold of German-occupied countries, was melted down into swastika-stamped bars and shipped to Switzerland and other neutral countries. According to a report of the World Jewish Congress, Nazi Germany sold a total of \$700 million worth of looted gold to Switzerland and other self-declared neutral countries. Of this amount — worth about \$7 billion at today's prices — \$425 million found its way to Switzerland. In permitting Nazi Germany to exchange gold for currency, the Swiss enabled the Germans to sustain their war machine. Thus, while Allied armies were battling German armies to liberate Europe from the tentacles of Nazi power, Swiss banks, with the approval of their government, played an important and trusted role as bankers for Nazi Germany. German officials, moreover, had easy access into Switzerland for the purpose of storing looted works of art, much of it taken from private Jewish collections. Berne also laundered about \$100 million of the looted German gold by shipping it, at the request of Berlin, to Portugal, Argentina, and other safe havens.

Despite warnings from the Americans and British that they would not recognize the legal validity of these actions, they were ignored by the Swiss who believed, rightly, that Washington and London would be too distracted to make good on these threats once the war was over. After the war, Switzerland agreed to return only \$58 million of what undoubtedly involved gold once owned by Jews and other victims of the Nazis. Once the Cold War set in, any lingering thoughts by the Allied powers to reclaim gold and other assets that found their way into Switzerland were quietly quashed.

Did the Swiss Have a Choice?

Swiss arguments that it had no other choice but to trade with Nazi Germany lest the Wehrmacht march into their country became all the more suspect when in early 1945, with the defeat of the Reich only a matter of time, Berne continued to allow Germany to use its railway system to wage war against Allied soldiers. In January 1945, Switzerland also turned down an Allied offer of war materials from its own stockpiles on condition that it reduced trade with Germany. Citing a treaty with Germany permitting use of its railway network, Berne disingenuously invoked its legal obligations to Berlin at a time when untold numbers of people were being killed in neighboring countries. According to Tom Bower, a British investigative historian, the Swiss government continued to extend credit to the faltering Nazi regime in the knowledge that there was no possibility of repayment. All the while, German firms supplying coal and ore to Switzerland were allowed to accumulate Swiss francs in Swiss bank accounts for use after the war.

Berne's close economic and commercial ties with Nazi Germany stood on its head the long-nurtured myth that it was its half-million citizen-soldier army hunkered down in its alpine fastness that deterred Hitler from adding that country to his list of conquests. The reality was something else. The Fuehrer had no need to conquer Switzerland because he had effectively coopted a good part of its industry, banking, and transport system to serve his own needs. This was the *realpolitik* insurance that Berne only too willingly subscribed to as a way to protect the country from attack. In fairness to the Swiss, there was always the fear that Hitler just might send his armies across the border. Yet this possibility receded after the invasion of the Soviet Union in June 1941 and all but disappeared after the battle of Stalingrad in 1943.

In explaining this policy, Switzerland has argued that it had no other option, surrounded as it was by Nazi-occupied countries and with its overseas assets

frozen by the Allies. Berne also pointed out that it needed German coal, ore, and fuel to maintain its economy. At the same time, the Swiss argued, they continued to trade with the Allies and, with the government's permission, they allowed the U.S. to run a large-scale intelligence operation in their country.

Switzerland's neutrality, recognized by the Declaration of Paris in 1815 and reaffirmed by the Treaty of Versailles in 1919, is the cornerstone of Berne's foreign policy. Without it, the Swiss argue, the country's very existence would be at stake because involvement in a European war would fracture the country's delicate demographic balance and lead to its disintegration. But during World War II, neutrality came at a price that few Swiss cared to acknowledge. By insulating themselves from the travails of those around them, they became blind to the moral issues of the times. One lesson of the war was that the Swiss proved incapable of distinguishing between good and evil, making their vaunted neutrality morally indefensible. Anything that posed a threat to that dearly held Swiss sense of *Ordnung* was instinctively cast aside. In trying to understand this mind set, it may well be a consequence of the isolation of a people who refuse to take part in organizations that promote world peace. Until this day, the Swiss people have rejected membership in the United Nations, although they have enjoyed the benefits the organization has brought to humankind.

