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SWITZERLAND AND THE
HOLOCAUST VICTIMS

Mereille Najm

Introduction

For half a century following the end of the Second World War, restitution to Holocaust survivors and the families of victims was an issue that was put on the back burner. But it made an intense comeback in the 1990s, forcing a reexamination of history that revealed many unethical and embarrassing actions by the Swiss banking industry. Tensions rose quickly between the Swiss banks and public and private organizations around the world in support of the victims.

Events that occurred during the early and mid-1990s brought to light many unresolved issues of the Holocaust. The collapse of communism opened doors for Jews in eastern Europe who could not voice their opinions while living under their communist governments. Steven Spielberg's 1993 blockbuster, "Schindler's List," reminded and educated the world of the atrocities that had occurred during World War II. Profits from the award-winning movie helped open the Shoah Foundation, which has videotaped testimonials of those who witnessed and experienced the Holocaust firsthand.

The opening of the United States National Holocaust Memorial Museum in Washington, DC, affirmed the importance of the lessons learned from one of the darkest periods in the world's history. Since its opening, the USHMM has been the most visited museum in the country. (Weiss) In 1995 Swiss Jewish historian Jacque Picard published Switzerland and the Jews: 1933-1945. This book provided fresh evidence about the wartime activities of the Swiss banks and their dealings with Nazi Germany.

Most importantly, 1995 also marked the 50th anniversary of the end of World War II with special remembrance events worldwide. At a commemorative ceremony held at the Swiss Parliament in July, President of the Confederation Kaspar Villiger said, "We bear a considerable burden of guilt for the treatment of Jews by our country." ("Frontline...") This was the first-ever public apology (or even acknowl-
edgment) on behalf of the Swiss for turning back almost all refugees attempting to escape their fate during the Holocaust. Villiger also apologized for the stamping of Jewish passports with the letter J, a suggestion made by a Swiss official in the 1930s to help identify Jews at the borders. (Carpozi, p. 34) Whether or not he had the benefit of hindsight, Villiger’s speech was the first of many acts by the Swiss to make things right.

The 50th anniversary also served as a reminder that the community of Holocaust survivors was shrinking. This was probably the most significant factor that prompted immediate action to resolve the issues of the Holocaust. As David A. Harris, executive director of the American Jewish Committee, said, “There was a heightened urgency to complete the unfinished business of the Holocaust. People woke up and realized that within a few years there would be no one left from that generation.” (Poling) Harris was speaking mostly of the Holocaust survivors still alive who were the rightful owners of accounts in Swiss banks that had been dormant for far too long. The nature of this issue had the potential to shake up the Swiss banking industry, and it did just that.

For decades Switzerland had enjoyed its reputation as a neutral safe haven during World War II. True, it admitted 50,000 Jewish refugees fleeing Hitler’s war machine, and its own Jewish population of 20,000 was the only one in central Europe to remain unharmed. (Carpozi, p. 114) The Swiss banking industry provided a safe means for Jews to deposit their savings into secret numbered accounts. But as more survivors spoke out in the mid-1990s, accusations of wrongdoing by Swiss banks began to emerge, casting a dreadful shadow over the entire country. Dormant accounts and Nazi gold deposited in Swiss banks took the spotlight among such other issues as stolen artwork, unpaid life insurance policies, forced labor, and Switzerland’s policy towards refugees during the war.

Like the issue of dormant accounts, the Nazi gold topic did not make headlines until the mid-1990s. Hitler’s Gold: The Story of Nazi War Loot, published in 1989, was the first full scholarly account and blew the doors wide open on the issue. But according to the author, Arthur L. Smith, Jr., it received “virtually no attention at the time.” (Smith, p. xvii) His explanations for this apathy included “obviously a lack of general interest, inadequate exposure, and a continued Cold War practice that refused to classify certain records.” (Smith, p. xvii) All these factors were soon to be reversed, following several actions by British Foreign Minister Malcolm Rifkind. Rifkind reported that very significant amounts of German looted gold were never recovered from Switzerland. (Smith, p. xvii) According to Smith, this unleashed a storm of long-held suspicions that the Swiss were still holding (even worse, hiding) a vast amount of Nazi gold.

Holocaust survivors, Jewish organizations, and state governments within the United States began a seemingly endless campaign against the Swiss banks to force accountability. Some of the world’s best historians, government officials, and industry leaders were drafted for the two major campaigns which would supervise the long process of solving the issues at hand: what was Switzerland’s relationship with Nazi Germany during the war, and what remained in Swiss banks as dormant accounts left over from that period. The bank secrecy law, a trademark of Swiss banking for most of the 20th century, had to be compromised for the first time ever. The results found that Switzerland’s financial relationship and wartime transactions with Germany helped keep the Nazi regime afloat and reach its goals, whether intentionally or not. And on top of that, some banks still possessed accounts unclaimed by their owners after the war. At the end of the millennium, Switzerland had to face these unpleasant issues and react in the proper manner.

