U.S. and Allied Efforts  
To Recover and Restore Gold  
and Other Assets Stolen or Hidden  
by Germany During World War II  

Preliminary Study  

Coordinated by Stuart E. Eizenstat  
Under Secretary of Commerce for International Trade  
Special Envoy of the Department of State on Property Restitution in Central  
and Eastern Europe  

Prepared by William Z. Slany, The Historian  
Department of State  

With the Participation of  
Central Intelligence Agency  
Department of Commerce  
Department of Defense  
Department of Justice  
Department of State  
Department of the Treasury  
Federal Bureau of Investigation  
Federal Reserve Board  
National Archives and Records Administration  
National Security Agency  
U.S. Holocaust Memorial Museum  

May 1997
Foreword

Introduction

This report addresses a vital but relatively neglected dimension of the history of the Second World War and its aftermath, one that became the focus of intense political, diplomatic and media attention over the last year. It is a study of the past with implications for the future.

The report documents one of the greatest thefts by a government in history: the confiscation by Nazi Germany of an estimated $580 million of central bank gold—around $5.6 billion in today’s values—along with indeterminate amounts in other assets during World War II. These goods were stolen from governments and civilians in the countries Germany overran and from Jewish and non-Jewish victims of the Nazis alike, including Jews murdered in extermination camps, from whom everything was taken down to the gold fillings of their teeth.

Our mandate from the President in preparing this report was to describe, to the fullest extent possible, U.S. and Allied efforts to recover and restore this gold and other assets stolen by Nazi Germany, and to use other German assets for the reconstruction of postwar Europe. It also touches on the initially valiant, but ultimately inadequate, steps taken by the United States and the Allies to make assets available for assistance to stateless victims of Nazi atrocities.

It is in the context of this mandate that the report catalogues the role of neutral countries, whose acceptance of the stolen gold in exchange for critically important goods and raw materials helped sustain the Nazi regime and prolong its war effort. This role continued, despite several warnings by the Allies, even long past the time when these countries had any legitimate reason to fear German invasion.

Among the neutral countries, Switzerland receives the most attention in the report. We have no desire to single out a country that is a robust democracy, a generous contributor to humanitarian efforts, and a valued partner of the United States today. But Switzerland figures prominently in any history of the fate of Nazi gold and other assets during and after World War II because the Swiss were the principal bankers and financial brokers for the Nazis, handling vast sums of gold and hard currency.

Prepared by the chief Historian of the State Department, Dr. William Slany, the study is the product of an extraordinary seven-month effort on the part of eleven U.S. Government agencies, which I coordinated at President Clinton’s request. All involved have worked tirelessly in beginning the process of reviewing 15 million pages of documentation in the National Archives. This represents the largest such effort ever undertaken using the Archives’ records, and it has required the declassification and transfer of more documents at one time—between 800,000 and one million pages—than ever before in the history of that repository. Those documents are now available to researchers for the first time.

Nevertheless, this study is preliminary and therefore incomplete. Not every U.S. document related to looted Nazi assets could be located and analyzed in the very short time we had to conduct and complete the study. As we progressed, additional documents were constantly found. While we were compelled to rely mostly on U.S. documents, we are well aware that not until the documents of other countries are examined can a more complete picture be drawn.

This is a report by historians. It is a search for facts from the past. It seeks neither to defend nor offend any nation; it endeavors to shade no hard realities, obfuscate no issue. It focuses on the role of the U.S. Government and touches on the roles of countries who are now
among our closest friends and allies—from our wartime Allies to the then-neutral countries of Argentina, Portugal, Spain, Sweden, Switzerland, and Turkey (which joined the Allied effort just before the end of the War).

The picture which emerges from these pages, particularly of the neutral nations, is often harsh and unflattering. Many profited handsomely from their economic cooperation with Nazi Germany, while the Allied nations were sacrificing blood and treasure to fight one of the most powerful forces of evil in the annals of history. At the same time, our team knew that if we were going to shine the bright light of history on other nations, we also had to look carefully at America’s role, and the study does so.

Why the sudden surge of interest in these tragic events of five decades ago? There are a variety of explanations. The end of the Cold War gave us the chance to examine issues long pushed to the background. Some previously unavailable documents have been declassified, and made publicly available. As Holocaust survivors come to the end of their lives, they have an urgent desire to ensure that long-suppressed facts come to light and to see a greater degree of justice to assuage, however slightly, their sufferings. And a younger generation seeks a deeper understanding of one of the most profound events of the twentieth century as we enter the twenty-first.

But the most compelling reason is the extraordinary leadership and vision of a few people who have put this issue on the world’s agenda: the leadership of the World Jewish Congress, Edgar Bronfman, Israel Singer and Elan Steinberg; a bipartisan group in the U.S. Congress, in particular, the early, tenacious and important role of Senator Alfonse D’Amato of New York; and President Bill Clinton, who has insisted on our establishing and publishing the facts. These leaders have stirred our conscience and stiffened our resolve to achieve justice, particularly for the surviving victims of the Holocaust and Nazi oppression.

**Major Conclusions and Policy Implications**

A number of major conclusions arise from the pages of this preliminary study, some of which have significant implications today.

**First,** the massive and systematic plundering of gold and other assets from conquered nations and Nazi victims was no rogue operation. It was essential to the financing of the German war machine. The Reichsbank itself—the central bank of the German state—was a knowing and integral participant. It was the Reichsbank that knowingly incorporated into its gold reserves looted monetary gold from the governments of countries occupied by the Nazis. Judging by German reserves at the beginning of the War, the majority of the gold was looted from central banks. It is also evident from the documents we have uncovered and reviewed that some amount was confiscated from individual civilians, including victims of Nazi atrocities, and incorporated into Reichsbank gold stocks. It was the Reichsbank that assisted in converting victim gold coins, jewelry and gold fillings into assets for the SS “Melmer” account. The Reichsbank organized the sale or pawning of this concentration camp loot, and the resmelting of a portion of this gold into gold ingots—with their origins often disguised and therefore indistinguishable by appearance from that looted from central banks.

As its trading partners began to refuse to accept the German Reichsmark, Germany increasingly had to turn to making payments in gold in exchange for foreign hard currency and for materials and goods vital to the German war effort. Between January 1939 and June 30, 1945, Germany transferred gold worth around $400 million ($3.9 billion in today’s values) to the Swiss National Bank in Bern. Of this amount, the Swiss National Bank bought about three-
quarters, worth $276 million ($2.7 billion today), and the remainder went directly to the accounts of other countries in payment for goods and raw materials.

Second, in the unique circumstances of World War II, neutrality collided with morality; too often being neutral provided a pretext for avoiding moral considerations. Historically a well-established principle in international law, neutrality served through centuries of European wars as a legitimate means by which smaller nations preserved their political sovereignty and economic viability. But it is painfully clear that Argentina, Portugal, Spain, Sweden, Switzerland, Turkey and other neutral countries were slow to recognize and acknowledge that this was not just another war. Most never did. Nazi Germany was a mortal threat to Western civilization itself, and had it been victorious, to the survival of even the neutral countries themselves.

Of course, we must be cautious in making simplistic moral judgments about the conduct of neutral nations in wartime. None of these nations started World War II or caused the Holocaust; that responsibility rested squarely with Nazi Germany. No country, including the United States, did as much as it might have or should have to save innocent victims of Nazi persecution—Jews, Gypsies, political opponents, and others. America itself remained a non-belligerent for over two years following the outbreak of the War in Europe. Restrictive U.S. immigration policies kept hundreds of thousands of refugees from finding safety in the United States, most tragically exemplified by our refusal to allow the St. Louis to dock with its cargo of refugees—many of whom perished when the ship was forced to return to Europe. Nevertheless, the U.S. froze German assets in April 1940 (18 months before entering the War), conducted little trade and commerce with Nazi Germany, and generously assisted Britain, the Soviet Union and the anti-Nazi cause—despite fierce domestic opposition—through programs like Lend-Lease.

Many of the neutrals had a rational fear that their own independence was only a Panzer division away from extinction. But if self-defense and fear were factors in that rationale for neutrality, so too were profit in all neutral countries and outright Nazi sympathy in some. The neutrals ignored repeated Allied entreaties to end their dealings with Nazi Germany. Whatever their motivation, the fact that they pursued vigorous trade with the Third Reich had the clear effect of supporting and prolonging Nazi Germany’s capacity to wage war.

In considering the actions of the neutrals, three phases can be identified:

- During the first phase, from the outbreak of war in 1939 until the battle of Stalingrad in early 1943, German military prowess was such that there was a legitimate fear of imminent invasion.

- In the second phase, the tide of battle shifted in the Allies’ favor and culminated in victory. Beginning in mid-1943 with the Allied invasion of Italy, the D-Day invasion in June, 1944 and the diversion of German forces to halt the Soviet Army’s advance, the Nazi occupation of Europe was rolled back and the threat to the neutrals greatly diminished, although there were still fears of other forms of reprisal. Commerce with Germany, however, continued. German assets in neutral countries were not frozen, despite Allied requests and warnings. The neutrals continued to profit from their trading links with Germany and thus contributed to prolonging one of the bloodiest conflicts in history. During this period, the Allies suffered hundreds of thousands of casualties and millions of innocent civilians were killed.

- In the third phase, the immediate postwar period, the neutrals disputed the legality of the Allied request to control German assets; often denied they had any looted Nazi gold; defended their commercial interests; dragged out negotiations with the Allies; and eventually pressed their own claims for restitution against Germany. In contrast to the other wartime
neutrals, Sweden was relatively forthcoming in terms of the extent and pace of its cooperation in transferring Nazi gold and other assets to the Allied powers. Spain, Portugal, Switzerland, Turkey and others continued to resist cooperation even though the War was over.

To varying degrees, each of the neutrals cooperated with Nazi Germany for their own economic benefit. Sweden was one of Nazi Germany’s largest trading partners, supplying critically-needed iron ore and ball bearings, among other goods. Portugal supplied a variety of vital mineral resources for the Third Reich’s war machine, including the ore for tungsten, a key additive used in the production of weapon-grade steel. Spain maintained an active trade in goods and raw materials. Turkey was Germany’s source of very scarce chrome. Argentina’s pro-Axis regime failed to control the transfer of German funds from Europe.

Third, of all the neutral nations, the one with the most complex roles in World War II, together with the deepest and most crucial economic relationship with Nazi Germany, was Switzerland. Switzerland’s role was very mixed. It ended World War II as one of the wealthiest nations in Europe. It conducted trade with the Allied countries as well as with the Axis powers. The Swiss National Bank kept gold accounts for and received gold not only from Nazi Germany, but from the United States, Canada, and Great Britain as well. Switzerland served as a key base for U.S. intelligence-gathering. It was also a protecting power for the Allies, most critically for our POWs. But as the Swiss Government acknowledged as early as 1952 (and reiterated in recent months), there were shortcomings in Switzerland’s refugee policies. Switzerland persuaded the Nazis to establish the “J” stamp which prevented tens of thousands of Jews from entering Switzerland or other potential sanctuaries. Like Canada and the United States, Switzerland tightened its immigration policies, and during the War it virtually closed its borders to Jews fleeing deportation from France and Belgium. As many as about 50,000 Jewish refugees were admitted from 1933 until the end of the War, of whom some 30,000 remained and survived the War in Switzerland. But Switzerland imposed on Jewish communities the burden of sustaining the Jews who were admitted after the outbreak of war (most of whom were interned in labor camps). In August and December 1944, Switzerland admitted an additional 1,700 concentration camp inmates from Bergen Belsen, and in February 1945 an additional 1,200 from Theresienstadt. Various Jewish communities were required to support these additional survivors. Switzerland also accepted well over 100,000 other refugees after 1940.

As late as the end of 1944, Secretary of State Stettinius and his State Department colleagues concluded that, on balance, Switzerland’s neutrality had been more a positive than a negative for the Allies during the War. This relatively benign judgment was not shared by other agencies, from the War Department and Treasury Department to the Office of Strategic Services (OSS) and the Justice Department. These agencies noted that in addition to its critical banking role for the Nazis, Switzerland’s industries engaged in direct production for the Axis and helped protect Axis investments; Swiss shipping lines also furnished Germany with a large number of boats for the transport of goods. Switzerland also allowed an unprecedented use of its railways to link Germany and Italy for the transport of coal and other goods. Switzerland provided Germany with arms, ammunition, aluminum, machinery and precision tools, as well as agricultural products. Swiss convoys carried products from Spain across France through Switzerland to Germany. Swiss banks serviced Nazi markets in Latin America. This conduct continued even as the Germans retreated and the threat of invasion evaporated. As late in the War as early 1945, Switzerland vitiated an agreement it had just reached with the United States to freeze German assets and to restrict purchases of gold from Germany.

The amount of Germany’s gold reserves before the War was well known. Clearly, the evidence presented in this report is incontrovertible: the Swiss National Bank and private Swiss
bankers knew, as the War progressed, that the Reichsbank’s own coffers had been depleted, and that the Swiss were handling vast sums of looted gold. The Swiss were aware of the Nazi gold heists from France of Belgian gold as well as from other countries.

Switzerland’s “business as usual” attitude persisted in the postwar negotiations, and it is this period which is most inexplicable. The Swiss team were obdurate negotiators, using legalistic positions to defend their every interest, regardless of the moral issues also at stake. Initially, for instance, they opposed returning any Nazi gold to those from whom it was stolen, and they denied having received any looted gold. The Swiss contended they had purchased it in good faith, that it was part of war booty obtained in accordance with international legal principles by the Third Reich during its victorious campaigns, and that there was no international legal principle which would entitle the Allies to recover and redistribute Nazi assets. Finally, after long, contentious and difficult bargaining, agreement was reached in the form of the 1946 Allied-Swiss Washington Accord. The Accord obligated Switzerland to transfer 250 million Swiss francs ($58.1 million) in gold to the Allies and to liquidate German assets—transferring 50 percent of the proceeds from the assets to the Allies for the reconstruction of war-torn Europe, of which a portion would be directed to assistance of stateless victims. At the same time, the Swiss made a commitment in a side letter to identify dormant accounts which were heirless and could be used for the benefit of Nazi victims.

The $58 million in German-looted gold to be returned to the Allies was far less than the range of $185-$289 million in looted gold the State and Treasury Departments estimated was at the Swiss National Bank for its own account at the end of the War. An additional $120 million of German-looted gold was also estimated to be on account for other countries at that time. This $58 million in monetary gold was promptly paid to the Tripartite Gold Commission (TGC) for redistribution to the claimant countries.

But the other part of the Accord, the liquidation of hundreds of millions of dollars in German assets, was neither promptly nor ever fully implemented. The Swiss raised one objection after another, arguing over exchange rates, insisting that German debt settlements be included, and demanding that the U.S. unblock assets from German companies seized during the War but which the Bern government claimed were actually Swiss-owned. They refused to make an exemption for the assets of surviving Jews from Germany and heirless German Jewish assets, and continued to make them subject to liquidation. They refused to recognize any moral obligation to return looted Dutch gold when evidence became available after the conclusion of the 1946 negotiations. U.S. negotiators concluded by 1950 that the Swiss had no intention of ever implementing the 1946 Washington Accord. Secretary of State Dean Acheson remarked that if Sweden was an intransigent negotiator, then Switzerland was intransigence “cubed.”

Over a six-year period, before the final 1952 settlement, the Swiss government had made only a token 20 million Swiss franc advance ($4.7 million then or $31 million today) for resettlement of stateless victims. Finally, in 1952, after a lengthy and frustrating effort, Switzerland and the Allies agreed to a total payment of only $28 million—far less than the agreed 50 percent of the value of German assets in their country. The amount of German assets in Switzerland after the War ranged between press accounts of $750 million, U.S. and Allied estimates of $250 - $500 million, and Swiss estimates of around $250 million.

This 1952 accord, superseding the 1946 obligation, was concluded within days of the initialing of a Swiss-German debt agreement by which the German government satisfied its wartime debt to Switzerland. Clearly, Switzerland’s delay was intended to keep German assets under its control as a guarantee for settlement of Swiss claims against the Nazi regime. Effectively, the German payment was used to fund Switzerland’s own payment to the Allies.
It was not until 1962 that Switzerland began to comply with its 1946 side letter agreement to the Washington Accord “to look sympathetically” at using heirless assets for the benefit of Holocaust survivors. After long denying the possession of any heirless assets, some Swiss banks then found over $2 million in bank accounts, most of which was not transferred to Jewish and other relief organizations until the 1970s. In a renewed effort in 1996, they indicated they had located around $32 million in dormant accounts in various banks. Over the years, the inflexibility of the Swiss Bankers’ Association and other Swiss banks made it extremely difficult for surviving family members of Nazi victims to successfully file claims to secure bank records and other assets. This overall pattern of apparent Swiss bankers’ indifference to the needs of the victims of the Holocaust and their heirs persisted until the current international pressures came to bear and, for instance, the appointment of an Ombudsman in 1996.

The lack of attention to the letter and spirit of this side agreement was also evident in the separate 1949 agreement the Swiss concluded with Poland under which Switzerland agreed to transfer funds in heirless bank accounts from Polish Holocaust survivors and other Polish nationals to the then-Communist government of Poland. This was coupled with a Polish agreement to satisfy the claims of Swiss businesses for properties expropriated after the War. Although defensible under international law, (since the Poles committed themselves to restore these heirless assets to any surviving Polish claimants), there was no Swiss follow-through. Switzerland failed to provide Poland with the names of Polish heirless account holders until a few months ago. Switzerland also entered into a similar protocol with Hungary.

Negotiations with other neutrals also had mixed results. Sweden was the most cooperative in liquidating the German assets it held, although it was not until 1955 that Sweden resolved final questions on transferring monetary gold. Negotiations with Spain were lengthier and less successful, with many German assets in Spain virtually disappearing into the Spanish economy by the time negotiations were completed in 1948. A small amount of gold was returned and assets liquidated. Negotiations with Portugal were even more protracted, with gold discussions dragging on into the 1950s because of Portuguese resistance. It was not until 1960 that a small amount of cash and gold was turned over to the Allies. Turkey and Argentina paid nothing in gold or assets.

Fourth, the United States lent its military, material, and moral might to the free world’s fight against Nazi tyranny and led the magnanimous effort to rebuild post-war Europe through the landmark Marshall Plan. It is fair to conclude that on the Nazi gold and assets issues addressed by this report, the role of the U.S. was also positive. The U.S. Government took the lead in economic warfare against the Axis by initiating the Safehaven program with our Allies. The U.S. scored significant successes in blocking German assets from leaving this country and in tracking the flow of Nazi assets, particularly looted gold, to prevent any Nazi resurgence after the War. The U.S. also led the effort, during and after the War, to obtain compensation for the nations and individuals victimized by the Third Reich. Although restrictive immigration policies remained in place until 1948, the U.S. was the most active in addressing the plight of the refugees, initiating the proposal in the Paris Reparation Conference to assure some share of reparations went to the victims of Nazism and proposing an early conference on assistance for refugees. The U.S. also provided substantial funds for displaced persons and for the resettlement and rehabilitation of refugees.

Nonetheless, the report raises serious questions about the U.S. role. American leadership at the time, while greater than that of our Allies, was limited. There was a demonstrable lack of senior-level support for a tough U.S. negotiating position with the neutrals. Moreover, there was an even greater lack of attention to ensuring implementation of negotiated agreements. Because, for instance, the U.S. Government decided to unblock frozen Swiss assets in the U.S. soon after
the signing of the 1946 Accord, and, over the objections of the Treasury Department, decided not to pursue sanctions, most leverage was lost before Switzerland had met its obligations. Finally, neither the U.S. nor the Allies pressed the neutral countries hard enough to fulfill their moral obligation to help Holocaust survivors by redistributing heirless assets for their benefit.

These serious shortcomings in U.S. and Allied policy, coupled with stiff resistance on the part of the neutrals, had two negative consequences:

- With greater support and interest from Allied leadership, it might have been possible to strike a better bargain on the looted gold and other German assets with the neutral countries;
- Allied and interagency disagreements also made it easier for the neutrals to string out negotiations and thereby delay the transfer of needed funds to the Inter-Allied Reparations Agency (IARA) and to the International Refugee Organization (IRO).

The inadequacies of U.S. postwar policy were due to a number of factors which tied the hands of American negotiators, not the least of which was unrelenting opposition from the neutral countries. In addition to interagency disagreements over how tough to be with the neutrals, there were also splits within Allied ranks. The U.S. was the most aggressive in seeking compensation for the refugees, but was met by resistance, for example, from Britain (which according to the analysis of U.S. officials at the time, feared the policy of providing funds for resettlement of refugees would conflict with its restrictions on the number of Jewish refugees who could enter Palestine).

Most fundamentally, wartime objectives were replaced by the need to rebuild an integrated postwar Europe and then by new Cold War imperatives, including the creation of NATO in order to contain the Soviet threat so dramatically highlighted by the 1948 Berlin blockade. Putting a democratic West Germany on its feet and strengthening its economy took priority over denying it access to German assets in neutral countries—assets which could be applied to broader European recovery efforts. The Allies knew that German efforts to meet their obligation to the neutral countries would strain their economy. In the case of Portugal, the quest for access to the important Azores air base led negotiators to settle for a token payment. Security interests became paramount with Turkey, a key NATO ally. Switzerland, though neutral, was seen officially in a 1951 decision by President Truman as a democratic deterrent to Soviet expansionism.

Fifth, the report also deals with the hotly debated issue of whether some victim gold was sent to Switzerland and other neutral countries, and whether it was also included in the TGC Gold Pool. This was the Pool into which looted central bank gold was placed for redistribution by the TGC to the governments from which it was stolen during the War. This study concludes that both occurred. The Reichsbank or its agents smelted gold taken from concentration camp internees, persecutees and other civilians, and turned it into ingots. There is clear evidence that these ingots were incorporated into Germany’s official gold reserves, along with the gold confiscated from central banks of the countries the Third Reich occupied. Although there is no evidence that Switzerland or other neutral countries knowingly accepted victim gold, the study provides clear evidence—on the basis of the pattern and practice of Reichsbank gold smelting, the co-mingling of monetary and non-monetary gold, gold transfers and an analysis of a shipment of looted Dutch gold—that at least a small portion of the gold that entered Switzerland and Italy included non-monetary gold from individual civilians in occupied countries and from concentration camp victims or others killed before they even reached the camps.

It is also clear that some victim gold “tainted” the Gold Pool. There was great confusion and disagreement between the Allies and within the U.S. government over the definition of
“monetary gold” (destined for the Gold Pool) and “non-monetary gold” (to be used for resettlement of stateless victims). In the end, the U.S. decided on a definition that was based on appearance rather than origin. As a result, gold taken by the Nazis from civilians in occupied countries and from individual victims of the Nazis in concentration camps and elsewhere was swept into the Gold Pool. In addition, the U.S. and Britain agreed that gold bars suspected to be from the Nazi’s Terezin concentration camp in Czechoslovakia should be included in the Gold Pool, although no evidence has been uncovered yet that they were transferred to the TGC. Further research might determine how much was included.

Finally, one aspect of the study deserves immediate attention and action: the plight of those who were victims not only of war and the Holocaust, but of the sad combination of indifference on the part of the neutrals and inaction by the Allies. The decision by the 18 nations at the 1946 Paris Reparations Conference to leave assistance and reparations for individual victims to national governments and international relief organizations, while understandable at the time, in hindsight had unfortunate consequences:

- Serious inequities developed in the treatment of victims depending upon where they lived after the War. Those Holocaust victims who met the applicable definitions were assisted in resettlement, and if they emigrated to the West or to Israel, they have received pensions from the German government. But the “double victims,” those trapped behind the Iron Curtain after the War, have essentially received nothing;

- Beyond initial emergency resettlement assistance, most governments did not have a long-term commitment to rehabilitation, to the search for heirs of abandoned assets, nor to distribution of heirless assets for appropriate causes. This meant that the burden of providing ongoing relief for surviving victims was left largely to private organizations.

For the victims, justice remains elusive. Their grievances must be seen as the appropriate responsibility of the entire international community on behalf of humanity.

Challenges For Action

The cumulative facts and conclusions contained in this report should evoke a sense of injustice and a determination to act. Now, half a century later, this generation’s challenge is to complete the unfinished business of the Second World War to do justice while its surviving victims are still alive. To do justice is in part a financial task. But it is also a moral and political task that should compel each nation involved in these tragic events to come to terms with its own history and responsibility.

It is a time for reconciliation as well. A positive, healing process has already begun. Besides the pathbreaking September 1996 British Foreign Office report and this U.S. historical study, a growing number of countries have initiated reviews of their wartime roles—including their relationship to the Third Reich and the theft and disposition of valuables from their Jewish and non-Jewish citizens alike.

Among the neutral countries, Switzerland has taken the lead. It has established two separate commissions—the Volcker Commission to examine assets in dormant bank accounts in Swiss banks and the Bergier Commission to examine the entire historical relationship of Switzerland to Nazi Germany. Major Swiss banks and companies and the Swiss National Bank have established what is now a $180 million—and growing—fund for needy surviving victims of the Nazis or their heirs. The Government of Switzerland has proposed establishing an endowment to generate income for survivors and for other humanitarian causes. Private groups,
including churches and high school students, have collected over 500,000 Swiss francs (about $350,000) for Holocaust survivors. The United States welcomes and applauds these significant gestures.

Many other important efforts are beginning. For example, Sweden, Spain, Portugal, France, Norway, the Netherlands, Belgium, Brazil, and Argentina have created historical commissions. Poland has published a report of its post-war agreement with Switzerland to settle property claims. The Czech Republic has searched its records and determined that no heirless accounts in Swiss banks were included in Swiss claims settlements. The Austrian Government has established a fund to compensate its Holocaust survivors. Shortly, the Government of Hungary will begin paying monthly compensation to over 20,000 Holocaust survivors living in that country. Several other countries in Central and Eastern Europe have also taken steps to restore communally-owned Jewish and non-Jewish property (such as schools, churches, and synagogues) confiscated by the Nazis and/or the Communists, although often at a slow pace. These efforts should be accelerated.

To move this healing process forward, it is vital that all of the facts be made public. The Clinton Administration has made an extraordinary effort to declassify documents that may shed further light on these issues. In addition:

- The U.S. favors the immediate declassification of all of the TGC’s documents that bear on the origin of the TGC gold pool.
- The U.S. will explore the idea of an international conference of historians and other experts to exchange information, insights, and documents about the flow of Nazi assets, relationships with the Third Reich during the war, and measures for finding surviving owners or disposing of heirless property. The U.S. and other concerned governments would then need to assess the results of these efforts. It will be important, for example, to have German Reichsbank records available so that we can all reach a more complete understanding of the origin and flows of looted assets.

The U.S. hopes that other governments continue to build on these hopeful beginnings. We all need to pursue unresolved issues, such as the disposition of heirless assets. We also need to create museums and educational curricula, and to find other ways to teach future generations the truth about the war years and their countries’ relationship with Nazi Germany.

Most urgently, these actions should focus on providing justice for Holocaust survivors. That is why we are discussing with Britain and France final disposition of the Gold Pool. The report concludes that this Pool contained at least some individual gold that did not belong to the central banks of governments who have now received it from the TGC. Moreover, there is a moral dimension. The remaining amount, almost $70 million—to be divided among the claimant countries—is small, but if a significant portion of this amount could be given to Holocaust survivors, it would help them live out their declining years in dignity. This is particularly important for those “double victims” in Central and Eastern Europe and the former Soviet Union who survived both Nazism and Communism, and have received little or no compensation from Germany. While we recognize that the final decision will need to be made in consultation with our TGC partners and the claimant countries, we favor a substantial portion of this remaining gold being made available for a fund for the benefit of surviving victims.

There are additional unresolved issues which are only briefly mentioned in this report. One which has arisen recently concerns the disposition of heirless assets in U.S. banks and, indeed, whether there may have been looted Nazi assets in U.S. banks—including the American affiliates of Swiss-owned banks. This is an important matter that requires further investigation.
by other institutions, including relevant state authorities. It is also important to pursue insurance
claims by families of Holocaust victims whose policies were confiscated by the Nazis or whose
claims were denied due to a variety of circumstances, including the lack of a death certificate.

Much work remains to be done, but this preliminary study is a major step forward. Ultimately, the United States, our Allies, and the neutral nations alike should be judged not so much by the actions or inactions of a previous generation, but more by our generation’s willingness to face the past honestly, to help right the wrongs, and to deal with the injustices suffered by the victims of Nazi aggression. Our hope is that this study will advance that broader purpose.

Stuart E. Eizenstat
Under Secretary of Commerce for International Trade
Special Envoy of the State Department on Property Restitution in Central and Eastern Europe
Preface

The report presented here, together with the accompanying inventory of records at the National Archives and Records Administration and a selection of more than 200 important documents, are the product of nearly 7 months of intensive research by historians, archivists, and experts representing 11 federal agencies. It was coordinated and edited by the State Department’s Office of the Historian under the direction of Stuart E. Eizenstat, Under Secretary of Commerce for International Trade.

This is a preliminary report—a provisional road map—through more than 15 million pages of documentation in the National Archives and Records Administration. Of course, the study raises more questions than could be answered in this initial review of mostly U.S. documents. Definitive answers await further investigation by experts and the release of other countries’ records. Moreover, many of the issues at stake are subject to varying interpretations and thus deserve separate detailed studies. These qualifications notwithstanding, the report reaches significant conclusions and outlines the major unresolved issues with respect to restitution or reparation of property looted during World War II. It also identifies systemically the official records needed to undertake more detailed examinations of specific outstanding issues.

Beginning in January 1995 in his role as Special Envoy for Property Restitution in Central and Eastern Europe that he first undertook while serving as Ambassador to the European Union, Ambassador Eizenstat has led the U.S. effort to encourage European governments to compensate victims of Nazism who also suffered under Communist governments in the region. It is also in this role that Ambassador Eizenstat was charged by President Clinton with the responsibility of preparing this report.

This report focuses on what U.S. officials knew about Nazi looting of gold and other assets, when they found out about German actions or the actions of neutrals or non-belligerent nations, and how the United States attempted—alone or in concert with its wartime Allies—to trace the movement of looted gold and other assets into neutral and non-belligerent nations, and to recover the assets from these nations as well as from occupied Europe. It is a narrative account of the major events and issues in the formulation of policy within the U.S. Government and with its Allies, and of the key negotiations with the neutral nations. The broader context of U.S. relations with these countries is described only to the extent necessary to illuminate the issues addressed by the report. The report does not present the record of U.S. official reactions to, and policy toward, the fate of the millions of victims of the death camps, the enormity of which overshadows the events presented here and deserves its own separate detailed report.

This report and the accompanying collection of documents highlight these key issues and events in particular:

- the elements of Allied economic warfare against Nazi Germany, along with U.S. and Allied policies and programs aimed at curtailing the financial and commercial support for the German war machine on the part of the neutral nations.

---

* Technically, only Switzerland and Sweden were “neutral” countries during the War according to generally-accepted definitions of neutrality. Spain, Portugal, Turkey and Argentina were “non-belligerent” but not neutral. However, throughout the report (as well as the Foreword and Summary), the neutral and non-belligerent countries are, for the sake of simplicity, referred to as “neutrals” when mention of them is made collectively.
• the Potsdam conference and other high-level Allied meetings in the immediate postwar period, which established policies for reparations and restitution as first steps in the recovery of war-ravaged Europe.

• the lengthy negotiations between the Allies and the neutral nations to implement these policies, to restore looted monetary gold to its owners, and to apply external German assets and the non-monetary valuables of the victims of Nazism to the reconstruction of Europe and support of refugees.

• the discovery, inventorying, and disposition of gold and other valuables found in defeated Germany and elsewhere in Europe, as well as the activities of the Tripartite Gold Commission to implement Allied commitments to gather and distribute available monetary gold within Germany and in the neutral nations.

• the issue of gold and other valuables stolen from concentration camp victims and other Nazi victims, as well as the fate of the property and other assets of such victims that were deposited or located in neutral nations.

This report has been conceived, researched, and written as an independent historical study following generally accepted standards of scholarship and objectivity. This is not a policy report by government agencies, nor a policy study prepared at the direction of government agencies; rather it is a report produced by historians and researchers employed by government agencies. When those involved in the preparation of the report have at times differed on the inclusion or interpretation of certain information, Under Secretary Eizenstat and the leadership of the Department of State and other agencies have insisted on leaving final judgments to me and to those with whom I have worked.

Methodology for Preparing the Report

The preparation of this report proceeded simultaneously with parallel investigations by other researchers working on behalf of Congress, non-governmental organizations, private legal inquiries, foreign countries, and the media. While the research objectives pursued and the conclusions reached by these individuals and groups are not necessarily consistent with those reflected in this report, our effort has nonetheless been materially assisted by their efforts. Unfortunately, our time constraints precluded a complete comparison of and collation with their work. Additional research and new analysis of existing research will undoubtedly result in a more complete record and a deeper understanding of these issues.

The extent of knowledge on the part of U.S. officials about the quantity of looted monetary gold and non-monetary gold—including valuables stolen from Holocaust victims, and the overall body of German external assets in the neutral nations—is of critical importance in all aspects of this report. Every effort has been made to identify those key documents, estimates, analyses, and descriptions available to or used by American policy-makers and negotiators. For the purpose of producing an understandable report, we have taken two steps to clarify the data:

• Numbers in various systems of weights and valuations in the currencies of various nations have been converted, where possible, to standard weight or contemporary dollar values.

• Summary tables have been appended to the report to allow easier comparisons of the various estimates and quantifications.

The report cannot claim completeness on these matters. In many cases, it has not been possible to confirm which particular estimates individual policy-makers and negotiators were
relying upon at any given time. The estimates cited in the chronological narrative of negotiations and decision-making presented in this report vary not only according to their source, but also as a result of adjustments made by officials over time. The report has generally avoided speculating on why particular officials used specific estimates of the amount of looted monetary gold and German external assets. The report therefore seeks to present a workable outline of the key negotiations, but it leaves to further research a more complete understanding of the motives and responsibilities of the participants in the events described here.

The account presented here is drawn overwhelmingly from those official U.S. records available to American policy-makers at the time. Documentary sources for all statements in the report are indicated in footnotes. All of the thousands of documents reviewed for this report and cited herein are unclassified. (Where absolutely necessary to explain events not accounted for in available documents, secondary sources have been cited). The great majority of the documents have been available at the National Archives and Records Administration for the past 10 years. Some files from the Department of the Treasury, the Federal Reserve Board, the Central Intelligence Agency, and the National Security Agency were made available at the National Archives and Records Administration and reviewed for declassification in connection with the preparation of this report. In the process of compiling this report, more than 800,000 pages of documents have been declassified.

A selection of more than 200 of the most important documents cited has been gathered as a separate compilation and will be available for those interested in a greater level of detail than offered by the report itself. The documents represent a very small sample of the approximately 15 million pages of records on this subject, which are open and available to any and all researchers at the National Archives. The National Archives has prepared a comprehensive annotated inventory of relevant records of the various government agencies now open to public review at the National Archives and Records Administration. Some published works, such as the Department of State’s documentary series Foreign Relations of the United States, have been referred to when they contain official documents or information that meets the standard of contemporaneity. Available published secondary works have been examined and helpful information and useful official documents bearing on the issues at hand have been obtained from other governments.

Acknowledgments

The report was prepared by a team in the Office of the Historian of the Department of State, which I led as Historian of the Department of State, with the close cooperation and extensive assistance of historians, archivists, and experts from 10 other agencies. Significant portions of this report were drawn from materials prepared for the Department of the Treasury on the basis of an intensive review of that agency’s records. The History Staff of the Central Intelligence Agency, the Department of the Army Center for Military History, the Office of Special Investigations of the Department of Justice, and the Research Institute of the U.S. Holocaust Memorial Museum each researched aspects of the issues addressed here. The section of the report reviewing the background and activities of the Tripartite Gold Commission was prepared with assistance from the staff of the Federal Reserve. Documents and advice were provided by the Franklin D. Roosevelt Presidential Library, the Harry S. Truman Presidential Library, the Dwight D. Eisenhower Presidential Library, the John F. Kennedy Presidential Library, the Lyndon B. Johnson Presidential Library, and the Gerald R. Ford Presidential Library. Advice and assistance were also provided by experts of the Department of Commerce, the Federal Bureau of Investigation, and the National Security Agency.
I wish to acknowledge the following personal contributions to the research, drafting, and editing of this report. At the Department of State: Rita Baker, Vicki Futscher, Karen Gatz, David Goldman, David Herschler, David Humphrey, Douglas Keene, Frank Kinnelly, Gerald Monroe, Sidney Ploss, Basil Scarlis, and Carolyn Yee; at the Department of the Treasury: Larry Summers, Tim Geithner, William McFadden, Francine Barbour, Abby Gilbert, David Joy, and Russell Munk; at the Department of Justice: Eli Rosenbaum, Elizabeth B. White, Edward Stutman, Steven Rogers, Michael MacQueen, William Kenety, and Robert Waite; at the U.S. Holocaust Memorial Museum: Patricia Heberer and Sybil Milton; at the Defense Department’s Center for Military History: Jeffrey Clark, R. Cody Phillips, Clayton Laurie, Mary Haynes, and David C. Cole; at the Central Intelligence Agency: Donald P. Steury; at the Federal Reserve Board: Donald Adams and; at the Federal Reserve Bank of New York: James Hennessy; and Robert J. Hanyok at the National Security Agency. In addition, a number of other officials were helpful in a variety of ways in this process. At the National Security Council: Mary Ann Peters; at the Department of Commerce: Judith Barnett, Judy Liberson, Lisa Lubick, and Jim Desler; at the Department of State: Ruth van Heuven, Tony Wayne, Bennett Freeman, Elizabeth Pryor, Mary Thompson-Jones, and Catherine Sevcenko; at the U.S. Holocaust Memorial Museum, Stan Turesky.