Closing the Gates of Refuge

Despicable as trading gold for munitions was, nothing tipped the moral balance more powerfully than the revelations that Switzerland had turned away some 30,000 Jews seeking refuge in a country thought to have a long tradition of giving asylum to people at risk. By handing these helpless and frightened people over to the Gestapo, an action bitterly opposed by the Swiss Jewish community and sections of the non-Jewish Swiss population, the Swiss government knew it was sealing their fate. Swiss businessmen traveling through Germany and the occupied countries had seen first-hand the beatings and executions of Jews and knew of the existence of the death camps, and dutifully reported back on what they had observed. Despite this, starting in mid-1942 the authorities, not a few of whom were Nazi sympathizers, put an end to the practice of granting refuge to Jews. Prior to this, the government allowed 28,000 Jews into the country but charged the Jewish community a tax for their upkeep.

This heartless policy found its origins in the 1930s when Switzerland blocked entry to Jews fleeing Nazi persecution. During this period, Berne allowed 14,000

Jews into the country but half were later compelled to leave. As more and more Jews and non-Jews fled Hitler's Germany, it became difficult to identify who among these refugees was Jewish. In order to deal with this problem, the Swiss Minister of Justice and Police, Dr. Heinrich Rothmund, instructed Dr. Hans Frohlicher, the pro-Nazi Swiss ambassador in Berlin, to request the Germans to mark the passports of Jews with a distinctive sign. Not much effort was needed to persuade the German authorities to do this. Starting on September 7, 1938, they prominently stamped passports held by Jews with the letter "J." Another regulation handed down by the Swiss federal police in August 1942 denied political refugee status to persons who became "refugees only on racial grounds." A law better tailored to apply solely to Jews could scarcely be imagined!

The refugee policy applied to Jews had weighed heavily on the conscience of many Swiss who saw in it a betrayal of many of their own cherished beliefs on the need to afford succor to the suffering. At a memorial service on the fiftieth anniversary of V.E. day, Kaspar Villiger, then President of the Swiss Confederation, expressed "deep regret at (our) unforgivable errors." "Countless Jews," he admitted, "were sent to a certain death because they were denied access to Switzerland." Villiger's remarks, however, did not cause many Swiss to search their souls about this episode of their history.

In lecturing the Swiss about their abysmal record in welcoming Jews and other persecuted minorities during the Nazi era, it would be well to recall that most Western countries did no better. The U.S. State Department during the Roosevelt administration turned away scores of thousands of Jews who came knocking at the gates of its European consulates in the forlorn hope of finding refuge from the darkness that was engulfing them.

Tracing Dormant Bank Accounts

Ironically, the international obloquy that Switzerland has been subjected to in recent months has largely been of its own doing. The torrent of criticism was triggered by the adamant refusal of Swiss bankers to search out dormant accounts that had been opened by Jews in Switzerland before the war. Holocaust survivors or their heirs, who had sought over many years to take possession of the monetary assets and other valuables contained in the accounts, were told they had to produce identification papers and the death certificate of the depositor — as if the commandants of Auschwitz and Treblinka had provided such certificates. The Swiss bankers, who were a law unto themselves,

refused to recognize the unique circumstances of the survivors. At no time did they make the smallest gesture to establish special procedures that would enable the survivors or their heirs to reclaim what was rightfully theirs. These grey-suited bankers, abetted by a compliant government, carried on a conspiracy of silence and deceit. They understood the weakness of the claimants and stonewalled them, cynically expecting that as they died off the problem of the supposedly non-existent bank accounts would solve itself.

Only recently the tables have begun to be turned against these Holocaust profiteers. An audit in early 1996 turned up 775 accounts having a value of SF38 million (\$32 million), far more than the SF9.4 million that was discovered in 1962, suggesting that there was more money there than meets the eye. A pivotal event was the publication in 1995 of *Switzerland and the Jews: 1933-1945* by Jacques Picard, a Swiss-Jewish historian, which shed new light on the activities of the banks and fueled renewed interest in the unreleased funds. As a result of these and other findings, the Swiss agreed to the establishment of a commission led by Paul A. Volcker, the former chairman of the U.S. Federal Reserve Bank, to "audit all Swiss banks' archives" to search for other dormant accounts.