Birth of Dormant Accounts

Germany’s National Socialist Party began carrying out its anti-Jewish campaign in 1933 by enacting restrictive economic legislation against Germans of Jewish origin. Laws were created blocking Jews from having certain jobs, boycotting their businesses, and forcing them to pay unwarranted taxes. The Nazis also heavily taxed those Jews who sought to leave the country and blocked the bank accounts of those who remained. In order to leave Germany at this time, a Jew had to give up 80 percent of his property and savings in return for 250 reichs-
marks, which meant about $100 in 1930s currency values. (Carpozi, p. 80)

To protect their assets, these victims began transferring money to Swiss banks, which were highly regarded because of the Swiss Banking Law. German spies suspected what was going on and attempted to blackmail some banks to gain information on these transactions. To encourage Jewish business at this crucial time, the banks responded by explicitly introducing bank secrecy legislation into the Swiss Banking Law in 1934. Originally the law was designed to conceal the identities of customers and to protect their economic status from third parties (individuals or governments). The 1934 legislation made it a criminal offense to violate this law. Most of the Jews who were successful in depositing their assets in Swiss banks failed to escape the horrors of the Holocaust. According to Swiss banking practice, after 10 years of inactivity an account is declared "dormant." (Arpagaus)

Recovering the assets of Holocaust survivors could and should have taken place immediately after the war, when more survivors were alive and more evidence existed to support their claims. However, few claims were filed or resolved at this time.

In the aftermath of the war and up to the 1950s, displaced survivors settled in various parts of the world. Some stayed in western Europe; others returned to their eastern European countries that soon fell behind the wrong side of the Iron Curtain. Other survivors, mostly Jews, sought out new homelands in the United States or Israel. By 1948 Israel had absorbed an estimated 500,000 Jewish refugees. ("Holocaust Reparations") Traumatized by the Holocaust, many were eager to start new lives and made no attempt to recover their assets. Virtually all who returned to their original homes found them either completely destroyed or inhabited by strangers. Either way, all their possessions were gone.

Very few of the survivors or relatives of victims attempted to reclaim their bank accounts, safety deposit boxes, or life insurance policies of family members that perished. When they did, they were stymied by red tape. Life insurance policies could not be collected without death certificates as proof. Accounts and safety deposit boxes could not be accessed without bankbooks or deposit slips. Banks and insurance companies failed to sympathize with the fact that most of these people's personal belongings were lost or stolen during the rampage of their homes, and that victims of Nazi genocide and concentration camps were not furnished with death certificates. Furthermore, banks charged unaffordable rates to process inquiries, most of which turned up empty. Survivors living in the Soviet bloc countries in eastern Europe were prevented from seeking restitution for their property by their own governments.

Holocaust victims in the United States also tried unsuccessfully to reclaim their assets. In 1998 Pennsylvania Treasurer Barbara Hafer said, "Survivors and their heirs have made repeated attempts to claim what is rightfully theirs. They have encountered rigid rules and arbitrary legal obstacles that have served only to hinder recovery efforts." (Hafer)

Trail of Nazi Gold¹

To understand the history behind the Nazi gold issue, it is necessary to begin before the start of World War II. In the aftermath of the First World War, Germany was financially devastated. The country's inability to provide enough war supplies at the end of World War I made the Germans realize that economic self-sufficiency was required to pursue a successful expansionist policy. During the prelude to the Second World War, Adolf Hitler needed to secure sufficient finances to cover large purchases of war materials. German finances alone were not going to meet the requirements. In Nazi Gold, George Carpozi writes: "Germany's own monetary resources (the Reichsmark) were virtually worthless in the world market where Germany was obtaining its war supplies." (p. xi) Gold is the most readily exchangeable and stable form of currency. It is also easily convertible because it can be remelted. All Hitler had to do was acquire it and turn it into the proper credit.

The trail of monetary gold looted by the Nazis began in 1938 with the annexation of Austria and the ceding of the Sudetenland, a primarily German-speaking area of Czechoslovakia. In March Hitler liquidated the assets of the

¹All dollar values are wartime figures unless otherwise noted.
Austrian National Bank, amounting to over $100 million at the time, and transferred them to the Reichsbank — the central bank of Germany which Hitler took under his control. (Smith, p. 2) Most private gold belonging to Austrian citizens was also confiscated. The Germans absorbed almost 60 banks in the Sudeten territory as well. (Smith, p. 5) Fearing that their reserves were next, the Czechoslovakian National Bank arranged to transfer a large portion to the Bank of England, which quickly fell into the hands of the Germans. In all, Hitler looted about $44 million from the Czechs. (Smith, p. 5)

France became the safe keeper in a futile effort by several European countries that feared they were next to be plundered. Anticipating an attack by the Germans, the central bank of Poland looked to the Bank of France as a safe haven for its reserves. In 1938 the bank sent $64 million on a mission to get to France safely. (Smith, p. 8) The money was routed by train through Romania, Turkey, and Lebanon where it was placed aboard a ship for safe passage to France. Luxembourg also entrusted its gold to the Bank of France and sent $5 million in 1940, the same year in which Belgium transferred $223 million. (Smith, pp. 11, 14) The Germans, however, quickly defeated the French army in June 1940. By October the French could not escape the mandate to turn over all gold in their possession to Germany as war booty.

Hitler continued to amass large amounts of gold for his reserves. The Dutch surrender to Germany in 1940 gave Hitler access to a substantial gold reserve in the Bank of Amsterdam. In all, a total of $163 million in gold was deposited in the Reichsbank during the occupation of the Netherlands. Also, over $4 million was looted from the Bank of Danzig. (Smith, p. 10) When German forces occupied Rome in 1943, they ordered the Bank of Italy to move its $80 million of gold northward to Milan, under Mussolini's newly-formed fascist government. (Smith, p. 25) Assets liquidated from the Bank of Yugoslavia were divided between the Germans and Italians.