All of the research depended directly upon the unfailing support, assistance, and encouragement of the Archivist of the United States and the staff of the National Archives and Records Administration. Our work simply could not have been carried out without this assistance. This interagency project coincided with an unprecedented demand on the National Archives for access to its records and requests for assistance from the Congressional and private research teams and individuals also seeking to understand the issues commonly referred to in shorthand as “Nazi Gold.” It is to the credit of the National Archives staff that the needs of all researchers—government and private, domestic and foreign—were met with unfailing courtesy and without disruption to research schedules. If readers of this report find that important relevant documentation at the National Archives has not been described or identified, the failure is entirely that of the authors who had, as does any researcher, complete access to all the holdings listed in the accompanying inventory of records.

William Z. Slany
The Historian
Department of State
May 1997
## Contents

**Foreword** ...................................................................................................................................................... iii  
**Preface** ........................................................................................................................................................ xiii  
**Report Summary** ........................................................................................................................................ xxi  
**Tables and Charts** ................................................................................................................................... xxxv  
**Abbreviations** ............................................................................................................................................. xlv  
**Persons** ....................................................................................................................................................... xlvi  

### I. Wartime Efforts To Halt Commerce With Germany and Prevent the Flight Abroad of German Assets

A. Allied Campaign To Prevent Neutral and Non-Belligerent Commerce With Germany and the Flow of Looted Assets to the Neutrals ........................................................................................................ 1  
B. Wartime Treasury Department Controls ..................................................................................................... 2  
C. Movements of Gold and Other Assets to and Through Switzerland, 1941-1943 ..................................... 3  
D. Negotiations Leading to the Inter-Allied Declaration Against Acts of Dispossession Committed in Territories Under Enemy Occupation or Control (London Declaration of January 5, 1943) ............................. 5  
E. Prevention of Axis Financial and Commercial Intercourse With the Americas, 1941–1942............... 7  
F. Allied Gold Declaration of February 1944 ..................................................................................................... 9  
G. Argentina’s Failure To Control Axis Funds, 1943−1946 ......................................................................... 10  
H. Early Evidence of the Extortion and Seizure of Money and Other Assets From Jews and Other Refugees ........................................................................................................................................ 11

### II. The Safehaven Program

A. Origins of the Safehaven Program .............................................................................................................. 15  
B. Building a Legal Base for Safehaven Programs: Bretton Woods Resolution VI ...................................... 17  
C. Implementation of Safehaven .................................................................................................................... 20  
D. War Trade Negotiations ............................................................................................................................ 23  
E. Evolving Policy Toward Switzerland; the Currie Mission and Its Aftermath ............................................. 28  
F. Safehaven After the End of the War ............................................................................................................ 35  
G. The Office of Strategic Services and Project Safehaven ........................................................................... 36

### III. Potsdam Heads of Government Meeting and the Paris Reparations Conference

A. German External Assets and Allied Control Council Law No. 5 ............................................................... 49  
B. Development of U.S. and Allied Policies Regarding Looted Gold, July-December 1945 ....................... 54  
C. Establishment of a Gold Pool for Looted Monetary Gold ....................................................................... 56  
D. Allied Decision at the Paris Reparations Conference To Provide Assistance for the Non-Repatriable Victims of Nazism .................................................................................................................. 58

### IV. The Allied-Swiss Negotiations at Washington, March–May 1946

A. The Swiss and British Perspectives on the Negotiations ........................................................................... 62  
B. The Question of Sanctions Against the Neutrals; State and Treasury on the Eve of the Negotiations ........................................................................................................................................ 64  
C. The Allied and Swiss Delegations at the Washington Negotiations ....................................................... 66  
D. Opening of the Negotiations at Washington ............................................................................................ 67
E. Role of Intelligence in the Washington Negotiations ................................................................. 71
F. First Swiss Draft Agreement on German Assets ..................................................................... 73
G. Second Swiss Draft Agreement on German Assets .............................................................. 74
H. Collapse of the Talks ............................................................................................................... 75
I. Resumption of the Talks and the Final Swiss Offer ................................................................. 77
J. Response to the Swiss Offer ..................................................................................................... 79
K. Allied Acceptance of the Swiss Offer ..................................................................................... 81
L. President Truman Endorses the Allied-Swiss Agreement; Senator Kilgore Rejects the Settlement. 83
M. Stucki’s Appraisal of the 1946 Allied-Swiss Negotiations .................................................. 86

V. Five-Power Conference on Reparation for Non-Repatriable Victims of Germany, June 1946 ..... 89
   A. Exploratory Talks .................................................................................................................. 89
   B. The Search for Compromise ............................................................................................... 90
   C. Tentative U.S.-U.K. Agreement ......................................................................................... 90
   D. The Conference Proceedings ............................................................................................ 92
   E. Content of the Agreement .................................................................................................. 92
   F. Annexes to the Agreement .................................................................................................. 93

VI. Implementation of the May 1946 Allied-Swiss Accord ........................................................ 95
   A. The Exchange Rate Issue ..................................................................................................... 95
   B. Swiss Contribution to Monetary Gold in the Allied “Gold Pot” ........................................... 98
   C. Swiss Contribution to Non-Repatriable Victims of the Nazis ............................................. 99
   D. Swiss Treatment of the Assets of German-Jewish Persecutees ......................................... 102
   E. Switzerland and the Diplomacy of European Economic Recovery ..................................... 103
   F. Revision of the Washington Accord .................................................................................... 104
   G. Allied-Swiss Negotiations in Washington, May-June 1949 .............................................. 106
   H. Possible Reenconvening of the Allied-Swiss Conference .................................................... 108
   I. U.S. Policy Toward Switzerland in 1950 and 1951 ............................................................... 110
   J. Possible U.S. Withdrawal From the Washington Accord ................................................... 111
   K. Allied-Swiss Conference at Bern, March–April 1951 ............................................................ 114
   L. Direct Negotiations Between Germany and Switzerland ...................................................... 116
   M. Compromise on Intercustodial Matters ............................................................................. 118

VII. Allied Negotiations With the Other Neutral Countries ......................................................... 121
   A. Allied Negotiations With Sweden ....................................................................................... 121
   B. Allied Negotiations With Portugal ..................................................................................... 127
   C. Allied Negotiations With Spain .......................................................................................... 138
   D. Allied Negotiations With Turkey ....................................................................................... 142
   E. Allied Negotiations With Argentina ................................................................................... 145

VIII. U.S. Army Involvement With the Acquisition, Accountability, and Security of German
     Monetary Gold and Related Assets Following World War II ............................................... 149
     A. Establishment and Operations of the Foreign Exchange Depository .................................. 150
     B. Distributing the Gold Recovered in Germany ................................................................ 154
IX. Disposal by the United States of Captured Gold Looted by Germany From Individual Victims of Nazi Persecution and From European Central Banks ................................................................. 159
   A. Discovery of SS Loot in the Reichsbank Treasure................................................................. 159
   B. Acquisition by the Reichsbank of Gold and Valuables Looted by the SS From Jews and From Jewish and Non-Jewish Concentration Camp Inmates...................................................... 159
   C. Estimates of the Value of Persecutee-Origin Gold Acquired by the Reichsbank From the SS ...... 163
   D. Other Sources of Persecutee-Origin Gold in the Reichsbank.................................................... 166
   E. The Presence of Persecutee-Origin Gold in the “Monetary” Gold Holdings of the Foreign Exchange Depository........................................................................................................... 167
   F. U.S. Definitions of “Monetary” and “Non-Monetary” Gold and Their Application to Persecutee-Origin Gold and Valuables.................................................................................. 169
   G. Distributions of Monetary and Non-Monetary Gold From the Foreign Exchange Depository. 174
   H. Conclusion.................................................................................................................................. 177

X. The Tripartite Commission for the Restitution of Monetary Gold............................................. 181
   A. Establishment and Functions ................................................................................................. 181
   B. The Gold Pool ....................................................................................................................... 181
   C. The First Distribution and Subsequent Payments...................................................................... 182
   D. Disposition of Monetary Gold Looted From the Netherlands .................................................... 183

XI. Bank for International Settlements.............................................................................................. 187

XII. Disposition of Heirless Assets, 1946–1963 ............................................................................. 193
   A. Five-Power Conference on Reparation for Non-Repatriables, June 1946 .............................. 194
   B. U.S. Domestic Arena, 1947-1951 ......................................................................................... 195
   C. U.S. Action on Heirless Assets, 1953-1963 ............................................................................. 197
   D. International Arena, 1947–1951 ............................................................................................ 198
   E. U.S. Démarche on the Swiss-Polish Agreement........................................................................ 199
   F. Swiss Estimates of the Value of Heirless Assets of Germans..................................................... 200
   G. Allied-Swiss Conference at Bern, March-April 1951............................................................... 200
   H. Allied-Swiss Agreement on the Liquidation of German Property in Switzerland, August 28, 1952................................................................................................................................. 201
   I. Impact of the German-Swiss Agreement, August 26, 1952 ...................................................... 201
   J. Heirless Assets, 1952–1963 ....................................................................................................... 203

Index.................................................................................................................................................... 209
Report Summary

The following summary tracks the structure and chronology of the full report.

**Economic Blockade**

During World War II, the United States and its Allies waged a combination of military and economic warfare against Germany and its Axis partners. The military battles are well-known and their outcomes clearly defined. But the equally complex economic battles to isolate Nazi Germany and choke off its capacity to wage war, though often conducted bloodlessly in offices and conference rooms, have received far less attention despite their critical importance. How far and how vigorously to press this economic war upon the key neutral nations that supplied Germany with vital war-related materials and services were continuing issues for U.S. policy-makers and a matter of difficult negotiation between the United States and its Allies.

During the early years of World War II, even before it entered the War, the United States worked with its Allies to establish an economic blockade against Germany. The campaign to curtail commerce between Germany and the neutral nations was designed to thwart the movement of German assets outside Germany to fuel its engines of war. Through 1941, the U.S. Treasury Department took the lead in severing financial and commercial relations with Germany and preventing German use of neutral nations or firms to circumvent American freeze orders. The U.S. put in place procedures for the licensing of commercial and financial transactions of the neutrals and applied “blacklists” to persons and businesses dealing with the enemy.

“Monetary gold” looted by Germany from the central banks of occupied nations of Europe had an important role in financing and prolonging the German war effort. The United States joined its Allies in efforts to deter the neutrals from trading and trafficking in looted gold and hard currency. According to estimates made by American officials at the end of the War, Germany had about $200 million in monetary gold (now roughly $1.9 billion) in 1940, following its absorption of Austrian and Czechoslovakian gold. During the War, Germany seized from eleven occupied European nations monetary gold worth an estimated $579 million ($5.6 billion today). From $398 million to $414 million went to Switzerland, either to the Swiss National Bank’s own account or the account of other countries at the Swiss National Bank. The bulk of this gold was looted from the central banks of occupied Western Europe. At least some of the gold traded abroad contained a portion confiscated from individuals, both concentration camp victims and other civilians.

While the Allies did not know the exact size of gold flows during the War, they were well aware of its broad scope and they were determined to diminish it. The Allies issued a declaration in January 1943 warning neutral countries that forced transfers of property in occupied Europe would not be recognized, and that such transfers that took place through looting or any other form of transaction would be declared invalid. In February 1944 the United States, Britain, and the Soviet Union extended this general policy to the looted gold of the defeated nations, declaring that they would not buy gold from any nation that had not broken relations with the Axis or that had acquired gold from a defeated or Axis country.

Germany’s war effort depended significantly upon its imports of raw materials and goods from the neutral nations. Switzerland was Nazi Germany’s banker and financial facilitator, taking and transferring German gold—most of it looted—and providing Germany with Swiss francs to purchase needed products. Switzerland also supplied Germany with key war materials such as arms, ammunition, aluminum, machinery and locomotives. Moreover, Germany was able
to mitigate slightly the effect of Allied bombing by moving some arms production to safety beyond the Swiss frontier. Sweden was a critical trading partner of Nazi Germany. Its wartime exports of ball bearings to Germany were vitally important, and for a time Sweden supplied Germany with 40 percent of its iron ore until other European sources reduced that dependency. Spain and particularly Portugal provided Germany with invaluable supplies of wolfram (tungsten) required in the steel-hardening process. Spain also supplied iron ore, mercury, and zinc. Turkey exported very scarce chrome ore to Germany, where the valuable mineral was in short supply.

Allied economic warfare efforts were aimed at closing this commerce down both by choking off its financing and by direct military intervention. But it was not until the fortunes of war had shifted irreversibly against the Axis in 1944 that these efforts finally began to succeed. The persistent reluctance of Switzerland and other neutral states to curtail or halt their profitable commerce in war materials with Germany, even to the very end of the War, angered U.S. policymakers.

Through much of the War, the U.S. and its Allies could not enforce a fully effective blockade against Germany. The continuing trade between Germany and the neutral nations could only be curtailed through such economic leverage as the Allies could apply in the negotiation of war trade agreements with the neutrals. Switzerland’s neutrality posed a particularly difficult problem. Switzerland resisted Allied efforts to reduce or halt its exports to Germany and to curb, if not end, the transshipment of German materials across its borders. Surrounded by Axis forces, Switzerland’s financial relationship with Germany clearly exceeded that of other neutral countries. This contrast became clearest in the final year of the War when the German threat to Switzerland had clearly diminished.

Sweden, Portugal, Spain, and Turkey were also important commercial partners of Germany, and Allied efforts to throttle trade and financial exchanges between them and Berlin remained difficult. The United States was also determined to halt German trade and the movement of German assets to Central and South America. Argentina posed a particularly difficult problem in terms of preventing financial exchanges and war-oriented commerce. It was only with Allied military advances on both the western and eastern fronts over the last year of the War that the neutrals reconsidered their ties and trade with Germany.

During the War, the Allies also encountered growing evidence of the systematic seizure by the Nazis of gold and other assets from European Jews and other persecuted groups. The Holocaust became more apparent as it gathered massive and deadly momentum, and the Allies sought to respond to the extortion of ransom for individuals or small groups of Jews under Nazi arrest. These issues are only part of the larger question that faced the United States and its Allies of how to respond to the Holocaust and the plight of millions of victims of Nazi persecution.

**The Safehaven Program**

As the tide of battle turned decisively in favor of the Allies on the eastern front with the Soviet victory in the Battle of Stalingrad in early 1943 and on the western front with the D-Day invasion in the summer of 1944, the focus of economic warfare against Germany also shifted. While maintaining the fundamental goal of blockading and defeating the Nazi regime, the Allies increasingly aimed their efforts at preventing the enemy from moving its resources outside Germany and precluding the regime’s revival at a later time.

The goals of the U.S.-led Safehaven program (as it came to be known since its goal was to deny any safehaven for Nazi looted assets) were to block Germany from transferring assets to
Switzerland and the other neutral nations, to ensure that German wealth would be available for
the reconstruction of Europe and for the payment of reparations to the Allies, to enable properties
looted by the Nazis in occupied Europe to be returned to their owners, to prevent the escape of
key German personnel to neutral havens, and above all, to deny Germany the capacity to start
another war. There was general agreement within the U.S. Government and with its Allies
regarding these overall objectives. But internal differences among U.S. agencies meant the
President never received consistent advice about how strenuously to push these Safehaven
measures and how far to use wartime economic power to force Switzerland and the other neutrals
to adhere to the program. Moreover, splits between the Allies exacerbated the problem.

The Allied Safehaven program was formally launched at the United Nations Monetary
and Financial Conference at Bretton Woods in July 1944, the main business of which was the
creation of the World Bank and the International Monetary Fund. The delegates also took up
measures to prevent Germany from secreting assets in the neutral nations. The Conference
adopted Resolution VI, which called for immediate measures by neutral nations to prevent any
disposition, transfer, or concealment of looted gold or other assets from the occupied nations of
Europe. Resolution VI quickly became the key element in the Allied Safehaven program aimed
at the neutral nations.

Bureaucratic conflicts plagued the Safehaven program, the administration of which was
shared by the State Department, the Treasury Department, and the Foreign Economic
Administration (FEA). Britain, which depended upon wartime commerce with the neutrals and
was intent on expanding its postwar trade, was reluctant to match the relatively more aggressive
American approach. Partly for this reason, the Safehaven negotiations that the United States and
Britain conducted with the neutral nations in 1944-45 proceeded slowly and deliberately.

The Safehaven program achieved many of its goals, including some success in
preventing the diversion of Nazi assets abroad—and thus in precluding a postwar Nazi
resurgence. The Office of Strategic Services (OSS), the new U.S. wartime intelligence agency
carved out of existing executive agencies by the President, gave the American Safehaven project
a powerful tool for uncovering the secret underside of German economic relations with the
neutrals. Safehaven provided the United States and Britain with unprecedented understanding of
the wartime economies of the neutral states. It also set the scene for the postwar efforts by the
Allies to achieve restitution and reparation payments for the compensation and recovery of
nations that had been occupied by Germany.

Allied efforts to advance Safehaven objectives in Switzerland were especially critical,
both because of that nation’s location in the heart of Europe and its close financial and
commercial ties with Germany. At the end of 1944, State Department senior officials, including
Secretary of State Stettinius, reviewed U.S. relations with Switzerland. They concluded that
Switzerland’s traditional neutrality, its protection of American POWs and other interests, and its
humanitarian efforts were of such importance that they overshadowed Switzerland’s key role in
financing what remained of German commerce. Therefore, they decided that the United States
and its Allies should not take extreme measures to force Switzerland to comply with Safehaven
objectives—or even to end trade in military goods with Germany and halt transshipments from
Germany to Italy. The view of the diplomats at the State Department (shared by the British) was
not one shared by FEA, Treasury, or the Justice Department, which favored far more aggressive
action to gain Swiss cooperation. The Joint Chiefs of Staff also preferred definitive steps to
throttle all commerce with Germany as well as to stop rail transshipments across Switzerland.
All agencies deferred, however, to the State Department’s diplomatic leadership.
The increasing certainty of the victory of Allied armies ultimately persuaded most of the neutrals to reduce or end trade with Germany and meet Safehaven objectives. According to then-Under Secretary of State Dean Acheson, Switzerland was the slowest to do so. A potential breakthrough with the Swiss came in February 1945 when President Roosevelt’s Administrative Assistant Lauchlin Currie led the American delegation to the Allied-Swiss trade and Safehaven negotiations. Britain and the United States welcomed liberated France into these talks, launching the triumvirate that would conduct all postwar negotiations on these issues. Currie and his colleagues seemingly achieved a substantial reduction in Swiss exports to Germany and acknowledgment of Safehaven objectives for the blocking of German assets in Switzerland. But following subsequent discussions with Reichsbank Vice President Emil Puhl, the Swiss reneged on its commitment to the Allies to stop German gold transfers and freeze German assets.

Congressional hearings designed to probe the conduct of Safehaven and to prod the Executive Branch into more aggressive action were held by Senator Harley Kilgore of West Virginia in the summer of 1945. Information from intelligence reports and the Kilgore hearings reveal the record of Swiss reluctance to completely break its ties with Germany even with the end of the War. Allied exchanges with the Swiss through the remainder of 1945 demonstrated Switzerland’s unwillingness to embrace Allied proposals to turn German assets in Switzerland to the benefit of ravaged Europe and stateless victims of the Holocaust and other Nazi crimes.

**Potsdam Conference**

After V-E Day, a new President and cabinet faced the issues of reparations, restitution, and the reconstruction of war-shattered Europe. At the Allied Conference at Potsdam in July and August 1945, President Truman, British Prime Ministers Churchill and Attlee (who succeeded Churchill mid-way through the Conference), and Soviet Marshal Stalin and their top political advisers became engaged with the looted assets issue as they agreed upon policies for dealing with a defeated Germany. The issue of German external assets (assets outside of Germany)—estimated by U.S. experts in mid-1945 at nearly $750 million (nearly $6.7 billion today)—and the monetary gold ($579 million) thought to have been looted from the central banks of the occupied nations of Europe came up for high-level decision-making, along with the more general questions of reparations from Germany and the resources needed to reconstruct Europe after the War. The Allied Control Authority managing occupied Germany had a key role in American planning for the handling of external assets and looted gold. It would also provide the legal authority for claiming custody over Germany’s external assets. American planning continued to emphasize the essential Safehaven security objective of denying such external assets to any groups seeking to resuscitate Nazism.

During the Potsdam Conference, Allied experts abandoned an American proposal for a Four-Power declaration assuming custody of the German assets located in neutral nations. They settled instead for an undertaking by Truman, Attlee, and Stalin assigning to the Allied Control Council the control of the disposition of these assets—along with a decision by Stalin not to claim for the USSR any of the assets located in Western Europe. In the weeks following the Potsdam Conference, American policy-makers favored the issuance by the Allied Control Council for Germany of a vesting decree under which it would claim legal authority for the German assets in neutral countries. President Truman directed that such a decree be sought. The debate over the decree, finally issued by the Council in November 1945 as Allied Control Council Law No. 5, sharply divided the Allies and even American policy-makers over the viability of such an assertion of authority under international law and its overall effectiveness in dealing with neutral states.
Truman, Churchill, and Attlee also reached agreement at Potsdam on a common policy for the disposition of the monetary gold found in Germany (estimated to be at least $250 million in the U.S. Zone alone, some $2.4 billion today), as well as the gold that Germany had sold abroad to finance its war machine. They adopted an American proposal to establish a “gold pot” into which the Allies would collect all the looted monetary gold from Germany and from the neutrals, and distribute the resulting amount to the former occupied nations from whose central banks monetary gold had been looted. (By “monetary gold,” the Allies had in mind gold that had been wrongfully removed from central banks—as distinct from “non-monetary” gold owned by individuals). Stalin unilaterally abandoned all claims to the gold found by his Western Allies (but of course the Soviet Union controlled and plundered much of the remaining wealth of the countries the Red Army occupied).

At the 18-nation Paris Reparations Conference in November and December 1945, the Allies agreed on more detailed policies based upon the Potsdam undertakings for the collection and distribution of looted monetary gold, and the liquidation of German assets located in neutral nations. The concept of a Gold Pool was confirmed, with the United States, Britain, and France to assume responsibility for managing its resources and distributing its proceeds through a Tripartite Gold Commission (TGC). On the basis of an American proposal, the conference also agreed on a fund of at least $25 million ($222 million today) for the support of “non-repatriable persons”—a concept clearly intended to include the Jewish survivors of Nazism as well as other victims without a government to which they could turn. With the strong backing of President Truman, the fund was to be made up of the non-monetary gold found in Germany by the Allied occupation forces, together with some share of proceeds from German assets to be ceded by neutral nations in forthcoming negotiations. The June 1946 Five-Power Conference on Reparation for Non-Repatriables also recommended that heirless assets belonging to victims of Nazi crimes be added to this fund.

**Postwar Allied-Swiss Negotiations**

Early in 1946, the United States, Britain, and France invited Switzerland to send representatives to Washington to discuss the issues flowing from the Paris Reparations Conference. The urgent desire on the part of Britain and France to revive commerce with Switzerland after the War made them reluctant to join in tough economic measures against Switzerland and caused serious policy differences with the U.S. For its part, Switzerland held to its own interpretation of international law and would not accept Allied claims to German assets and monetary gold in Switzerland. Within the U.S. delegation headed by senior Treasury official Randolph Paul, differences arose from the outset between the more cautious State Department approach and Treasury Department officials who advocated a strong line against the Swiss and the use of sanctions if negotiations failed. On the eve of the negotiations, Secretary of State Byrnes, acting on the counsel of State Department colleagues, turned aside Treasury advice to use the full force of economic sanctions in order to change Switzerland’s stance.

From the outset of the negotiations in early March 1946, U.S. chief negotiator Paul made clear that the basic objectives of the negotiations with the Swiss were to forestall a Nazi resurgence by eliminating German assets in Switzerland and to make these assets available for reparations and European reconstruction. After more than a month of exchanges, the Allied-Swiss negotiations had gotten nowhere. The Swiss rejected Allied claims to monetary gold sold by Germany to Switzerland during the War as well as to German assets. They refused even to acknowledge that they had received any looted monetary gold during the War, an assertion they reversed some time later. The Swiss asserted that as a conquering nation, Nazi Germany had in
any event a valid claim of ownership under international law to gold it had looted as war booty from European central banks. The Allies, uncertain of the legal basis of their claims to German external assets under international law, instead appealed to the moral conscience of the Swiss. They pointed out that liquidated German assets were intended for the reconstruction of war-torn Europe and, at least in part, for the relief of the desperate “non-repatriable” victims of Nazism. Still, the Swiss held fast and suggested that the impasse be referred to international arbitration.

On the eve of the Washington negotiations between the Allies and the Swiss, State and Treasury Department officials estimated that up to $579 million of monetary gold ($5.6 billion today) had been looted in Europe by the Nazis and that Germany shipped around $400 million in gold to Switzerland during the War. The State Department estimate in the Fletcher Report was that of this amount, $276 million in gold was sold by Germany to the Swiss National Bank and an additional $138 million was “washed” through the Swiss National Bank and eventually reexported to Portugal and Spain. Of the $276 million in gold that the State Department estimated that Switzerland purchased from Germany, it concluded that “the larger part was looted gold.” State also concluded that part of the gold that Switzerland sold during the War to Portugal and Spain could have been looted gold. Using different calculations, Treasury officials estimated that Switzerland likely received $289 million in looted gold.

The Allied negotiators at the Washington conference began with an estimate of at least $200 million and as much as $398 million in looted monetary gold in Switzerland at the end of the War. But in the face of Swiss intransigence and the Allied interest in resuming commercial relations with Switzerland, as well as a new postwar U.S. emphasis on rebuilding war-torn Europe, they reduced their negotiating position first to $130 million ($1.3 billion in today’s gold values)—the amount of the Allied estimate of the looted Belgian central bank gold. In late April 1946, the Allies sought to break the stalemate with a proposal calling for Switzerland to provide $130 million in monetary gold and giving the Allies two-thirds of the revenues from the liquidation of German assets in Switzerland. The head of the Swiss delegation, Walter Stucki, responded by breaking off the negotiations. The amount the Allies sought was then reduced to $88 million, the amount of looted Belgian gold ultimately acknowledged by the Swiss.

American negotiator Seymour Rubin blamed the debacle on the intransigence of the Swiss negotiators over the amount of gold to be turned over to the Allies. Acting Secretary of State Acheson was briefed on the situation. American intelligence reports confirmed the inflexibility of the Swiss negotiating position on the basis of instructions from the government in Bern.

Throughout the discussions, the Swiss negotiators stood on their interpretation of international law and Swiss law. They showed little inclination to accept Allied arguments about the practical need or moral obligation to return to war-ravaged Europe some substantial portion of the profits they had earned in wartime commerce with Germany. The U.S. Government was reluctant, as were the Allies, to bring economic sanctions to bear in order to alter the Swiss response. Thus, American negotiators were left to pursue the fundamental Safehaven goal of preventing the resurgence of Nazism at the expense of some more meaningful Swiss contributions to early restitution and assistance for war-ravaged Europe.

The negotiations resumed in early May 1946 with a two-fold Swiss proposal. One part provided for a Swiss payment of $58.1 million for the monetary gold in Switzerland ($566 million today). The U.S. Government decided to accept this $58 million figure based on the fact that it was two-thirds of the $88 million amount the Swiss conceded they had in looted Belgian gold. This, however, was far less than the $200 million presented by State and Treasury at the opening of the negotiations, and even less that the $276 million estimated by the State
Department’s in-house Fletcher Report to have been the amount of gold Switzerland had purchased from Germany.

The second part of the agreement was to divide the results of the liquidation of German assets on a 50-50 basis. U.S. estimates of German external assets in Switzerland ranged from $250 million to $750 million ($2.1 billion to $6.1 billion today), compared to $250 million conceded by the Swiss. No total amount of assets was agreed to, nor would the Swiss give the Allies control over the identification of the assets.

The American negotiators sought the advice and concurrence of the relevant cabinet-level officials. Randolph Paul and his delegation discussed the negotiations and the final Swiss proposal with Secretary of Treasury Vinson, Secretary of War Patterson, Senior Assistant Secretary of State Clayton (who claimed to speak on behalf of Secretary Byrnes), and with Senator Harley Kilgore. Paul sought to find out if the U.S. Government leadership wanted to resort to economic sanctions to achieve a better agreement. According to records of these meetings, all the top officials commended the American negotiators (although Senator Kilgore, who was initially assured by U.S. negotiators that Switzerland was surrendering two-thirds of the “fairly provable” looted gold in its possession, was shortly to change his mind) and recommended acceptance of the Swiss proposal, rather than applying greater pressure on the Swiss. After the British and French Governments had also agreed, the Allied-Swiss Accord was signed in Washington on May 26, 1946 in the form of a text with a number of side notes, including a commitment by the Swiss to look “sympathetically” at assisting stateless victims through the recovery of heirless assets for their benefit.

Cabinet-level support of the Allied-Swiss (Washington) Accord was soon reinforced by the White House. Several days before the signing of the Accord, Senator Kilgore addressed a sharp letter to President Truman noting the various high estimates used by American negotiators, strongly protesting the poor terms of the agreement, and asking that negotiations be broken off and the issue taken to the United Nations. Truman acknowledged Kilgore’s letter but turned to Secretary of the Treasury John Snyder (who had succeeded Vinson in May, after the signing of the Accord). Snyder rejected Kilgore’s arguments. In early July, Snyder drafted a letter for President Truman to send to Senator Kilgore strongly endorsing the agreement. Mid-level State Department officials drafted a letter for Acting Secretary Dean Acheson to respond in similar fashion to a well-publicized message from Congressman Joseph Baldwin in August 1946. Both Senator Kilgore and Congressman Baldwin asked President Truman why government negotiators had settled for so little when the Swiss had acquired $300 million in looted gold during the War. On behalf of the State Department, Acheson stated that “there was no reasonable evidence that Switzerland had purchased $300 million of gold looted by Germany,” despite government analyses to the contrary. In addition, in a letter of July 3, 1946, President Truman assured Senator Kilgore that “of the amount of looted gold purchased from Germany, about two-thirds of the amounts fairly provable will be returned by the Swiss.” The reality was that far less was returned.

Almost immediately after signing the Washington Accord, the U.S. Government began the process of unblocking frozen Swiss assets in the United States. At the same time, serious problems arose between the Allies and Switzerland over Swiss implementation. Before the Swiss would be willing to proceed with the liquidation of German assets, they insisted the Allies would need to establish a fair Reichsmark-Swiss franc rate of exchange. Until agreement on the exchange rate was reached, the Swiss would make no payment to the Allies for distribution by the Inter-Allied Reparations Agency (IARA) or to the International Refugee Organization (IRO) to benefit stateless victims. Because of such differences, the Swiss implemented only the first part of the agreement, that dealing with monetary gold. They promptly paid the required 250
million Swiss francs ($58 million) in gold into the Tripartite Gold Pool. But it took until 1952 to reach a final agreement on the terms and procedures for the liquidation of German external assets.

Between 1947 and 1951 there was no resolution of the exchange rate issue, and the Swiss raised a series of new impediments to progress. These impediments included a demand that the U.S. unblock the assets of German companies seized during the War but which the Bern government claimed were actually Swiss-owned. Switzerland also raised concerns about the precedent of expropriating German assets and insisted that owners’ rights be protected through some guarantee of compensation. As a result of agreement on various exempted categories between Allied and Swiss negotiators, the sum of German assets was reduced from $230 million to $115 million. After initially refusing to make any advance to the IRO, the Swiss offered to advance up to 50 million Swiss francs ($11.7 million) as called for in the 1946 Accord. However, the U.S. rejected this offer, fearing that acceptance would remove all sense of urgency regarding the larger issue of Swiss liquidation of German assets. Ultimately, under pressure from members of Congress and others, the U.S. convinced the Allies to accept a 20 million Swiss franc ($4.7 million) advance in 1948. When the Allies renewed their interest in 1949 in obtaining additional sums for the benefit of the refugees, however, the Swiss refused to make further transfers pending the settlement of other outstanding issues from the Washington Accord.

State Department officials in Washington came to believe that the Swiss never intended to implement the agreement. They believed the agreement was “unworkable” and the cause of “difficulties” in U.S.-Swiss relations. Moreover the 1946 Accord was creating difficulties in U.S. relations with the new West German state under Konrad Adenauer. State Department officials feared that the payment of compensation to German owners of liquidated assets in Switzerland would lead to pressures from many different German groups for compensation for other wartime losses, thereby creating an onerous burden on West Germany’s budget. Thus, American officials questioned the wisdom of complicating U.S. relations with Germany in order to extract a few more francs from Switzerland. In the fall of 1950, U.S. negotiators proposed to their Allied colleagues public rejection of the 1946 Accord as unworkable and Allied withdrawal from its implementation. The British and French strongly resisted such a course of action, needing the hard Swiss currency the Accord would provide. The Accord remained in force, but unimplemented.

After several failed attempts, the Allies and Switzerland finally agreed in the spring of 1951 on revised terms for the 1946 Accord. The new West German Government became a key figure in these negotiations even as it began a long series of actions to attempt to compensate Jewish victims of Nazism. Direct German-Swiss negotiations were undertaken which took into account Germany’s wartime external debt to the Swiss and other efforts to compensate its own citizens. An Allied-Swiss agreement was finally reached in August 1952, which called for a lump-sum settlement of 121.5 million Swiss francs ($28 million)—$170 million today—for liquidated German assets in Switzerland. This $28 million was far less than that foreseen in the 1946 Washington Accord. This final lump sum settlement was reduced by the amount of the 1948 advance payment made by Switzerland to the IRO—20 million Swiss francs ($4.7 million)—making the total 1952 payment 101.5 million Swiss francs ($24 million). Of this $24 million, the Allies first allocated another $3 million to the IRO. Later, when Portugal’s contribution was not forthcoming, the Allies allocated another $3.5 million to the IRO. This left approximately $17 million, which went to the IARA for reconstruction and reparation. As part of the German-Swiss agreement of August 1952, West Germany agreed to reimburse Switzerland for the 121 million Swiss francs it had settled upon with the Allies, and arranged Swiss financing.
to meet its commitment. Thus, over six years after the 1946 Washington Accord, this 1952 agreement was effectively paid for by Germany.

Switzerland’s aggregate contribution to war-shattered Europe, including the $58 million in monetary gold paid out in 1946 and the final settlement in 1952 of $28 million from external German assets, amounted to about $86 million. On monetary gold, this contribution contrasted with State and Treasury Department estimates ranging from a minimum of $185 to $289 million in looted monetary gold; with the evidence of at least $200 million presented by the Allies at the outset of the negotiations to the Swiss; and with the $130 million the Allied negotiators informed the Swiss they were liable to restore to the Allies during the course of the negotiations (representing the value of the looted Belgian gold alone). On German assets, it contrasted with a range of $250 to $500 million in total German assets that the U.S. estimated to be in Switzerland at the beginning of 1946. Switzerland did provide substantial trade credits to European nations in order to restore commerce. However, all of this must have been overshadowed, at least in the eyes of the Allied negotiators, by the more than $12 billion in Marshall Plan assistance that the United States had by 1952 poured into rebuilding Europe’s economy.

The willingness of American policy-makers during the War to benefit from Swiss neutrality, while tolerating Swiss resistance to Allied economic demands, was matched in the early postwar period by growing U.S. and Allied acceptance of actions by the Swiss and other neutral nations in the overriding interest of postwar recovery and European unity. The onset of the Cold War, the immediate need to contain the Soviet Union, and the need to support a democratic West Germany allied with the West put a premium on new security considerations. This imperative also limited the willingness of the United States to press the neutrals on unresolved Safehaven and restitution issues, and diminished the leadership role that America had taken during the wartime in this arena.

**Negotiations With Sweden**

Even as negotiations with the Swiss began over the return of looted gold and German assets, Allied officials were preparing for parallel negotiations with the other neutrals on these matters. Nowhere did these negotiations proceed as swiftly and successfully as with Sweden, although there were nevertheless many problems. By April 1945, as the war was ending in Europe, Swedish officials had assured British and American diplomats that in response to Allied wartime statements on gold and assets, Sweden would freeze German assets and restore looted property. By early 1946 the Swedish Parliament had adopted legislation necessary to control German property in Sweden and was working cooperatively with Allied representatives to quantify German assets and wartime gold shipments. The Swedish Government consistently rejected, however, the Allied assertion of Allied Control Council Law No. 5, vesting control in the Council over German external assets.