The efforts of survivors and their heirs to secure justice were also helped by the wide coverage of the European media. Most significantly, they had the support of the World Jewish Congress led by its president Edgar Bronfman. After a disappointing meeting with the bankers in September 1995, Bronfman used his considerable influence in Washington to contact powerful people including New York Republican Senator Al D'Amato, chairman of the powerful Senate Banking Committee. D'Amato, who had been suffering bad press and bad ratings in public opinion polls, jumped at the opportunity to deal with the issue and scheduled hearings to which Swiss bankers were invited. In addition, at a Democratic fund-raising luncheon for Mrs. Clinton, Bronfman used the opportunity to tell her about his quarrels with the Swiss bankers. She arranged a meeting with President Clinton who pledged his support and instructed Undersecretary of Commerce Stuart Eizenstat to coordinate the preparation of a multi-agency government study on Switzerland's wartime dealings with Nazi Germany.

As a result of this brilliant political maneuvering, Bronfman and his assistants, Israel Singer and Elan Steinberg, slowly but surely cut the ground from underneath the Swiss bankers. Wide publicity was given to the wrenching testimony of Holocaust survivors and their heirs before the D'Amato committee

about the heartlessness of Swiss banking officials in responding to their requests for information about the missing assets. Furthermore, the bank executives, accustomed to maintaining a Trappist silence on these matters, responded to searching questions by committee members with guilt, arrogance, and stupidity.

Establishing Compensation Funds

Foolish as their behavior was, it paled in comparison with the ineptness of high government officials who were responsible for dealing with Bronfman and other concerned Jewish leaders to ward off pressure for punitive action against Swiss banking interests in the United States. Following a private luncheon on December 9, 1996, between Thomas Borer, a top Swiss diplomat, and Edgar Bronfman and Israel Singer, the WJC general secretary, Borer cabled to Berne that the WJC leaders had warned of threats to Swiss interests if his government did not sign a "declaration of intent" to establish a fund for Holocaust survivors. These assertions, heatedly denied by the WJC, provoked a political storm in Switzerland and in the United States.

Seizing on the report, many Swiss politicians claimed to see a vast Jewish conspiracy against their country. In a newspaper interview, outgoing President Jean-Pascal Delamurz accused the WJC of "extortion and blackmail" and cited the report as evidence of an attempt to "destabilize" Switzerland and of a desire in Washington and London to "demolish the Swiss financial center." Jewish groups in the United States condemned these remarks as provocative, and editorial comment in leading American newspapers were sharply critical of the Swiss. Delamurz's crude comments, the Swiss soon recognized, were a major public relations disaster and further weakened their case.

The crisis was defused through skillful diplomacy, but not before considerable damage was done. In Switzerland, the remarks provided cover for anti-Semites to bombard Swiss newspapers with vitriolic mail and set off a ripple of unease through the Jewish community, which feared the revival of long-dormant anti-Semitic feelings. Just as the worst seemed over, a security guard happened upon a shredding operation underway at the Union Bank of Switzerland, one of the three commercial banks whose archives could play a role in clarifying Switzerland's wartime dealings with Nazi Germany and its handling of dormant accounts. Although the bank denied that any Holocaust-related documents were involved, the action left the credibility of the banks in tatters.

The D'Amato hearings, President Clinton's instructions to Stuart Eizenstat to prepare a study of Swiss

banking practices during the war, and the gross ineptness of the Swiss in handling its relations with the WJC sowed a sense of deep malaise in both the government and the banking community and contributed to a sense that the crisis was spinning out of control. A dramatic gesture was needed to restore confidence. Rainer Gut, head of Credit Suisse, one of the major Swiss banks, warned that Switzerland's international credibility faced its greatest challenge since World War II. In a bold move, Gut announced the creation of a humanitarian fund to which the banking community and other business groups would underwrite in the amount of \$70 million. Its purpose would be to provide immediate assistance to Holocaust survivors. This initiative, which was warmly welcomed by Bronfman and the Clinton administration, eased the tense situation. The fund was to provide compensation to people who were persecuted because of race, religion or political views, as well as to Holocaust victims.

Now that the banks had acted, it was the turn of the Swiss government to show its hand. On March 5, 1997, the government proposed the creation of a \$4.7 billion fund and to use the interest on the money to help victims of the Holocaust and other calamities. The plan, which was warmly welcomed by the WJC and other Jewish organizations, was the boldest financial move by the Swiss to gain moral high ground for their country's dealing with Nazi Germany. The money for the fund, named the Swiss Foundation for Solidarity, did not represent new spending but was derived from the higher monetary value the Swiss placed on their monetary gold holdings. The interest from the fund, according to Swiss President Arnold Koller, would "be destined for victims of poverty and catastrophes, of genocide and other severe breaches of human rights, such as, of course, victims of the Holocaust."