By 1942 Hitler had seized over $621 million in gold — all the monetary gold available to him in the central banks of occupied Europe. (Smith, p. 27) Shortly after, another source appeared that added to his reserves: the gold and valuables stolen from concentration camp victims, Jews being transported to Polish ghettos, refugees attempting to cross national boundaries, and citizens of occupied countries. The German secret police, the SS, made a total of 78 deliveries to the Reichsbank which included gold and silver coins, wedding rings, watches, other types of jewelry, dental fillings, eyeglass frames, bank notes, platinum, stamp collections, and even some women's hair. (Carpozi, p. 51) The sum of the deposits, which were kept in an account in the name of SS Captain Bruno Melmer, was worth approximately $146 million. (Carpozi, p. 114) In present-day terms, the value of all the gold accumulated by the Nazi government was estimated to be $5.6 billion. (Carpozi, p. ix)

It was vital to the Hitler regime to secure cooperation from banks in foreign countries so that the gold could be deposited and turned into credit for purchasing necessary war goods. A number of methods were used to make the looted gold acceptable to banks in neutral countries. Many of the small gold items were sent to the Prussian State Mint Company for smelting. Other gold, including most of the monetary gold of occupied countries, was sent to a large German industrial plant called Degussa for resmelting into gold bars. The bars were stamped as property of the Reichsbank to conceal their origin. Predating the bars (to arbitrary years before 1939) became a practice to further conceal their true identity. Counterfeit papers were also furnished to accompany the resmelted bars to their destination. (Carpozi)

The next step was to convert the gold bars into credit or currency that could be used to purchase war goods. For this Hitler needed the cooperation of neutral European banks. The Allies could not force a full blockade on Germany, but they pressured the neutral states to curb their dealings with the Nazis. However, German influence on the neutrals was greater than that of the Allies. Spain, Portugal, Sweden, and Turkey were among the countries that had dealings with Germany, but Switzerland was at the center of the trade. Swiss private banks and the Swiss National Bank (SNB) took the cake, as Carpozi wrote, being “the recipient of four-fifths of all the gold the Nazis looted.” (Carpozi, p. 111)
The Swiss Role

Switzerland's position during WWII was very different from that of the other neutral countries. From 1942 until nearly the end of the war, the Swiss were completely encircled by the Axis powers and were walking a very dangerous tightrope. The country's dependence on imports and overpopulation severely limited Switzerland's options. Even though the Swiss increased military expenditures in order to protect themselves as soon as Hitler came to power, the threat of invasion continued throughout the entire war. The Germans devised at least five separate plans of attack in 1940, but several factors were in favor of the Swiss. Foremost, the Germans concentrated their efforts on the major powers such as Russia. Second, Switzerland was prepared to counter an invasion by immediately destroying its own key tunnels, bridges, roads, railways, power stations and airfields, rendering it impossible or useless for the Germans to attack. For these reasons and the fact that the Swiss army declared it would never surrender to the Axis, German officials advised Hitler that an assault on Switzerland would be long-drawn and very costly. Therefore, the Germans never attacked. (Halbrook)

Allowing Switzerland to remain intact was in fact advantageous to the German cause. The Swiss industry turned out key war materials required by the Germans. Alpine transit routes through Switzerland were the only means to transport goods between Italy and Germany. The nature of the Swiss banking industry, combined with the fact that Switzerland had a virtual monopoly over European gold trading, was precisely what Hitler needed to financially support his war machine. In Hitler's Gold, Smith writes: “Switzerland eventually became the single indispensable state of the five neutrals, the only one Germany could not afford to occupy.” (Smith, p. 48)

Short-term Swiss-German clearing agreements were signed continuously throughout the war, permitting the Reichsbank to sell gold and purchase needed currency from Swiss banks. Other neutral states ceased to purchase gold directly from Germany towards the end of the war; but Switzerland continued its profitable trade. Results from the Allied-Swiss negotiations of 1946 estimate that the Swiss National Bank accepted over $398 million of Nazi gold, and other Swiss banks took in over $64 million worth of gold. (Carpozi, p. 113) In current currency values, this would exceed over $4.5 billion worth of transactions.

The role of the Swiss financial institutions extends beyond simply trading gold with Germany. As a report from the Institute of the World Jewish Congress states, “Swiss banks did a lucrative business with the German Reichsbank and with individual Nazi officials.” It continues: “Switzerland was the favorite haven for Nazi bank accounts and safe deposit boxes, which often contained property plundered from Jews.” (“Frontline...”) Even the royalties from Hitler's Mein Kampf found their way into a Swiss bank account. In the end, Switzerland was Germany's chief banker, merchant, and international transit point throughout the war.

How much did the Swiss actually know about the origins of the gold being purchased from Germany? It was a well-known fact during the war that German gold reserves were being depleted and that Nazis were robbing Europe of whatever resources they found useful to their campaign. Adding to this argument, Carpozi writes: “Intelligence reports indicate the Swiss were totally aware of the Nazi gold heists from central bank reserves of neutral and occupied countries.” (Carpozi, p. 37) Therefore the Swiss National Bank had to defend itself against Allied accusations that it had purchased looted gold. Bank officials responded that their actions were “in good faith,” but this response did not ease the concerns of the Allies.

First Steps towards Resolution

During the war, the Allies began a series of broad initiatives warning the neutrals (but really directed mainly at the Swiss) not to engage in transactions that may involve looted gold. In mid-1942, British radio broadcasts publicly criticized the Swiss and other neutrals for permitting currency exchange for looted gold. Seventeen Allied states signed the “Inter Allied Declaration” of 1943, which warned the neutrals to halt dealings with Germany, even if those dealings appeared to be legal in form. As
to why the declaration didn’t produce any tangible results, Smith concluded that “it was still 1943 and for the neutrals the Nazi presence over Europe outweighed all other considerations.” (Smith, p. 64) The Nazis posed a bigger threat to the neutrals than did a loosely worded Allied declaration.