This difference on the application of international law prolonged negotiations between Allied and Swedish representatives. But in July 1946, they concluded an agreement that immediately provided $12.5 million to the Intergovernmental Committee on Refugees to rehabilitate and resettle the non-repatriable victims of Nazism, agreed to provide $18 million as reparations to the IARA, and assigned the remaining $36 million in liquidated German assets for the assistance of the British and U.S. occupation forces in Germany. Although agreement was also reached on the restitution by Sweden of some $15 million in gold tentatively identified as having been looted by Germany, this gold was not all actually delivered to the Federal Reserve in New York for deposit in the TGC Gold Pool until 1955—fully nine years later—after the Allies and Swedish authorities finally resolved remaining differences.
Negotiations With Portugal

Safehaven negotiations with the Portuguese proved protracted and difficult. In 1946, the Allies estimated both private and German state assets in Portugal at 500 million escudos (about $20 million). In addition, based on preliminary investigations, they believed the Portuguese may have acquired between 93 and 122 fine metric tons of looted gold (about $105.1 to $137.9 million). Investigations in 1947, however, indicated that the Bank of Portugal had received between 38.45 and 46.76 tons ($43 to $53 million). Talks began in earnest in September 1946. The Allies initially sought 44.864 fine metric tons (about $51 million), but Portugal offered only 3.9 tons (about $4.4 million) for which it expected full compensation from liquidated German assets. The two sides reached a tentative accord in February 1947, in which Lisbon agreed to give up 100 million escudos (roughly $4 million) in liquidated German assets in exchange for as much as 180 million escudos (about $7.2 million) for their claims against Germany. But the accord was not implemented because of an impasse over looted gold.

As gold negotiations dragged on into the 1950s and the value of these assets depreciated, the State Department grew frustrated and convinced a reluctant Treasury Department to agree to Portugal’s terms. State also feared that the impasse might jeopardize what it considered to be the more important strategic goal of gaining U.S. access to an Azores air base and integrating Portugal into postwar Europe.

Negotiations With Spain

Allied negotiations with Spain regarding German assets and looted gold were protracted and yielded only a token amount. The Allies suspected that Spain held about $30 million in gold looted by the Nazis and another $30-$39 million in other German assets. The Allies reached an agreement with Spain on looted gold through an exchange of notes in May 1948. In 1949, Spain turned over to the Tripartite Gold Commission $114,329 in looted gold.

An accord on the disposition of German assets in Spain was not reached until April 1948, by which time the United States was seeking access to Spanish bases. Some of the proceeds from the liquidation of German assets (about $36 million) were distributed to IARA nations, but none was slated for non-repatriable victims. In November 1949, the Allies registered a protest over Spain’s implementation of the accord, and a year later Spain threatened to suspend it. The debate continued without resolution until 1958. As a result, there was no payment for German assets.

Negotiations with Turkey

Although Turkey abandoned its neutrality and joined the Allies shortly before the end of the war, Allied representatives sought from 1946 until 1952 to gain control of German assets estimated at up to $44 million and looted Belgian gold worth $5 million or more located in Turkey. Desultory negotiations stretched over several years. By the spring of 1951, the Allies had agreed to relinquish their claims to German assets in Turkey in return for settlement of the gold issue. A May 1952 Allied note to the Turkish Foreign Ministry agreed to settle the gold issue for $1 million, relinquished the Allied claim to the German assets, and allowed Turkey to keep the proceeds from the liquidation of German assets. However, Turkey never turned over any monetary gold to the Tripartite Gold Commission.
**Negotiations with Argentina**

In the case of Argentina, no negotiations regarding the identification and disposition of German external assets were undertaken in the months immediately following the end of the war—or at any time. The United States set about to establish more friendly relations following the criticisms contained in the State Department “Blue Book” on Argentina in early 1946. Argentina had resisted wartime Allied entreaties to freeze German assets and, by the end of 1947, American officials concluded that German assets were not identifiable by the Argentine Government and no looted gold had reached Buenos Aires.

**The U.S. Army and the Discovery, Accountability, and Security of German Monetary Gold**

When the American armies entered Germany in the spring of 1945, they discovered large amounts of gold hidden by the Germans, particularly at the Merkers salt mines, where the Reichsbank had shipped about 400 million Reichsmarks in gold in an effort to hide it from the Allies closing in on Berlin. The gold had been looted from central banks in German-occupied countries, individual civilians and victims of Nazi persecution. By that summer much of it was stored in the Reichsbank building in Frankfurt in the custody of the Foreign Exchange Depository (FED), a section of the Office of Military Government United States (OMGUS) of the American occupation force in Germany. Between 1945 and 1948 the FED collected, guarded, inventoried, and distributed to various countries nearly $300 million in gold bullion and gold coins ($2.9 billion today). The FED worked with Allied governments, occupation authorities, and the Tripartite Gold Commission in inventorying this collection (consistent with official definitions of monetary and non-monetary gold) and making distributions as agreed.

**Discovery and Disposition of Non-Monetary Gold From the Victims of Nazi Persecution**

Within months after the occupation of Germany by Allied troops, U.S. military authorities learned that the German Reichsbank had incorporated gold looted from the occupied nations of Europe into its gold reserve, as well as some gold (including jewelry, watches and even smelted dental gold) that the Nazi SS stripped from Jews and other persecutees. An elaborate Reichsbank program of converting the gold and valuables of camp victims into official German accounts was known to American authorities after the war. The Reichsbank established the “Melmer” account, named for SS-Hauptsturmführer Bruno Melmer, into which the SS deposited looted gold and other assets confiscated from Holocaust victims and other civilians. Whatever might be the total amount of victim gold in the German gold reserve, the scale of the SS plundering of camp victims was made clear by the amount of SS gold and other valuables uncovered by the U.S. Army at the Merkers mine in 1945. Some of the victim gold in the Reichsbank gold reserves came from persecutees killed in concentration camps or elsewhere, while some was taken by the Nazis from other civilians. There is clear evidence that gold looted by the Nazis from individuals and camp victims was systematically received, classified, sold, pawned, deposited, or converted and smelted by the Reichsbank into gold ingots and sent to the Reichsbank monetary gold reserve along with gold looted elsewhere in Europe. The smelted SS gold was indistinguishable in appearance from gold bullion stolen from central banks across Nazi-occupied Europe.

Some of this victim gold has been traced as part of German wartime gold sales to Switzerland and Italy. An analysis of one Prussian Mint smelting of looted Dutch guilders in
1943 notes that 37,000 fine grams of gold from the SS loot were added to that particular smelting. Of the bars that resulted from this smelting, 83 percent were traded to the Swiss National Bank, the rest to Italy. Thus, it is clear that the bullion traded to Switzerland and other neutral countries included some of this victim gold. At the same time, there is no evidence that the Swiss or other neutrals knowingly accepted victim gold. According to captured German records, packages of jewelry identified in documents as coming from Jewish victims were sent by diplomatic pouch to the German Legation in Bern for pickup by German agents, who then traded the jewelry for industrial diamonds and currency critical to the German war effort.

It is also clear that victim gold entered the postwar Gold Pool organized by the Tripartite Gold Commission. Caches of smelted victim gold, including gold teeth, jewelry and Jewish religious items—along with gold coins taken from individuals—were recovered at the Merkers mine and elsewhere in Germany. This study provides no evidence that American officials ever assayed (analyzed chemically) the gold bars to be added to the Pool, despite a 1946 dispatch from U.S. diplomat Livingston Merchant raising the issue. Instead, they allowed appearance rather than origin to define gold as monetary when in fact some of it was derived from gold valuables taken from concentration camp victims and other civilians. In deciding to include gold coins and bars without mint markings, there is no doubt that the U.S. Government consciously contributed gold and coins at Merkers belonging to concentration camp victims and other civilians to the TGC Gold Pool.

The amount of victim gold misdirected into the Gold Pool and subsequently distributed by the TGC to claimant countries has not been quantified. Nor can it be established from our study how much victim gold was seized by the Nazis, how much entered the German gold reserve and was used in wartime transactions, or later fell into Allied hands. It was likely that a relatively small proportion of the total gold looted from central banks and recovered by the Allies after the War was victim gold, but that scarcely lessens the sense of a final grim indignity added to the toll of Nazi barbarity. Paradoxically and poignantly, the hasty measures taken by the U.S. and its Allies to distinguish between monetary gold supposedly taken from central banks, and non-monetary gold supposedly taken from individuals, were motivated in part by a decision by the Paris Reparations Conference in January 1946 to ensure that non-monetary gold would be used to provide immediate assistance to Jews and other stateless refugees.

**Tripartite Gold Commission**

The TGC was established in September 1946 in accordance with the decisions of the Paris Reparations Agreement of January 1946. Located in Brussels, its task was to review and adjudicate the claims from governments (not individuals) for the restitution of looted monetary gold recovered in Germany or acquired from the neutrals in their negotiations with the Allies. Composed of representatives of the United States, Britain, and France, the TGC was to ensure that each claimant country would receive restitution from the Gold Pool assembled by the Allies for the Commission in proportion to its loss of monetary gold at the hands of the Germans. Ten nations made claims upon the TGC: Albania, Austria, Belgium, Czechoslovakia, Greece, Italy, Luxembourg, the Netherlands, Poland, and Yugoslavia. The Commission made its first distribution of $143 million from the Gold Pool in October 1947, with allocations to France, Belgium, the Netherlands, and Luxembourg. Other payouts were made to Austria, Italy, Czechoslovakia, and Yugoslavia in 1947 and 1948. A second round of allocations was made by the TGC between 1958 and 1966. A payment to Albania was made as recently as October 1996. Overall payouts of 329 metric tons then worth nearly $380 million (today about $4 billion) have been made to claimant nations; of this amount, $264 million came from the FED. Because claims exceeded recovered looted gold, claimant countries received about 65 percent of their

**Bank for International Settlements**

More than $4 million ($39 million today) of the monetary gold in the TGC Gold Pool was acquired by the Allies from the Basel-based Bank for International Settlements (BIS) as a result of a settlement in May 1948 resolving Allied assertions that the BIS had accepted looted gold from Germany in partial settlement of wartime financial exchanges. A recent BIS study confirms the considerable amount of looted Nazi gold they accepted from Germany. The wartime activities of the BIS, and its apparent role as a financial facilitator for Nazi Germany in its foreign commerce, had attracted wartime suspicion and prompted a postwar investigation on the part of the United States and its Allies. Some senior officials in the U.S. Government even suggested it to be dismantled because of its wartime connections with the Nazis.

**Heirless Assets**

On June 14, 1941, pursuant to the Trading with the Enemy Act of 1917, President Roosevelt froze the assets of certain designated foreign nations and their nationals, including Germany and its citizens, a fair number of whom were Jews. Shortly after World War II, the U.S. Government returned the property of Holocaust victims to the survivors or their heirs, pursuant to sections 9 and 12 of the Act.

In 1946, the U.S. Alien Property Office had about $400 million in enemy property under its supervision (an amount eventually appreciating to $900 million), including financial assets of citizens who were also Nazi victims. Some $495 million of confiscated German and Japanese assets were turned over to the War Claims Fund for compensating U.S. citizens for various war-related losses and claims. Demonstrating its commitment to taking action as well as pressing other nations to do the same, the Truman Administration supported passage of a 1946 law which returned the assets of enemy citizens who were persecutees and who had survived the war.

However, the 1946 law did not deal with those Nazi victims who had died heirless. The lack of such a law had even become an issue in Allied-Swiss negotiations, with the Swiss citing the lack of U.S. action on heirless assets as a basis for their inactivity. In a side letter to the 1946 Washington Accord, the Swiss had made a commitment to examine “sympathetically” the transfer of heirless assets in Switzerland to the Allies for their use in providing assistance to stateless Nazi victims. From July 1946 until August 1952, the constant tension in U.S.-Swiss relations over implementation of the Washington Accord caused American negotiators to give only intermittent support to recovering the assets in Switzerland of Nazi victims who died without heirs. American officials were uncertain about the magnitude of such assets. In the negotiations leading up to August 1952 agreements, State Department officials reacted skeptically to the Swiss assertion that there were no heirless assets remaining in Switzerland. The United States insisted on obtaining another Swiss commitment on heirless assets in the event that the Swiss discovered such assets in the future. In January 1960 the U.S. Embassy in Bern presented a démarche to the Swiss Government. The Swiss response was not encouraging and no further representations were made. However, three years later, a Swiss law came into effect requiring all Swiss financial entities or persons to report any assets that belonged to Nazi victims.

In 1954, after several failed attempts in previous years, the U.S. Congress amended the Trading with the Enemy Act to address the issue of heirless assets. A new Section 32(h) of the
Act gave designated charitable successor organizations authority to receive heirless property to rehabilitate and resettle survivors of Nazi persecution. One such organization was the Jewish Restitution Successor Organization (JRSO).

Section 32(h) originally contained a $3 million limit on the amount given to successor organizations for distribution. This amount was based on an estimate supplied by the Office of Alien Property. By 1957, several thousand claims had been reviewed.

During Congressional hearings several years later, it was reported that only 500 claimants were able to satisfy the applicable standards of proof of ownership required by the amendment. Difficulty continued in meeting the strict standard and in 1962, Congress amended the statute, replacing the $3 million limit with a $500,000 lump sum, an amount designed to provide rapid settlement without requiring proof of specific claims. In 1963, President Kennedy issued Executive Order 11087 which provided the lump sum payment to the JRSO out of the War Claims Fund.

**Conclusion**

This preliminary report can only serve as a road map through the 15 million pages of official U.S. records on the largely untold and still unfinished story of World War II reparation and restitution. The whole story lies even deeper in the records of the U.S. Government as well as in the archives of other governments and institutions that we did not have time to pursue for this study, or to which we had no access at this time. Nevertheless, the picture presented here is comprehensive, detailed and revealing of a dimension of World War II too long ignored.
## Tables and Charts

### List of Agreements, Declarations, and Negotiations

<table>
<thead>
<tr>
<th>Agreement / Declaration</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Order 8389</td>
<td>April 10, 1940</td>
<td>Froze Norwegian and Danish assets in the US; eventually every European country except UK was included, as well as China and Japan</td>
</tr>
<tr>
<td>Proclaimed List of Certain Blocked Nationals</td>
<td>July 1942</td>
<td>Prohibited dealings with named individuals and firms in the Americas whose activities were deemed hostile to hemisphere defense</td>
</tr>
<tr>
<td>Inter-Allied Declaration Against Acts of Dispossession Committed in Territories Under Enemy Occupation or Control (London Declaration)</td>
<td>January 5, 1943</td>
<td>Allies declared invalid transfers of property in occupied countries, even if they appeared to be legal</td>
</tr>
<tr>
<td>Declaration on Gold Purchases (Gold Declaration)</td>
<td>February 22, 1944</td>
<td>Declared that US would not recognize transfer of looted gold from Axis and would not buy gold from any country which had not broken relations with Axis; UK and USSR made similar declarations</td>
</tr>
<tr>
<td>Cordell Hull speech</td>
<td>April 9, 1944</td>
<td>Warned that US would no longer compromise with neutrals; warning to cease aiding enemy</td>
</tr>
<tr>
<td>Bretton Woods Resolution VI</td>
<td>July-August 1944</td>
<td>Called on neutrals to take measures to prevent disposition or transfer of assets in enemy-occupied countries</td>
</tr>
<tr>
<td>Klaus Mission to European capitals</td>
<td>August-October 1944</td>
<td>Fact-finding mission throughout Western Europe on German efforts to find safe havens abroad</td>
</tr>
<tr>
<td>US-UK-Swiss War Trade Agreement</td>
<td>August 14, 1944</td>
<td>Switzerland reduced exports of strategic items to Germany (Agreement revised semi-annually)</td>
</tr>
<tr>
<td>US and UK instructions to diplomatic missions</td>
<td>October 2, 1944</td>
<td>Instructed missions to request governments to adhere to Bretton Woods Resolution VI, to thwart Axis moves to hide loot in neutral countries</td>
</tr>
<tr>
<td>State Department circular instruction</td>
<td>December 6, 1944</td>
<td>Organization and enforcement of Safehaven program</td>
</tr>
</tbody>
</table>
| State Department paper: SC-15, “Current Policy Toward Switzerland” | December 10, 1944 | • Advocated soft line toward Switzerland  
  • Emphasized Switzerland’s value as supplier for all belligerents and as intermediary for POWs  
  • Noted Swiss humanitarian efforts on behalf of refugees (OSS, Justice, Treasury, War, and Navy argued for harder line) |
| Yalta Conference        | February 1945      | • Agreed that reparations would be exacted from Germany, including external assets  
  • Set up the Allied Reparations Commission                                                                                         |
<table>
<thead>
<tr>
<th>Event / Agreement</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
</table>
| Currie Mission Agreement with Switzerland              | March 8, 1945   | Switzerland agreed to  
- block assets of all European countries (except neutrals) and Japan  
- prevent cloaking of enemy assets  
- interrupt gold purchases from Germany  
- assist in restoration of looted property  
- conduct census of German assets in Switzerland  
(Switzerland reneged on commitments) |
| Kilgore Subcommittee hearings                           | June 1945       | Warned that Swiss were continuing to deal with Axis |
| Potsdam Conference                                     | July 1945       | - Decided to use external German assets for reparations and for non-repatriables  
- Decided to restore looted monetary gold on a prorated basis to European countries  
- Soviets agreed to waive all claims to all external assets in Western Europe and to gold |
| Allied Control Council Law No. 5                       | October 30, 1945| ACC assumed control of all German assets abroad and the responsibility to divest the assets of German ownership |
| Paris Reparations Agreement                             | January 1946    | - Disposition of external German assets  
- Restitution of looted gold  
- Establishment of the Gold Pool (see September 27, 1946 entry below)  
- Establishment of $25 million fund for assistance to non-repatriables from reparations, to come from proceeds of liquidated assets in neutrals |
| Allied-Swiss Accord (Washington Accord)                 | May 1946        | - Switzerland to give 250 million SF ($58 million) to the Gold Pool  
- Switzerland to liquidate German assets in cooperation with a Joint Commission with Allied representatives  
- Liquidated assets to be split 50-50 with Allies  
- German owners of liquidated property to be compensated in German currency by authorities in Germany  
- US to unblock Swiss assets and Allies to discontinue black lists  
- Interpretation of the Accord could be referred to arbitration  
- Accord would be effective when ratified by Swiss Parliament |
<p>| Annex to Washington Accord                              | May 1946        | Switzerland obligated to advance as a down payment up to 50 million SF ($11.6 million) of their share from liquidated assets for the $25 million Paris Reparations Fund |</p>
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Letters with Washington Accord</strong></td>
<td>June 1946</td>
<td>Swiss committed to examine “sympathetically” making the proceeds of property in Switzerland of heirless victims at the disposal of the Allies for refugee relief (no action until 1962)</td>
</tr>
</tbody>
</table>
| **US and Allied Implementation of Allied-Swiss Accord**              | May-November 1946 | • May: US starts unfreezing assets in the US of Swiss Government and Swiss National Bank  
                                   |               | • July: Allies eliminated blacklists  
                                   |               | • October: Private Swiss assets in the US unfrozen  
                                   |               | • November: Agreement on deblocking measures |
| **Five-Power Conference on Reparation of Non-Repatriables**          | June 14, 1946 | Provided plan for assistance to Intergovernmental Committee on Refugees (later International Refugee Organization) for non-repatriables |
| **Allied Announcement**                                             | September 27, 1946 | Creation of the Tripartite Commission on the Restitution of Monetary Gold |
| **Non-Monetary Gold Directive from Joint Chiefs of Staff to USFET, USFA, OMGUS (Cable WX-85682)** | November 16, 1946 | Instructed US occupation authorities to make available to IGCR all looted valuables that were in the custody of US forces in Germany and Austria; defined non-monetary gold as “all valuable personal property” looted from Nazi persecutees |
| **Swiss Partial Implementation of Allied-Swiss Accord**             | June 1947    | Switzerland turned over 51.5 metric tons of gold to the TGC ($58 million, 250 million SF) |
| **Economic Cooperation Act adopted by US Congress**                 | April 3, 1948 | • Legislative implementation of the European Recovery Program (Marshall Plan) for the economic recovery of Europe  
<pre><code>                               |               | • $4 billion appropriated for the first year |
</code></pre>
<p>| <strong>Swiss Membership in Organization for European Economic Cooperation</strong> | April 1948    | Switzerland declared that it did not want economic assistance from the United States and would not agree to participating in the ERP if it meant compromising Switzerland’s traditional neutrality |
| <strong>Allied-Bank for International Settlements (BIS) Agreement</strong>        | May 13, 1948 | BIS agreed to ship 3,740 kg of gold ($4.2 million) to Bank of England for TGC—looted gold that BIS had “inadvertently acquired” |
| <strong>Swiss Agreement</strong>                                                 | July 27, 1948 | Switzerland agreed to pay 20 million SF ($4.7 million) to Paris Reparations Fund for IRO in partial satisfaction of May 1946 obligation |
| <strong>Allied-Swiss talks, Washington</strong>                                  | May-June 1949 | No agreement on exchange rate, compensation of Germans in Soviet zone, or intercustodial matters |
| <strong>Swiss-Polish Agreement</strong>                                          | June 1949    | Allowed the Polish state to acquire the assets in Switzerland of deceased Polish citizens (mostly Holocaust victims) without heirs; these assets could be used to pay Swiss claims against Poland |
| <strong>Tripartite Brussels Conference on definition of monetary and non-monetary gold</strong> | January 1950 | Defined monetary gold: monetary gold “should be held to include gold which under German law and regulations was monetary gold” |</p>
<table>
<thead>
<tr>
<th>Event/Agreement</th>
<th>Date</th>
<th>Details</th>
</tr>
</thead>
</table>
| Allied-Swiss talks, Bern | March-April 1951 | “April 20 Understanding” on compensation for liquidation (which Germany rejected)  
- Germany to pay owners of liquidated property in Switzerland 50% of value (remainder to come from bonds issued by German Government)  
- Germany to receive 25% of the proceeds to pay owners  
- Allies and Switzerland split the rest (75%) |
| NSC 119, “The Position of the United States With Respect to Switzerland” | December 9, 1951 | Established US policy to bring Switzerland into closer relationship with the European defense effort |
| German-Swiss Agreement on Financing German Debt to Switzerland | August 26, 1952 | Established procedures for financing 121.5 million SF ($28.3 million) that Germany would pay to Switzerland for reimbursement of Swiss lump sum payment to Allies  
- Unclaimed assets of Germans were liquidated and proceeds made available to German Government to finance 121.5 million SF payment to Switzerland  
- German owners of property in Switzerland could either “contribute” to the German Government 1/3 the value of property returned to them or receive from the Swiss proceeds from liquidation in marks  
- German Government would borrow 121.5 million SF from Swiss banks in order to pay immediately (collateral would be “contributions” from German property owners) |
| Agreement on German Settlement of Reich’s Wartime Debts to the Swiss | August 26, 1952 | Switzerland renounced claim to payment for liquidated German assets under Allied-Swiss Accord so long as Germany agreed to recognize Reich’s debt of 1.2 billion SF ($275 million) (Germany agreed to pay 650 million SF) |
| Allied-Swiss Agreement on Liquidation of German Property (Revising 1946 Washington Accord) | August 28, 1952 | Switzerland to pay the Allies a lump sum of 121.5 SF ($28.3 million), minus 20 million SF ($4.7 million) advanced to the Allies for the IRO in 1948, or 101.5 million SF ($23.6 million), in lieu of Switzerland’s liquidation of German assets in Switzerland  
- From the 101.5 million SF, Allies contributed 13 million SF ($3 million) to bring the Paris Reparations Fund up to $25 million |
**Conversion Factors for Past Year U.S. Dollars Into Current Year (1997)**

The dollar figures for non-gold assets cited in the report and in the following charts are often from 50 years earlier. To convert their purchasing power into today’s dollars, multiply the figures by the following factors for the appropriate year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>8.9</td>
</tr>
<tr>
<td>1946</td>
<td>8.2</td>
</tr>
<tr>
<td>1947</td>
<td>7.2</td>
</tr>
<tr>
<td>1948</td>
<td>6.6</td>
</tr>
<tr>
<td>1952</td>
<td>6.0</td>
</tr>
<tr>
<td>1962</td>
<td>5.3</td>
</tr>
</tbody>
</table>

**Conversion Factor for Gold**

The dollar figures for gold assets cited in the report and in the following charts are based on the 1946 value of gold at $35 per ounce. Today it is nearly ten times higher. Readers may multiply these figures by 9.74 to obtain the approximate current gold values in dollars.

**Sources of Contributions to the $25 Million Paris Reparations Fund (Established by Part I, Article 8 of the Paris Agreement)**

<table>
<thead>
<tr>
<th>Date Received</th>
<th>Country</th>
<th>Kroner</th>
<th>Swiss Francs</th>
<th>Dollar Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 12, 1947</td>
<td>Sweden</td>
<td>50,000,000</td>
<td></td>
<td>$13.5 million</td>
</tr>
<tr>
<td>July 27, 1948</td>
<td>Switzerland</td>
<td>20,000,000</td>
<td></td>
<td>$4.7 million</td>
</tr>
<tr>
<td>September 11, 1953</td>
<td>Switzerland</td>
<td>12,896,917</td>
<td></td>
<td>$3.0 million</td>
</tr>
<tr>
<td>March 29, 1955-</td>
<td>Allied payment for Portugal</td>
<td>15,209,909</td>
<td></td>
<td>$3.5 million</td>
</tr>
<tr>
<td>December 15, 1956</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>$24.7 million</td>
</tr>
</tbody>
</table>

The 1948 Swiss contribution of 20 million SF ($4.7 million) was an advance to the Allies against the Swiss share of the eventual proceeds from liquidation of German assets in Switzerland. The 1953 Swiss contribution was part of the lump sum payment of 121.5 million SF ($28 million) that Switzerland made to the Allies in 1953. The Portuguese contribution was paid by the Allies out of the Swiss francs acquired by the Allies from Switzerland pursuant to the 1952 Allied-Swiss agreement. In July 1947 the Swedish Government transferred the 50 million Swedish kroner ($13.5 million) into a blocked account at the Sveriges Riksbank as the kroner was at the time an inconvertible currency. Thus, Swedish funds were not immediately available to the designated refugee and relief organizations, and then only in phased amounts.
### Tripartite Gold Commission
*(Established by Part III of the Paris Agreement)*

#### Content of the Gold Pool

<table>
<thead>
<tr>
<th>Source</th>
<th>Dollars</th>
<th>Gold Equivalent</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Exchange Depository (OMGUS)</td>
<td>$263,680,452.94</td>
<td>1947</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>$58 million</td>
<td>51.5 metric tons, 1,659,121 troy ozs</td>
<td>1947</td>
</tr>
<tr>
<td>Bank for International Settlements</td>
<td>$4.2 million</td>
<td>3,740 kgs</td>
<td>1948</td>
</tr>
<tr>
<td>Spain</td>
<td>$114,329</td>
<td>101.6 kgs</td>
<td>1948</td>
</tr>
<tr>
<td>Sweden</td>
<td>$8 million</td>
<td>7,155 kgs</td>
<td>1949</td>
</tr>
<tr>
<td>Sweden</td>
<td>$7 million</td>
<td>6 metric tons</td>
<td>1955</td>
</tr>
<tr>
<td>Portugal</td>
<td>$4 million</td>
<td>3,999 kgs</td>
<td>1959</td>
</tr>
<tr>
<td>Portugal</td>
<td>$360,000</td>
<td>gold coins</td>
<td>1959</td>
</tr>
</tbody>
</table>

#### Total Distributions

<table>
<thead>
<tr>
<th></th>
<th>Dollars</th>
<th>Gold Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium, Luxembourg, Netherlands, Austria, Italy, Czechoslovakia, Albania, and Yugoslavia</td>
<td>$379,161,426</td>
<td>329 metric tons</td>
</tr>
<tr>
<td>Undistributed (1997)</td>
<td></td>
<td>almost $70 million</td>
</tr>
</tbody>
</table>

---

1 The 1946 value of gold was $35 per ounce. Today it is nearly ten times higher. Readers may multiply these figures by 9.74 to obtain the approximate current gold values in dollars.
**Estimates in the Allied-Swiss Negotiations, 1946**

### Monetary Gold\(^1\)

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
<th>Dollars</th>
<th>Swiss Francs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimates of German gold reserves and movements, 1939-1945</td>
<td>February 1946</td>
<td>$781-785 million</td>
<td></td>
</tr>
<tr>
<td>—amount of looted gold (74%)(^2)</td>
<td></td>
<td>$579 million</td>
<td></td>
</tr>
<tr>
<td>Estimates of gold traded by Germany to Switzerland(^3)</td>
<td></td>
<td>$398-414 million</td>
<td></td>
</tr>
<tr>
<td>—amount of looted gold to Switzerland(^4)</td>
<td></td>
<td>$185-289 million</td>
<td></td>
</tr>
<tr>
<td>Allied estimate presented to Switzerland of looted Nazi gold sent to Switzerland</td>
<td>March 1946</td>
<td>$200 million</td>
<td>860 million SF</td>
</tr>
<tr>
<td>Allied statement of Swiss liability based on amount of looted Belgian gold</td>
<td>April 1946</td>
<td>$130 million</td>
<td>559 million SF</td>
</tr>
<tr>
<td>Amount of Belgian gold Swiss admit to receiving</td>
<td>April 1946</td>
<td>$88 million</td>
<td>378 million SF</td>
</tr>
<tr>
<td>Amount of gold Swiss agree to transfer to the Allies(^5)</td>
<td>May 1946</td>
<td>$58 million</td>
<td>250 million SF</td>
</tr>
</tbody>
</table>

### German External Assets in Switzerland At the End of the War (Excluding Gold)\(^6\)

<table>
<thead>
<tr>
<th>Source of Estimate</th>
<th>Dollars</th>
<th>Swiss Francs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Department</td>
<td>$500 million</td>
<td>2 billion SF</td>
</tr>
<tr>
<td>State Department</td>
<td>$250-500 million</td>
<td>1-2 billion SF</td>
</tr>
<tr>
<td>Swiss Delegation</td>
<td>$250 million</td>
<td>1 billion SF</td>
</tr>
<tr>
<td>Press accounts</td>
<td>$750 million</td>
<td>3 billion SF</td>
</tr>
<tr>
<td>Total paid by Switzerland, 1946-1952</td>
<td>$28 million</td>
<td>121.5 million SF</td>
</tr>
</tbody>
</table>

---

1. The 1946 value of gold was $35 per ounce. Today it is nearly ten times higher. Readers may multiply these figures by 9.74 to obtain the approximate current gold values in dollars.
2. The 74\% figure is derived from the Treasury report based on the 579/785 ratio.
3. These figures are consistent with a recently-released Swiss National Bank report.
4. The State Department estimated that during the war Switzerland purchased from Germany $276 million in gold, and that “the larger part was looted gold.” In addition, part of the gold that Switzerland sold during the war to Portugal, Spain, and Turkey ($138-148 million) could have been looted German gold. The Treasury Department estimated the amount of looted gold that Switzerland received from Germany at a minimum of $185 million but more likely $289 million.
5. Pursuant to the 1946 Washington Accord.
6. According to the terms of the Washington Accord, the Swiss were obligated to pay to the Allies 50\% of the proceeds of liquidated assets subject to the Accord. For conversion factors into current year dollars, please see above.
### Swiss Obligations From the 1946 Washington Accord

<table>
<thead>
<tr>
<th>Description</th>
<th>Swiss Francs</th>
<th>Dollars</th>
<th>Year Fulfilled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer monetary gold to the TGC(^1)</td>
<td>250 million</td>
<td>$58 million</td>
<td>1947</td>
</tr>
<tr>
<td>Pay to the Allies 50% of the proceeds from liquidation of German assets in Switzerland</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allied estimate of these assets (1946)</td>
<td></td>
<td>$250-500 million</td>
<td></td>
</tr>
<tr>
<td>Swiss estimate of these assets (1947)</td>
<td>1 billion</td>
<td>$233 million</td>
<td></td>
</tr>
<tr>
<td>Swiss estimate of total subject to 1946 Accord after elimination of exempted assets</td>
<td>398 million</td>
<td>$140 million</td>
<td></td>
</tr>
<tr>
<td>Agreed to advance to the Allies for refugees out of the proceeds from liquidated German assets(^2)</td>
<td>50 million</td>
<td>$11.7 million</td>
<td></td>
</tr>
<tr>
<td>Actually paid to the Allies</td>
<td>20 million</td>
<td>$4.7 million</td>
<td>1948</td>
</tr>
<tr>
<td>Payment of lump sum to the Allies for IARA, in lieu of proceeds from liquidated German assets(^3)</td>
<td>121.5 million</td>
<td>$28 million</td>
<td>1953</td>
</tr>
</tbody>
</table>

\(^1\) The 1946 value of gold was $35 per ounce. Today it is nearly ten times higher. Readers may multiply these figures by 9.74 to obtain the approximate current gold values in dollars.

\(^2\) For conversion factors into current year dollars for non-gold assets, please see above.

\(^3\) Of this amount, the Allies gave 13 million SF, or $3 million, to the Paris Reparations Fund (IRO).
Swiss Estimates of German Assets in Switzerland

Estimates Based on Swiss Census, 1946-1952

<table>
<thead>
<tr>
<th>Date</th>
<th>Total</th>
<th>Subject to Liquidation Under the 1946 Washington Accord¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>early 1946</td>
<td>$233 million</td>
<td>500 million SF $116 million²</td>
</tr>
<tr>
<td></td>
<td>1 billion SF</td>
<td>500 million SF $116 million²</td>
</tr>
<tr>
<td>late 1946</td>
<td>420 million SF</td>
<td>$98 million</td>
</tr>
<tr>
<td>June 1947</td>
<td>398 million SF</td>
<td>$93 million</td>
</tr>
<tr>
<td>1951-52</td>
<td>360 million SF³</td>
<td>$84 million</td>
</tr>
</tbody>
</table>

Status of Liquidated German Assets in Switzerland in 1958
(Pursuant to August 1952 German-Swiss Agreement)⁴

<table>
<thead>
<tr>
<th></th>
<th>Swiss Francs</th>
<th>Dollar Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets liable for liquidation</td>
<td>697 million SF⁵</td>
<td>$162 million</td>
</tr>
<tr>
<td>Assets exempt from liquidation because they were less than 10,000 SF or were assets of Nazi victims</td>
<td>100 million SF</td>
<td>$23 million</td>
</tr>
<tr>
<td>Assets without claimants liquidated by Switzerland</td>
<td>9.3 million SF</td>
<td>$2.2 million</td>
</tr>
<tr>
<td>Assets returned to German owners⁶</td>
<td>588 million SF</td>
<td>$137 million</td>
</tr>
</tbody>
</table>

¹ The Swiss were obligated to split the proceeds from the liquidation of assets 50-50 with the Allies.
² For conversion factors into current dollar year values, please see above.
³ The declining amounts subject to liquidation reflect in part the gradual addition of classes of assets exempt under the 1946 Accord. Examples of exemptions include Austrian property; certain German State assets; railroad rolling stock; and property of Germans living in Switzerland, of Swiss wives of German citizens, and of Germans with dual nationality. In 1951-1952, during the German-Swiss negotiations, additional exemptions—of property valued at less than 10,000 SF and of property of Nazi victims—lowered the amount to 360 million SF.
⁴ The source for these 1958 figures is Linus von Castelmur, Schweizerisch-Alliierte Finanzbeziehungen im Übergang vom Zweiten Weltkrieg zum Kalten Krieg (Zurich, Chronos Verlag, 1992).
⁵ The liquidation was not completed until 1958, by which year the value of the assets had appreciated from 398 million SF (before deductions for exemption of assets of less than 10,000 SF and assets of Nazi victims) to 697 million SF ($162 million).
⁶ German owners had the option to make a “contribution” to the German Government of 1/3 of the value of the assets, a total of 183 million SF, which Germany could use to secure the immediate loan of 121.5 million SF ($28.3 million) from Swiss banks that it needed to reimburse Switzerland for its payment to the Allies. Their other option was to receive from the Swiss proceeds from the liquidation in marks.
Abbreviations

Acc., Accession
ACC, Allied Control Council
AHC, Allied High Commission
AJC, American Jewish Congress
ASA, American Security Agency
Benelux, Belgium, Netherlands, Luxembourg
BEW, Board of Economic Warfare (U.S.)
BIS, Bank for International Settlements
CID, Criminal Investigation Division (USA)
CIG, Central Intelligence Group
Del, delegation
DP, displaced person
EUCOM, European Command (U.S.)
FEA, Foreign Economic Administration (U.S.)
ERP, European Recovery Program (Marshall Plan)
ETO, European Theater of Operations
EUR, Bureau of European Affairs, Department of State
FED, Foreign Exchange Depository
FFC, Foreign Funds Control, Treasury Department
GEPC, German External Property Commission
Ger, German, Germany
IARA, Inter-Allied Reparations Agency
IGCR, Intergovernmental Committee on Refugees
IRO, International Refugee Organization
JCS, Joint Chiefs of Staff
MEW, Ministry of Economic Warfare (U.K.)
MG 53, Military Government Law No. 53
NARA, National Archives and Records Administration
NATO, North Atlantic Treaty Organization
NSC, National Security Council (U.S.)
OE, Division of Economic Security Controls, Department of State
OFS, Office of Financial and Development Policy, Department of State
OMGUS, Office of Military Government of Germany (U.S.)
OSS, Office of Strategic Services
PCIRO, Preparatory Commission of International Refugee Organization
R&A, Research and Analysis Branch
RG, Record Group
SF, Swiss francs
SHAED, Supreme Headquarters, Allied Expeditionary Forces
SI, Secret Intelligence Branch, Office of Strategic Services
SS, Schutzstaffel
SSU, Strategic Services Unit
TGC, Tripartite Commission for the Restitution of Monetary Gold
U.K., United Kingdom
UN, United Nations
USA, U.S. Army
USFET, United States Forces European Theater
V-E Day, Victory in Europe, May 7, 1945
WDSCA, War Department Chief of Staff Army
X-2, counter-intelligence branch, Office of Strategic Services
Persons

Aarons, Lehman, Assistant General Counsel, Treasury Department.