Added pressure was placed on Switzerland with the issuance of the Eizenstat report in April 1997. The report, a blistering indictment of the wartime behavior of the Swiss, documented how Swiss financial cooperation with the Nazis prolonged World War II, and charged that Switzerland knowingly violated the 1946 agreement to turn over billions of dollars in assets that Nazi Germany had looted during the war. The report prompted New York and other cities to consider taking action against Swiss banks by refusing to do business with them. The first such punitive action came when New York City excluded Union Bank of Switzerland from participating in a syndicate of banks that won a bid to handle approximately \$1 billion in loans to the city. While the New York financing deal represents a bare fraction of UBS' overall business, the precedent

of punishing one of the banks for its response to the Nazi gold investigations was bound to provoke a reaction among Swiss banks and a backlash from the public. Although Union Bank is one of the three banks that has contributed to the humanitarian fund, it was targeted by New York City Comptroller Alan G. Hevesi because its honorary president, Robert Holzbach, told *New Yorker* magazine that Jews have long been excluded from top posts in most Swiss banks, and that he suspected that a Jewish conspiracy lay at the heart of the revelations about how the banks did business with the Nazis. The bank later told the comptroller it was "distancing itself" from Holzbach's remarks, but the bank took no public action against him.

The action taken by New York City provoked a strong reaction by the State Department and from Eizenstat who warned that such measures were "counterproductive." There was concern that the more the Swiss bridle at such actions and the criticism focused on their country, the more likely they will defeat the referendum to be held in the Spring of 1998 on establishing a national fund. Aware of this possible outcome, the World Jewish Congress and other organizations have maintained a position of watchful waiting. In the meantime, key American state and local governments agreed to a temporary easing of the sanctions they had imposed on Swiss banks. The temporary moratorium, it was felt, would reward the banks for shifting their posture from denial that any money of Holocaust victims was being withheld to one of cooperation with investigators. Officials in the Clinton administration, including Eizenstat, have gone out of their way to praise the Swiss for the steps they have already taken.

The actions taken by the Swiss government and the efforts by the banks to cooperate with the Volcker investigation of dormant accounts, as well the strong interest to examine Switzerland's wartime dealings with the Nazis, suggest that the country is prepared to do justice to Holocaust survivors and their heirs. In doing this, Switzerland can demonstrate that a foreign policy based on neutrality need not be incompatible with high standards of morality and decency.

While it appears that the government, the banks, and a great many Swiss wish to bring an end to the charges that continue to plague the country by setting up the Solidarity Fund, it is still uncertain whether the Swiss people will endorse the referendum establishing the fund. There is strong opposition to the establishment of such a fund, particularly among older people and rightist political groups. The right-wing People

Party, which enjoys considerable support in the eastern part of the country, is opposed to using public money for Holocaust victims. The leader of the party, Christopher Blocher, who has accused the government of pandering to foreigners, has succeeded in mobilizing a growing number of people to vote against it in the upcoming referendum. Blocher is a political power to be reckoned with, as he demonstrated when he helped defeat a government-backed referendum proposal to draw Switzerland closer to the European Union. Mindful of Swiss sensitivities on this politically explosive issue, Jewish groups in the United States, with encouragement from the administration, have refrained from further criticism of Berne.

Justice in Other Countries

The success in Switzerland ought to energize Jewish groups to bring about justice for Holocaust victims in other countries. Europe's other neutral countries, notably Sweden and Portugal, had extensive dealing with the Nazi government and simple morality requires them to give a full accounting of these past actions. Works of art stolen from Jewish collections continue to hang in important museums in France and apartment buildings confiscated from Jews remain the property of the French government. The French government has pledged to make an accounting of these works, presumably with an eye to restoring them to the original owners or their heirs. Several European insurance companies, notably Allianz and Assicurazioni Generali, Italy's largest, after having refused for decades to honor the policies of Holocaust victims, are showing signs that they are prepared to make good on at least some of them. Argentina, too, owes the Jews and the world an accounting of the policies and actions of dictator Juan Peron in welcoming Nazis to his country. These are among the measures that cry out for action which, if taken, can give fuller meaning to remembering the Holocaust.

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