It was imperative that something be done to deny Germany access to credit because the United States and Great Britain both suspected that Nazi officials were reserving some of the gold for a postwar haven. An American intelligence project called “Safehaven” pledged to uncover these assets. Consequently, the next initiative by the Allies — the “Gold Declaration” — was drafted in 1944. In this message, American Treasury Secretary Henry Morgenthau noted: “The United States government formally declares that it does not and will not recognize the transfer of title to the looted gold which the Axis... has disposed of in world markets.” (United States, pp. 134–35) The U.K. and USSR both made similar statements.

Unfortunately Allied pressure to curb German-Swiss dealings was not successful, considering that the trade was still active near the end of 1944. One reason the Swiss continued dealing with Germany was to ensure that the Germans would continue selling them vital resources, like coal. The Allies needed a stronger plan. The answer was from an American delegation headed by Roosevelt assistant Lauchlin Currie called the “Currie Mission Statement.” According to the agreement signed on March 8, 1945, with the help of France and Britain, Swiss authorities agreed to block assets of Axis and Axis-controlled nations, to conduct a census of German assets in Switzerland, to assist in the restoration of looted property, and to stop gold purchases from the Reichsbank (unless they were to be used to pay for Germany’s diplomatic missions in Switzerland, for prisoners of war, or for contributions to the Red Cross). However, the Swiss did not proceed to honor all these commitments. The last transaction between the Swiss National Bank and the Reichsbank did not take place until April 1945, and did not fall under any of the exceptions just noted.

Stuart Eizenstat, United States Under-secretary of Commerce for International Trade, summed it up very well when he said: “Switzerland ended World War II as one of the wealthiest nations in Europe.” (Carpozi, p. 34) For several months during postwar negotiations, Switzerland maintained an apathetic and immoral attitude, refusing to return any Nazi gold to those from whom it was plundered and denying it had ever received any looted gold. Swiss negotiators also claimed that the Allies had no legal right to recover and redistribute Nazi assets.

It wasn’t until the Washington Accord in May 1946 that the Swiss agreed to comply with Allied requests. The Allies had an advantageous position in the negotiations, partially because the United States had frozen all Swiss assets under its control. The Swiss committed to liquidate hundreds of millions of dollars in German assets and identify dormant accounts that could be used to compensate Nazi victims; but these parts of the agreement were never fully implemented. However, the Swiss promptly made a payment of $58.4 million to the Allied Gold Pool, in return for the Allies dropping all claims against the Swiss government and the Swiss National Bank dealing with Nazi gold. (U.S. and Allied Efforts...) This payment was earmarked as “a voluntary contribution” to ensure the gesture would not be construed as an admission of guilt. Although the figure was a severe underestimate of what the Allies felt the Swiss were holding, America’s priorities were to rebuild post-war Europe, to create NATO to contain the Soviet threat, to put a democratic West Germany on its feet, and to deal with security concerns involving other neutral countries. It took almost half a century for the Washington Accord to be seriously challenged.

The next major event in the World War II assets issue occurred in 1962 when a federal decree was approved in Switzerland that required Swiss banks to identify any dormant accounts belonging to foreigners or stateless persons persecuted because of race, religion, or political beliefs. The structure of this law allowed the banks to determine which accounts fell under this category; there was no independent supervision of the investigation. For example, accounts belonging to those living under Soviet-controlled countries in eastern Europe did not have to be reported, and no efforts were made to contact survivors in those countries.
The banks also argued that businesses could not be subjects of racial persecution; therefore accounts in the names of corporate entities were also not required to be identified. Moreover, instead of doing a complete search for all dormant accounts, the banks only responded to claims submitted by survivors who were aware of the existence of their accounts. Heirs of accounts with no knowledge of their existence were deprived of the chance to claim them. Many claims were not submitted because the bureaucracy of the banks was so intimidating. Safety deposit boxes, many of which held private assets of Holocaust victims, were also excluded from the investigation. In the end, only 931 of the 7,000 claims resulted in accounts being returned to their rightful owners. ("Frontline..."") The banks felt that this effort resolved their responsibility on the issue of dormant accounts. Except for a small group of subsequent claims quietly settled for $5.2 million in 1972, the Swiss banks were not forced to confront the matter again until 1995.

One Last Try

The latest campaign to settle dormant accounts began as one last attempt by a few tenacious Holocaust survivors to reclaim their assets. Many of them are children of Holocaust victims and just recently discovered information about their pre-war assets. Backed by legal attorneys, miraculous tales of survival, and the will to expose the truth, these elderly Jews attempted to single-handedly get restitution back from the banks that they or their parents had invested in half a century earlier. Although their individual efforts were not enough to shake things up within the banks, they caused a stir in the international news media that strengthened public opinion in their favor. Publications like the Wall Street Journal, Financial Times, and Business Week devoted considerable attention to their cause. However, a stronger force was needed to reckon with these huge banks. It was only natural that the leading institution dedicated to Jewish causes — the World Jewish Congress — would become involved.