Acheson, Dean, Assistant Secretary of State for European Affairs, 1941-1945, Assistant Secretary of State for Congressional Relations and International Conferences, 1944-1945, Under Secretary of State, August 1945-June 1947, Secretary of State, June 1949-January 1953.


Attlee, Clement, British Prime Minister, 1945-1951.


Bevin, Ernest, British Minister of Labour and National Service, 1940-1945, Secretary of State for Foreign Affairs, 1945-1951.

Bruggmann, Charles, Swiss Minister to the United States.

Byrnes, James, Secretary of State, July 1945-February 1947.

Casey, William J., head of Secret Intelligence Branch, European Theater of Operations (ETO, Office of Strategic Services


Coe, V. Frank, Assistant Administrator for Economic Programs, Foreign Economic Administration, 1944, Director, Division of Monetary Research, Treasury Department, 1945-1946.

Cox, Oscar, Assistant to the General Counsel, Treasury Department, 1940, General Counsel, Lend Lease, 1942-1943, General Counsel, Foreign Economic Administration, 1944, Deputy Administrator, Foreign Economic Administration, 1945.

Currie, Lauchlin, professor, analyst for Treasury Department and the Federal Reserve, Administrative Assistant to President Roosevelt, 1939-1945, Deputy Administrator, Foreign Economic Administration, 1943-1945.

Donovan, William, Head of the Office of Strategic Services (OSS), 1942-1945.

DuBois, Josiah E., Jr., attorney, Treasury Department, Chief Counsel, Foreign Funds Control, 1942-1944, Assistant General Counsel, Treasury Department, 1944, General Counsel, War Refugee Board, 1944-1945, Assistant to the Secretary of the Treasury, 1945-1946.

Dulles, Allen W., Chief of the OSS Station in Bern, 1943-1945.
Fowler, Henry, attorney, Director, Enemy Branch, Foreign Economic Administration, 1945, Secretary of the Treasury, 1965-1969.

Frank, Walter, German Minister of Economic Affairs.

Funk, Walter, President of the Reichsbank.


Gross, Ernest, Deputy to the Assistant Secretary of State for Occupied Areas, 1947, Legal Adviser, July 1947-March 1949, Assistant Secretary of State for Congressional Relations, March-October 1949.

Harrison, Leland, U.S. Minister to Switzerland, September 1937-October 1947.

Hilldring, John, Assistant Secretary of State for Occupied Areas, 1946-1947.

Howard, Frank L., Deputy Director, Bureau of the Mint, senior Treasury representative involved in the inventory of the Kaiseroda cache.

Hull, Cordell, Secretary of State, March 1933-November 1944.

Jacobssen, Per, Economic Adviser to the Bank for International Settlements.


Kilgore, Harley, U.S. Senator, 1940-1956, Chairman, War Mobilization Subcommittee, Senate Military Affairs Committee.

Klaus, Samuel, Special Assistant to the General Counsel, Treasury Department, 1940-1944, Project Safehaven, Foreign Economic Administration, 1944-1945, Special Counsel, Department of State, 1946-1963, Assistant Legal Adviser, Department of State, 1963.

MacVeagh, Lincoln, publisher, Ambassador to Portugal, 1948.

Magruder, John, Deputy Director, Office of Strategic Services, 1943-1945.

Marshall, George C., Secretary of State, 1947-1949.

Matthews, H. Freeman, Director, Office of European Affairs, Department of State.


Morgenthau, Henry M., Jr., Secretary of the Treasury, 1934-1945.

Mowinckel, John, Chief, Economic Intelligence Collection Unit, Office of Strategic Services, 1945.

Oliver, Covey, Adviser on Enemy Problems, Department of State, 1945, Associate Division Chief, Office of Economic Security Policy, 1946-1947, Division Chief, Office of Financial and Development Policy, 1945-1949.

Ostrow, Walter, U.S. Treasury Department Attaché, Legation in Bern.

Patterson, Robert, Under Secretary for War, 1940-1945.

Paul, Randolph, lawyer, General Counsel, Treasury Department, Acting Secretary in charge of Foreign Funds Control, Special Assistant to President Truman, head of delegation to the Allied-Swiss negotiations, Washington, March-May 1946.

Pehle, John, Director, Foreign Funds Control, Treasury Department, 1940-1944, Director, War Refugee Board, 1944-1945, Assistant to the Secretary of the Treasury, 1940-1946.
Petitpierre, Max, Member of Swiss Council and Chief of the Federal Political Department (Foreign Minister), 1945-1950, President of the Swiss Confederation, from 1950.

Puhl, Emil, Vice President of the Reichsbank, German member of the Board of the Bank for International Settlements.

Ribbentrop, Joachim, German Foreign Minister.

Roosevelt, Franklin D., President of the United States, 1933-1945

Rubin, Seymour J., Chief, Division of Financial and Monetary Affairs, Department of State, 1944-1945, Chief, Economic Security Controls, 1945; Acting Chief, Division of Economic and Security Controls, Office of Financial and Development Policy, 1945-1946; Assistant Legal Adviser for Economic Affairs, 1946, negotiator with Sweden, Spain, and Portugal.


Schmidt, Orvis, Assistant Director, Division of Monetary Affairs, Treasury Department, 1947, Assistant Director, Office of International Finance, 1947, Treasury representative on the Currie Mission.

Schwartz, Margaret W., Assistant to the Chief, Licensing Division, Foreign Funds Control, Treasury Department.

Schwartz, Robert J., Office of International Finance, Treasury Department, 1947.

Snyder, John, Secretary of the Treasury, 1946-1953.

Southard, Frank A., Director, Office of International Finance, Treasury Department, 1947-1948.

Stettinius, Edward, Jr., Director, Lend Lease, 1941-1943, Under Secretary of State, October 1943-November 1944, Secretary of State, December 1944-June 1945.

Stucki, Walter, Swiss Ambassador to Vichy France, 1940-1944, Director of the Political Department, Swiss Foreign Ministry, 1945-1946, Delegate for Special Missions for the Swiss Federal Political Department (Foreign Ministry), 1945-1952.

Surrey, Walter, attorney, Division Chief, Office of Economic Policy, Department of State, 1946-1947.

Thoms, Albert, Chief, Department of Precious Metals, Reichsbank.


Truman, Harry S., President of the United States, 1945-1953.


Vinson, Fred, Secretary of the Treasury, 1945-1946.

Von Papen, Franz, German Ambassador to Turkey, 1939-1944.


White, Harry Dexter, Director, Division of Monetary Research, Treasury Department, 1938-1945, Assistant Secretary of the Treasury, 1945-1946, co-creator with John Maynard Keynes of the International Monetary Fund and World Bank.


Willis, George, Director, Office of International Finance, Treasury Department, 1947-1962.
I. Wartime Efforts To Halt Commerce With Germany and Prevent the Flight Abroad of German Assets

A. Allied Campaign To Prevent Neutral and Non-Belligerent Commerce With Germany and the Flow of Looted Assets to the Neutrals

During World War II, the United States and its Allies grew increasingly aware of the importance to the German war effort of imports from the neutral nations of Europe and elsewhere. Germany’s industrial production and military capacity depended on material such as bearings and iron ore from Sweden, precision tools and ammunition from Switzerland, chrome from Turkey, and wolfram (tungsten ore) from the Iberian Peninsula. Germany also obtained from the neutrals badly needed supplies for its war-ravaged civilian economy. The arrangements for paying for these imports also drew increasing attention from the United States and its Allies, as did the Allied effort to counter these arrangements.

In the United Kingdom, this campaign was conducted and managed by the Ministry of Economic Warfare (MEW) from the earliest days of the war. The American efforts, ambitious from the outset, were undertaken by a series of wartime agencies of ever greater size and scope. These wartime agencies were carved out of the responsibilities of the State Department and other established departments and were presided over by the President’s advisers and supporters. In April 1943, President Franklin D. Roosevelt assigned to the recently established Board of Economic Warfare (BEW)—initially charged with oversight of the nation’s export and import program—with the added responsibilities for advising the State Department on Lend-Lease negotiations and with relating the U.S. economic warfare program and facilities to the economic warfare activities of America’s allies. This Board, chaired by Vice President Henry Wallace and including the chairman of the War Production Board and the Lend-Lease Administration, lasted until the summer of 1943. A second phase in the American economic warfare effort began in September 1943 when President Roosevelt created the Foreign Economic Administration (FEA) with the personnel and functions of the Board of Economic Warfare and the foreign relief and rehabilitation operations of the State Department as well as functions for overseas procurement from the War Production Board and the Commodity Credit Corporation. The FEA became in sum responsible for export control, foreign procurement, lend-lease, participation in foreign relief and rehabilitation, and economic warfare, including foreign economic intelligence.1

Allied efforts to impose an effective economic blockade on Germany were at first led by the British initiative, but by 1942 became an American-British enterprise. As the official British history of this effort clearly demonstrates, there were “some lively clashes of aims and moods…with each party at times encouraging and at times exasperating the other into ever fresh activity.”¹ Both U.S. and British authorities were determined to minimize Axis opportunities to benefit from the large amounts of gold and U.S. currency held in occupied countries as well as in Switzerland and other neutral states.² Allied military successes in late 1942 and early 1943 gave the Allies more leverage in demanding that these nations limit trade with the enemy.

B. Wartime Treasury Department Controls

The main concern of the Treasury Department in the early years of the war was to prevent the Nazis from using the financial resources of the United States to finance their military campaigns and occupation costs. One way to achieve that goal was to regulate monetary transactions in foreign exchange or property dealings in which any foreign party held an interest. To assist Treasury in this task, President Roosevelt issued Executive Order 8389 on April 10, 1940, which froze Norwegian and Danish assets in the United States.³ Eventually, every country in Europe except Great Britain was included in this Executive Order, as well as China and Japan. Foreign Funds Control (FFC), established in 1940 with the Office of the Secretary of the Treasury and made a separate bureau within Treasury in September 1942, administered the freezing controls, permitting use of frozen assets only with a license granted by the Department.⁴

No citizen or company from those countries could use funds or properties in the United States without a Treasury Department license. After the governments of neutral Sweden, Spain, Portugal, and Switzerland gave the United States assurances that they would forbid transactions involving blocked countries or individuals, the United States granted general licenses to those countries. Under the general licenses, the United States permitted transactions that involved that particular neutral country and its citizens. Tangiers did not come under the Spanish general license and remained blocked as part of France. The Soviet Union received a general license without providing such assurances.

¹ Medlicott, Vol. II, p. X.
² Telegram 72 to Bern, April 18, 1942, National Archives and Records Administration, College Park, MD (hereafter cited as NARA), RG 84, Records of the Foreign Service Posts of the Department of State, Legation Bern, General Records 1936-1949, 1942, 851.5.
⁴ “Note on Foreign Funds Control for the Public,” April 28, 1941, RG 56, Acc. 66A-816 (Records of OASIA), Box 47, Entry 360 P, Box 4, Chronological # 22 (April 1941), [A16] (This document provides a good summary of the United States’ pre-1941 control over assets.); Untitled history of Foreign Funds Control, 1940-1948, undated ca. 1950, Chapter III, pp. 3-5, Chapter IV, pp. 51-52, Chapter V, p. 228, ibid., Box 47.
The Federal Reserve monitored transactions (over $5,000 for Switzerland) under Treasury Department supervision.¹

The FFC, in conjunction with other government agencies, believed that the United States should not allow Germany to use frozen funds to purchase American-owned property in Germany or German-controlled territories because doing so would make “the United States an international fence for the disposal of looted property.”² However, the Axis’ main sources of supplies, raw materials, and foreign exchange resided in the neutral and non-belligerent nations of Europe and some even in Latin America. With the gold looted from the gold reserves of central banks in the countries occupied by Germany, the Axis gained significant financial leverage in the purchasing of influence and commodities in the neutral countries. Treasury perceived the seizure of European gold reserves by the Axis³ as a formidable threat to Allied security, and FFC officials sought ways to prevent the Nazis from using these gold reserves to fuel their war economy and sustain their military campaigns. They needed therefore to convince the governments of the neutral powers in Latin America and Europe that they ought not to accept any gold or other property that had been stolen by the Axis powers.

C. Movements of Gold and Other Assets to and Through Switzerland, 1941-1943

Germany needed large quantities of gold and foreign exchange to pay for imports of essential goods from neutral countries, as well as to finance subversive activities. Moreover, the large payments exacted by Germany from occupied countries,⁴ combined with inflationary pressures stemming from the war effort, were reducing the stability of the various currencies in Continental Europe. In an analysis of the German financial situation at the end of 1942, the U.S. Consulate in Zurich predicted that in 1943 Germany would become vitally dependent upon exploitation of all available reserves throughout Europe.⁵

---

¹ Ibid., Chapter III, pp. 5-6, 9-11; General Outline of Existing United States Financial Controls as they Effect [sic] Switzerland,” January 7, 1943 (handwritten date), RG 131, Records of the Office of Alien Property, NN3-131-94-001, Box 457, General, May, 1940-6/44, pp. 1-4 [A4] (this source provides additional detail on Switzerland’s activities under its general license and of Treasury’s activities); Kimball to Knoke, August 28, 1941, ibid., Foreign Funds Control (hereafter cited as FFC), Box 365, Reports-TFR-149 [A3]. For the Swiss Minister’s discussion with Secretary Morgenthau about Switzerland’s fear of an American freeze, see Cochran to File, January 31, 1941, ibid., RG 56, Acc. 66A-816, Box 80, Switzerland (BIS) 1941.
² “Policy with Respect to the Sale of American-owned Property in Germany or German-Occupied Countries,” July 28, 1941, attachment to White to Foley, July 28, 1941, ibid., Entry 360 P, Box 5, Chronological #25 (July 1941) [A17].
³ The Treasury Department worked closely with the British Treasury in its economic warfare efforts and also obtained financial intelligence from the Office of War Information program for mail censorship. It was estimated that more than one-half of the information obtained from mail intercepts dealt with financial matters.
⁴ Letter from Hull to Representative Thomason, October 15, 1941, NARA, RG 59, General Records of the Department of State, Decimal Files 1940-44, 862.51/5012.
⁵ Telegram 20 from Zurich, January 15, 1943, ibid., 862.51/5058.
The smuggling of foreign exchange into and through Switzerland began as early as Spring 1941, when large amounts of smuggled French francs were reported destined for transfer to the French colonies via Lisbon.\(^1\) Jewish and other refugees entering Switzerland were reported to be bringing large sums of dollars with them.\(^2\) The U.S. Treasury Department believed that nationals of Axis countries could be selling their interests in accounts blocked in the United States to Swiss purchasers, either voluntarily or under duress, and that these funds could become available to the Axis.\(^3\) While few details were available, the total foreign holdings in Swiss banks at the end of 1942 were estimated to be several billion Swiss francs, with German and old Austrian accounts estimated at more than $116 million.\(^4\) Even the diplomatic pouch was used to evade exchange controls in transferring funds from Switzerland to the Western Hemisphere and elsewhere.\(^5\)

Germany also used Swiss banks as intermediaries in transferring gold to Portugal, rather than shipping its own gold across unoccupied France and Spain.\(^6\) The Bank of France was also selling gold to Portugal, possibly to acquire escudos to pay for merchandise destined for Germany,\(^7\) and there were reports that the Axis powers may have been transferring escudos to South America for use in propaganda activities.\(^8\) Moreover, there were unconfirmed reports that Germany was buying gold coin on the French black market, having the coin converted into bullion in Switzerland, and shipping the bullion to South America to purchase gasoline and other supplies.\(^9\) U.S. diplomatic missions were instructed to take up these reports with central bank officials in host governments, but they were unable to uncover evidence of smuggled bullion.\(^10\)

Germany also sold dollar notes through Swiss banks, and some of these dollars may have been collected by German authorities from fines extracted from French Jews.\(^11\) An OSS report from Bern warned that smaller Swiss banks might be helping Germany acquire dollars as well through the sale of French francs.\(^12\) The U.S. Justice Department

---

\(^1\) Despatch from Zurich, April 1, 1941, ibid., RG 84, Legation Bern, General Records 1936-1949, 1941, 851.5, Switzerland - Transactions in French Francs.

\(^2\) Despatch from Basel, October 8, 1942, ibid., 1942, 851.5.

\(^3\) Telegram 2376 to Bern, October 16, 1942, ibid., 1942, 851.51, Foreign Funds Control.

\(^4\) Despatch from Basel, December 7, 1942, ibid., 1942, 851.7, Switzerland.

\(^5\) Letter from the U.S. Consul in Geneva (Paul Squire) to Leland Harrison, U.S. Minister in Bern, April 1, 1942, ibid., 1942, 851.51, U.S. Dollar Currency.

\(^6\) Bern Monthly Economic and Financial Background Report, April 3, 1942, ibid., 1942, 851.2-860.7.

\(^7\) Bern Monthly Economic and Financial Background Report, May 29, 1942, ibid., 1942, 851.2-860.7.


\(^9\) Airgram A-126 from Santiago, September 5, 1942, ibid., RG 59, Decimal Files 1940-44, 862.24/757; circular airgram to the American Republics, September 29, 1942, ibid., 800.515/529A.

\(^10\) Despatch 5679 from Lima, December 28, 1942, ibid., 800.515/548.


\(^12\) Despatch 2231 from Bern, May 22, 1942, NARA, RG 226, Records of the Office of Strategic Services, OSS R & A Branch, Despatches Received from Neutral Posts 1941-1944, Post Files, Bern.
believed that Swiss banks were being used by Germans to invest money in the United States and in Latin America.¹

Officials in Washington were concerned that not only were the Axis powers using Swiss financial intermediaries in pursuit of their war aims, but that the large gold reserves in Switzerland were themselves an invitation to invasion.² In October 1941, a Treasury Department decision to deny an application by the Swiss National Bank to transfer $34 million in gold from New York to Switzerland was taken up by the Board of Economic Operations in the State Department, chaired by Assistant Secretary Dean Acheson.³ Acheson requested that a study be undertaken of the Swiss need to purchase dollars in order to make payments in Swiss francs to U.S. officials in Europe and to pay for food and other supplies that could be shipped to Switzerland.⁴

The Treasury Department continued to be concerned about the conduct of Swiss banking institutions. Treasury officials felt that the Swiss banking structure was entirely out of proportion to the economy of the country and that the Swiss had been able to build up their banking business to a large extent through the device of omnibus accounts surrounded by the strict Swiss banking laws assuring secrecy.⁵ In 1943 Switzerland engaged in economic negotiations with Germany that revived expired credits and increased the shipments of war materials to the Axis.⁶ In addition, as U.S. officials received reports that in the early 1930s the Germans had placed French-speaking Nazis in leading Swiss banks, they grew increasingly concerned that Nazi elements may have infiltrated the Swiss banking system.⁷

D. Negotiations Leading to the Inter-Allied Declaration Against Acts of Dispossession Committed in Territories Under Enemy Occupation or Control (London Declaration of January 5, 1943)

In July 1942 the British took the initiative in proposing that a warning be made to the Axis powers, but more particularly to the neutral countries, that the Allies would not recognize the transfers of property taking place in territories occupied by the Axis, whether these transfers appeared to be legal or not. A proposed declaration to this effect was placed on the agenda of a meeting of the Allied Finance Ministers. Given only a 2-
day notice in advance of this meeting, the U.S. Embassy in London sent an observer. The State and Treasury Departments subsequently took an active role in vetting the proposed text and in persuading the Soviet Union and China to join in the declaration.

The final text of the London Declaration was approved at a meeting held at the British Foreign Office on November 27. The declaration would be issued as a formal warning that the signatories would do their utmost to defeat the methods of dispossession practiced by the Axis powers “against the countries and peoples who have been so wantonly assaulted and despoiled.” A committee of experts would be set up to receive information on the methods adopted by the Axis to secure control over property in Allied territory or belonging to residents in such territory, and to consider the scope of existing legislation of Allied countries by which the Axis dispossession of property could be invalidated. The forced dispossession of the property of those Jews and other victims of Nazi oppression who were residents of the Axis countries was not covered by this declaration.

On January 4, 1943, the State Department informed U.S. Missions in the American Republics that their British counterparts had been instructed to communicate the text of the declaration to the host governments, on behalf of the parties to the declaration. British Missions would also be furnishing a copy of the declaration to the U.S. Missions, together with an interpretive note for guidance in treating any discussion or publicity. U.S. Embassies in Argentina and Chile were instructed to invite host governments to make a public statement indicating that they were in sympathy with the declaration and that they did not condone the looting practiced by the Axis countries.

The declaration, signed by 17 nations on January 5, 1943, was formally entitled “Declaration on Forced Transfers of Property in Enemy-Controlled Territory,” but is known as the “Inter-Allied Declaration Against Acts of Dispossession.” The signatory countries reserved the right to declare invalid “transfers of or dealings with, property, rights and interests of any description whatsoever” presently or formerly situated in territories under Axis control or belonging to residents of those territories. “This warning applies whether such transfers or dealings have taken the form of open looting or plunder, or of transactions apparently legal in form, even when they purport to be voluntarily effected.” The Treasury Department officials felt that this declaration would “create uneasiness in the minds of neutrals who are trafficking in German gold,” and were convinced that, if the neutrals took even minimal measures to prevent the deposit and use

---

1 Telegram 3400 from London, July 22, 1942, RG 59, Decimal Files 1940-44, 740.00113 European War 1939/436A.
3 Telegram 6797 from London, December 1, 1942, ibid., 740.00113 European War 1939/568.
4 Circular telegram to all American Republics Missions except Argentina and Chile, January 4, 1943, ibid., 740.00113 European War 1939/624A Suppl.
5 Circular telegram to Chile and Argentina, January 4, 1943, ibid., 740.00113 European War 1939/624A.
6 Treasury Department Circular No. 184, January 13, 1943, ibid., RG 131, NN3-131-94-001, FFC, Box 391, Treasury Inspired Actions [A11].
of looted gold in their countries, such measures would “have serious repercussions upon [Germany’s] wartime economy.”

The British Foreign Office informed the other parties to the declaration that the United Kingdom planned to make an introductory statement when it announced the declaration on January 5. This introduction would make clear that the systematic spoliation of occupied or controlled territory by the Axis had taken every form, from open looting to camouflaged financial penetration, and that it had extended to every sort of property, including works of art, stocks of commodities, bullion and bank notes, stocks and shares in business, and financial undertakings. The statement further warned that there was evidence that as the tide of battle began to turn against the Axis, the campaign of plunder would be accelerated, and that every effort would be made to hide the stolen property in neutral countries and to persuade neutral citizens to act as fences or cloaks.

The British undertook their declaration in order to maintain Allied solidarity. The British Treasury and the Bank of England doubted that the Declaration would achieve its goals. The British felt that there was little that could be done to enforce the Declaration without prejudicing future economic relations with the neutrals. Officials of the Bank of England foresaw that the Declaration would cause Germany to take measures to cloak its looting of Europe and its disposal of that loot in the neutral nations.

**E. Prevention of Axis Financial and Commercial Intercourse With the Americas, 1941–1942**

Prewar German economic penetration into South America was extensive. Even before entering World War II, the United States cooperated with the United Kingdom and the European countries overrun by Axis forces in taking measures to prevent the Axis powers from using their assets in the Americas to strengthen their position. On June 14, 1941, all German and Italian assets in the United States were frozen. The United States also worked with the American Republics to counter Axis economic penetration in the Americas. In July 1941 the United States issued the “Proclaimed List of Certain Blocked Nationals,” containing the names of individuals and firms in the Americas whose

---

1 Thorold to Hiss, June 22, 1943, attachment to Thorold to Pehle, June 22, 1943, ibid., FFC, Box 170, Gold Transfers to Neutral Countries [A5]; Richards to Gilbert, July 28, 1943, attachment to Memorandum for the Files, July 30, 1943, ibid., Gold Transfers to Neutrals [A13]; quotation from “German Transfers of Gold to the European Neutral Countries,” November 26, 1943, ibid., Gold Transfers to Neutral Countries [A14]. For an early draft of Treasury policy, see White to Morgenthau, September 10, 1943, ibid., RG 56, Entry 360 P, Box 14, Staff Memos July-Dec 1942, # 26 [A19].


3 British Foreign and Commonwealth Office: History Notes: Nazi Gold: Information from the British Archives, Historians, LRD, No. 11, September 1996, p. 5. (Hereafter cited as FCO: History Notes: Nazi Gold)

activities were deemed inimical to the defense of the hemisphere.\(^1\) Dealings with these persons or firms were prohibited without a license. In March 1942, the 1917 Trading with the Enemy Act restrictions against trade and communications with the American Republics under wartime conditions were adapted and implemented by the Treasury Department.\(^2\)

Following issuance of the Proclaimed List, U.S. Missions in the American Republics began to work with host governments to find ways to eliminate the influence of enemy or Proclaimed List nationals in specific banks or industrial or commercial firms. In the case of the Caja de Credito Agrario in Colombia, the Embassy in Bogota was instructed to keep its British colleagues closely informed in the interest of having them take similar action.\(^3\) U.S. agencies also cooperated with their British counterparts to prevent insurance companies in the Americas from placing their coinsurance or reinsurance business with Axis companies.\(^4\)

In April 1942, the State Department participated in a study by the White House Office of the Coordinator of Latin American Affairs of ways and means to eliminate Axis control and influence of organizations operating in Latin America.\(^5\) Diplomatic missions in the American Republics encouraged host governments to put into place their own foreign property and exchange controls.\(^6\) In some cases, experts were sent to help in implementing control measures;\(^7\) in other cases, financial assistance was offered to support steps taken to liquidate and expropriate Axis firms.\(^8\) The Chiefs of Mission were instructed to give personal attention to ensuring that local authorities took steps to examine the files of Axis firms. The State Department believed that information in these files would reveal, among other things, sources of funds used to finance subversive activities.\(^9\)

The Treasury Department had set up a Foreign Funds Control unit to implement these freezing control measures. A memorandum of agreement was worked out between that office and the State Department that set forth principles for consultation and


\(^{3}\) Telegram 112 to Bogota, January 30, 1942, ibid., RG 59, Decimal Files 1940-44, 740.00113 European War 1939/244.

\(^{4}\) State Department memorandum of conversation by J.J. Reinstein, April 13, 1942, ibid., 740.00113 European War 1939/322.

\(^{5}\) Memorandum from the Assistant Coordinator of Inter-American Affairs (J.C. Rovensky) to Emilio Collado, Special Assistant to the Under Secretary of State, April 29, 1942, ibid., 740.00113 European War 1939/376.

\(^{6}\) Telegram 1651 to Rio de Janeiro, June 24, 1942, ibid., 740.00113 European War 1939/401.

\(^{7}\) Despatch 1788 from Mexico, June 2, 1942, ibid., 740.00113 European War 1939/392.

\(^{8}\) Airgram A-474 to Buenos Aires, December 15, 1942, ibid., 740.00113 E.W. 1939/597A.

\(^{9}\) Circular airgram to American Republics, December 2, 1942, ibid., 740.00113 European War 1939/571A.
obtaining State Department concurrence in the extension of these freezing controls to neutral countries.¹

The U.S. campaign to eliminate Axis financial and commercial dealings with friendly countries was not limited to the Americas. A U.S.-British-Belgian agreement relating to trade with the Belgian Congo included provisions for measures designed to prohibit commercial and financial transactions with enemy states.² The Union of South Africa was informed that it was U.S. policy to cut off financial and commercial transactions with nations outside the Western Hemisphere when such transactions would benefit the aggressor nations, or were inimical to the defense of the Western Hemisphere.³

F. Allied Gold Declaration of February 1944

The January 5, 1943, declaration did not directly address the German export of gold. The British Ministry of Economic Warfare became increasingly concerned in the Spring of 1943 that the Germans were resorting to the sale of gold to meet their commercial debts to neutral nations providing vital supplies for the Nazi war effort. In view of the German needs and the size of the pre-war gold reserve, such gold sales were, the MEW thought, certain to be of monetary gold looted in Western Europe. The Foreign Office proposed a warning to the neutrals that if they accepted gold from Germany they would be opening themselves to claims under the terms of the January 1943 Declaration. The British Treasury considered such a warning useless inasmuch as looted gold could be melted down and made unrecognizable. In June 1943 the State Department was unwilling to join in issuing such a warning, although the Treasury Department seemed inclined to take such an action.⁴

In November 1943 Treasury asked State to agree to the issuance of a statement on looted gold acquired by the neutral nations in dealings with Germany. The Treasury argued that the United States should not recognize the transfers of Axis gold and should not purchase gold from a nation dealing with the Axis unless it could be determined that gold had not come from the Axis, directly or indirectly. The British Foreign Office found this American proposal for a declaration far too sweeping when the State Department presented it late in 1943. Although the British Treasury was concerned that the action proposed would cause Britain and the United States “many embarrassments” after the war, both Treasury and the Bank of England swung around to willingness to support a gold declaration in the interest of Anglo-American relations.⁵

¹ Memorandum from Acheson to Welles, March 16, 1942, ibid., 740.00113 European War 1939/385.
³ Note to the Minister of the Union of South Africa, January 1, 1943, ibid., RG 59, Decimal Files 1940-44, 740.00113 European War 1939/550.
⁴ FCO: History Notes: Nazi Gold, p. 5.
⁵ Ibid., p. 6; Memorandum from Pehle to U.S. Department of the Treasury files, November 17, 1943, RG 131, NN3-131-94-001, Box 170, folder Gold Transfers to Neutral Countries [A-12].
The Declaration on Gold Purchases of February 22, 1944, made in the United States by Treasury Secretary Morgenthau, stated that the United States would not recognize the transference of title to looted gold which the Axis at any time held or had disposed of in world markets. It further declared that the United States would not buy any gold located outside the territorial limits of the United States from any country which had not broken relations with the Axis, or from any country which subsequently acquired gold from any country which had not broken relations with the Axis, unless and until the United States was fully satisfied that such gold was not acquired directly or indirectly from the Axis powers, or was not gold which any such country had been or was able to release as a result of the acquisition of gold directly or indirectly from the Axis powers. Britain and the Soviet Union made similar declarations on the same day.¹

G. Argentina’s Failure To Control Axis Funds, 1943–1946

While most of the Latin American republics responded positively to U.S. urging to adopt freezing controls, several of the military regimes were reluctant to cut off their commercial and financial dealings with the Axis, or to act against Axis-dominated firms in their countries. The most serious problem for U.S. diplomacy lay with Argentina, which maintained relations with the Axis through 1943. In January 1944 following Argentina’s formal break of relations with Germany and Japan, a new pro-Axis regime headed by General Farrell came into power. On January 8, 1944, Treasury Secretary Morgenthau sent a strongly worded letter urging a general freezing of Argentine assets to Secretary of State Cordell Hull. Convinced of Argentina’s intention to destabilize the region by its involvement in the Bolivian Revolution, Hull agreed to extend a general freeze over Argentine assets in the United States, which Roosevelt ratified in an amendment to Executive Order 8389 on January 24, 1944.² The Farrell regime gave open support to Axis-controlled firms and tolerated the dissemination of Axis propaganda. The United States recalled its Ambassador and refused to recognize the Farrell government.³

The Klaus Mission to Spain in September 1944 looked into the possibility that Spanish banks were assisting the movement of gold to Argentina.⁴ Klaus’ report on his mission concluded that Spain’s totalitarian financial organizations made it possible for Germans to make personal deals with friends in the government to carry out transactions

² Morgenthau to Hull, January 6, 1944 [E37]; J. W. Pehle, Memorandum for the Files, January 12, 1944 [E36], RG 56, Acc. 69A-7584, Box 1, Country Files, Argentina: Economic Controls in General; Roosevelt, Amendment of Executive Order No. 8389 of April 10, 1940, as amended, January 24, 1944, attachment to Text of White House Press Release Issued January 24, 1944, on Freezing Argentina, ca. January 1944, RG 131, NN3-131-94-001, Box 19, Argentina: Argentine Program [E8].
³ Department of State Bulletin, July 30, 1944, pp. 107-111.
⁴ Despatch from Madrid, September 30, 1944, RG 59, Decimal Files 1940-44, 800.515/3044.
and transfers from Spain to Argentina or Tangier or Portugal. Argentina was viewed in FEA as in some respects the most critical Safehaven country.

Following the end of the war, the State Department prepared a compendium of information on Argentina’s support for the Axis clause, the Argentine “Blue Book,” for use in consulting with the American Republics concerning the position that should be taken with regard to the military regime in Buenos Aires. The “Blue Book” charged that where the German Government preferred to transfer funds from Europe, it found no serious obstacle in any Argentine exchange control regulations, and that the availability of these funds made possible the subversive activities in which German organizations were known to have engaged. These activities included intervention in Argentine elections, press and propaganda subsidization, and purchase for shipment of strategic materials for the German war machine. The Argentine Government issued a decree in March 1945 stipulating that Axis-controlled firms would be placed under government control and possession, but delayed taking action for so long that the managers of these firms had ample time to distribute or dissipate their assets.

H. Early Evidence of the Extortion and Seizure of Money and Other Assets From Jews and Other Refugees

As early as March 1940, reports of forced movement of Jews from Germany to Poland warned that the moneys they were carrying might be confiscated at the border. Although the German government provided assurances that no steps were being taken to confiscate the property of enemy aliens of Jewish origin, it was already clear that German Jews as well as Jewish citizens of countries overrun by German forces would not be so fortunate. The Reich Citizenship Law of November 25, 1941, codified actions that were already commonplace in depriving all German Jews who left Germany of their German citizenship and declaring their property forfeited. This decree applied to Jews being deported to Poland and German-occupied territories of the Soviet Union, as well as to those Jews who had escaped to Allied or neutral countries. By late 1942, German authorities were beginning to confiscate property from all residents of occupied countries who had fled abroad. All visible wealth was confiscated, with the exception of a small percentage, usually between 10 and 12½ percent, that the emigrant was permitted to retain and export abroad. In addition to providing foreign exchange for the Axis war

---

1 Memorandum from Samuel Klaus to Currie, Coe, and Cox on the Safehaven Investigation in Europe, August-October 1944, Franklin D. Roosevelt Library.
2 Memorandum from Samuel Klaus to Oscar Cox, January 27, 1945, NARA, RG 169, Records of the Foreign Economic Administration, Office of the Administrator, Historical Files of the Division of Economic Warfare (DEW), Latin America.
4 Ibid., pp. 77-82.
5 Telegram 706 from Berlin, March 20, 1940, RG 59, Decimal Files 1940-44, 862.4016/2158.
7 Telegram 4192 from Berlin, November 28, 1941, ibid., 862.4016/2213.
8 Telegram 5103 from Bern, November 11, 1942, ibid., 740.00113 European War 1939/547.
effort, there was mounting evidence even in 1942 that individual members of the Nazi party personally profited from carrying out this confiscation.\(^1\)

German authorities also obtained large sums of foreign exchange by extorting ransom from Jews and other persons who wanted to emigrate from occupied territories.\(^2\) This practice of extortion was particularly prevalent in the Netherlands, where the large sums of money that were demanded appeared to be most readily procurable. According to the U.S. Legation in Bern, the amounts demanded were as high as $30,000 per person.\(^3\) Reports of much higher ransoms were also reaching the State Department.\(^4\) The victims, or their friends and relatives abroad, were instructed to pay the ransom into accounts in Swiss or Dutch banks. The Legation in Bern reported that the Union des Banques Suisse in Zurich and the Wester Bank in Amsterdam were mentioned in this regard, but warned that it was difficult to gain information regarding the names of the banks that were used, and thus it had not been possible to identify the individual accounts into which the ransom sums were paid.\(^5\)

A report by the British Ministry of Economic Warfare (MEW) provided to the U.S. Embassy in London in early November 1942 confirmed a growing traffic in the sale of exit permits, particularly from the Netherlands, and warned that there was good reason to believe that the Germans were contemplating operations of this kind on an increasing scale. MEW wanted to issue an announcement that it would proceed with utmost rigor against those who acted as middlemen or brokers, and proposed a meeting with U.S. and Dutch Government representatives to take up this issue.\(^6\) At this meeting, representatives of the three governments considered the text of a draft U.K. statement warning that payments of German ransom demands would be treated as transactions for the benefit of the enemy, and that persons making such payments would be liable to prosecution.\(^7\) On November 24, the State Department issued its own press statement, which drew upon the report from Bern that described Nazi ransom extortions and which noted that this barbaric and inhuman practice had been discussed by the U.S., U.K., and Dutch Governments. The press statement warned that persons acting as brokers or agents in this traffic would be placed on the “Proclaimed List of Certain Blocked Nationals,” issued in July 1941 containing names of individuals and firms whose activities were deemed inimical, and that persons making payments would render themselves liable to treatment as enemies.\(^8\)

The November 24 statement was sent at once to U.S. diplomatic missions in the American Republics.\(^9\) After the Embassy in Buenos Aires reported that there was

---

1 Despatch from Bern, October 28, 1942, ibid., 862.5151/2387.
3 Despatch from Bern, October 28, 1942, ibid., RG 59, Decimal Files 1940-44, 862.5151/2387.
4 Memorandum from Baldwin, Division of the American Republics, to Chapin, October 15, 1942, ibid., 862.5151/2400.
5 Despatch from Bern, October 28, 1942, ibid., 862.5151/2387.
6 Airgram A-282 from London, November 2, 1942, ibid., 862.5151/2385.
7 Telegram 6428 from London, November 14, 1942, ibid., 862.5151/2386.
8 State Department press statement, November 24, 1942, ibid., 862.5151/2393.
9 Circular airgram, November 24, 1942, ibid., 862.5151/2393A.
increasing evidence of German extortions involving Jewish residents of Germany, with particular attention being made to obtaining payment in Switzerland,\(^1\) the Embassy was instructed to emphasize to the Argentine Central Bank and Foreign Office that the United States attached special emphasis to the active cooperation of the Argentine Government in preventing persons within its jurisdiction from submitting to the Nazi practices of ransom and extortion, and trusted that the Argentine Government would not make itself a party to this infamous traffic.\(^2\)

The case-by-case efforts of the U.S. and British Governments and by U.S. and British posts in neutral countries to suppress this traffic in exit permits finally met with success. The rate of new extortion efforts slowed after the November 1942 announcement. The leaders of Jewish communities in South America were approached and in at least two countries promised to use their influence to see that none of the members of their communities paid any ransoms.\(^3\) By the end of June 1943, the number of persons or firms outside enemy territory who had been applied to for help in raising ransoms had risen to 151, but only 10 of the cases were reported since November 24. Of the 151 cases, 37 involved residents in the United States and the United Kingdom. In all but 6 outstanding cases, the persons contacted had either refused to negotiate or had been prevented from making payment.\(^4\) Special attention was paid to identifying persons acting as go-betweens for the Germans. On May 25 seven Swiss residents were placed on the Proclaimed List for acting as agents in the ransom traffic.\(^5\)

Nazi efforts to collect ransom moneys did not cease altogether. In August 1943 the Embassy in London was requested to report on any information available in London concerning reports that the Nazis were taking refugee children to the Turkish border and releasing them upon payment of ransom.\(^6\) The question of whether and how to rescue Jewish and other victims of Nazism through ransoms or other methods persisted through the war.

(Editor’s Note: The concerns of the U.S. Government and its Allies concerning the plight of Holocaust victims and various rescue proposals, and the differences within the U.S. Government and with the governments of the major Allies over how to proceed are not taken up here except as they became a part of the discussions and negotiations regarding the control and restitution of assets from Nazi Germany, including the assets of the victims of the Holocaust. The immediate problems of caring for and providing for the victims of Nazism overshadowed in their immensity the issues that make up the subject of this report. Outstanding private historical scholarship has been carried out in recent years on U.S. refugee policy in World War II. Notwithstanding, an accurate and comprehensive review of U.S. Government records bearing on the tragic failure to rescue

---

\(^1\) Despatch 7733 from Buenos Aires, December 14, 1942, ibid., 862.5151.

\(^2\) Telegram to Buenos Aires, January 4, 1943, ibid., 862.5151/2404.

\(^3\) MEW memorandum on German Exit Permits Traffic, transmitted as enclosure to despatch from London, July 17, 1943, ibid., 862.5151/2495.

\(^4\) Ibid.

\(^5\) Department of State Foreign Funds Control Division, Memorandum for the Files, May 25, 1943, ibid., 862.5151/2464.

\(^6\) Airgram to London, August 25, 1943, ibid., 862.5151.
more than a few thousand victims of the Holocaust deserves to be the subject of a separate report.)
II. The Safehaven Program

A. Origins of the Safehaven Program

As the tide of battle shifted in favor of the Allies in 1943, economic warfare goals began to take into account the concern that Germany would try to hide gold and other assets abroad so they would not be included in war reparations and could be used to re-build Axis strength in the post-war period. The specific goals of Safehaven, as they came to be formulated in spring 1944, were to restrict and prevent German economic penetration beyond Germany, to block Germany from transferring assets to neutral countries, to ensure that German wealth would be accessible for war reparations and for the rehabilitation of Europe, to make possible the return to legal owners of properties looted from countries once occupied by the Germans, and to prevent the escape of strategic German personnel to neutral havens. The overall purpose was to make it impossible for Germany to start another war.1

The need to organize a Safehaven program appears to have been first brought up in letters from Leo T. Crowley, Director of the Foreign Economic Administration (FEA), to the Secretary of the Treasury on May 5, 1944, and from William T. Stone, Director of FEA’s Special Areas Branch, to Livingston T. Merchant in the State Department, on May 15, 1944.2 Stone’s letter suggested that the British be consulted, as well as other interested U.S. Government agencies.3 The State Department had already sought British cooperation in systematically gathering data on German efforts to secret assets in neutral countries inside Europe,4 and a vague British reply suggested that steps be taken to oblige the neutrals to fulfill certain economic warfare requirements by offering to provide supplies to Sweden and Switzerland.5 The official British history of the World War II economic blockade of Germany summarizes U.S.-British differences over the implementation of Safehaven objectives soon after this exchange as follows:

“This led to the last of the long series of Anglo-American differences over tactics, and it arose, as so often before, through ;the American tendency to concentrate on a single objective to the exclusion of supply and other interests which the British could not so readily ignore.”6

In May 1944 Special Assistant to the General Counsel of the Treasury Department Samuel Klaus proposed a plan for a fact-finding survey of the situation in neutral countries, and of the plans other nations might have for dealing with the problem of hidden German assets abroad. The planning for this trip revealed the continuing tensions between FEA officials and those in other agencies. The Safehaven program was plagued

---

1 Margaret Clarke, The Safehaven Project, Foreign Economic Administration Study #5 (Washington, D.C., 1945), p. 22. (Hereafter cited as Clarke, Safehaven)
2 Safehaven Chronology prepared for Clarke FEA Study, 1945, RG 169, DEW, Chronology.
5 FEA, Relations with the British, 1945, RG 169, DEW, England.
from the start by inter-agency and intra-agency rivalries. Initial planning for the trip
called for Klaus to be accompanied only by a State Department official, Herbert J.
Cummings. In briefing officials in the Embassy in Madrid on the background of the trip,
Klaus indicated that he had neither informed nor sought the approval of Treasury for the
trip. When they learned about the proposed trip only several days before it was due to
begin, Treasury officials took a direct hand in setting forth the purposes of the trip, as
well as insisting that Treasury officials be included on the delegation. After these
Treasury officials caught up with the Mission in London, and accompanied it to
Stockholm, Klaus refused to permit them to continue on his delegation, and they made
separate visits to Spain. The Mission canceled its plans to visit Switzerland and
Portugal.

From August 16 to October 10, 1944, Klaus and his party visited London,
Stockholm, Lisbon, Madrid, Barcelona, and Bilbao to encourage the implementation of
the Safehaven program. The initial success was limited. It took another two months for
the Safehaven program to emerge as America’s response to the potential use of Nazi
financial and economic influence in the neutral countries to prepare for a third world war.

In his final report of October 21, 1944, Klaus observed that the purpose of the trip
was primarily to bring about an increased flow of information to Washington concerning
German efforts to find safe havens in the neutral countries. He also sketched out the
current thinking about the broad range of activities being pursued by the Safehaven
Program:

“It [Safehaven] is only in its narrowest, and relatively less important,
aspects flight of enemy capital. In its most important aspects it is the use of
neutral countries as bases for maintaining the assets, skills and research necessary
for the conversion of Germany to a war basis at an appropriate future date. The
hiding out of stolen jewels or pictures, even if it exists, is truly important from the
point of view of war crimes retribution. But the presence of I.G. Farben personnel
in Spain, the expansion of Siemens production in Sweden or the presence of

---

1 Despatch 3163 from Madrid, September 30, 1944, RG 59, Decimal Files 1940-44, 800.515.
2 Draft memorandum from White, Treasury, to Collado, State, August 14, 1944, ibid., 800.515.
3 Despatch 3163 from Madrid, September 30, 1944, ibid., 800.515/5-3044.
4 Clarke, Safehaven, p. 46.
5 Memorandum to the Files, August 5, 1944 [B13]; Memorandum to the Files, August 8, 1944
[B14]; Bell to Crowley, August 11, 1944 [B15], RG 131, NN3-131-94-001 FFC, Box 388, Inter-
departmental Meetings; Draft letter to Crowley, August 9, 1944, ibid., FFC, Box 381, Safehaven 4/43-7/44
[B16]; draft of Proposed Airgram to the Neutral Missions, August 9, 1944 [B17], Memorandum to the
Files, August 8, 1944, ibid., RG 56, Acc. 66A-816, Box 47, [B18]; Richards to White, September 13, 1944,
ibid., [B19]; Memorandum for the Files, “Report on traveling mission concerning flight of Axis capital;”
November 30, 1944, ibid., [B20]; Bell to Hopkins, September 14, 1944, Hopkins to White, September 13,
1944, ibid., RG 131, NN3-131-94-001 FFC, Box 388, Inter-departmental correspondence; Klaus to Currie,
Cox, and Cox, October 21, 1944 re Safehaven Investigation in Europe, FDR Library, Cox Papers, Lend
Lease File, Box 104, Safehaven [B51]. This is Klaus’ official report on his trip and includes a country-by-
country evaluation of what he found and proposals for what should be done as well as an extended
discussion of his “problems” with Treasury’s representatives. Other materials from the Cox Papers include
reports from Klaus about the difficulties he and FEA were having in Europe in the spring and summer of
1945 but are focused on bureaucratic battles, not substance.
German military technicians in Argentina are of more far-reaching significance, and constitute as well the most difficult Safehaven activities.”

Klaus found the situation in Spain the most discouraging and the most difficult. He found the U.S. Mission in Spain, and particularly the Ambassador, Carlton Hayes, to be entirely unsympathetic with the Safehaven program’s investigations although Spain was “beyond question the country in which the most damaging Safe Haven activities are going on and may be expected.”

The Treasury Department felt that the Klaus Mission was weakened by a lack of knowledge of the reporting on enemy assets already being done by U.S. missions in neutral countries, and by lack of understanding of the political situation in these countries; for example, Klaus showed little understanding of the consequences of Spain’s recent civil war. In discussing the collection of information on enemy assets in Madrid with Counselor of Embassy W. Walton Butterworth and other Embassy officers, he suggested that the Embassy could probably expect considerable cooperation from dissident and labor groups. Butterworth had to explain that labor syndicates in Spain were controlled by the Falange, and that it would not be prudent for the Embassy to seek help from the outlawed Communist Party.

The confusion within FEA concerning responsibility for Safehaven programs was not resolved until December 1944, when FEA set up a new German and Austrian Branch, which shortly became the Enemy Branch. This branch was assigned responsibility for Safehaven programs, and its director, Henry H. Fowler, was permitted to coordinate the Safehaven efforts which had been scattered throughout the agency. Throughout the often complicated implementation of the Safehaven program, the U.S. Government maintained a tough and unequivocal stance whereby no concessions would be granted that would compromise America’s commitment to identify and liquidate Nazi assets.

**B. Building a Legal Base for Safehaven Programs: Bretton Woods Resolution VI**

The discussions with the United Kingdom in spring 1944 and the Klaus Mission’s meetings in London, Stockholm, and Madrid revealed the lack of consensus on how to proceed in preventing the flow of German assets to neutral countries. The purpose of the Klaus Mission had been limited to fact-finding. Scant progress had been made in determining what policy measures needed to be taken, or how to persuade Britain and other countries to support the Safehaven program. Just as the Klaus Mission was getting underway, help arrived from an unexpected quarter, the United Nations Monetary and Financial Conference then underway in Bretton Woods, New Hampshire.

---

1 Klaus Report to Currie, Coe, and Cox, Franklin D. Roosevelt Library, Franklin D. Roosevelt Papers.
2 Ibid.
3 Clarke, *Safehaven*, p. 46. The Embassy in Madrid has been accused of stonewalling the Klaus Mission and its purpose. (Ibid., p. 47)
4 Ibid., pp. 44-45.
The work of the Bretton Woods Conference was divided among three commissions, the first two dealing with what were the primary interests of the Treasury and State Departments, the proposed World Bank, and the Stabilization Fund. Commission III, chaired by Egypt, was charged with responsibility for “Other Measures for International Monetary and Financial Cooperation.” On July 10, 1944, Commission III set up three ad hoc committees, including a committee dealing with “Enemy Assets, Looted Property, and Related Matters.”

This committee, in which the United States was not represented, received a proposal from the Polish delegation to seek cooperation from the neutral countries in blocking and liquidating Axis assets in neutral territory, and a proposal from the French delegation concerning steps to prevent the enemy from successfully secreting funds in neutral or UN territories under assumed names. According to the French proposal, these measures should apply to beneficiaries of property looted by the enemy, whether such beneficiaries be enemy nationals or their associates of whatever nationality. These measures should be directed in particular against Axis leaders and their collaborators in occupied countries, who might attempt to perpetuate their influence, power, and ability to plan future aggrandizement and domination in the post-war period.

Both the U.S. and the U.K. delegations reacted quickly to these proposed drafts. The United States submitted an alternative draft embodying features of the Polish and French proposals, which were then withdrawn. This draft built upon the Polish proposal in calling for action by neutral countries to take immediate measures to prevent any disposition or transfer within their jurisdiction of assets belonging to governments, individuals, or institutions in occupied countries, as well as looted gold or other assets. The neutrals were also called upon to prevent the concealment of such assets. Unlike the French proposal, which would have applied to the beneficiaries of all property looted by the enemy, including beneficiaries who were enemy nationals, the scope of the U.S. draft was restricted to assets located in enemy-occupied territories.

The U.K. delegation initially opposed this effort, on the grounds that the subject matter had very indirect bearing on the plans for establishing a Fund and Bank, which were the purposes of the Bretton Woods Conference. The United Kingdom also insisted that the action called for in these draft proposals was already being taken in other places, notably the Inter-Allied Committee on Acts of Dispossession. No other country joined the United Kingdom in opposing the draft resolution, and the U.K. eventually withdrew its objections. After the Soviet Union proposed some language changes, the United Kingdom joined the United States and the Soviet Union in a drafting committee to work out the final text of the resolution. This text was presented to the Plenary Session of the Conference for approval as Resolution VI.

---

3 Proceedings of Bretton Woods Conference, Document # 470, ibid., Box 5.
4 Ibid.
The State and Treasury Departments quickly recognized the value of Resolution VI in terms of the pursuit of Safehaven objectives. On August 19 the text of the resolution was sent by airgram to all diplomatic missions, and on September 29 instructions were sent to missions in the European neutral countries as well as to missions to countries which had participated in the Bretton Woods Conference, to impress upon their host governments the importance of instituting such measures as would fulfill the aims of Resolution VI.

New and vigorous U.S.-British action resulted from the Bretton Woods agreement. A Safehaven department was established in the British Ministry of Economic Warfare, and there began more formal pooling of information with American Safehaven officials. In April British and U.S. officials had met with Swiss banking officials in Lisbon and sought, without success, to persuade Switzerland from allowing its facilities to be used to finance Axis trade. In August 1944 the British joined the United States in a joint request of the Swiss to halt the acquisition of gold from Germany or any of its occupied territories and to prevent such acquisition by any bank or person under Swiss jurisdiction. The British objected to the American proposal to present such requests to the other neutral states on grounds that they might well prove to be inconvenient for the Allies after the war.

In separate notes of October 2, 1944, the U.S. and U.K. Governments instructed their Embassies in neutral countries to request that the country to which they were accredited adhere to Resolution VI passed at the Bretton Woods Conference and take necessary measures to enforce it on their territory. The note asked the countries to thwart Axis moves to find “Safehaven” for their loot in neutral countries and observed that these activities were increasing as the enemy anticipated defeat. To provide Embassies with expertise in Safehaven-related issues, on October 31, 1944, Treasury Secretary Morgenthau agreed with Treasury General Counsel Joseph O’Connell and Harry Dexter White, Director of Monetary Research for the Treasury Department, that Treasury-trained financial intelligence officers should be dispatched to supplement the staff of Embassies in response to the increased outflow of Axis capital and goods from the German Reich to neutral havens.

---

1 Circular airgram, August 19, 1944, RG 59, Decimal Files 1940-44, 800.515/8-1944; circular telegram, September 29, 1944, ibid., 800.515/9-2944; circular telegram, September 29, 1944, ibid. Argentina, which had not been invited to Bretton Woods, was among the few non-enemy countries not included in this campaign
2 FCO: History Notes: Nazi Gold, pp. 7-8; Report of the Foreign Funds Control for the Month of November-December 1944.
4 Department of State Bulletin, October 8, 1944, pp. 383-384. See also “Discovery of Nazi Post-War Plans,” ibid., April 1, 1945, pp. 537-538.
5 White and O’Connell to Morgenthau, October 31, 1944, RG 56, Entry 360 R, Box 19, Inter-Treasury Memoranda Secretary, July-December 1944. [B28]
C. Implementation of Safehaven

As originally conceived by FEA, Safehaven was to be entirely operated by FEA, with Treasury guiding on the financial and informational side, and State making the policy. However, FEA’s role was weakened from the start by its failure to establish clear lines of responsibility within its own organization. The controversy surrounding the Klaus Mission did not help. Differences on both policy and operations sprang up almost at once, at times becoming acute. Diplomatic activity related to persuading the neutral countries to implement Resolution VI propelled the State Department into an active role in Safehaven operations. According to one observer, by early 1945 the State Department had for all practical purposes assumed responsibility for the Safehaven program. 1 This transfer of responsibility may have taken place earlier, for on December 24, 1944, the State Department sent a Department-only airgram to missions in the American Republics, stressing the importance of Safehaven and requesting the missions to begin as soon as possible a flow of current information regarding suspect entities and transactions and to prepare for a long-range reporting task. 2 A comprehensive message to other diplomatic missions followed on January 16, 1945. This message referred to Resolution VI and the subsequent instructions to missions in neutral countries to investigate and report any evidence of enemy capital flight. The primary purpose of the message was to direct the Missions’ attention to the importance of Safehaven as a phase of post-hostilities economic security, to suggest a long-range reporting task, and to begin at once a flow of current information concerning suspect persons, entities and transactions. 3

Beginning in fall 1944, FEA and the State Department engaged in a long-standing debate over treatment of the European neutrals after the end of hostilities. MEW and other British agencies also joined in this debate. In September 1944 FEA’s Executive Policy Committee considered a proposed statement of Allied policy toward the neutrals that would continue trade controls into the postwar period. Correspondence in August between Sir Ronald Ian Campbell, the British Minister in Washington, and Assistant Secretary of State Acheson had revealed that the United Kingdom had agreed on continuing controls, although only on items in short supply. The Committee agreed that Lauchlin Currie from the FEA should discuss this proposed policy statement with Acheson. 4

In a subsequent meeting on November 2, the Executive Policy Committee discussed the State Department’s stance that continuation of the economic blockade against the neutrals would not be warranted, and that reliance should instead be placed on obtaining the cooperation of the neutrals. The FEA officials doubted that this approach would be effective, and believed that controls should be kept in place until the policy objectives were attained. They proposed drafting a revised policy statement on keeping

---

1 Clarke, Safehaven, p. 92-93, 95
2 Circular Airgram to diplomatic missions in the American Republics, December 7, 1944, RG 59, Decimal Files 1940-44, 800.515/12-744.
controls, to be taken up at the inter-agency Executive Committee on Economic Foreign Policy, where policy toward the neutrals was to be considered.¹

Treasury, State, and FEA exchanged proposals on dividing and sharing responsibilities in the organization and enforcement of Safehaven, and at a meeting on December 2, 1944,² agreed on the roles of the participating agencies, which gave each a measure of operational freedom. They also agreed to centralize all intelligence and data related to Safehaven and Axis assets in neutral countries at the Embassy in London. Aside from relying heavily on British economic and financial intelligence, the Americans viewed this choice as an inexpensive way of recognizing the British contribution as partners, albeit reluctant, in Safehaven.³

The State Department released on December 6, 1944, its long-awaited Circular Instruction to U.S. Missions concerning Safehaven matters.⁴ This initiative launched the political and diplomatic phase of Safehaven under the leadership of the Department of State, and signaled the beginning of the demise of FEA as the perceived lead agency in the formulation of Safehaven policies.

Continued fear in Allied circles that after Hitler’s demise Nazi diehards would try to tap into German external assets helps to account for the Allied leaders’ eagerness to reach a settlement on these issues very soon after the end of the war. As late as April 22, 1945, the Secretary of State noted in a telegram to Ambassador John Winant in London that “the United Nations have perceived cause for anxiety in the possible flight of Axis capital for the use of war criminals and other dangerous persons and other Axis manipulation of assets located abroad to the detriment of both the peace and security of the post-war world and the welfare of the country in which such assets were located.”⁵

As the end of hostilities neared, the United States maintained a firm stance toward the neutrals. Reports of movements of German-origin gold were still reaching Washington,⁶ and Switzerland as well as other neutrals were resisting U.S. pressure to

---

¹ Notes on Executive Policy Committee meeting, November 2, 1944, ibid., DEW and Predecessor Agencies, Sweden, Box 991.
² Memorandum for the Files, “Safehaven Project--Organization and Procedure,” December 8, 1944 [B21], Proposed Plan for Coordinating and Following-up on Information Relating to Enemy Funds, n. d., [B22], ibid., RG 56, Acc. 66A-816, Box 47. For the State and FEA proposals, see Oliver (State) to Feig (Treasury), December 1, 1944, ibid., RG 131, NN3-131-94-001 FFC, Box 391, Treasury Inspired Actions [B41]; Memorandum for the Files, Safehaven Meeting of December 11, 1944, ibid., FFC, Box 383, December 1944. [B43]
³ Memorandum for the Files re Meeting at the State Department, December 18, 1944, ibid. [B44].
⁴ Report of the Activities of the Foreign Funds Control for the Month of November 1944,... December 1944, ibid., Entry 243, Box 256, 1/44-12/44. [B49] [B50]
⁵ Foreign Relations, 1945, vol. II, p. 874. One example of the German use of compliant neutral firms to cloak the flight of assets abroad was provided by Treasury Secretary Morgenthau to Acting Secretary of State Joseph Grew on February 7, 1945, in a report summarizing information on Swedish banker Jacob Wallenberg who not only was willing to provide Germany with loans and factories but used the Enskilda Bank as a cloak or a mechanism for moving or concealing German business assets abroad. (Stettinius to Grew, February 7, 1945, RG 59, Decimal Files 1945-49, 800.515/2-745)
⁶ In mid-September 1944 Presidential Adviser Harry L. Hopkins asked the Treasury Department whether German nationals were sending increasing amounts of funds beyond the borders of Germany. Treasury Under Secretary D.W. Bell replied a day later that there was increasing evidence that the Nazis
adopt a gold policy in line with Resolution VI. On December 8, 1944, the Executive Committee on Economic Foreign Policy approved a policy statement concerning Allied economic policy toward neutral countries, which closely reflected the tough stance being taken by FEA. This position paper noted that the neutral countries had profited by maintaining their commercial and other relations with Germany, that they were not committed to assume any responsibility for postwar rehabilitation, and that as a result of their collaboration with the enemy they were in many cases stronger economically than neighboring countries which had cooperated with the Allies. This policy statement called for a continuation of trade controls, exchange controls, and freezing regulations into the postwar period, as leverage in obtaining assistance from the neutrals in attaining Safehaven and other economic defense objectives.

Even though it received President Roosevelt’s approval, this policy statement did not put an end to differences among U.S. agencies, particularly with respect to continuation of controls after the end of hostilities. Word reached officials in the Embassy in London in March 1945 that the policy statement was still under review and was being revised. The organizational aspects of handling future economic relations with the neutrals were sorted out more readily. The State Department organized, with FEA and the British Embassy, a single committee to coordinate the policy aspects involved in obtaining “our remaining economic warfare desiderata in each of the neutral countries,” as well as securing agreement from the neutrals to cooperate in postwar procurement and supply. The Treasury Department appeared to be excluded.

Secretary of the Treasury Morgenthau in September 1944 put forward his plan for the political reform of a defeated Germany through punishment, partition, and pastoralization. The radical down-scaling of German economy envisaged under the Morgenthau Plan would rule out any substantial reparations to the victors, except what might be obtained from the dismantlement of what remained of German industry at the end of the war. While President Roosevelt appeared at first to approve of the Treasury plan for a punitive peace for Germany, and he and Prime Minister Churchill went some distance in adopting some of its elements during their wartime meeting at Quebec in September 1944, opposition developed from Secretary of War Henry Stimson who feared it would foster resentment in Germany and give rise to another war with Germany. The State Department also opposed the pastoralization of the Germany economy called for in the Treasury plan and favored a system of controls that would bring Germany into the

were transferring assets to neutral countries for concealment, principally to and through Spain, Switzerland, Sweden, and Argentina. Bell assured Hopkins that Treasury and other agencies were developing programs to deal with it including those resolutions reached at the Bretton Wood conference. (Hopkins to White, September 13, 1944, and Bell to Hopkins, September 14, 1944, Roosevelt Library) On the rising trend, see also telegram from Lisbon, October 31, 1944, RG 59, Decimal Files 1940-44, 102.1/10-3144.

1 Executive Committee on Economic Foreign Policy, United States Proposal for Allied Economic Policy Toward Neutral Countries, December 8, 1944, RG 84, Embassy London, Conf. File, 1944, 850 ECEFP.

2 Informal notes attached to memorandum from Hawkins to Peterson, March 26, 1945, ibid.

3 Letter from Assistant Secretary of State for Economic Affairs Clayton to Ambassador Winant, January 31, 1945, ibid., 850 European Neutrals Committee.
family of nations. The State Department opposed the deindustrialization of Germany, believing rather that Germany should have a positive role to play in the postwar international economy. The British also opposed the harsh peace plan advocated by Morgenthau. By the time of the Heads of Government Conference at Yalta in February 1945, high-level support for Morgenthau’s Plan had disappeared, the directives prepared to guide the U.S. occupation of Germany ruled out key elements of the Morgenthau Plan, and Roosevelt, Prime Minister Churchill, and Soviet Marshal Stalin tentatively agreed upon plans for the occupation and control of Germany that envisaged substantial reparations from a revived Germany economy.¹

**D. War Trade Negotiations**

Safehaven objectives of finding and restoring looted assets, preventing the escape into the neutral nations of German assets, and preventing the resurgence of Nazi Germany became mingled, in the wartime Allied economic warfare diplomacy, with the protracted efforts to halt the trade of the neutrals with Nazi Germany. Germany’s war effort depended significantly upon its imports of raw materials and goods from the neutral nations. Switzerland provided Germany with arms, ammunition, and machinery, including locomotives as well as agricultural products. The wartime Allied bombing campaign eventually forced Germany to move some of its arms factories to the safety of Swiss territory. Sweden’s exports of ball-bearings to Germany were vitally important. but were even overshadowed during the early years of the war when Sweden supplied Germany with 40 percent of its iron ore before imports of iron ore from other European countries reduced this dependency.² Portugal and Spain provided Germany with invaluable supplies of wolfram ore which Germany refined into tungsten and used in the steel-hardening process. Spain also provided iron ore, mercury, and zinc. Turkey was Germany’s source of the very scarce cobalt ore.³

¹ Memorandum from Morgenthau to the President, September 6, 1944, Treasury Department paper of September 9, 1944, Memorandum from Stimson to the President, September 9, 1944, Memorandum by Morgenthau, September 15, 1944, Memorandum from Stimson to the President, September 15, 1944, Foreign Relations, The Conference at Quebec, 1944, pp. 101-106, 131-140, 123-126, 390, 482-485, respectively, and Memorandum from Secretary of State Hull to the President, September 29, 1944, Memorandum from the President to Hull, October 20, 1944, JCS 1067, September 22, 1944, Memorandum from Secretary of State Stettinius to the President, November 22, 1944, Minutes of the Second Plenary Meeting of the Yalta Conference, February 5, 1945, and the Yalta Conference Report, February 11, 1945, Foreign Relations, The Conferences at Malta and Yalta, 1945, pp. 156-158, 158-159, 143-146, 173, 620-622, and 970-971, respectively.

² There was evidence that Sweden also supplied Germany with machinery vital to the war effort. A letter of January 17, 1945 from an American seamen’s association informed Secretary of State Edward Stettinius of the clearly labeled Swedish origin of gears on rockets that landed on American vessel recently returned from Europe, RG 59, Decimal Files 1945-49, 740.00112 EW/1-1745. Experts at the FEA estimated that of Switzerland’s annual exports of approximately $250 million in 1942 and 1943, about $150 million consisted of arms and machinery, FEA Report, June 30, 1944, RG 107, FEA Records, Box 928.

³ Medlicott, *Economic Blockade*, Chapter XVI, describes the make up of German commerce with the neutrals in detail. From the outset of the war, the U.S. Embassy in London received information on the German economy from the British Ministry of Economic Warfare that outlined the contributions the
In the early years of the war, the economic blockade efforts had little or no support from the neutral nations. The postwar analysis of the blockade by British experts concluded: “At no stage of the war was Germany decisively weakened by shortages due to the blockade alone.” The study observes that massive bombing and great military losses in battle had by 1944 made German defeat inevitable and unmistakable even to objective observers within Germany. Only as the military balance passed permanently to the Allied side, and recognizably so to the neutrals, did the economic blockade and with it the Safehaven program, begin to show results.

The chief tool in the Allied economic warfare program to prevent German imports from the neutrals was, early in the war, bargaining over Allied trade with the neutrals. Such bargaining with neutrals who supplied important materials to Germany was highly unpopular in the United States. As Dean Acheson, who served during the war years as Assistant Secretary of State in charge of economic warfare efforts, recalled: “At home the public, almost to a man, regarded arrangements to supply the neutrals as traitorous connivance at trading with the enemy, and that some high officials like Under Secretary of War Robert Patterson were of this opinion.” In passing along to Secretary of State Hull one of Under Secretary Patterson’s memoranda about neutral trade, Secretary of War Henry Stimson observed on June 22, 1944, that “the policy of gentle appeasement” to the neutrals had ended only as Allied armies closed in on Germany.

FEA experts estimated in mid-1944 that Germany had increased its trade with the neutral nations and, with the exception of Portugal, which had major trade ties with Britain, became the major trading partner of all of them. Switzerland, entirely surrounded by Germany, had been drawn even more completely into Germany’s trade orbit than the other neutrals, and by 1943 Germany absorbed nearly a third of all Swiss exports—primarily manufactured items that required small amounts of raw materials, large amounts of capital, and highly skilled labor. The FEA experts noted that the most important products exported to Germany required the exceptionally high degree of skill and precision for which Swiss watch and machine tool industries were famous, and, in fact, some of the products could not be produced at all in Germany or not in sufficient quantities to meet wartime needs. In addition, Switzerland annually exported to Germany one-half billion kilowatts of electricity, or about 40 percent of the total power supply of southern Germany, and Swiss hydroelectric power annually produced 16,000 tons of aluminum and aluminum products for Germany during the war. Moreover, the unprecedented use by Germany of the Swiss railway to transport goods to and from Italy (apart from the transit of actual materials which Switzerland banned) allowed large quantities of raw materials, foodstuffs, chemicals, and other materials to transported to

---

2 Acheson, *Present At the Creation: My Years at the State Department* (New York, 1969), pp. 48-49.
3 Letter from Secretary of War Henry Stimson to Secretary of State Hull, June 22, 1944, RG 59, Decimal Files 1940-44, 740.00I9-EW/6-2244.
Italy and permitted Germany to mitigate some of the effects of the Allied control of the Mediterranean Sea.¹

The London Declaration of January 1943 and the Gold Declaration of February 1944 were part of the joint U.S.-British effort to persuade the neutrals to reduce their exports to Germany. As Allied military power grew, Secretary of State Hull sounded the toughening of American economic warfare tactics against the neutrals. On April 9, 1944, he included, in what turned out to be his last major foreign policy address (drafted by Acheson and approved by the major Department divisions) a warning to the neutrals. After pointing out that the limits of American power in the first two years of the war had forced the United States to make compromises with the neutrals, he pointed out that that period was drawing to a close:

“We can no longer acquiesce in these nations drawing upon the resources of the allied world when they at the same time contribute to the death of troops whose sacrifice contributes to their salvation as well as ours. We have scrupulously respected the sovereignty of these nations, and we have not coerced, nor shall we coerce, any nation to join us in the fight. We have said to these countries that it is no longer necessary for them to purchase protection against aggression by nourishing aid to our enemy….We ask them only, but with insistence, to cease aiding our enemy.”²

Hull engaged in other ways to support the Allied efforts to break the deadlock on the attempts to halt neutral commerce with Germany. William Donovan, head of the Office of Strategic Services, had informed President Roosevelt on July 10, 1944, that the Swiss, rather than restricting their bank dealings with Germany had agreed to buy $7-10 million in gold from Germany every month. After President Roosevelt urged Donovan to take up the matter with Secretary Hull and “block the Swiss participation in saving the skins of rich or prominent Germans,” Hull called in Swiss Minister Charles Bruggmann on July 14, 1944. He reviewed the loss of American lives on the battle fronts and the expenditure of $200 billion and added:

“It is not unnatural that Swiss businessmen should ask the intercession of their Government with ours so as to retain as much trade with the Axis as possible…. When the United States is losing lives right and left and is spending enormous sums of money because of neutral aid to the enemy primarily in order to gratify some businessmen, the question becomes more serious to this country.”

¹ Foreign Economic Administration, Special Areas Branch, “The War Trade of Germany and the Neutrals,” June 28, 1944.
² Department of State Bulletin, April 15, 1944, p. 336, and Acheson, Present at the Creation, p. 56.
Hull concluded by warning the Minister: “One of these days the stand of some of the Swiss businessmen in question would be uncovered as in the cases of certain people in Sweden, resulting in inevitable friction between our countries.”

In August 1944 the State Department instructed the Legation in Bern that the military developments that brought Allied forces ever closer to the Swiss frontier made it time to begin informal discussions with the Swiss regarding the suspension of all exports to Germany and the prohibition of German transit traffic across Switzerland. Although the British eventually joined with the Americans in late August in approaching the Swiss Government, British Foreign Secretary Anthony Eden wrote to U.S. Ambassador John Winant in late August 1944 indicating a preference for seeking at first only a prohibition of high priority exports to Germany:

“We attach very high importance to avoiding forcing the Swiss to take action which would result in a rupture of Swiss diplomatic relations with Germany. This would necessarily mean that Switzerland would cease to act as protecting power at a moment when this may be more necessary than ever before. After the recent murder of our airmen in Germany we are genuinely alarmed at the possibility that the last moment before total defeat the Gestapo might run amok and commit wholesale murder of British and American prisoners of war. Obviously this is more likely to happen if the restraining influence of the protective power is removed.”

The Swiss response to the American request came in late August in an aide-mémoire that betrayed Swiss recognition that approaching Allied military victory made necessary the adaptation of the policy of neutrality:

“It goes without saying that the war as it nears the Alps changes aspect of transit problem and has a bearing on its solution. For this reason Federal authorities keep this problem under constant and careful watch. They have thus been able to observe that traffic in both directions has in general decreased and not increasing since spring. In spirit of true neutrality which guides them will see to it that it follows the trend circumstances demand.”