As early as 1992, leading members of the World Jewish Congress (WJC) including Secretary General Israel Singer and Executive Director Elan Steinberg began to ask serious questions about the fate of Jewish assets after the end of World War II. Pinpointing such assets appeared to be a simple matter; but Swiss bank secrecy laws, coupled with past suppression and foot-dragging concerning the issue by the Swiss government, made identification difficult. Their intense prodding and well-researched efforts, along with the work of the WJC President and CEO of Seagram's Edgar Bronfman, uncovered facts about Switzerland's past that could not be ignored. What began as an effort to look at the issue of dormant accounts actually revealed the need for a broader investigation that included Nazi gold, stolen artwork, unclaimed insurance policies, and forced labor.

Bronfman, a billionaire humanitarian once called "the most powerful Jew in the world," became the voice that represented Jewish Holocaust survivors around the world. In September 1995, Bronfman and Singer went to Bern to meet with President Kaspar Villiger and the Swiss Bankers' Association (SBA) to address the issue of heirless accounts. In a small room with no chairs or furniture, the bankers announced they had orchestrated an internal audit of their member banks earlier in 1995 and found 775 dormant accounts. SBA President George Krayer offered Bronfman $32 million to close the matter for good. ("Frontline...") It was no surprise that Bronfman refused his offer. Independent researchers and the WJC estimated the horde of dormant accounts to be worth several hundred million dollars. Calling this offer "bribery," Bronfman enlisted the help of President Bill Clinton and Republican Senator Alfonse D'Amato of New York.

The year 1996 was a pivotal one for the Holocaust era assets issue. Throughout the spring, the WJC and the offices of Senator D'Amato released declassified documents from the 1940s that revealed the wartime activities of three of Switzerland's largest private banks: Swiss Bank Corp, Credit Suisse, and Swiss American Corp. These documents verified previous suspicions that the banks were conducting a very lucrative and dubious trade with the Nazis. In April 1996, D'Amato announced that the Senate banking committee would investigate the details of the relationship between the Swiss banks and Germany. ("Holocaust Deposits...")
He also lobbied to open up renegotiation of the 1946 Washington Agreement. Hearings began in Congress, and many survivors came forth with emotional and shocking testimonies.

In May 1996 a Memorandum of Understanding was signed between the SBA, the WJC, and the World Jewish Restitution Organization (WJRO). The Memorandum outlined the formation of the Independent Committee of Eminent Persons (ICEP). The ICEP, with its 6 members and chairman Paul Volcker (former President of the United States Federal Reserve), was established to govern an independent audit of Swiss banks. The ICEP’s main tasks were to search for dormant accounts, trace any Nazi loot not returned by the banks after the war, and formulate criteria for settling claims. Commonly known as the Volcker Committee, it appointed three international auditing firms (Arthur Andersen, KPMG Peat Marwick, and Pricewaterhouse) to conduct the search. For the first time since its creation in 1934, the bank secrecy law was lifted for a period of five years to facilitate the work of the committee. The firms were given unfettered access to all relevant files in Swiss banking institutions regarding accounts and other assets deposited between 1933 and 1945. The ICEP initiated its investigation of 254 banks existing in 1945, merged into 59 banks today. (Levin, p.1) The most recognizable banks included the “big three” commercial banks: Credit Suisse (CS), Swiss Bank Corp (SBC), and Union Bank of Switzerland (UBS). It opted out of investigating 227 small cantonal banks, which only encompass 20 percent of the Swiss banking system and have very limited ties with foreign customers. (Levin, p. 1)

There were still many unanswered questions about Switzerland’s wartime dealings with Nazi Germany that had to be addressed but were beyond the scope of the ICEP’s responsibilities. Therefore, in September 1996 the Independent Commission of Experts was set up to thoroughly evaluate Switzerland’s relationship with Germany during World War II. The commission, chaired by noted historian and Swiss professor Jean-Francois Bergier, was specifically asked to address questions about stolen goods, gold transactions with the Reichsbank, and Swiss refugee policy during the war. Its research extended to banks, insurance agencies, and intermediaries (auditors, lawyers, notaries), as well as the SNB. Like the Volcker Committee, the Bergier Commission was given unlimited access to relevant bank documents.

October 1996 brought with it the first complaint filed in an American court on behalf of Holocaust victims. In a federal court in New York City, Auschwitz survivor Gizella Weisshaus filed a $20 million class-action lawsuit against UBS (joint defendants included SBC, CS and SBA) to seek funds from dormant accounts on behalf of Holocaust victims. A separate suit was filed in the same court later that month: Friedman v. Union Bank of Switzerland (SBC and CS were joint defendants, and SBA was named co-conspirator). (“Switzerland and the...”)

In November, one year after the SBA established its own special commission to investigate dormant accounts in Swiss banks, ombudsman Hanspeter Haeni declared that only $9,000 worth of assets had turned up in their audit. (“Holocaust Deposits...”) The enormous gap between what the survivors were seeking ($20 billion) and what the banks believed they had ($9,000) foreshadowed the seemingly endless battle that would have to be fought. The two sides were nowhere near a mutual understanding, and each side included some very angry parties. Soon after Haeni’s statement, some survivors went so far as to press the WJC to launch a boycott of the banks. President of the Swiss Confederation Jean-Pascal Delamuraz compared the Jewish calls for restitution to “ransoming and blackmail,” touching off protests and strengthening threats to boycott. (“Chronology...”)

A damming blow was dealt to the credibility of the Swiss bankers when UBS security guard Christoph Meili exposed the bank’s attempted destruction of Nazi-era documents. Under the Memorandum of Understanding, all banks had agreed to preserve any evidence or documents that pertained to transactions during World War II. Meili discovered two carts of documents waiting to be shredded that included wartime records detailing sales of confiscated properties. After informing the police, Meili was found guilty of violating banking law and was immediately fired. Swiss authorities pursued him until he was granted asylum in the
United States. ("Switzerland and the...") The UBS claimed that although the incident was a "regrettable mistake," the files contained no information that would affect the audit of the Volcker Committee. ("Chronology...")

Not much was being accomplished to put either side of the Holocaust era assets battle at ease. In fact, a heated battle was ensuing. A third lawsuit was filed as a class action in January 1997, World Council of Orthodox Jewish Communities Inc. v. Union Bank of Switzerland. It involved the same defendants as the first two lawsuits and referred to looted assets and slave labor in the complaint. At the end of that month, Swiss Ambassador to the United States Carlo Jagmetti stated that Switzerland and the Jewish organizations were "at war" and handed in his resignation the next day. ("Switzerland and the...")

Although not much was being accomplished legally, several separate efforts were initiated to aid Holocaust survivors. In February 1997, the three big banks — CS, SBC, and UBS — set up a $200 million Holocaust Humanitarian Fund to be distributed to needy victims of the Holocaust around the world. Also, the Special Fund was created by the Swiss Federal Council in addition to the Humanitarian Fund and managed by the WJRO. In March Swiss President Arnold Kroller suggested that the citizens of his country create a $4.7 billion Solidarity Foundation drawn from the SNB's gold reserves to finance humanitarian aid to victims of poverty, genocide, war, and natural disasters, including Holocaust victims. To this date, the Swiss have not voted on whether or not to create the Foundation. ("Holocaust Deposits...")

In order for any type of settlement to be reached out of court, talks began between Jewish organizations and the Swiss banks. U.S. Undersecretary of Commerce Stuart Eizenstat was chosen by the Clinton Administration to mediate the proceedings. In May 1998 he released a 200-page report titled U. S. and Allied Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During WWII. According to Eizenstat the report addresses "a vital but relatively neglected dimension of the history of the Second World War and its aftermath." It showed that between January 1939 and January 1945 the Reichsbank transferred $400 million (almost $4 billion today) worth of looted gold to the SNB in exchange for foreign currency and materials vital to Germany's war effort. It also documented that gold, jewelry, coins, and dental fillings of concentration camp victims were mixed with plundered bank gold and recycled into gold bullion that was traded with other neutral countries. After 1942, all neutrals except Switzerland refused to accept gold from the Reichsbank. The report further investigated the roles of all neutrals during the war, and it supported the fact that the Swiss aided the German war machine by exporting vital war supplies and providing financial services. It sharply criticized the Swiss bankers and government, but it also acknowledged failure by the United States to press harder for restitution after the war. ("Switzerland and the...")

In June 1997 another class-action lawsuit was filed in New York City on behalf of Holocaust victims. This time the plaintiffs consisted of about 10,000 people who bought insurance policies (or whose families purchased them) before and during the war. The claimants sued each of six European insurance companies, including Zurich, Winterthur, and Baliose of Switzerland, for $1 billion each. The California state government petitioned the main court to join the suit, claiming an estimated 16,000–18,000 Holocaust survivors were living in the West Coast state. According to WJC Director Steinberg, the total value of heirless insurance policies exceeded that of the so-called Nazi gold.

In July the SBA broke its tradition of secrecy and published its first list of 1,800 dormant accounts that were opened by non-Swiss citizens prior to the end of the war. The list was published in several international newspapers and on the Internet.

As progress was beginning to be made, more evidence surfaced that incriminated the Swiss banks. Less than a week after the SBA revealed the first list of accounts, newly declassified United States Secret Service documents revealed that Canada helped the Swiss launder gold for the Nazis through the Portuguese central bank. A report released through the Bank of Canada confirmed this by admitting that six tons of Nazi gold were purchased by the Swiss
and transferred to the account of the Central Bank of Portugal.

The WJC released a study in October 1997 stating that Germany looted $8.5 billion in gold from 1933–45 in today's figures. It also estimated that over $2 billion (also today's figures) of gold stolen from Jews was purchased by Swiss banks. It concluded that "Switzerland would have to pay some $2-3 billion to compensate for taking looted gold." ("Switzerland and the...") The Eizenstat report had put this figure at $3.9 billion. The Swiss government rejected these findings, however, arguing that Switzerland's obligations to make compensation for Nazi gold matters were dissolved when it contributed over $58 million to the Allied Gold Pool in the Washington Accord of 1946.

The real pressure began to mount on the Swiss from U.S. state and local governments, who showed their disapproval of how the banks were responding to the issues. Several days after the WJC study, UBS was barred from participating in a billion-dollar bond offering in New York City. A few days later the state of California froze all commercial relations with UBS, CS and SBC to protest the slow manner in which the banks were proceeding. California had engaged in about $2.25 billion worth of transactions with these banks combined in the previous 12 months. Also, Massachusetts ended its yearly contract with UBS. Over 800 state and local government officials gathered in New York to discuss how to increase pressure on the banks to disclose information. (Authors and Hall, "Pressure...")

The Swiss banks found themselves in a very difficult position. They opened up part of their archives under the scrutiny of the media to educate the public on what a large and complex project was undertaken to look for dormant accounts. They also explained that hundreds of bank employees had been reviewing millions of documents over the past several months. A campaign to bolster their image consisted of full-page advertisements in 120 international newspapers outlining the "significant progress" the banks had made. (Hall) While vast amounts of money were being spent on this research, a great deal was also being spent on public relations campaigns that would hopefully improve their image. Senator D'Amato criticized the organizations for managing to spend all this money while not one Holocaust survivor had yet received a single payment.