As a result of U.S-U.K negotiations with the Swiss in August 1944, Switzerland drastically reduced its exports of strategic items such as ammunition, locomotives, automobiles, diesel engines, and machinery to Germany. Negotiations in the autumn moved Switzerland toward a total ban on such exports. The Swiss also agreed to a ban on the transit of all war materials between Italy and Germany including various categories of loot. The State Department, the U.S. and British Legations in Bern, and the British Embassy in Washington urged that the Swiss be allowed some supplies from the Allies in order to encourage further concessions, but the Foreign Economic Administration

---

advocated that the strongest methods be used to achieve economic warfare objectives against Switzerland, including the withholding of raw materials, food, and fodder previously promised by the Allies. The U.S. Joint Chiefs of Staff also favored withholding supplies to Switzerland in order to eliminate Swiss exports to Germany, but the British Chiefs of Staff continued negotiations in order to accomplish further reductions.¹ In a memorandum to the War Department General Staff in late October 1944, Under Secretary of War Patterson indicated that Swiss convoys carrying shipments of goods from Spain across France to Switzerland had resumed in late September 1944, and he argued that such shipments across to France not be undertaken until Switzerland had stopped all shipments to Germany of goods useful for war which he estimated at $30 million for the second half of 1944.²

The State Department circular instruction of December 6, 1944, required U.S. and U.S. missions to discuss ways of presenting the issues of looted gold and enemy property to the neutrals without jeopardizing the negotiation of war trade agreements. However, disagreements erupted over how to balance the war trade agreements with the basic requirements of the Safehaven program. For instance, in London, Treasury objected to commingling Safehaven matters and war trade negotiations with the Swedes. As long as State was lukewarm about making straightforward overtures to the neutrals about Safehaven, partly in response to British reluctance in that area, Treasury argued that it was best to work toward ratification of a war trade agreement with Sweden and utilize the next available opportunity to press for its acceptance of basic Safehaven objectives, namely, adherence to Bretton Woods Resolution VI and to the Gold Declaration.³

Differences among American policy officers persisted in the conduct of the Safehaven programs. Treasury officials felt that their “hard” approach in the negotiations with the neutral countries differed from the “soft” undertakings they ascribed to the State Department and their British counterparts. The same could be said about Allied plans for postwar Germany. Dean Acheson later looked back on these wartime negotiations with the neutrals as “worth doing,” but estimated that the efforts, aimed at denying Germany materials for its war production, were not particularly successful until the latter half of 1944:

“A good case can be made for the argument that economic measures resulted in stopping important exports for military needs from Sweden to Germany for six months before military measures would have done so. Exports from Switzerland and the Iberian Peninsula probably moved in minimum necessary quantities until military measures stopped them.”⁴

¹ Secretary’s Staff Committee, SC-15, “Current Policy Toward Switzerland,” December 10, 1944, RG 353, Secretary’s Staff Committee, 1944-1947 (Microfilm Publication M 1054, Roll 1).
² Memorandum by Under Secretary Patterson, RG 165, E 718, Box 962.
³ Memorandum for the Files, Safehaven meeting of December 22, 1944, RG 131, NN 3-131-94-001 FFC, Box 388, Inter-departmental meetings. [B45]
⁴ Acheson, Present At the Creation, pp. 61-62.
E. Evolving Policy Toward Switzerland; the Currie Mission and Its Aftermath

In December 1944 the State Department’s Western European experts prepared a Department policy paper on current policy toward Switzerland. On the eve of the semi-annual revisions of the wartime U.S.-U.K.-Swiss War Trade Agreement, the Department proposed a revision of policy toward Switzerland. The object of the change was to further reduce Swiss exports to Germany and the volume and composition of the transit traffic across Switzerland between Germany and Italy. The Office of European Affairs policy paper recommended the following:

“For political reasons and for reasons arising out of the benefits to us of Switzerland’s neutral position and her future potential usefulness in the economy of Europe it was inadvisable to place too great pressure upon the Swiss Government at this time in order to attain pure economic warfare objectives.

“The change of tactics suggested by the Legation at Bern and fully supported by the British Government should be adopted.

“The Swiss should be told that as the military situation changed, our economic warfare objectives likewise would change and increase; that they had not fully met our September demands, and that in the January negotiations we would have further requests to make, particularly with respect to the North-South transit traffic; that it was the United States intention to deal generously with the Swiss in supply and other economic matters to the full extent of their willingness and ability to meet our requests; and that as an earnest of our good-will and in reflection of the partial way they had already come, we were planning to make immediately available to them a substantial proportion of the raw materials offered them in September.”

The Department policy paper argued that economic warfare considerations were important but should be placed in the perspective of the whole range of relations with Switzerland which it presented as follows:

“Switzerland differs from other neutrals in that her neutrality is not unilateral. It is a neutrality which has been guaranteed for many years by the major powers. As a result of this neutrality Switzerland performs certain indispensable services for all the belligerents and claims in return the right to trade with such of them as will help maintain its essential economy and internal stability. As far as the United States is concerned Switzerland serves as the protecting power for our general interests and in particular for our prisoners of war in Germany and Japan. It is the agreed policy of the British and U.S. Governments to avoid forcing Switzerland to a break with Germany. Such a break would make it impossible for the Swiss to continue to represent British and U.S. interests in Germany and might likewise affect their position in so far as Japan is concerned. It is essential as the situation in Germany becomes more and more disturbed that we endeavor to obtain their greatest degree of protection not only for U.S. general interests but especially in regard to matters relating to prisoners of war. But it should be remembered that the effectiveness of
Switzerland’s protection can be much altered by a severe deterioration of its relations with Germany short of complete rupture.

“Related to but not directly connected with the protection of U.S. interests by Switzerland are her humanitarian efforts, undertaken at the request of the U.S. Government, on behalf of the Jews in Central Europe. At our request, she has recently agreed to admit some 15,000 additional Hungarian Jews in spite of the increased strain on her general food problem.\(^1\)

“Lastly, it must be remembered that no people in Europe are more profoundly attached to democratic principles than the Swiss. Continued moderate prosperity will ensure the maintenance of the present economic and political systems which is so close to our own.”\(^2\)

In a letter of December 29, 1944, to the Secretary of State, FEA Administrator Leo Crowley summarized his agency’s arguments against a soft policy toward Switzerland and for the immediate withdrawal of the offer of supplies to the Swiss, a complete halt in military supplies from Switzerland to Germany and the drastic reduction of other exports, and the stoppage of southbound German train transit across Switzerland. Crowley told Stettinius that “the time has come when, for the sake of both present and future objectives, we must take immediate measures to convince the Swiss not only that we means business, but also that to continue their present economic policy vis-à-vis the Germans would be disastrous to their own interests.”\(^3\)

The Department policy paper on Switzerland was taken up by the Secretary of State’s Staff Committee at its meeting on January 3, 1945. The meeting, which was largely given over to a discussion of postwar European economic planning and the possible loan to the British, was presided over by Secretary of State Edward Stettinius and included all his principal officers. James C. Dunn, Director of the Office of European Affairs, made the case for the policy paper, explaining that the War and Navy Departments preferred a much harder policy toward Switzerland in order to completely halt Swiss exports to Germany and reminding the Committee of the opposition as well from the Foreign Economic Administration. Dunn felt that the policy paper had made the political case for not pressing Switzerland harder. Under Secretary Joseph C. Grew emphasized the importance of the protection of American prisoners of war in the Far East. Assistant Secretary William Clayton felt that Switzerland had met most American demands and that no extreme action should be taken against them. After Secretary

\(^1\) Editor’s note: This report does not include a review of what U.S. officials and those of the Allies knew about or did about the wartime actions and policies of Switzerland and other neutral nations toward Jewish refugees and escapees and those of other groups persecuted by the Nazis. American officials were certainly aware of the increasing restrictiveness of Swiss asylum and immigration policies from the mid-1930s into the war years, including the Swiss official acquiescence to the 1938 German decree requiring a large red “J” stamp on the passports of German and Austrian Jews, which resulted in turning aside at the Swiss border many thousands of Jewish refugees. A separate report would be necessary to review and evaluate the information available to American officials during the war and their policy responses.


Stettinius indicated that he opposed severe measures against the Swiss, the Committee approved the policy paper’s recommendations.1

Acting Secretary of State Joseph Grew replied on January 15, 1945, in a letter restating the policy conclusions of the approved Department of State paper described above.2

On behalf of the Joint Chiefs of Staff, War Department Secretary Henry L. Stimson wrote to Secretary of State Stettinius on January 25 arguing for the stoppage of all Swiss transit traffic at the earliest possible date, but he added that “decision on the line of diplomatic procedure best calculated to achieve this desired result is a matter which does not concern them,” except insofar as it might have military consequences.3

British Ambassador Lord Halifax called on Under Secretary Grew on January 16, 1945, and reviewed the British attitude on economic relations with Switzerland and the British feeling that, “since stern tactics” had failed to achieve results, it would be the “better part of wisdom to allow a reasonable amount of commodities to reach Switzerland from France in the belief that this would cause the Swiss still further to meet our wishes in cutting off their supplies to Germany.” The following day Swiss Minister Charles Bruggmann called on James C. Dunn at the State Department to try to explain why his government could not halt transit train traffic completely and reminding Dunn that the Swiss position of neutrality in the war allowed Swiss assistance for the inspection and care of Allied war prisoners in Germany and Japan. Finally on January 20 the Department of State informed its Missions in London and Bern that a U.S.-British delegation would proceed to Bern immediately to negotiate the cessation of Swiss trade with Germany. In the days immediately following, Lauchlin Currie, Assistant to President Roosevelt, was named to head the U.S. team, and Dingle M. Foot, the British Parliamentary Secretary for the Ministry of Economic Warfare, headed the British team. The State Department also concluded that although France had not been a party to wartime Safehaven negotiations, French representation (subsequently Paul Chargueraud was named to head the French team) would also be indispensable because of France’s geographic position.4

In preparing for the negotiations with the Swiss, the U.S. delegation grappled with reconciling two different approaches to the negotiations: should the Allies press for both the war trade agreement and Safehaven objectives or relegate the latter to the background in order to obtain some measure of satisfaction with the former? The Treasury Department and FEA agreed to make the acceptance of Safehaven requirements a sine qua non before any talk of war trade negotiations could begin. The State Department opposed this on grounds that there was no coordinated approach with the French and the

---

1 Minutes of the Secretary of State’s Staff Committee, January 3, 1945, RG 353, Secretary’s Staff Committee, 1944-1947 (Microfilm Publication M 1054, Roll 1).
3 Letter from Stimson to Stettinius, January 25, 1945, RG 59, Decimal Files 1940-45, 740.00119 EW/1-2545.
British on Safehaven matters, and that Currie had only been briefed about war trade and not Safehaven matters. In the end, Currie returned to Washington with a basic agreement on how to identify enemy property in Switzerland that gave the Allies a benchmark by which to approach the other neutral countries on the subject of Safehaven.1

The arrival of the Currie Mission in Bern in February 1945 represented both a substantive and psychological watershed for the Swiss. Since the Allied landings in June 1944, the German Army had steadily retreated, and for the first time in over four years Switzerland was not surrounded by the German Army, opening the possibility to expand trade and communication with the non-Axis world. The U.S. Legation in Bern judged that public expectations centering on Currie’s visit were bordering on the feverish.2 The Legation expressed concern that if the outcome of the Currie mission did not benefit the Swiss (presumably through increased shipments of coal and other essential raw materials), the public would be “proportionately disappointed” with negative consequences for U.S.–Swiss relations. The same report suggested that Swiss officials who had earlier dealt with the Allies on financial matters were far less sanguine over Currie’s imminent arrival.

The Swiss delegation was led by Dr. William Rappard (an academic from Geneva), but, according to the Legation, the number two at the Foreign Office, Walter Stucki, was the “man pulling the strings.”3 Stucki appeared to be moving in all directions, intruding into a number of economic areas not normally within the purview of the Foreign Office. The Legation also noted that Stucki had held a ranking position in the Department of Public Economy but, according to local reports, his headstrong disposition resulted in his ultimate removal. Stucki later became head of the Swiss delegation to the 1946 Washington negotiations on German assets.

Despite official Swiss concern about his Mission, Currie was impressed with the popular enthusiasm that greeted his arrival on the first train to Bern from a recently liberated Paris. Throughout his stay, in fact, Currie received red carpet treatment, the details of which appeared in much of his correspondence about the Mission. It is likely that the lavish Swiss hospitality afforded Currie and his colleagues contributed, to some degree, to the optimistic interpretation of the mission’s outcome.4

Currie was not unmindful of the real needs of Switzerland. With the liberation of France, the supply system the Germans had established to maintain its conquered western territories collapsed and coal shipments to Switzerland declined precipitously. According to Swiss sources, coal stocks were at dangerously low levels and unless the Allies rapidly established new channels of supply through France, Switzerland faced coal shortages in late winter as well as a decline in coal-dependent manufacturing. Shortly after his arrival

---

1 Memorandum for the Files, Safehaven meeting of February 1, 1945 [C8], RG 131, NN3-131-94-001 FFC, Box 388, Inter-departmental meetings; Chronology of Safehaven Developments, n. d. [C20], ibid., January 1945-May 1945.
3 Ibid.
4 Schmidt to Morgenthau, March 22, 1945; Morgenthau to President Roosevelt, April 12, 1945; Morgenthau to Currie, April 12, 1945, Roosevelt Library, Morgenthau Papers.
Currie became aware of Swiss concerns and sent a first person communication to President Roosevelt seeking a decision to increase coal shipments to France as soon as possible.\(^1\) The State Department’s response to Currie suggested that the Swiss were unlikely to see any improvement in coal shipments in the immediate future.\(^2\)

A month of difficult negotiations culminated in an exchange of letters between the Allied delegation and Rappard setting out a list of blocking measures the Swiss had taken or would take against Germany and its allies. In March Currie reported a degree of success in trying to get the Swiss to meet Allied requirements for the blockade of Germany. The Swiss Government agreed to freeze all German assets in Switzerland, including those held through Swiss nationals; prohibit the importation, exportation, and dealing in all foreign currencies; and restrict Swiss purchases of gold from Germany. The Swiss also undertook to prevent their territory from being used for the disposal or concealment of assets taken illegally or under duress during the war. Further, the Swiss affirmed that, within the framework of Swiss law (present and future), every facility would be accorded to dispossessed owners to claim their assets found in Switzerland.\(^3\)

The Swiss Federal Council agreed on February 16, 1945, to block German assets in Switzerland with certain conditions. However, Treasury officials were well aware that this initial step fell far short of a concrete guarantee to freeze German assets in Switzerland. In the words of Treasury official Frank Coe, “They must do much more, however, before we can feel that they are giving us real cooperation.”\(^4\) The final agreement with the Allies on March 8, 1945, stipulated that Switzerland would block the assets of all European countries, except the neutrals, and of Japan; prevent cloaking of enemy assets; interrupt all purchases of gold from Germany except for the expenses of the German Legation, the Red Cross, and prisoners of war; assist in restoration of looted property; and conduct a census of German assets in Switzerland.

U.S. officials initially felt that the Currie Mission and the U.S.-Swiss agreement of March 8, 1945, had successfully advanced Safehaven objectives and decisively redirected Allied-Swiss relations. Some anxiety about this apparent change seemed to cause Soviet Ambassador Andrey Gromyko to address a note to Secretary of State Stettinius on March 19 asking for information about the agreement and assurances that Swiss goods would not fall into German hands and presumably be used against Soviet forces fighting their way into Germany from the east.\(^5\) Treasury Secretary Morgenthau congratulated Currie and informed him that he had paved the way “for Allied Military

\(^{1}\) Telegram from the Currie Mission to the Department of State and FEA, February 13, 1945, RG 84, Legation Bern, Economic Branch, 631.0, Box 41.

\(^{2}\) Telegram from the Department of State to the Currie Mission, March 4, 1945, ibid.


\(^{4}\) Coe to White, February 21, 1945, with attachment; Coe to Morgenthau, February 21, 1945, RG 56, Acc. 67A-1804, Box 27, Switzerland: German Assets Currie Mission.

Government in Germany to take control of German assets in Switzerland.”

Tensions over the interpretation and fulfillment of that agreement soon emerged and continued through the remainder of 1945. The U.S. Legation in Bern reported in May 1945 that subsequent to the Currie Mission, the Swiss purchased 3,000 kilograms gold from Germany for purposes specifically excluded by the March 1945 agreement. Worse still for American authorities was the Swiss assertion that the purchase was not looted gold, despite the clear Allied policy since February 1944 to regard all gold coming from Germany as looted gold.

In June 1945 Senator Harley Kilgore chaired hearings of his War Mobilization Subcommittee of the Senate Military Affairs Committee. The hearings were aimed at determining whether a defeated Germany retained the capacity, including its resources hidden abroad, to conduct warfare again in the near future. Senator Kilgore used the hearings to warn that the Swiss were practicing a double standard in dealing with the Allies. He introduced copies of correspondence from the spring of 1945, then recently discovered by Allied investigators, between German Reichsbank Vice President Emil Puhl and the German Minister of Economic Affairs Walter Funk regarding German-Swiss commercial discussions that were conducted at the same time as the Currie Mission. American newspapers gave considerable coverage to the correspondence including its recounting of Swiss Government assurances to the German negotiators of Switzerland’s continuing concern to Germany’s interests.

Wide publicity was given in the American press to the testimony before the Kilgore Subcommittee by Orvis A. Schmidt, Director of Foreign Funds Control for the Treasury Department and a member of the Currie Mission to Bern. Schmidt stated:

“Even at this late date, the Swiss Government is loath to take the necessary steps to force banks and other cloaking institutions to disclose the owners of assets held in or through Switzerland. This means that German assets held in or through Switzerland will not be identified. Thus, the true picture of German financial and industrial penetration throughout the world will be kept a secret. By the same token, Swiss banks will continue to profit by protecting, through their secrecy laws, German’s war potential—the hidden assets of it financiers and industrialists.”

By August 1945, U.S. Treasury leadership was becoming increasingly concerned with the defects of Swiss controls over German assets and the general reluctance of Switzerland to cooperate fully on Allied Safehaven efforts. The Treasury Representative at the U.S. Embassy in London was instructed to seek British retention of controls over Swiss accounts in the United Kingdom and work with the United States in obtaining greater Swiss cooperation before relaxing controls. The instructions concluded: “Allied

---

1 Coe and Aarons to Morgenthau, March 9, 1945, RG 56, ACC. 67A-1804, Entry 360 R, Box 17, Chronological No. 16, Mr. Coe May 1946; Schmidt to Morgenthau, March 22, 1945, ibid., RG 131, NN3-131-94-001, Box 387, Currie Mission [C19]; Morgenthau to Currie, April 12, 1945, Roosevelt Library, Morgenthau Diaries, vol. 836:257 (roll 242).
3 Telegram to Bern, July 24, 1945, Treasury Department Files.
control of Swiss assets is the most potent weapon we have with which to obtain Swiss compliance with Safehaven."\(^1\)

The following month, the U.S. Minister in Switzerland, Leland Harrison, warned the Swiss Minister for Foreign Affairs, Max Petitpierre, of U.S. dissatisfaction with Swiss efforts to complete a census of German assets and of the general non-cooperation of Switzerland. Minister Harrison repeated these complaints to Petitpierre a month later, after concerting with his British and French colleagues in Bern. Harrison observed the apparent Swiss failure to implement the March 1945 agreement and, in particular, the unsatisfactory cooperation of the Swiss in Allied attempts to identify German assets in Switzerland. Harrison gave Petitpierre an aide-mémoire that listed nine suggestions for Swiss action to assist the search for German assets.\(^2\)

Some Swiss banks developed a press campaign designed to arouse public support for a position that German assets in Switzerland should be used for the satisfaction of Swiss claims. Swiss labor and liberal elements were told that Swiss compliance with Allied demands would be illegal and would jeopardize Switzerland’s position as a neutral; and it would throw Swiss industry out of balance and endanger the jobs of many Swiss nationals.\(^3\) A few months later, the socialist press in Switzerland was said to have demanded the ouster of those responsible for giving Switzerland a black mark in the Puhl–Funk letters incident. Even the right-wing papers, while generally denying Swiss collaboration with the Nazis, reportedly indicated that Switzerland could not afford another crisis like that created by Senator Kilgore’s accusation. These papers suggested that Switzerland send its most capable diplomats to see U.S. authorities “especially Mr. Vinson, Secretary of the Treasury, and if possible the President,” in order to discuss the entire question of Swiss collaboration with the Nazis.\(^4\)

American intelligence learned in November 1945 of Swiss anxiety as a result of the Puhl-Funk correspondence. The Swiss Government explained to the press and its missions abroad that the German-Swiss agreement of April 1945 provided for purchases other than German war purchases. The Swiss Legation in Washington warned its government the criticisms and suspicion of Switzerland by the United States could not be contained while the German assets problem remained unresolved and while Treasury officials, especially Foreign Funds Control, sought to gain complete control over these assets for fear they would be used to finance a German fifth column or atomic research.\(^5\)


\(^{2}\) Telegram 4236 from Bern, September 28, 1945, and telegram 4431 from Bern, October 17, 1945, ibid., pp. 903-904 and 909-910.

\(^{3}\) State Department “Draft Report by S.J. Rubin, member of United States Delegation, covering trip to Lisbon, Madrid and Berne,” July 15, 1945; RG 43, Records of International Conferences, Commissions, and Expositions, Lot M88, Box 11.

\(^{4}\) Washington-Berlin TWX Conversation, November 28, 1945, Treasury Department Document.

\(^{5}\) Army Security Agency Diplomatic Translations #218258, November 26, 1945, and #215680, November 27, 1945, RG 457, Records of the National Security Agency/Central Security Service.
F. Safehaven After the End of the War

The end of the war did not end the need to pursue Safehaven progress. The main task at hand, however, was to discover Nazi economic and financial interests in the neutral countries. Much of the evidence lay in corporate and banking records captured by Allied forces in Germany. Foreign Funds Control Director Orvis Schmidt led a team of 30 Treasury officials to Germany in May and June 1945 to assist the U.S. Army in the conduct of financial investigations into the wartime activities of German companies and banks. While in Germany, they also drew up plans for financial controls over the collapsed economic infrastructure of the former German Reich.\(^1\)

When Treasury investigators uncovered linkages between German parent companies and their neutral subsidiaries, that information was forwarded to the Allied Embassies in the neutral countries as further evidence of enemy property to be liquidated for reparations purposes. The more difficult inquiries, however, concerned the provenance of gold deposits in German and neutral banks. The agencies of the new Allied Control Authority for defeated Germany became important agencies in these and other Safehaven efforts.

Spain afforded the Allies a special wartime problem. It maintained its pro-Axis leanings but was willing to placate the Allies' economic warfare objectives as long as they did not interfere with Spain's neutrality. The Treasury Department and FEA agreed to try to blend war trade negotiations and Safehaven objectives, hoping that the Spanish could be convinced that, unless they subscribed to the latter, they would not benefit from the former. To some Treasury officials, the State Department, worried over seeming British reluctance toward Safehaven, appeared to stress the uniqueness of the Spanish case, arguing that the Allies, and especially the United States, had little influence over Spanish policy and it was best to push for war trade concessions until the time was ripe to press for the satisfaction of Safehaven objectives.\(^2\)

The Allies had devised the so-called Axis Replacement Program to eliminate what remained of Axis economic and financial influence in the Western Hemisphere. Under this Replacement program, the United States sought to work with the governments of the various American Republics to build up business enterprises to substitute for those enterprises eliminated because of the Axis influence or involvement in them.\(^3\) U.S. officials were divided over whether the reach of the Allied Control Council for Germany,

\(^{1}\) Untitled history of Foreign Funds Control, 1940-1948, undated ca. 1950, pp. 147-151, RG 56, Acc. 66A-816 (Records of OASIA), Box 47. [B1]

\(^{2}\) Crowley to Stettinius, January 17, 1945, [C3], Fleischer to Feig, January 25, 1945, ibid., RG 131, NN3-131-94-001, Box 390, Spanish war trade negotiation 1 [C5]; Memorandum for the Files, January 30, 1945 [C6], ibid., FFC, Box 382, Safehaven (not processed) January 1945.

\(^{3}\) During testimony before the Subcommittee on War Mobilization of the Senate Committee on Military Affairs (the Kilgore Committee) on June 25, 1945, Assistant Secretary of State William Clayton provided a detailed account of the Axis Replacement Program in Latin America.
which assumed authority over defeated Germany in the summer of 1945, should extend to Latin America, particularly Argentina.  

During the June 1945 War Mobilization Subcommittee hearings chaired by Senator Kilgore, Henry Fowler, Chief of the Enemies Branch of the FEA, gave evidence of German wartime penetration into the banking, industry, and commerce of the neutral nations, particularly Sweden, Spain, Switzerland, and Portugal. In reply to questions from Senator Kilgore, Assistant Secretary of State William Clayton provided a detail accounting of the government’s Axis Replacement and Proclaimed List Programs in Latin America and the general Safehaven program. Clayton’s testimony made clear that the Safehaven program remained unfinished, and that the State Department and other agencies were pressing forward to attain basic economic security objectives and to ensure that German property outside of Germany was subjected to just claims against it. Clayton summarized the Safehaven program as follows:

“The Safehaven Program concerns itself with denying to Germany, in the interest of justice and future security, the economic power arising from (a) the organized looting of occupied countries, (b) the flight of German capital in anticipation of defeat, and (c) the German capital investment already located abroad when the war began. Our chief efforts in this connection are directed against areas which have not cooperated in the extirpation of pre-war, and the prevention of wartime, Axis economic penetration.”

Clayton reviewed the various measures used by Germany to mask its interests in neutral countries and its resort to looting to acquire wealth cheaply for concealment abroad. He observed that the “looting reached its nadir when gold was picked from the teeth of gas-chamber victims.” Clayton told the Kilgore Subcommittee that the aggressive Safehaven program was made necessary because the neutral nations had resisted throughout the war the Allied calls for adequate local controls over German schemes, but the decline of German military power and the rise of Allied economic bargaining power had convinced the neutrals to become more accommodating. Much had been accomplished but a great deal more remained to be done.  

The Safehaven objectives of the Allies were further defined at the major postwar conferences.

G. The Office of Strategic Services and Project Safehaven

The role of the Office of Strategic Services (OSS) in Project Safehaven was largely confined to the collection and evaluation of information from the clandestine sources under its control. The Safehaven project thus fell largely under the aegis of the...
Secret Intelligence (SI) Branch, responsible for the gathering of intelligence from clandestine sources inside neutral and German-occupied Europe. However, the unique character of the Safehaven program, which was both an attempt to prevent the postwar German economic penetration of foreign economies and an intelligence gathering operation, meant that the OSS counter-intelligence branch, X-2, also had an important role. Safehaven thus emerged as a joint SI/X-2 operation shortly after its inception, especially in the key OSS outposts in Switzerland, Spain, and Portugal, with X-2 frequently playing the dominant role.\(^1\) X-2 was particularly active in reporting on clandestine German projects to acquire important economic and industrial assets in neutral countries. These efforts intensified as Germany’s military fortunes waned, especially from September 1944 onwards, as the advance of Allied armies threatened to sever Germany’s land communications with important sources of strategic materials in Southeastern Europe and the Iberian peninsula.

In fact, the inception of the Safehaven program meant little more than a redirection of intelligence assets already dedicated to the collection of economic intelligence. The OSS had been collecting economic intelligence similar to that required by the Safehaven program since 1942 as a part of the general effort to understand the functioning of the German war economy. Gold transfers in particular were a key part of that economy. Germany suffered from an acute shortage of certain strategic resources after 1936, and its armaments industry had increasingly resorted to specie payments to pay for imports of these materials since before the outbreak of the war. Conquest of Europe had done little to alleviate most of these shortages. Moreover, due to the inefficiency of the Nazi regime, full mobilization for war production had not been achieved until 1944.\(^2\) Therefore, the German appetite for oil, high-grade iron ore, wolfram, and other strategic materials grew even as German industry suffered from the Allied strategic bombing campaign and the territory under German control shrank. Always heavily dependent upon payment in commodities and gold, German imports became even more so as the ultimate defeat of the Nazi regime became obvious and neutrals grew more wary of cooperating with the Axis belligerents. The channels for the transfer of foreign currencies and the exploitation of German war loot remained those established during the years of German victory.

These efforts were the desperate attempts of the Nazi leadership to preserve access to vital sources of raw materials as much as they represented visions of a resurgent German Fourth Reich. Individual Germans and German corporations were also taking steps to conceal assets in foreign countries to protect them against destruction or seizure by the victorious Allied armies. Although, from the perspective of 50 years, the real

---

\(^1\) In Bern, for example, Safehaven was almost exclusively the responsibility of X-2, SI being preoccupied with political, economic, and military reporting. In Madrid the hostility of the ambassador to intelligence collection meant that X-2 assumed the task by default. *OSS War Report, Vol. II*, pp. 31-35, 283. All citations to this document refer to the declassified two-volume version in the possession of the CIA History Staff. The entire *War Report* is available in one-volume form in Anthony Cave-Brown, *The Secret War Report of the OSS* (New York: Berkeley, 1976).

motivations behind such efforts seem obvious, to Safehaven planners (and to X-2) they were evidence of a grand conspiracy, one that encompassed the transfer of millions of Reichsmarks worth of gold as well as the purchase of individual automobiles in Stockholm and hotels and bank accounts in Portugal.¹

Because the August and September directives implementing Project Safehaven treated it as a departmental program—and, to some extent, an inter-government matter—cooperation on the part of the OSS at first was on an informal basis. Not until November 30, 1944, were instructions sent out to OSS stations alerting them to the kind of intelligence requirement expected to be generated by the Safehaven program.² To a large extent, therefore, the collection of Safehaven material simply piggy-backed on to other programs for the collection and processing of raw economic intelligence from sources already in place.

Under these circumstances, it is scarcely surprising that implementation of Safehaven measures depended largely on the personalities of the OSS Chiefs of Station and the conditions under which they operated. In Bern, the heart of the Swiss banking and German gold transfer activity, the OSS chief was Allen W. Dulles, later to become Director of Central Intelligence from 1953 to 1962. An East Coast Brahmin with extensive prewar ties to European banking circles, Dulles spent his tenure in Bern constructing an “Old-Boy” network of sources that extended throughout neutral and Axis-occupied Europe. It was an astonishingly successful system, ideally suited to his situation in neutral Switzerland and well-conceived to gain access to European government and business circles. For example, Dulles counted among his close personal friends no less than Thomas B. McKittrick, President of the Bank for International Settlements (BIS) in Basel. McKittrick also was an OSS source who provided Dulles with “comfortable access” to the thinking of the bankers most responsible for moving German assets throughout Europe.³

Among other kinds of information, McKittrick kept Dulles informed of the comings and goings of Reichsbank Vice President Emil Puhl, the architect of the German gold transfer arrangements.⁴ Other well-placed sources available to Dulles in high European financial circles included: Dr. Eduard Waetjen, Abwehr agent, member of the

¹ From the OSS point of view, a fundamental error committed by the planners of Safehaven (as well as X-2) was the assumption that the actions of individual German corporations and Nazi leaders necessarily represented the policy of the National Socialist regime. Although there were some attempts by parts of the regime to plan for underground activities after the war (such as the half-mythical Werwolf program), they were far less important than ever imagined by the Safehaven planners. The vast bulk of the attempts to conceal wealth in foreign countries detected by the Safehaven program were initiated by individuals and individual corporations anticipating the imminent collapse of the Reich. Murphy to Mowinckel, June 4, 1945, “X-2 Case Materials Illustrating German Safehaven Practices,” RG 226, Entry 116, Records of the Office of Strategic Services; Office of the Director, Microfilm Publication 1642, Reel 108.

² Washington cable 16234 to 148 from Callisen, December 19, 1945, ibid.


⁴ Cable 738721 from 110 (Dulles) to Washington, March 21, 1945, ibid., Entry 99, Box 13, Folder 41-1 OSS History Office, Cable Digest, March 23, 1945.
German resistance, and commercial adviser to the German Consul-General from February 15, 1945;¹ Maurice Villars, General Director of the Zürich Electro-Bank; and Swedish economist and Economic Adviser to the BIS, Dr. Per Jacobsson, who was close to the extensive Japanese diplomatic and business circles in Switzerland. In 1945, Jacobsson provided information that helped to scuttle a Japanese attempt to buy vitally needed ball-bearings in Sweden² and later served with Maurice Villars as a mediator in Japanese peace feelers put forward in Switzerland.³

Although such contacts were clearly important, it also seems clear that the high value Dulles gave them made him wary of intelligence activities such as Safehaven. Moreover, Dulles looked forward to a postwar settlement that envisioned the United States working closely with European business and banking circles to reshape Western and Central Europe according to American interests. Finally, Dulles could legitimately claim that his staff was already overburdened by the collection of strategic and military intelligence. On December 28, 1944, following receipt of the OSS memorandum regarding cooperation with State’s Safehaven project, he cabled Washington:

“Work on this project requires careful planning as it might defeat direct intelligence activities and close important channels for German SI…Today we must fish in troubled waters and maintain contacts with persons suspected of working with Nazis on such matters. For example,…both 496⁴ and X-2 here can be useful under cover but believe idea of working practically as agents of Commercial Attaché and Consul General Zürich, on this project would be unwise. Further, to deal effectively with matter, it would require special staff with new cover….At present we do not have adequate personnel to do effective job in this field and meet other demands.”⁵

In part because Dulles was already fully occupied with his existing requirements for strategic intelligence reporting and in part, no doubt, because of his unwillingness to give Safehaven material the attention Washington believed it deserved, responsibility for this task in Bern was delegated to X-2.⁶ Fortuitously, the restoration of access to Switzerland through France in November 1944 made it possible for the first X-2 operative in Switzerland to enter the country by the end of the year.⁷ By January 1945 X-2 was up and running in Switzerland, and by April they were able to provide OSS

² RG 226, Entry 123, Box 14, Folder 157.
³ Petersen, pp. 464, 524, 633.
⁴ “496” was OSS source Maurice Villars, a General Director of the Zürich Electro-Bank.
⁵ Cable 2677 from Bern, December 28, 1944, RG 226, Entry 116, Office of the Director, Microfilm Publication 1642, Reel 108.
⁶ Because Switzerland was surrounded by Axis territory, it was impossible to provide OSS Bern with personnel to take on additional tasks for most of the war. Until the end of 1944, OSS Bern had a staff of just three intelligence officers—including Dulles. *OSS War Report, vol. II*, p. 273.
Washington with an extensive summary of Nazi gold and currency transfers arranged via Switzerland throughout most of the war. According to X-2, these included:

- Gold and bonds looted by the Nazis from all over Europe and received by certain Swiss banks;
- Funds sent by the Deutsche Verkehrs-Kreditbank of Karlsruhe to Basel;
- Securities held in Zürich by private firms for the Nazi Party;
- Large quantities of Swiss francs credited to private accounts in various Swiss banks;
- Money and property held in Liechtenstein;
- More than 2 million francs held by the Reichsbank in Switzerland;
- Forty-five million Reichsmarks held in covert Swiss bank accounts.

Apart from the obvious official transactions, these sums were brought in by German and Swiss banks and business organizations. X-2 reported only a few cases where private individuals, some of which were believed to be with German intelligence organizations, participated. Methods used included smuggling, diplomatic pouches, undercover exchange of foreign currencies, bank accounts and trusts, the sale of paintings and other valuables, and the black market.

From the end of 1944, X-2-originated Safehaven reporting appeared alongside other reporting provided by Dulles’ SI operation in Bern. Although Dulles’ SI organization provided substantial Safehaven intelligence material, it was buried in a sea of other reporting on strategic and military topics, including war damage to German industry and rail services, the status of German synthetic oil refining operations, order of battle and operational intelligence on German forces in Italy and on the Western Front (for which Bern was the principal source), political intelligence on the Fascist Italian Social Republic, contacts with the German resistance, and the negotiations leading to the surrender of Axis forces in Italy.

---

1 In Operation Laura, underway by February 1946, X-2 was able to document quantities of gold shipped from Switzerland into the Iberian peninsula. Unfortunately, none of the reporting appears to have been preserved. Joyce from Blum “(Bern) X-2 Progress Report,” February 1, 1946, Central Intelligence Agency, Job 79-0032A Box 191 Folder 14.
3 Examples: on February 26, 1945 Bern reported that Nazi funds were being sent abroad, not through ordinary banking channels, but through other banks, to include the Dresdenerbank, the Fromberg Bank in Berlin, and the Wehrlibank in Switzerland (Venona, pp. 219-220); Dulles provided photos of clandestinely-obtained German reports documenting a December 1944 trip to Bern by Reichsbank Vice President Emil Puhl; plans for the manufacture of Nebelwerfer (rocket launchers) in Switzerland (both ibid., Entry 123, Box 2 Folder 5); similar documents describing how German gold and Reichsmarks might be converted to Portuguese escudos through Switzerland (ibid., Folder 26); on March 23, 1945 a report describing how quantities of German gold were converted into lire by exploiting loopholes in Swiss currency laws (ibid., Entry 108, Bern B-2118: March 23 1945); on April 16, 1945, a report documenting German penetration of the Swiss consumer goods industry (ibid., Report B-2472 April 16, 1945).
4 Ibid., Boxes 4-10 OSS Bern Files, passim.
By the end of 1944 reporting on the Reich from OSS Bern was being augmented by material from SI London. Dependent on agent reporting from within Germany itself, the intelligence collection by the sources available to SI London of necessity was somewhat problematic until the middle of September 1944, when the liberation of Paris and much of France provided new avenues for attacking the German target. SI London moved to Paris, where it was designated SI European Theater of Operations (ETO). Its chief was the then-Naval Lieutenant William J. Casey. The son of a Tammany Hall politician, Casey lacked the family connections of his counterpart in Bern. Casey’s vision of the postwar world saw the United States playing business interests in Germany against each other and against Communist- and Socialist-led labor unions. He welcomed an opportunity to collect intelligence showing Nazi connections to supposedly neutral business circles as a means of influencing these same circles in the postwar world. As a result, Casey launched into Safehaven with such enthusiasm that he had to be restrained by Washington, in a cable dispatched on January 18, 1945:

“[W]hile Safehaven Project has certain present and potentially greater future value, no SI personnel which can possibly be used in connection agent penetration Germany…should be used for any Safehaven purpose. For this project we can be one of many supporting agencies Department State which has assumed control and direction.

“For agent penetration Germany for strategic information and for proper briefing such agents US Government can look to OSS SI only to accomplish its characteristic mission.”

This meant that OSS operations in Europe (SI ETO) would largely confine its Safehaven activities to the areas already under Allied control—the most fruitful area anyway, since Project Safehaven involved assets outside of Germany. By the end of the month, Casey was able to report that the “gold project” was underway in Paris, with other plans for Safehaven work in France, Belgium, and the Netherlands. However, since these areas were already occupied by Allied forces, the special intelligence techniques that distinguished OSS operations proved unnecessary. Casey did not give up, however, and, two months later reported that “Safehaven work with State has shown area to be a valuable field of endeavor, especially because of the potential for leverage with German financial circles, etc., in the future,” and “Fagan Safehaven man for embassy…feels us absolutely necessary to his work.” Nevertheless, SI activity in this area remained a footnote to the efforts of State Department and other War Department personnel already on the ground. An X-2 “Art Looting Investigation Unit” produced similar results.