Under all this pressure the SBA published a new list of 14,000 dormant accounts on the Internet. Over 60,000 accounts were excluded from this list because of their nominal values, but their total was donated to the Red Cross. The value of the 14,000 accounts totaled about $12 million. The Simon Wiesenthal Center found that 52 of these inactive accounts actually belonged to Nazi war criminals and asked the banks to freeze them. ("Switzerland and the...")

President Bill Clinton and first lady Hillary Clinton hailed the Swiss banking industry for its efforts in shedding light on the issue of dormant accounts. Also, Secretary of State Madeline Albright met with several members of the Swiss government to discuss Holocaust assets. This trip came in November 1997 and was the first time a United States Secretary of State had visited Switzerland in over 35 years. Three days later, 81 Jewish Holocaust survivors received the first of several payments which would amount to $1,000 from the Special Fund for Holocaust Victims. In December 1997, 23 non-Jewish survivors (Christian and Muslim survivors of several Nazi concentration camps) also received payments from the Special Fund. Progress was finally being made. ("Switzerland and the...")

The Swiss community was also launching private fundraising initiatives. Extreme right-wing businessman Christoph Blocher had vocally opposed Villiger's idea for the Solidarity Foundation and began his own fund known as the “1998 Jubilee Collect.” Blocher was able to raise $12 million from wealthy Swiss citizens and distributed it to several humanitarian organizations like the Red Cross. Socialist parliament member Gian-Reto Plattner raised over a million dollars and distributed the funds to Holocaust victims in France, Poland, the United States, and Switzerland. A group of Swiss high school students raised over $100,000 and donated part to the Israeli Organization AMCHA, which set up monthly allowances for Gypsy Holocaust survivors. ("Switzerland and the...")

In May 1998 New Jersey jumped on the boycott bandwagon when the state legislature unanimously voted on a law forbidding the state from investing in Swiss banks or using their
services. The boycotts, collectively applied, threatened billions of dollars in business for the banks. Leaders of Jewish organizations such as Edgar Bronfman, along with President Clinton and Stuart Eizenstat, publicly criticized these boycotts because they were an obstruction to the ongoing negotiations with the banks. Bank representatives retaliated by threatening to sue any government bodies which threatened sanctions against them. The Swiss watch company Swatch announced it would boycott all American products. Denner, Switzerland’s largest food supplier, declared it would halt the sale of all products imported from the United States. (“Switzerland and the...”)

In the meantime, a global settlement was being negotiated between the three big Swiss banks and Jewish organizations on behalf of the survivors to settle the issue of dormant accounts. But the Swiss National Bank refused to have any part in this settlement. Being a public institution and not a commercial bank, the SNB argued it had no activity with private citizens during WWII, eliminating the possibility that any dormant accounts were in its possession. (Carpozi) The real issue for the SNB was the Nazi gold scandal.

In May 1998 the Independent Commission of Experts (the Bergier Commission) finally released its initial findings in a study on wartime gold transactions. The 200-page report confirmed an earlier plea by the SNB that it did not know that any of the gold it purchased from the Reichsbank was stolen from Holocaust victims. But the report did state that the SNB knew that some of the gold had been looted from banks in occupied countries. It estimated that the SNB bought gold worth $280 million (about $2.13 billion today) from the Nazis, and that Swiss commercial banks absorbed about $61.2 million ($550 million today) worth. Bergier criticized the SNB for never attempting to trace the origins of the gold, even though as early as 1941 they “became increasingly aware that Jews and other persecuted groups were being robbed.” Officials from the SNB argued that most of the gold was resmelted and stripped of its original identity, making it impossible to distinguish its origins. (“Switzerland and the...”)

In response to negative feedback from the Bergier report, the banks were anxious to settle with the Jewish organizations and offered $600 million in June 1998 to settle all claims against them concerning dormant accounts. The banks involved included UBS, CS and SBC. Even though the Jewish groups found this offer insultingly low, it was nevertheless a major step in reaching a final global settlement. This figure included $70 million already paid out by the Special Fund, but did not include the fee for the Volcker Committee’s audit for which the banks were responsible. The WJC hoped the Swiss government and the SNB would be included in the deal, but both parties refused to become involved.

The SNB involuntarily became involved when a class-action suit was filed against it in the United States. The plaintiffs were Holocaust survivors represented by the World Jewish Restitution Organization. By law this case could potentially block access to the bank’s gold reserves in the United States. This group of survivors was looking for $1.5 billion and was not linked to the case with the three big banks. (“Switzerland and the...”)

Eager for a global settlement to be reached, Florida threatened a boycott when it announced in July 1998 that it would cancel its lines of credit with UBS and CS, worth several million dollars. By this time a near trade war was looming between the United States and Switzerland. Over 20 states and 30 cities had threatened to cut off business with various Swiss banks.

As the clock ticked, the European Union finally stepped in for a brief moment. The European Parliament called on all EU countries to apply pressure on “all governments concerned” regarding the dormant accounts issue. Switzerland was the only country specifically mentioned by the Parliament.