Although Switzerland remained the financial heart of German gold and currency transactions, without question for OSS the most productive areas of Safehaven activity

---

2 Cable 4174 to 908 and Casey from 154 (Shepardson), January 18, 1945, RG 226, Entry 116, Office of the Director, Microfilm Publication 1642, Reel 108.
3 Paris cable 9804 to 154 (Shepardson) from Casey, Cassady, Acheson, March 8, 1945, ibid.
were the other neutral centers of German commercial activity—Sweden and the Iberian Peninsula. Madrid Station in particular had had economic intelligence as a principal function since its creation in April 1942, despite being “very considerably hampered” until shortly after V-E Day by an ambassador and diplomatic staff hostile to OSS activities.¹ OSS Madrid nonetheless managed to provide extensive documentation of German commercial transactions throughout the war. Bills of lading or manifests covering all merchandise shipped to France (and thence to Germany) were provided weekly, including everything from orange juice to wolfram (tungsten ore) and steel rails.² Equally important was documentation of the flagrant cooperation given the German war effort by Spanish authorities, including the use of Spanish airfields by German aircraft, the covert supply of German submarines in Spanish harbors (Operation Moro), and in matters of espionage and counterespionage by all grades of Spanish officials.³ From 1945 X-2 Madrid was able to document German economic penetration in Spain, including illegal currency transfers and smuggled works of art; plans by French collaborators, Nazi individuals, and covert organizations to use Spain as a postwar hideout; and the integration of German technicians into the Spanish military. Nearly 50 Spanish firms were identified by X-2 as having been used by Germany for espionage purposes. By V-E Day, X-2 had identified some 3,000 enemy agents in Spain and more than 400 members of enemy clandestine services.⁴

Operations in Portugal were made easier by that country’s traditional pro-British stance (despite having an authoritarian regime on good terms with Franco). The local authorities provided OSS Lisbon with access to enemy safe deposit boxes held in every bank in Portugal except four (which were covered by the British).⁵ In January 1945 the Research and Analysis Branch (R&A) of the OSS used this material to document German gold and foreign currency transactions from January 1943 to December 1944.⁶ The Portuguese authorities were willing to extend cooperation to direct action as well. Acting on information largely provided by X-2, at the end of the war the Portuguese Government sealed up the German Embassy and withdrew recognition from German diplomatic and

---

¹ Lisbon cable 329 ELTON from 983: “Present Status of Safe Haven in Madrid; and elaboration of King 58 of May 26, 1945, RG 226, Entry 99, Box 20, Folder 64. Most OSS operatives in Spain were run out of Lisbon under non-official cover because the diplomatic staff made a practice of identifying intelligence agents to the Spanish police. Considering espionage against a “friendly” country to be “un-American,” the Ambassador insisted on censoring all incoming and outgoing OSS message traffic to Washington. OSS War Report, vol. II, pp. 31, 33-34. “For a good many months,” the Embassy would not allow OSS Madrid to pass on Safehaven material, or even economic reporting to Washington (Lisbon cable 329 ELTON from 983: “Present Status of Safe Haven in Madrid,” and elaboration of King cable 58, May 26, 1945, RG 226, Entry 99, Box 20, Folder 64).  
³ Charles B. Burdick, “‘Moro’ the Resupply of German Submarines in Spain, 1939-1942,” Central European History (1970), ibid., p. 32.  
⁶ Memorandum to Donovan from Despres, November 29, 1944, Office of the Director, Microfilm Publication 1642, Reel 108.
consular representation. By war’s end, X-2 files in Lisbon listed 1,900 enemy agents and 200 enemy officials.2

Much as in Spain and Portugal, economic reporting was a staple of intelligence activities in Sweden from the outset of American involvement in the war. Despite its liberal democratic traditions, Sweden was Nazi Germany’s largest trading partner during the war and almost the sole source of high-grade iron ore and precision ball-bearings for the German war machine. Imports of the latter from Sweden were especially important following the destruction of the VKF ball-bearing plant (itself a Swedish-owned company) at Schweinfurt by the U.S. Eighth Air Force in August and October 1943.3 OSS operatives in Swedish southern and east coast ports monitored the Swedish ore traffic and were able to provide extensive reporting on the rate and size of Swedish shipments to Germany.4 From December 1943 until his arrest in May 1944, an OSS agent working in the shipping office of the SKF ball-bearing plant in Göteborg supplied reports on ball-bearing shipments to Germany, including serial numbers and quantities. Using this information, the U.S. Economic Warfare Mission was able to conclude an agreement with the Swedish Government that finally halted shipments of ball-bearings to Germany in January 1945. Intelligence data collected on iron ore shipments and exports of ball-bearings were not, of course, directly related to the Safehaven program; but, by accounting for much of Germany’s foreign trade with Sweden, they provided important indices that could be used to calculate specie and currency transfers.5

By late 1944 German economic planners were desperate enough to try exporting crude petroleum (itself in short supply) to Sweden as a substitute for the monetary gold that had funded the iron ore and ball-bearing transactions.6 Eric Erickson, an American-born Swede working for the OSS, penetrated the German synthetic oil industry and, in addition to reporting extensively on the German oil industry, was able to provide information on German gold and currency transactions—perhaps the best example of how it was possible to derive Safehaven material from existing OSS sources of economic and industrial intelligence.6

---

1 Lisbon cable 7247, May 6, 1945, ibid.
3 The German VKF, Vereinigte Kugellagerfabriken, A.G., was a subsidiary of Svenska Kullagerfabriken (SKF), owned by the Swedish Stockholms Enskilda Bank. Although German requirements were met by a combination of domestic production and imports from Sweden, about two-thirds of the ball-bearings used in the German war effort were, in effect, produced by the same company. See Martin Fritz, “Swedish Ball-Bearings and the German War Economy,” Scandinavian Economic History Review, (1975).
5 The Germans also envisaged the plan as a means of avoiding Allied strategic bombing attacks on the German oil industry: refinery production above and beyond Sweden’s requirements would be re-exported to Germany. Enclosure no. 1 to Stockholm cable 4393, October 28, 1944, RG 226, Entry 116, Office of the Director, Microfilm Publication 1642, Reel 108.
By April 1945 X-2, using SI sources as well as its own, was able to document German transactions converting 100 million Swedish kroner (about $25 million) in gold and currency into German goods (chiefly chemicals, drugs, and textiles) stored in Swedish warehouses. From at least August 1944, low-grade reporting depicted the German Legation in Stockholm selling diamonds looted from the Dutch State Bank on orders from the German Reichsbank. Additional activity, probably involving individuals and private firms, was documented whereby German gold was either smuggled into Sweden or converted to gasoline or salable goods. This latter activity was discounted—probably correctly—in a postwar message that documented German wartime gold transfers to Sweden with official data from the Swedish Riksbank. More difficult to document was the role of Stockholms Enskilda Bank, owned by the powerful Wallenberg family, which received more than $4.5 million from the Reichsbank between May 1940 and June 1941 and was suspected of having acted as a purchasing agent (through intermediaries) for the German Government in buying up German bonds and securities held in New York.

By the Spring of 1945 OSS collection on the Safehaven project was extensive enough to warrant a more formal treatment in the OSS hierarchy. The March 30, 1945, State Department warning issued to neutral governments prompted a resurgence of effort on the part of the OSS in the collection of Safehaven. A circular memorandum from the Acting Director of Strategic Services, Edward Buxton, called upon OSS to “make a substantial contribution to this program,” albeit with the caveat that “the collection of military, political, and other types of intelligence will continue to be an important function of this agency.” In fulfillment of this goal, Station Chiefs were instructed to report on the status of Safehaven operations in their area. To better direct OSS participation in the program, an Economic Intelligence Collection Unit (Econic) was created in Washington under John A. Mowinckel, reporting directly to the Director’s office. Econic monitored and, on occasion, synthesized Safehaven reporting into detailed reports on specific topics—for example, a massive report at the request of the State Department on the activities of the Swiss firm Johann Wehrli & Co., A.G. (Wehrlibank), a private Swiss banking house with global interests then under

---

1 “Germans Selling Diamonds in Stockholm,” August 11, 1944, RG 226, Entry 108, Box 316, Folder T-2200. The report is graded “C-3,” the lowest possible rating.
2 Murphy to Mowinckel, June 4, 1945, “X-2 Case Materials Illustrating German Safehaven Practices,” ibid. For examples, see “Enemy Capital in Sweden,” August 14, 1944, ibid., also a low-grade intelligence report, but typical of the kind of information obtained.
5 Circular Memorandum for All Strategic Services Officers and Chiefs from Acting D/SS (Acting Director of Strategic Services), April 16, 1945, RG 226, Entry 116, Office of the Director, Microfilm Publication 1642, Reel 108.
investigation by the Justice Department for its role in transferring private German assets overseas.¹

It is doubtful that this move on the part of OSS Washington had much impact on the Safehaven intelligence effort in the field, which had been up and running by this point for a good three months. Rather, it should be seen as a part of the effort by the Director of Strategic Services, Brigadier General William J. Donovan, to carve out a place for the agency in the postwar world. Two reports were filed in the Director’s office at this time that were relevant to Project Safehaven, both of which were critical (at least by implication) of the State Department’s efforts in this area. One, written by the Research and Analysis Branch (R&A), correctly placed German import and transfer activity in context with the development of the German war economy since 1933, in effect discrediting the whole notion of a concerted program to fund a resurgent Fourth Reich using assets concealed in neutral countries.² The other, prepared by X-2, launched a direct attack on Safehaven. Noting that “there are many problems in the Safehaven program, mainly due to the inexperience and general lack of comprehension on the part of State Department personnel,” the report argued that the project consumed personnel and resources that might better be used elsewhere. The basic flaw in the program was that it failed to distinguish between transactions that were part of “German power politics” and those that occurred in another, albeit related context, e.g., the actions of individuals and individual corporations. Asserting that “the defeat of the Axis will not end the game of power politics between nations,” the report projected that “Safehaven may turn out to be less important than the collection of economic, political, and social intelligence in connection with other problems and other foreign countries. …Safehaven should be the starting point for large-scale and permanent economic intelligence for the protection and promotion of our economic and political interests abroad.”³

In the intelligence requirements generated by the Safehaven program, Donovan clearly saw an argument for the existence of a central intelligence organization like the OSS after the end of the war. It was no doubt with this in mind that he passed the reports along to Senator Harley Kilgore, then heading a Senatorial investigation of the elimination of German war resources. Such action could hardly overcome the opposition that had been building to Donovan’s idea of a postwar central intelligence organization since his first proposal in September 1943.

On September 20, 1945, the OSS was abolished by executive order and its component parts absorbed by different various agencies in the Washington bureaucracy. Research and Analysis Branch (R&A) was absorbed by the State Department’s Interim

¹ “Wehrli Combine,” n.d., ibid., Entry 183, Box 21. The Econic report was based on intelligence data to complement an audit of the Wehrlibank books by the U.S. firm Price, Waterhouse & Co., conducted under joint British and American auspices.

² Memorandum from Neumann to Donovan via Langer, “German Economic Penetration Abroad,” June 2, 1945, ibid., Entry 116, Office of the Director, Microfilm Publication 1642, Reel 108.

³ Memorandum from George to Donovan, “Re: Rebuilding of German Economic, Political, and Military Power Positions Abroad by the Evasion of Allied Controls over the Exit of German Assets and Personnel from Germany (Safe Haven),” n.d., but context places it in April-June 1945, ibid., Entry 116, Office of the Director, Microfilm Publication 1642, Reel 108.
Research and Intelligence Service. SI and X-2 were moved into the War Department as the Strategic Services Unit (SSU). On January 22, 1946, President Truman created a temporary Central Intelligence Group (CIG) as a body for the coordination of intelligence activities on the national level. Clandestine human source collection remained in the War Department until the creation of the Central Intelligence Agency in 1947.

From the summer of 1945, OSS and SSU collection in support of the Safehaven program took place under the rubric of Project Jetsam. However, with the end of the war in Europe, first the OSS and then the SSU began to shift resources into other areas, especially collection against the Soviet Union.¹ Efforts by the Foreign Economic Administration and State Department representatives in Europe to re-vitalize the Safehaven program ran up against the stone wall of budgetary limitations. On July 20, 1945, SI Paris cabled OSS Washington:

“Original definition of Safe Haven, namely tracking down German capital and assets abroad, has been very substantially broadened by (Klaus) of FEA now in Washington and Fagen of Embassy, they claim under instructions of Washington. They have asked that under Safe Haven we should now gather intelligence on ‘external security’ namely, all German activities abroad, cultural and political as well as economic and financial, in short, the entire non-military SI field of activity....We pointed out that we were presently contracting, not expanding, our activities and that his wishes and the particular targets he was suggesting required substantial additional personnel.”²

Noting that “We would be happy to undertake intelligence operation [of this kind] and are physically equipped to do so,” Washington replied that “no funds [are] available,” and recommended that State “officially urge OSS to procure additional funds for such purposes.”³ No such pressure was forthcoming; to the contrary, although Safehaven remained important, with the end of the war in Europe the role of intelligence reporting in the project began to diminish. That same month, lack of Treasury and State interest

¹ Topics were sometimes similar: in June 1946 Bern was tasked to report on the Russian interests of the Swiss-owned Oerlikon company, earlier a target of Safehaven reporting because of its connections with Germany, SSU Washington # 1119, June 18, 1946.
² Paris telegram 22534 to Shepardson from Sherman, July 20, 1945, RG 226, Entry 134A, Box 9, Folder 26.
³ OSS Washington telegram 23584 from Horton to Sherman, July 28, 1945, ibid.
prompted the OSS to begin rolling up economic reporting networks in the Iberian Peninsula.¹

¹ Lisbon telegram 7687 from Grant and Elton to Patina, July 19, 1945, ibid. Telegram 8817, Jetsam from Patina to Grant and Elton, July 23, 1945.
III. Potsdam Heads of Government Meeting and the Paris Reparations Conference

A. German External Assets and Allied Control Council Law No. 5

In the weeks after V-E Day, the United States and its Allies explored measures to gain control over the German assets abroad in neutral countries. By late July 1945, State Department revised estimates of the totals of German assets located in neutral nations and resulting only from direct business investments totaled at least $737 million, broken down as follows: Switzerland—$600 million, Portugal—$35 million, Sweden—$51 million, and Turkey—$51 million. Totals for Spain and other neutral nations had not yet been computed. Embassy reports to the State Department from Madrid and Lisbon indicated that non-governmental German assets were in danger of being taken over by the Spanish and Portuguese. A similar situation appeared to be occurring in Turkey. The State Department proposed to persuade the British to join the United States in seeking the cooperation of neutrals to measures whereby the Allied Control Authority in Germany, then just establishing itself, would assume legal authority over all external German assets on behalf of the Allies. In June 1945 the British objected to such a policy on the grounds that it could not be founded solidly on international law and would in fact push the neutrals away from cooperation with the Allies on German assets in their countries. The State Department expressed surprise at the negative tone of the British response. At this time the proposed policies and diplomatic moves toward the neutrals were aimed entirely at “eliminating spearheads of German aggression.” No consideration was being given to the property of victims of Nazism, whether looted or moved abroad voluntarily to escape despoliation.

By the time of the Potsdam Conference in July 1945, the British Foreign Office had agreed to go along with the U.S.-proposed démarche to inform neutral governments of the intent of the Allies to assume, through the Allied Control Authority in Germany, control over external German assets and warning the neutral governments, particularly Spain and Portugal, but also the other West European neutrals. At the outset the Swiss Mission in Washington was inclined to recognize the Allied assumption of control over German assets in Switzerland provided the United States agreed to delete a particular German-owned corporation, Scintalla A.G., from the list of wartime blocked assets.

During the first days of the Potsdam Conference, which lasted from July 16 to August 1, Presidential Adviser on Reparations Edwin Pauley and Assistant Secretary of State for Economic Affairs William Clayton led the U.S. delegation to introduce a proposal that the United States, the United Kingdom, Soviet Union, and France would declare external German assets to come under the control of the Allied Control Council in Germany. Delegation members Seymour Rubin, Acting Chief of the Office of Financial

---

and Development Policy (OFD) of the State Department, and Josiah E. DuBois, Jr., an Assistant to the Secretary of the Treasury, drafted the U.S. working papers on such a declaration. In its earliest form the declaration emphasized that immediate action be taken to obtain control and power of disposition over all German assets in neutral countries, and that this was necessary “not only from a standpoint of security but also to preserve such assets for Allied objectives.” What such objectives might be was not explicitly defined, but it seems clear that this was the first consideration given to using external German assets to provide assistance to the victims of Nazism, the enormity of whose suffering was beginning to be more widely recognized at least within the U.S. Government.¹

The proposed Four-Power declaration on German external assets was intended for the neutral nations who were to be asked to place German assets in their control at the disposition of the Allied Control Council. In its subsequent iterations throughout the remainder of the Potsdam Conference, the distinction between security interests and other objectives originally formulated by the U.S. delegation was eliminated. The external assets issue became part of a larger reparations package in Allied-Swiss discussions. Eventually the declaration was not agreed upon and instead the Big Four decided on a paragraph 18 of the Communiqué and the Report that stated: “Appropriate steps will be taken by the Control Council to exercise control and the power of disposition over German owned external assets not already under the control of the United Nations which have taken part in the war against Germany.” For their part, the Soviets agreed to waive in favor of the Western Allies all claims to German external assets in West Europe.²

As the notion of an Allied declaration faded, it was replaced by the U.S. proposal for a decree from the Allied Control Council assuming responsibility for the control of external German assets. Toward the end of the Potsdam Conference, a draft “vesting decree” was referred to the U.S. Element of the Allied Control Council with the request that the other Allied members be persuaded to agree to it. The decree would give the ACC the right to all German external assets in neutral countries and would give the Allies more legal leverage to complete their census of enemy holdings in neutral countries in order to underwrite a more credible policy of reparations and restitution. The U.S. representatives in the various neutral capitals were also informed of the proposed vesting decree as the means whereby Allied claim and control over German assets would be asserted. The British were reported at this time to be reluctant to endorse such a vesting decree because it would tend to discourage the neutrals from cooperating in tracing and disclosing German assets. Seymour Rubin was told as much by his State Department colleagues back in Washington as they assessed possible Swiss reaction to the U.S. démarche. The importance of this issue was emphasized in the report of Otto Fletcher, Safehaven FEA expert detailed to the State Department, who estimated that total German assets in Switzerland amounted to $600 million (direct investments only), in Portugal $35 million, in Sweden $51 million, and in Turkey $51 million.³

---

¹ Ibid., pp. 993-995.
² Ibid., pp. 566, 957-964.
³ Ibid., pp. 957-965.
Near the conclusion of the Potsdam Conference, President Truman instructed Lieutenant General Lucius Clay, Deputy U.S. Military Governor in Germany, to propose the vesting decree to the Allied Control Council. The proposed decree worked its way up the Allied Control Authority bureaucracy during August and September, and it was finally considered by the Council at its meeting on September 20. General Eisenhower argued strongly for the decree and was supported by his French and Soviet colleagues, but British Field Marshal Montgomery argued that such a law would be unenforceable and that British diplomats were currently negotiating with the neutrals on these assets issues and would be impeded by such a decree. The State Department raised the question with British Foreign Secretary Bevin at the London Foreign Ministers Meeting a few days later without result. When the Allied Control Council for Germany met again on October 1, the British continued to object to the implementation of the vesting decree because the neutrals had questioned its basis in international law. British General Brian Robertson argued that the neutrals were more likely to be swayed by the idea that such assets offered some small compensation to the United Nations for the sacrifices they had made for the cause of freedom. He noted that the proposed decree would encourage the neutrals to conceal external German assets. For his part, General Eisenhower had already set an international legal precedent with the prosecution of the German war criminals and he asserted that the holders of German assets were the “big shots” who deserved “severe punishment.”

The Treasury Department viewed passage of the Vesting Decree as the ultimate legal document that entitled the Allies and the Allied Control Commission to vest or claim title over all German property outside the territorial boundaries of the former Reich. In order to enforce the vesting authority of the ACC, Treasury suggested that the neutral countries should be asked to recognize the legal authority of the ACC to take control of German assets in their respective territories. If the neutral countries rejected the authority of the ACC, Treasury proposed a continuation of wartime economic warfare measures—such as freezing their assets in the United States and maintaining the lists of companies and individuals barred from trading with their Allied counterparts—in order to persuade them to adhere to Allied policies as a precondition for resuming normal trade relations with the Allies.

The vesting issue also encroached on possible claims by neutral countries against wartime commercial and financial debts that Germany had incurred in the course of purchasing supplies and other commodities from them to sustain its military campaigns.

---

2 Memorandum of conversation with Covey Oliver, July 11, 1945, RG 131, NN3-131-94-001 (FFC), Box 384, Safehaven Project (not processed), July 1-15, 1945 [C41]; Telegram 8411 from London, August 20, 1945, RG 131, NN3-131-94-001 (FFC), Box 384, Safehaven Project (not processed), Aug. 16-25, 1945 [C48].
3 The first draft of the Vesting Decree was conceived in September 1944. Members of Treasury’s Office of General Counsel sat down and drafted a memorandum that outlined the means by which German external assets should be seized and disposed of in neutral countries. The draft was sent to Treasury Representative Lehman Aarons in London so that he could discuss it with the Allied command. Report of the Activities of the Foreign Funds Control for the Month of September 1944, RG 56, Entry 243, Box 256, 1/44-12/44.
Treasury feared, as Coe explained to White on June 12, 1945, that unless the Allies adopted a Vesting Decree very soon, the neutral countries would arrogate to themselves the right to seize German assets for their own use. Treasury’s concern was that, in this eventuality, the neutrals might not eliminate all German assets, due to the special commercial and financial relationships that had developed before and during the war between the Axis and the neutral countries.¹

The Allied Control Council would administer the Vesting Decree and take title through a German External Property Commission (GEPC) to all property owned by Germany or German citizens outside Germany which would then dispose of this property in any way that it saw fit.² The State Department suggested that the Council’s enforcement authority be limited to the control and disposition of so-called “spearhead” firms—the 20 largest German companies and banks—for fear that, upon passage of the decree, countries like Spain would try to embarrass the Allies by shifting overnight all responsibility regarding German assets. Treasury responded that the Council was more than capable of taking charge of that task.³ In Treasury’s view, the rights of the Allies far outweighed those of the neutrals. With the support of President Truman, General Eisenhower, and General Clay, the Council approved the Vesting Decree on October 22, 1945, but the British delegate objected to its issuance until he received instructions from London. The Council refused to wait and on October 30, 1945, the Vesting and Marshalling Decree became Law No. 5 of the Allied Control Council. Law No. 5 began: “Whereas the Control Council is determined to assume control of all German assets abroad and to divest the said assets of their German ownership.”⁴

The State and Treasury Departments discussed how best to approach the neutral countries about the ACC Vesting Decree. The international law community was conflicted on how to view the confiscation of property of enemy nationals and offered U.S. officials no unambiguous guide. As with earlier Safehaven negotiations, Seymour Rubin, a State Department veteran of Safehaven talks who had argued the case for the confiscation of the private property of enemy nationals abroad in American professional journals, wished to emphasize the moral and ethical foundations of the Allied claims on the question of reparations and enemy property. Consistent with its theory of the legal right of the ACC over German assets, Treasury wanted the ACC to invite the neutral

¹ Coe to White, June 12, 1945, RG 131, NN3-131-94-001 (FFC), Box 390, Spain Current May-July 1945 [C34]; Memorandum for the Files/Ms. Scullen on the Safehaven meeting of June 15, 1945, June 15, 1945, ibid., Box 388, Inter-departmental Meetings [C36].
² A copy of Treasury’s proposal is in “Vesting and Marshalling of German External Property,” May 29, 1945, ibid., Box 391, Vesting I [C32].
³ Memorandum for the Files, July 12, 1945, RG 56, Acc. 69A-7584 (Records of OASIA), Box 2, Country Files-Germany [C91].
⁴ Memorandum for the Files on the Safehaven Meeting of September 7, 1945, RG 131, NN3-131-94-001 (FFC), Box 384, Safehaven Project (not processed), September 1-10, 1945 [C51]; White to Vinson, September 10, 1945, ibid., [C52]; Vinson to Byrnes, September 13, 1945, ibid., September 11-30, 1945 [C54]; Vinson to Byrnes, October 23, 1945, and attachments, ibid., Box 391, Vesting I [C63]; Testimony by Russell A. Nixon Submitted to the Subcommittee on War Mobilization, Senate Military Affairs Committee, Truman Library, Vinson Papers, Box 130, Germany-General, 1946. See also Foreign Relations, 1945, vol. III, pp. 836-845.
countries to hold talks on the future of German external assets in Berlin under the aegis of
the German External Property Commission. Meeting with the ACC’s refusal to allow
these discussions to be held in Berlin, State and Treasury agreed that future approaches to
the neutral governments would be conducted on behalf of the Council, a modest
acknowledgment of Treasury’s stance that the Council was the legal body responsible for
enemy property in neutral countries.¹

Should the neutrals refuse to comply with the Allies, Rubin supported the
principle of sanctions, as long as the French and British agreed to them, a position echoed
by Secretary of State James F. Byrnes in his reply to Treasury Secretary Fred Vinson in
late November 1945. Joseph Friedman, Treasury Assistant General Counsel, insisted,
however, that the United States should be ready to apply sanctions unilaterally, without
British or French consent, in order to gain satisfaction from the neutrals, knowing that the
British and the French would not agree to the use of economic sanctions.² It would
remain to be seen whether these sanctions would and could be used to convince neutral
governments to sign an accord with the Allies.³

During the 18-nation Allied Reparations Conference in Paris between November
and December 1945, the Potsdam Conference decision on German external assets was
worked out in greater detail. Article 6 of the Reparations Agreement reads in part as
follows:

“German assets in those countries which remained neutral in the war
against Germany shall be removed from German ownership or control and
liquidated or disposed of in accordance with the authority of France, the United
Kingdom and the United States of America, pursuant to arrangements to be
negotiated with the neutrals by those countries.”

In early January 1946, on the eve of the invitation by the United States, Britain,
and France to Switzerland to come to Washington to begin negotiations over German
looted gold and external assets, State Department economic security expert Otto Fletcher
acknowledged that the reason for this paragraph in the Reparations Agreement was to
confirm the Potsdam Agreement which excluded the Soviet Union from any claim to
German external assets in the neutral countries and left to the Western Allies the
responsibility for their disposition. Fletcher warned his superiors in the Department of
State that this paragraph was inconsistent with Allied Control Council Law No. 5, which
assigned to the Allied Control Council for Germany control over all German assets

¹ Memorandum of conference at State Department, November 7, 1945, RG 131, NN3-131-94-001
(FFC), Box 385, Safehaven Project (not processed), November 1945 [C67]; Ullman to Coe, November 15,
1945, RG 56, Acc. 66A-816, Box 18, Vesting #2 [C90].
² Byrnes to Vinson, November 30, 1945, RG 131, NN3-131-94-001 (FFC), Box 391, Vesting I
[C73]; Memorandum of Conference at State Department on November 21, 1945, November 23, 1945, ibid.,
[C69].
³ Vinson to Secretary of State, February 1, 1946, RG 56, Acc. 66A-816, Box 18, Vesting #3
[A51]; Byrnes to Vinson, February 16, 1946, RG 131, NN3-131-94-001 (FFC), Box 385, Safehaven
Project (not processed), February 1946 [A21]. Japan is the only country that recognized the extra-territorial
rights of the Vesting Decree. See T. Page Nelson to the Files, June 10, 1949, RG 56, Acc. 69A-4707, Box
84, Germany: Property Control.
abroad. He predicted that conflict between the two would greatly weaken the “already shaky legal position vis-à-vis the neutrals with respect to getting title to German assets.”

B. Development of U.S. and Allied Policies Regarding Looted Gold, July-December 1945

Even as the war was drawing to a close, the Department of State, with the assistance of other government agencies, was reformulating its initial policy on disposition of gold that was coming under the control of the occupying forces. In late April 1945 the State Department informed the U.S. representatives on the European Advisory Commission in London, which was in the last stage of formulating Allied occupation policy for a defeated Germany, that it was reversing policy regarding looted gold. Initially, in 1944, the State Department proposed that gold found in defeated Germany would be returned directly to those nations which had gold reserves looted by Germany. Such returns were to be prorated by Allied occupation authorities on the basis of the various claims made by the liberated nations. In April the State Department was prepared to adhere to the principle that gold, like other property, should be subject to restitution. However, the Department was still not willing to depart far from a “gold pot” procedure and explained to the U.S. representatives in London that since the application of restitution principles to gold could result in one country recovering all of its gold while another got nothing, gold found in Germany ought to be presumed to be unidentifiable unless convincing evidence to the contrary was presented. Despite the affirmation of such policies by the Department, the leadership of the U.S. forces in defeated Germany initially considered using gold found in the U.S. zone of occupation to pay for supplies imported into Germany for the use of the armies.

On the eve of the Potsdam Conference, the State Department formulated its gold policy in a July 14 U.S. delegation working paper in the following manner:

“We have repeatedly stated our position that monetary gold found in Germany is all looted and should be returned. Our present position is that such gold, together with any ‘tainted’ gold which we may induce neutral countries to surrender, should be pro-rated among Allied countries from which gold was looted in proportion to their actual losses of gold from this source. This is an adaptation of the admiralty principle of general average. Gold returned to the Allied countries on the above basis would be credited to reparations.”

The U.S. delegation to the Conference was also aware that the more than $250 million in gold found in the American zone of occupation of Germany by July 1945 could be a bargaining counter for other U.S. reparations objectives. A delegation working paper used in briefing President Truman at Potsdam on July 18 acknowledged U.S. commitment to the restoration of gold to the banks in liberated nations. But it also noted that the gold held in Germany could help in furthering American views regarding war

---

1 Memorandum from Fletcher to Surrey, January 15, 1946, RG 43, M-88, Records of International Conferences, Conference on German External Assets and Looted Gold.
booty and restitution principles in general, and that France would probably assert the largest claim for the restitution of gold. Edwin Pauley, the U.S. Representative to the Allied Reparations Commission, had been assured by one of his delegation lawyers that international law confirmed that captured gold in Germany could be regarded as war booty.¹

Truman, Churchill (and Attlee), and Stalin did not get into the details of the restitution of gold during their deliberations about reparations and restitution at the Potsdam Conference. At the plenary meeting on August 1, Stalin did abandon all Soviet claims to gold that the Allies found in Germany. Agreement to this effect was included in section III, paragraph 10 of the Protocol of the Proceedings of the Potsdam Conference: “The Soviet Government makes no claims to gold captured by the Allied troops in Germany.” U.S. officials like Assistant Secretary of State William Clayton were not certain at the time how broad or limited this Soviet waiver was, but it did prove to assign to the United States almost exclusive control over looted gold found in Germany inasmuch as the $250 million identified by July was in the U.S. zone of occupation.²

The concept of a “gold pot” of looted gold recovered from the Germans developed quickly after the Potsdam Conference. Edwin Pauley informed President Truman on August 4 that the United States had custody in Frankfurt of over $200 million in captured gold, and he offered two alternatives for its use: restitution to the specific countries from which it was removed or combining the gold into a “common pot” or distributing it equitably among the liberated countries whose gold was looted by the Germans. Pauley argued that even if gold were returned to the liberated nations, the return should be done in such a manner as to ensure that American claims against those nations (pre-war and those arising from importation of food and other supplies) would first be met.³

The Department of State provided Ambassador Pauley on August 18 with detailed instructions and justifications, approved by President Truman, Secretary of the Treasury Vinson, and other government leaders, for an Allied policy for a “gold pot” of captured gold. Pauley was informed that the United States had no moral or legal basis for laying claim to or attaching any of the gold belonging to foreign governments and any attempted attachment would prejudice relations with those governments. The U.S. position in negotiations with the Allies should be that gold captured by Allied forces be restored to the countries from which it was looted, but that the general impossibility of identifying the origin of much of the captured gold necessitated the pooling of all gold found by Allied troops into a common pot. This pot then could be divided among countries in proportion to their established losses. The State Department also wanted Pauley to follow a policy of restitution of securities looted by Germany from the European nations that they occupied, and, to the extent that the jurisdiction of such securities could not be determined, divide up the securities equitably among the countries from which they had been looted. The State Department also authorized Pauley to propose to the other Allies on the Allied Reparations Commission the formulation of such restitution and gold pot

¹ Ibid., pp. 844, 919-920.
² Ibid., pp. 566, 579, 937, 1487.
policies. The State Department had not, at the time of its instructions to Ambassador Pauley, come to decisions on three important issues: 1) whether SS accumulations of precious metals from the concentration camps should be lumped with the monetary gold in the gold pot, 2) whether Austria, Italy, and the governments of Germany’s former wartime Eastern European satellites should be claimants to any gold pot, and 3) how the looted gold Germany sold abroad should be recovered and whether such gold should be added to a central gold pot.¹

On November 1, 1945, James W. Angell, U.S. representative to the Allied Commission on Reparations, reported that agreement had been reached with the British and the French to adopt a gold pot policy. Both remained doubtful that the United States had been entirely forthcoming about the quantity of looted gold being held by the American authorities in Germany, and Angell assured them that all information was being passed on. Agreement could not be reached, however, on whether Italy, Austria, Hungary, and Albania should receive a portion of the gold pot, but agreement was reached that Poland and Danzig should not be recipients inasmuch as the Soviet Union had renounced any claim to such gold. France also wanted an immediate three-power approach to Switzerland to obtain return of the Belgian monetary gold stolen by the Germans in 1940. The fate of $25 million in Italian gold found by the Allied armies also was not decided.²

C. Establishment of a Gold Pool for Looted Monetary Gold

On November 23, 1945, the conferees agreed on an Allied policy on monetary gold. All monetary gold would be pooled for distribution in proportion to losses suffered, such distribution would be accepted as full satisfaction and liquidation of claims against Germany for the restitution of monetary gold, the nations that suffered looting by the Nazis would provide verifiable data regarding their losses, and the powers occupying Germany would act to implement the distribution as agreed upon.³ The fate of the Hungarian gold could not be resolved at the conference and its ultimate disposition was reserved.⁴

Another important element of the agenda involved establishing principles for the restitution of monetary gold looted by Germany. Under a so-called “gold pot” principle of restitution, all monetary gold found in Germany by the Allied forces, or recovered from a third country to which it was transferred by Germany, was to be pooled for distribution among the countries participating in the pool in proportion to their respective losses of gold through looting. The monetary gold thus accruing to a country would be accepted in full satisfaction of all its claims against Germany for restitution of monetary gold. This method of distribution was chosen because the losses of monetary gold, amounting to over a half billion dollars, were far in excess of the gold recovered, and because the gold

¹ Ibid., pp. 1257-1259.
² Ibid., pp. 1366-1367.
³ Ibid., pp. 1405-1406.
⁴ Ibid., p 1494.
recovered was for the most part not identifiable. ¹ The negotiators agreed that the gold pool would comprise monetary gold found in Germany and in third countries to which Germany might have transferred monetary gold obtained through looting. The United States, France, and Great Britain were made responsible for the distribution of the monetary gold, and they subsequently discharged the function through the creation of the Tripartite Gold Commission in September 1946. ² Part III of the Reparations Agreement reads:

“RESTITUTION OF MONETARY GOLD

“Single Article

“A. All the monetary gold found in Germany by the Allied Forces and that referred to in paragraph G below (including gold coins, except those of numismatic or historical value, which shall be restored directly if identifiable) shall be pooled for distribution as restitution among the countries participating in the pool in proportion to their respective losses of gold through looting or by wrongful removal to Germany.

“B. Without prejudice to claims by way of reparation for unrestored gold, the portion of monetary gold thus accruing to each country participating in the pool shall be accepted by that country in full satisfaction of all claims against Germany for restitution of monetary gold.

“C. A proportional share of the gold shall be allocated to each country concerned which adheres to this arrangement for the restitution of monetary gold and which can establish that a definite amount of monetary gold belonging to it was looted by Germany or, at any time after March 12th, 1938, was wrongfully removed into German territory.

“D. The question of the eventual participation of countries not represented at the Conference (other than Germany but including Austria and Italy) in the above mentioned distribution shall be reserved, and the equivalent of the total shares which these countries would receive, if they were eventually admitted to participate, shall be set aside to be disposed of at a later date in such manner as may be decided by the Allied Governments concerned.

“E. The various countries participating in the pool shall supply to the Governments of the United States of America, France and the United Kingdom, as the occupying Powers concerned, detailed and verifiable data regarding the gold losses suffered through looting by, or removal to, Germany.

“F. The Governments of the United States of America, France and the United Kingdom shall take appropriate steps within the Zones of Germany occupied by them respectively to implement distribution in accordance with the foregoing provisions.