Long-Awaited Results

Finally in August 1998, Holocaust survivors and the Jewish organizations reached an agreement with the Swiss banks for $1.25 billion in reparations, more than twice as much as the previous offer. This figure did not include the Volcker Committee’s fees (still undecided) but did include legal fees and other costs incurred by the banks during the settlement process. The settlement dissolved the three
class-action suits filed against the banks in New York City, along with all other claims against the Swiss government and Swiss industrial firms. Regarding this decision, Eizenstat said: "In the end, we got the parties together, developed the settlement structure, and narrowed the differences significantly. But quite frankly it took Judge Korman [Eastern District of New York] and the threat of sanctions to get the banks over the top." (Cowell)

As soon as the settlement was reached, interested parties were knocking at the door for their share. The Jewish community in Hungary requested $202 million from the settlement. The lawyers for the survivors billed $13.5 million, not including expenses. Some of their invoices were found to be controversial, such as a bill for $2,365 for time spent reading the book *Nazi Gold*. Regardless of the settlement, the WJRO stated it had no plans to drop its lawsuit against the SNB. The $1.25 billion agreement did not address the issue of Nazi gold, but the Swiss Government and the SNB refused to get involved. ("Switzerland and the...")

During this time, progress was being made in the area of unclaimed insurance policies. In November, Swiss insurance companies Zurich, Baloise and Winterthur joined several other European companies to create a $90 million humanitarian fund in favor of Holocaust victims. ("Switzerland and the...") Were the insurance companies learning from the experience of the banks?

To help facilitate the return of dormant accounts to their rightful owners, the banks paid $4 million to computerize the list of dormant accounts that they had previously published. By February 1999 over 62,000 checks of $500 were sent out to American Holocaust survivors from the Special Fund. Survivors in Israel still had not received any payments because of the slow speed of the local bureaucracy. Although $59 million had been allocated to the Israelis, it was being held up by the finance committee of the Israeli parliament. The Special Fund also distributed $2.4 million to Holocaust survivors in Australia, and over 2,600 beneficiaries in Russia received payments of $400 each. ("Switzerland and the...")

In December 1999, the Volcker Committee finally released its report on the audit of the Swiss banks. The three-year investigation looked at all accounts opened from 1933-45 and found 53,886 accounts that may have been associated with the Holocaust. It advised the Swiss to publish 25,187 new names of dormant account holders that had a possible relationship with victims of Nazism. The SBA argued that only about 3,000 could be effectively linked to Holocaust victims. Jewish organizations won this argument when the Volcker Committee published the entire list in its report. The ICEP estimated that these accounts were worth about $200–440 million today. Bank officials hoped this would bring closure to this issue in that both moral and financial justice had been achieved.

Four days later the Bergier Commission published its long-awaited second report, "Switzerland and Refugees in the Nazi Era," on Swiss refugee policy during WWII. The 350-page study blamed anti-Semitism and a national fear of foreigners as the main reasons for turning away so many Jews and others seeking refuge at the height of the Holocaust. As the report stated, "Switzerland declined to help people in mortal danger," therefore helping the Nazis achieve their "final solution." But the report also credited the Swiss for saving 21,000 Jews during the war, even though "a more humane policy might have saved thousands more refugees from being killed." ("Switzerland and the...") The Jewish groups, the Israeli Foreign Affairs Ministry, and Eizenstat praised Switzerland after the publication of the report. But right-wing politicians in Switzerland, such as Christoph Blocher, feared the report could open the door for still more financial demands from the survivors.

After months of negotiation, an agreement was also reached between the German government and German industry with over 2 million surviving victims of the Nazi forced labor program. The German government and 225 firms agreed to pay $4.9 billion into a compensation fund for these victims. ("Switzerland and the...")

Since the $1.25 billion settlement was signed, several factors have retarded its progress. For one thing, as of May 5, 2000, no plan had been finalized on how to allocate and distribute the fund. Judah Gribetz, who had been appointed by Judge Korman as the "special master" to make the final decision, received
hundreds of suggestions from committee members. As of now, three payments are expected to be made in June and November 2000 and a final payment in November 2001. The settlement defined five classes of persons considered "Victims or Targets of Nazi Persecution." The classes included claims to deposited assets, looted assets, refugees and slave labor. Heirs and successors to actual victims were also included. ("Switzerland and the...") Another problem involves the creation of a centralized electronic database containing records for all 4.1 million accounts opened at Swiss banks from 1933–45. The Volcker Committee declared it was necessary to publish the entire list, but the Swiss Federal Banking Commission argued that only the 46,000 accounts that were identified as having a "probable or possible" relationship to Holocaust victims should be included. Credit Suisse and UBS (which merged with Swiss Bank Corp) agreed in early May 2000 to allow searches of 2.1 million accounts — their share of the 4.1 million accounts. (Beckett) This means that claims filed under the 1998 settlement by victims, their heirs and survivors can be crosschecked with this extensive database.

The American litigation and the power of Jewish organizations have highlighted the vulnerability to external pressure of some of the world's most powerful banks. The banking sector experienced a rocky year in 1998, with some of the damage due to the delay in reaching a global settlement. When UBS planned a takeover of SBC, the merger was nearly blocked by United States legislation because of the Holocaust era assets controversy in the United States. After the banks successfully merged, UBS suffered declining profits anyway and lost AAA status with international rating agencies. ("Switzerland: Review 1999") The campaign against them in the United States has exposed their vulnerability to future boycotts of their growing international business.

Even with the bulk of the controversy behind them, Swiss banks may still fear a similar attack by legislators to water down their bank secrecy law and hand over information dealing with possible cases of tax fraud. The trademark bank secrecy law was again compromised in 1999 when a law was passed that obligated banks to inform authorities of all suspicious transactions. There is reason to be fearful because the Swiss banking industry's biggest competitive advantages are its bank secrecy laws and its favorable tax treatment of non-residents.
REFERENCES