¹ Department of State Bulletin, June 16, 1946, pp. 1023-1027, 1053.
² Announcement of September 27, 1946, ibid., September 29, 1946, p. 563.
“G. Any monetary gold which may be recovered from a third country to which it was transferred from Germany shall be distributed in accordance with this arrangement for the restitution of monetary gold.” ¹

The written record indicates that President Truman was involved in a very limited way in overseeing the implementation of policies for gaining control of German assets in neutral countries and distributing them to the victims of the Germans. However, his sentiments on the issue of providing assistance to Jewish victims of the Nazis were made vividly clear in a message he sent to the Secretary of State probably in 1947 but possibly earlier:

“I have been giving serious consideration to the question of finding some way to do justice to those people who were robbed and murdered by the Nazis. It is my convinced opinion that some provision should be made for these people through the Allied Reparations Commission.

“I have sent the attached letter to Mr. Edwin W. Pauley for his personal and confidential information. I should appreciate it if you would see to it that the responsible officials in the State Department are acquainted with my aims in this respect so that everything may be done to facilitate the implementation of this policy in our negotiations with other Allied countries.” ²

D. Allied Decision at the Paris Reparations Conference To Provide Assistance for the Non-Repatriable Victims of Nazism

The representatives of 18 Allied nations met in Paris on November 9, 1945, to develop the governing principles and mechanisms for the distribution of the reparations from Germany agreed at the Potsdam Conference. In the opening days of the Paris Reparations Conference, U.S. delegate James Angell presented, on the basis of instructions from the State Department, a proposal to his French and British colleagues for providing a share of reparations to the victims of the Nazis. Initially the American proposal aimed at “German nationals” who had fled Germany not intending to return and had not gained citizenship elsewhere, nationals of other countries who had been transported by the Nazis or forced to flee and were now homeless, and pre-war stateless persons who had suffered personal or property loss. The United States proposed that two percent of the total reparations be set aside for the support of these persons. Non-monetary gold seized in Germany as well as other assets would be entrusted to an international agency such as the Intergovernmental Committee on Refugees.

¹ A Decade of American Foreign Policy: Basic Documents, 1941-1949, pp. 294-303; 61 Stat. 3157; 4 Bevans 5.
² Letter from President Truman to the Secretary of State, undated, Truman Library, White House Central Files, Allied Reparations Commission. In the same file is a letter, marked “Not Sent,” addressed to Ambassador Pauley which begins “Of all the people who have been singled out for destruction by the Nazis, there is no single class which has suffered more intensively than the Jewish people of Germany and occupied countries.” The letter ends: “I personally believe that if we do not take account of the reparation claims of the Jewish people who are stateless, we shall be delinquent in our responsibilities. Strict adherence to legalistic conceptions which will result in ignoring just and honorable claims is not consistent with the spirit of our goals.”
The discussions in the following days revealed that while the British generally agreed with some aspects of the American plan, they had objections to its scope and implementing machinery and, Angell felt, were “fundamentally opposed to plan on general ground that it may discourage voluntary repatriation and commit British to general aid for non-repatriables with attendant difficulties for British Palestine policy.”

In late November Angell also explained the plan to representatives of the American Jewish Congress who objected to the breadth of the original scheme and recommended it be confined to non-repatriable persons who had been victims of Nazi concentrations camps, narrowing the number of persons eligible to perhaps 100,000 to 200,000. Angell supported and adopted the proposal of the AJC and also proposed adopting a fixed sum. Angell moved away from the notion of providing support for the non-repatriable persons from a percentage of reparations and proposed instead a separate sum of funds initially envisaged as being made up of all non-monetary gold found in Germany plus $15 million from German external assets in neutral countries. By the time the proposal was circulated to the whole Paris Reparations Conference on December 8, this had been worked out as a fixed, total sum of $25 million composed of all the non-monetary gold found in Germany together with contributions of the external German assets in the neutral countries.1

The U.S. proposal was introduced to the Paris Reparations Conference on December 8, and the debate continued until the end of the month. The plan initially called for a fund of at least $25 million for the non-repatriables composed of all of the non-monetary gold retrieved in Germany and some portion of the German assets in neutral nations. The State Department was not willing to go below the $25 million figure and was willing to expand the sum to $40 million or more, even though it found the $25 million to be the maximum possible. Later in December the Department of State instructed Angell to proposal a formula, essentially incorporated into the final Conference agreement, that would provide (a) all of the non-monetary gold found in Germany, (b) an additional $25 million in German external assets in the neutral states, and (c) the funds deposited in neutral nations by Nazi victims who had died without heirs.2 The distribution of this fund would be the responsibility of the Intergovernmental Committee on Refugees and its successors within the United Nations system. During the negotiations aimed at achieving American aims, U.S. officials consulted with the representatives of Jewish philanthropic organizations and pressured other delegations to make concessions on behalf of Nazi victims.3

One debate centered on defining the non-repatriables to be assisted and the scope of the assets to be applied. The United States first proposed that the category be restricted to the former inmates of concentration camps; however, the proposal was rejected by the Conference. Czechoslovakia, Yugoslavia, and France sought either to narrow the scope of persons to be supported or to increase it to provide assistance to other national groups outside of Germany. Czechoslovakia and Yugoslavia were opposed to giving aid to their nationals who had fled because they were opponents of the present “democratic”

---

2 Telegrams 7161, December 13, 1945, and 7213, December 16, 1945, from Paris, ibid., pp. 1467 and 1474.
3 Telegram 7161 from Paris, December 13, 1945, ibid., p. 1467.
governments, and these two nations plus France wanted to expand the definition of non-repatriable persons to include refugees from Fascist countries other than Germany, a step that would increase eligible persons by 200,000 Spanish refugees. Some of the Allies sought to gain vetoes over the particular groups or persons to be benefited, a proposal that the United States vigorously opposed and which almost caused U.S. withdrawal from the whole proposal. The French, Czechs, and Yugoslavs also suggested that the assets of heirless accounts in neutral nations be added to the pot for the support of non-repatriables. The United States at first objected on the grounds that it would be legally difficult to gain access to the assets in neutral countries of deceased persons without heirs, but the Conference finally adopted the proposal regarding heirless accounts.1

The entire package for the non-repatriables thus comprised $25 million, plus the proceeds of German assets in neutral countries, all non-monetary gold found in Germany, i.e., the boxes of SS loot collected from Nazi crematories and composed primarily of tooth-fillings, rings, and other such objects, as well as the assets of heirless accounts held in the neutral countries. The Conference further decided that none of the resources recovered for non-repatriables would be for the compensation of individuals and that individual refugees would retain their right to lodge claims against any future German Government. Article 8 of Part I of the Reparations Agreement reads:

“ALLOCATION OF A REPARATION SHARE TO NONREPATRIABLE VICTIMS OF GERMAN ACTION

“In recognition of the fact that large numbers of persons have suffered heavily at the hands of the Nazis and now stand in dire need of aid to promote their rehabilitation but will be unable to claim the assistance of any Government receiving reparations from Germany, the Governments of the United States of America, France, the United Kingdom, Czechoslovakia and Yugoslavia, in consultation with the Inter-Governmental Committee on Refugees, shall as soon as possible work out in common agreement a plan on the following general lines:

“A. A share of reparation consisting of all the non-monetary gold found by the Allied Armed Forces in Germany and in addition a sum not exceeding 25 million dollars shall be allocated for the rehabilitation and resettlement of non-repatriable victims of German action.

“B. The sum of 25 million dollars shall be met from a portion of the proceeds of German assets in neutral countries which are available for reparation.

“C. Governments of neutral countries shall be requested to make available for this purpose (in addition to the sum of 25 million dollars) assets in such countries of victims of Nazi action who have since died and left no heirs.

“D. The persons eligible for aid under the plan in question shall be restricted to true victims of Nazi persecution and to their immediate families and dependents, in the following classes:

1 Telegram 7075, December 8, 1945, 7138, December 12, 1945, 7122, December 12, 1945, and 7213, December 16, 1945, from Paris, ibid., pp. 1454-1455, 1458-1459, 1467, and 1471-1473.
“(i) Refugees from Nazi Germany or Austria who require aid and cannot be returned to their countries within a reasonable time because of prevailing conditions;

“(ii) German and Austrian nationals now resident in Germany or Austria in exceptional cases in which it is reasonable on grounds of humanity to assist such persons to emigrate and providing they emigrate to other countries within a reasonable period;

“(iii) Nationals of countries formerly occupied by the Germans who cannot be repatriated or are not in a position to be repatriated within a reasonable time. In order to concentrate aid on the most needy and deserving refugees and to exclude persons whose loyalty to the United Nations is or was doubtful, aid shall be restricted to nationals or former nationals of previously occupied countries who were victims of German concentration camps or of concentration camps established by regimes under Nazi influence but not including persons who have been confined only in prisoners of war camps.

“E. The sums made available under paragraphs A and B above shall be administered by the Inter-Governmental Committee on Refugees or by a United Nations Agency to which appropriate functions of the Inter-Governmental Committee may in the future be transferred. The sums made available under paragraph C above shall be administered for the general purposes referred to in this Article under a program of administration to be formulated by the five Governments named above.

“F. The non-monetary gold found in Germany shall be placed at the disposal of the Inter-Governmental Committee on Refugees as soon as a plan has been worked out as provided above.

“G. The Inter-Governmental Committee on Refugees shall have power to carry out the purposes of the fund through appropriate public and private field organisations.

“H. The fund shall be used, not for the compensation of individual victims, but to further the rehabilitation or resettlement of persons in the eligible classes.

“I. Nothing in this Article shall be considered to prejudice the claims which individual refugees may have against a future German Government, except to the amount of the benefits that such refugees may have received from the sources referred to in paragraph A and C above.”

---

1 A Decade of American Foreign Policy: Basic Documents, 1941-1949, pp. 294-303; 61 Stat. 3157; 4 Bevans 5.
IV. The Allied-Swiss Negotiations at Washington, March-May 1946

In February 1946 the Allies invited Switzerland to send a delegation to Washington for talks on reparation matters with British, French, and U.S. delegations. Since the Swiss had already rejected the legality of the occupying powers’ claims to assets outside Germany, the negotiations promised to be difficult. Dean Acheson, who spent much of the war as the State Department’s head of economic blockade efforts against the neutrals, recalled in his memoirs his frustration with the wartime negotiations: “If the Swedes were stubborn, the Swiss were the cube of stubbornness.”1 The Allies were also mindful that the outcome of negotiations with Switzerland would serve as a model for dealing with the other neutrals.

The Allied negotiators approached the Allied-Swiss talks in March 1946 with several assumptions that were to prove overly optimistic. The belief that the Swiss had already committed themselves (during the Currie Mission) not to permit Switzerland to be a repository for assets stolen by the Nazis was among the more prominent. U.S. officials also believed themselves justified in expecting that the Swiss authorities would make every effort to assist individuals seeking to reclaim assets that had been placed in Swiss financial institutions.2

Perhaps more compelling than the objective factors that would govern the talks were the intangible attitudes created by differing Allied and Swiss experiences during the war. To the French and the British, World War II had been an epic catastrophe, effectively ending their status as global powers. Both had suffered huge loss of life, civilian and military, and the humiliation of occupation (in the case of the French) and impoverishment. The United States, while spared domestic damage, nevertheless took massive military casualties. A U.S. delegate during the Paris Reparations Conference observed that “the magnitude of the U.S. military effort was almost beyond comprehension.”3 Switzerland, on the other hand, despite its precarious military position during the early stages of the war, emerged in 1945 as one of the wealthiest countries in the world with burgeoning trade and gold reserves far surpassing its totals for 1938.4

A. The Swiss and British Perspectives on the Negotiations

Switzerland viewed the Allies (particularly the United States) as bringing unwarranted pressure to bear on a small and relatively powerless neutral state.5 At the same time, Swiss leadership believed that Swiss actions during the war were fully

1 Acheson, Present at the Creation, p. 52.
2 Department of State Bulletin, June 30, 1946, p. 1102.
5 Documentation on this is RG 84, American Legation Bern, Economic Branch, 1945, Box 41.
consistent with the internationally recognized obligations and rights of a neutral power. The Swiss asserted that they were equally convinced that Nazi Germany’s seizure of monetary gold from the occupied countries accorded with international law (the right of occupying powers to war booty); therefore Switzerland’s receipt of such gold was legal.\(^1\) On the other hand, Swiss officials contended that Allied claims to German assets beyond Germany’s borders were illegal and an assault on Swiss sovereignty.\(^2\) Swiss negotiators appeared thoroughly convinced of the legal basis for their position and frequently mentioned the possibility of submitting the conflicting positions to arbitration, a prospect the Allies resisted, in the first instance, because of the time required for arbitration and the likelihood of their losing the case.

On its side, Switzerland was committed to convincing the United States to eliminate Swiss companies and individuals from its blacklist and other blocking regulations so as to return Switzerland to full membership in the international community of trading nations.\(^3\) In addition, the Swiss negotiating strategy and the aggregate of Swiss actions and correspondence left the impression that Switzerland was bent on keeping as much gold and German assets as possible to meet the claims of Swiss creditors.

The Swiss contested the Allied claim at the Potsdam Conference to ownership of German assets in neutral countries. Max Petitpierre, Swiss Minister for Foreign Affairs, told U.S. Minister in Bern Leland Harrison in September 1945 that occupation of German territory by Allied powers could “hardly have any effects beyond German borders.” Harrison conveyed to Petitpierre the U.S. “dissatisfaction with slowness in effecting census [of German assets] measures taken and non-cooperation.”\(^4\) In October 1945 Harrison complained to the Swiss Foreign Minister about the “unsatisfactory situation with regard to our efforts to unearth German assets in Switzerland and in particular our dissatisfaction with lack of cooperation on the part of Swiss officials and their apparent failure to implement the March agreement,” which the Currie Mission had negotiated with Switzerland.\(^5\)

Swiss resistance to the Allies’ policy stiffened in response to splits in Allied ranks. As early as August 1944, the British Foreign Office was reportedly “most reluctant” to undertake or recommend any measures dealing with German loot that could not effectively be enforced without widespread continuation after the war of censorship and blockade, according to Ambassador Winant in London.\(^6\) Winant told the State Department in September 1945 that the British would find it very difficult to approve of

\(^1\) Exchange of letters between Assistant Secretary Clayton and Minister Charles Bruggmann, RG 59, Decimal Files 1945-49, 800.515/5-646 to 800.515/5-1446, Box 4206. These materials from Box 4206 form a lightly bound briefing book compiled for Rubin, one of the U.S. delegates to the 1946 negotiations. The individual documents show no decimal markings. Hereafter cited as RG 59, Decimal Files 1945-49, 800.515/5-646.

\(^2\) Paul Jolles, *Neue Zuricher Zeitung* article of October 30, 1996. (Jolles was a junior member of the Swiss delegation at the 1946 negotiations.)

\(^3\) November 11, 1946, presentation by Stucki in Basel, reported in Despatch 24 from Bern, November 14, 1946, RG 84, Legation Bern, Economic Branch, 1946, 631, Stucki, Dr. Walter.


\(^5\) Ibid., pp. 909-911.

extreme measures such as cutting off exports to neutrals that rejected the Potsdam Protocol. He said that the British were dubious of the legal basis of the protocol, and supported a proposal by U.S. negotiator Seymour J. Rubin to eschew legal arguments when dealing with the neutrals. Rubin’s idea was to ask the neutrals to hand over German assets on the moral ground that the Allies had saved them from Nazi tyranny. By October 1945, the British Ministry of Economic Warfare was urging compromises over the disposition of German assets as between the neutrals and Allies. The Ministry saw the United Kingdom’s economic position as too shaky to allow for pressure through financial measures. In particular, the United Kingdom could not cut off coal shipments to Switzerland or Sweden lest it be deprived of cash.

As crucial negotiations between the Allies and neutrals on reparations loomed, the United States and Great Britain (together with France) remained deadlocked over the use of sanctions if the neutrals failed to agree that all German assets should be made available to the Allied Control Council in Germany. Acting Secretary of State Acheson in December 1945 was convinced that the sanctions weapon was “basic” to the negotiations, but the British in January 1946 flatly rejected the use of sanctions as “unnecessary and impractical.” As a result, no preliminary agreement was reached by the Allies on the threat to use sanctions in the event that discussions with the neutrals broke down.

B. The Question of Sanctions Against the Neutrals; State and Treasury on the Eve of the Negotiations

Treasury officials prepared briefing materials for the U.S. delegation to the upcoming negotiations with the Swiss. They encouraged State negotiators to invoke a “global approach” to the looted gold issue, whereby any restitution figure would have to reflect a monetary value that encompassed all looted gold that had entered Switzerland after a certain date, rather than try to distinguish each particular shipment and assess the exact nature of the value for restitution of each. They also proposed that any agreement with the Swiss should contain a so-called open-end clause “which would enable us to make further claim against the Swiss” if further proof was discovered of looted gold bars in Swiss banks, including those that belonged to the Netherlands. This “open-end clause” would leave the Swiss open to all future claims concerning looted gold that Switzerland had acquired during the war.

---

2 Ibid., pp. 907-909.
3 Ibid., pp. 924-928.
To force Swiss cooperation in these matters, Treasury Assistant Secretary Harry Dexter White insisted that Swiss funds remain blocked in the United States until the Swiss provided iron-clad guarantees that they would identify and seize all accounts under German control. He estimated at $500 million the sum of German assets in Switzerland, excluding numbered accounts and cloaked assets.¹

American negotiators had the benefit of two comprehensive appraisals of German gold movements during World War II including the sales of gold to and through Switzerland. A summary chart by Otto Fletcher, Special Assistant to the Division of Economic Security Controls of the State Department, demonstrated from information in captured Reichsbank ledgers that Germany, whose estimated gold reserves at the beginning of the war was $120 million,² acquired another $661 million in monetary gold during the war most of which was looted. According to the Fletcher chart, all of the gold sold by Germany after early 1943 was looted gold. The amount of $276 million in gold was sold to the Swiss National Bank during the war, and “the larger part was looted gold.” An additional $138 million was “washed through” the Swiss National Bank and eventually sold to Portugal and Spain. This made a total of $414 million in looted gold sold or transferred to the Swiss National Bank by the Nazis. A separate analysis prepared by James Mann of the Treasury Department estimated the total monetary gold looted by Germany at $579 million out of a total of $785 million available to Germany after June 30, 1940. Mann determined, from available ledgers of the Reichsbank, that Germany exported “at least” $398 million worth of gold during the war, and of this amount “an absolute minimum” of $185 million must have been looted. Mann concluded that “on the fairest assumptions, the amount of loot [gold] taken by the Swiss from Germany can be estimated at 289 million dollars.”³

The centerpiece of Treasury’s negotiation strategy lay in the recognition by the neutral countries of the legal right for the ACC to assume title to all German external assets under the Vesting Decree. For that reason, Treasury favored ACC as the supreme authority in the negotiations, and when that failed, Treasury officials attempted to place the tripartite negotiating team under the aegis of the National Advisory Council.⁴

Before the negotiations even began, Treasury officials insisted that the Swiss Government not only recognize the ACC Vesting Decree and the authority of the German

¹ White to Senator Edwin Johnson, January 4, 1946, RG 56, Acc. 67A-1804, Box 27, Switzerland: Safehaven.
² Fletcher’s analysis presumably did not include the amount of gold acquired by Germany after the absorption of Austria and Czechoslovakia.
³ “German Gold Movements (Estimate),” prepared by Otto Fletcher, February 5, 1946, and “Allied Claims Against Swiss for Return of Looted Gold,” prepared by J.H. Mann, both in RG 59, Decimal Files 1945-49, 800.515/5-646. After the conclusion of the 1946 negotiations, a second report by Fletcher, dated September 6, 1946, estimated the total German income from gold reserves and movements at $775 million, outgo at $773.9 million. (Ibid.)
⁴ Andrew W. Kamarck to the Files, January 7, 1946, RG 56, Acc. 67A-1804, Box 27, Switzerland: German Assets. The National Advisory Council was established by the Bretton Woods Agreements Act of July 31, 1945, to coordinate the U.S. Government’s program of international financial cooperation and foreign lending. The Secretary of the Treasury was Chairman; members were the Secretaries of State and Commerce and the Chairmen of the Federal Reserve Board and the Export-Import Bank.
External Property Commission over the disposition of German assets in Switzerland but agree to restitute to the Allies for reparations an estimated $378 million in looted monetary gold that, according to FFC, the Reichsbank had sent to the Swiss National Bank during the war. To make the point, Treasury Secretary Vinson informed Secretary of State Byrnes of the extreme importance he accorded to Swiss recognition of the ACC Vesting Decree, even if it meant applying economic sanctions against the Swiss, regardless of British sentiments on this question.1

Secretary Byrnes informed Vinson of his decision to postpone a decision on how and whether to use sanctions against Switzerland. Byrnes wanted to wait and see how the negotiations with the Swiss worked out. The Secretary had been advised against the exercise of sanctions by his chief adviser on Europe, H. Freeman Matthews, Director of the Office of European Affairs, in a lengthy memorandum of February 15, 1946. While Freeman conceded the importance of general Safehaven objectives, he argued that economic sanctions were a drastic measure that rarely succeeded. Matthews argued that the United States undertake sanctions only with the full agreement and full participation of the French and the British—“the nations nearest geographically to the neutrals and those having the most at stake in both the reparations and security features of the Safehaven program.” Since the British and the French had both rejected the Department’s proposals on sanctions, Matthews concluded by recommending to the Secretary a cautious approach on the application of sanctions “with a view to agreeing to a line of procedure vis-à-vis the neutrals, to which we and the British and the French could all give our full support. There are increasing indications that the neutrals are aware of the necessity of settling the question of German assets to the substantial satisfaction of the victorious powers, and that the success of the program will be endangered more by our intransigeance vis-à-vis our negotiating partners than by a failure to reach agreement in the use of sanctions.”2

C. The Allied and Swiss Delegations at the Washington Negotiations

In February 1946 Randolph Paul was designated Special Assistant to President Truman in charge of the U.S. contingent to the Allied-Swiss negotiations. Paul had served during the war as General Counsel of the Treasury Department and Acting Secretary of the Treasury in charge of Foreign Funds Control which managed the financial aspects of the war against the Axis. Paul had an important role in urging, often in the face of State Department resistance, vigorous action to rescue the Jews from

---

1 Vinson to Byrnes, February 1, 1946, RG 56, Acc. 66A-81, Box 7, Vesting #3 [A51]; Byrnes to Vinson, February 16, 1946, RG 131, NN3-131-94-001 FFC, Box 385 Safehaven Project (not processed); Vinson to Byrnes, February 21, 1946, RG 56, Entry 360 P, Box 13 Chronological 80 [A34]; for earlier staff discussion of the British position on the Vesting Decree, see Schmidt and Friedman to White, February 7, 1946 [A35]; both in ibid., Entry 360 P, Box 13, Chronological 80; “Statement of Objectives and Procedures for Forthcoming Negotiations with Switzerland,” n.d., attachment to transmittal note, Schwartz to Scullen, Glazer, and Gewirtz, March 8, 1946, RG 131, NN3-131-94-001 (FFC), Box 391, Swiss Negotiations [A25]; McGrew to Scullen, March 11, 1946, ibid., Swiss Gold [A28], contains Treasury’s summary of gold movements which formed the basis for the demands.

2 RG 59, Decimal Files 1945-49, 800.515/2-1546.
Europe as the extent of the Holocaust became known, and he had accompanied Treasury Secretary Morgenthau to a meeting with President Roosevelt on January 15, 1944, to present a copy of a report prepared by the Foreign Funds Control office highly critical of the State Department “obstructionism” and entitled “Report to the Secretary [Morgenthau] on the Acquiescence of This Government in the Murder of the Jews.”

Paul was assisted by Seymour Rubin and Walter Surrey, senior Department of State officials responsible for economic security programs. The delegation, which numbered more than 15 officials, also included officers from the Embassies in Bern and London and senior Treasury Department officials including Orvis Schmidt, Director of Foreign Funds Control and Joseph Friedman, Assistant General Counsel. The British delegation was headed by F. W. McCombe, Economic Counselor the British Embassy in Washington who had served in the Embassy during the war working on economic warfare problems. The French delegation was headed by Paul Chargueraud who was a French Foreign Ministry Director. Walter Stucki, Chief of the Division of Foreign Affairs of the Federal Political Department, headed the Swiss Delegation. He was assisted by various senior Swiss Government officials and at least one representative of the Swiss National Bank.

The Soviet Union, which had at the Potsdam Conference renounced its claims to German assets in Western Europe, made no particular effort to participate in or observe the Allied negotiations. The Second Secretary of the Soviet Embassy in Washington, M. Moliakov did, however, call upon Seymour Rubin early in the negotiations to inquire in a general way about the negotiations and the nature of the agenda. Although Moliakov made the vaguest reference to Soviet observers, he did not raise the matter as a request or allude to it in a manner that required reaction. No further expression of interest by the Soviet authorities appears to have occurred.

D. Opening of the Negotiations at Washington

The Allies entered the talks with access to a considerable body of intelligence gained from the records of the Reichsbank and from lengthy interrogations of German banking officials, including most prominently Emil Puhl, the former Reichsbank Vice President. Puhl had had extensive relations with the Swiss National Bank during the war and served as a German member of the Board of Governors of the Bank for International Settlements at Basel. The Allies were particularly indignant at documentary evidence that the Swiss had been conducting commercial negotiations with the Germans at the same time they made the March 1945 agreement with the Currie Mission to block German assets. An exchange of letters between Puhl and the Swiss National Bank formed a

---

1 The meeting with President Roosevelt resulted several days later in the establishment of the War Refugee Board composed of Secretary of State Hull, Secretary of the Treasury Morgenthau, and Secretary of War Henry L. Stimson.
3 Letter from Major General Echols to Lieutenant General Clay, March 20, 1946, RG 260, Records of United States Occupation Headquarters, World War II, OMGUS Files, Box 653, German Intell and Investment.
Swiss-German agreement that “in fact wipes out the payment blockage against Germany which the Americans and British have made such strenuous efforts to achieve.”

The Allied negotiators also had access to a number of memoranda and reports analyzing the flow of German-origin gold to and through Switzerland during the war. In addition to this material on gold movements was a French Government memorandum given to the Swiss just prior to the opening of negotiations, detailing the illegal seizure and ultimate shipment to Switzerland of Belgian monetary gold, which had been sent to Paris for safekeeping. The memorandum also set out the Allied legal and moral position with regard to external German assets. The Swiss, on the other hand, insisted that international practice and domestic law precluded them from opening their financial ledgers to the Allies.

The press was an eager observer to the Allied-Swiss negotiations. Starting in early March 1946 even before the conference opened, many of the essential factors in the negotiations were publicized. Press reports regularly noted that the U.S. negotiators estimated the value of German assets in Switzerland at $750 million (3 billion Swiss francs) compared to Swiss acknowledgment of German assets of no more than $250 million (1 billion Swiss francs). The press also reported that the $250 million in assets matched the estimate of $250 million in wartime Swiss credits owed by Germany, and regularly referred as well to the $1.5 billion in Swiss assets frozen in the United States. The accounts stressed Switzerland’s insistence that the Allies had no right under international law to resort to the Heads of Government decisions at Potsdam in 1945 to justify a claim to any German assets. Press reports also linked to the Allied-Swiss negotiations the public call by American business and labor groups for a substantial reduction in the importation of Swiss watch movements.

Randolph Paul made several points in his opening statement. The dual objectives of the negotiations were to eliminate the German war potential in Switzerland and to make all German assets in Switzerland available for reparations. The Allies in no way questioned the principle of neutrality and were fully cognizant of Switzerland’s difficult position during the war. The Allies sought complete cooperation with Switzerland in making German property and assets available for reparation and reconstruction of Europe as soon as possible. The British and French made opening statements underscoring Paul’s remarks.

Walter Stucki followed with opening remarks that stressed that Switzerland’s war record was beyond reproach, that Switzerland had long opposed Nazism, that his country

---

1 Correspondence between Puhl and German Minister of Economic Affairs Walter Frank on the Swiss-German agreement was introduced during the June 1945 hearings of the Kilgore Subcommittee.

2 For example, the summary prepared by Otto Fletcher, “German Gold Movements (Estimate),” February 5, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646.

3 Memorandum prepared by the French delegation on “Belgian Gold,” March 15, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646.

4 The New York Times, March 4, March 11, March 18, March 22, March 23, March 25, 1946. H. Freeman Matthews, Director of the Office of West European Affairs, Department of State, sent a memorandum to the Secretary of State on February 15, 1946, estimating that German assets in Switzerland were between $250 million and $500 million, RG 59, Decimal Files 1945-49, 800.515/2-1546.
opposed application of ACC Law No. 5 as a contravention of Swiss sovereignty, and that
the Swiss constitution forbade the expropriation of any assets in Switzerland, nor could
the government hand such asserts over to a third party.\(^1\) The Swiss delegation, in an
opening statement, addressed the assets issue by offering to open a blocked account (i.e.,
unavailable to Germans) at the Swiss National Bank to receive revenues from the
liquidation of German assets. Funds from the account would be used to pay Swiss
creditors and other Swiss citizens who lost property in Germany through Nazi action.
The statement further referred to Switzerland’s moral duty to the Allies and to the
population of devastated Europe but made no financial commitment.

After the exchange of opening positions, it was evident that progress would be
facilitated by periodic meetings of expert working groups to cover the gold and assets
issues. Paul’s status report on the first week of talks showed no progress from opening
positions and considerable irritation with Stucki’s decision to make the Swiss position
public.\(^2\) After another week of little progress, Stucki departed for Bern to consult with
his government. Several days later, the Swiss Embassy delivered an Aide-Mémoire to the
Department of State, seemingly unrelated to the talks, restating the Swiss Government’s
frequent requests that the United States eliminate Swiss companies from the Proclaimed
List.\(^3\)

During the first several weeks of the conference, the Allies sought to make clear
to the Swiss that in providing for reparations, they were not being subjected to punitive
action but were being asked to participate in the reconstruction of war-ravaged Europe.
In order to overcome the deadlock in the talks, the Allies abandoned their claim to all the
German assets and offered to share with the Swiss. The Swiss were offered up to 20
percent of the proceeds of liquidated German assets in Switzerland, but the Allies could
not recognize any of the Swiss claims against a bankrupt Germany. The Allied
negotiators also sought to emphasize that the first $25 million collected from liquidation
of German assets would be turned over to the Intergovernmental Committee on Refugees
(IGCR) for the relief of non-repatriable victims of Nazism. Allied negotiators presented
evidence to the Swiss that at least $200 million worth of gold transferred by Germany
during the war to Switzerland was loot.

For their part, the Swiss resisted Allied legal claims to German assets, proposed
that the issue of the liquidation of assets be referred to international arbitration, rejected
Allied estimates of the looted gold in Switzerland, argued that any restitution of gold was
a responsibility of the Swiss Federal Tribunal, and insisted that the reconstruction of
Europe could only be funded with German assets found in Germany—not in
Switzerland.\(^4\)

Paul’s second status report noted Stucki’s departure and commented that the
negotiators still remained far apart on both the gold and assets issues. The report did,

\(^2\) Memorandum from Paul to Clayton, March 25, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646.
\(^3\) Swiss aide-mémoire, n.d., ibid.
however, contain the seeds of a possible agreement on liquidating German assets in Switzerland in exchange for the Allies’ concession that they would be willing to consider the participation of the Swiss Government in that liquidation and permit the Swiss to keep a percentage of the revenues. The report also introduced the notion of an up-front payment of $25 million to European relief agencies from the early proceeds of the liquidation. Paul further stated that he had sought to refute the early Swiss arguments about looted gold.¹

Throughout the early weeks of the conference, the Swiss made the negotiations regarding the return of looted gold particularly frustrating for the Allies, especially in view of the considerable body of analysis of German wartime gold sales to the Swiss. At the March 26 meeting of the Gold Subcommittee, Rappard told his Allied counterparts that Switzerland had never handled looted gold. The Swiss at this time informed the Allied negotiators that Switzerland had purchased during the war 1.2 billion Swiss francs worth of gold and had received another 600 million francs in gold for the accounts of other Central European banks, for a total of more than $417 million at wartime prices—an estimate quite close to that prepared by the State Department in February 1946. At the March 29 meeting of the Gold Subcommittee, the Swiss repeated their assertion that Switzerland had no looted gold and shrugged off the wartime warning by the Vichy Bank of France President about the shipment of looted Belgian gold by the Nazis to Switzerland as a warning not deserving serious attention because it was conveyed by a known wartime collaborator.² The Swiss fall-back argument was that under international law Nazi Germany as a conqueror nation had a legal right to the gold looted from central banks so long as they were government-owned, not private. U.S. delegate Otto Fletcher replied that all of the central banks in question were private institutions.³

The Allied negotiators gradually advanced, over the course of the negotiations with the Swiss, an estimate of the gold expected from the Swiss. A few days before the conference began, Allied negotiators discussed a State Department report that estimated German looted gold in Switzerland at the end of the war at as much as $289 million and certainly at least $185 million.⁴ According to a March 26 State Department memorandum, the Allies informed the Swiss that the $200 million was a “minimum,” and, according to information found in Germany, there was a possibility that all of the gold received by Switzerland from Germany was looted.⁵ In a March 29 memorandum, the Allies furnished the Swiss with information upon which the Allies based their estimate that at least $200 million worth of gold looted by Germany was transferred to Switzerland.⁶

¹ Memorandum from Paul to Clayton, April 3, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646.
² State Department memoranda, March 26 and 29, 1946, ibid.
³ State Department memorandum, March 26, 1946, ibid.
⁴ Memorandum of conversation, March 8, 1946, ibid.
⁵ State Department memorandum, March 26, 1946, ibid.
⁶ State Department memorandum, March 29, 1946, ibid.
By early April, the Swiss began their bargaining on gold, arguing that Switzerland would consider agreeing to returning to the Allies a part of the gold obtained from Germany after the Allied Gold Declaration of February 1944. In the face of Allied negotiators’ arguments, the Swiss receded in mid-April to the position that the Allied estimates of German monetary gold were inflated and that Switzerland did not have any concrete information about German looting of gold. A few weeks later, the Swiss insisted that all Swiss purchases of gold during the war were in accord with the laws of neutrality, that wartime Allied warnings about the purchase of looted gold were not decisive in determining whether Switzerland would surrender of its gold, that Switzerland would never acknowledge that the Belgian gold it had purchased during the war was looted, and if the Allies rejected an offer of $25 million in gold, Switzerland would refer the matter to a Swiss tribunal.

By April 23, the Allied negotiators informed the Swiss that Switzerland was liable to restore to the Allies approximately $130 million in monetary gold, the value of the Belgian monetary gold looted from France during the war and transferred to Switzerland. Allied negotiators revised their expectations downward between late April and early May after concluding that Austrian monetary gold could be excluded from the estimate of looted gold. By this time the Swiss negotiators acknowledged that they had purchased $88 million in gold from Germany traceable originally to Belgium, but they were not willing to concede that they were liable to restore that amount to the Allies.¹

E. Role of Intelligence in the Washington Negotiations

With the onset of negotiations in Washington, interest revived in Project Jetsam—the early postwar version of the former OSS intelligence collection for Safehaven—as an important channel for reporting on Swiss negotiating goals and tactics. Priority tasking began in March 1946. Two urgent messages were dispatched that month from the Strategic Services Unit (SSU) Headquarters in Washington to officials in Bern: one of March 14 requesting “any possible information on instructions particularly general line of defense given Stucki,” followed by a “priority” request on March 19 for “instructions to Stucki delegation re willingness Suisse permit Allied seizure German funds for use for reparations...Was committee allowed latitude for decision here?”²

Some of the replies from Bern apparently were useful: on March 25 SSU Headquarters in Washington cabled Bern, “State considers Bern 337...valuable and timely. Congratulations. Cable any further developments.”³

² SSU Washington #WASH 2083: (Bern) BRUCC from Magruder, March 14, 1946; #WASH 2159: (Bern) BRUCC from Joyce from Magruder, March 19, 1946, RG 226, Entry 134A, Box 9, Folder 26.
³ SSU Washington #WASH 2352: (Bern) BRUCC from Magruder, March 26, 1946, ibid. “Bern 337,” which was apparently sent between March 14 and 21, must have been the basis for the intelligence report provided to Walter Surrey at the State Department. (Memorandum from Chairman, Reporting Board, SSU to Walter S. Surrey, Esq., Division of Economic Security Controls, Department of State, March 22, 1946, ibid., Entry 108A, Box 1, Folder 6) However, the original cable has not been found at NARA. It is impossible to know whether further information was obtained from this source, but SSU Headquarters in Washington cabled Bern on April 10, “Memo from Walter Surrey of State rates your original material re
Responding to the tasking from Washington, SSU in Bern was able to contact a “reliable source” close enough to the Swiss Foreign Office to report on the thinking of Max Petitpierre, head of the Political Department. The reporting showed Petitpierre and a majority of the Swiss Federal Council to be “convinced” that granting Allied claims to German assets was “indispensable.” Petitpierre was said to be particularly concerned for the upcoming Swiss elections and apprehensive of a conservative reaction to Swiss resumption of diplomatic relations with the Soviet Union. On March 21 he told the SSU source that he earnestly desired to settle “the present misunderstanding with the United States to counterbalance this gesture of friendship toward the East.” The Swiss were further prepared to accede to the demand that Allied representatives be admitted into Switzerland to track down concealed German assets. According to this report, the most important Swiss demand was for payment of approximately 500 million Swiss francs for goods shipped to Germany during the war and not yet paid for. This they planned to take from the outstanding balance of a prewar German loan for building the Gotthard tunnel and from German investments in the Swiss railway system.¹

This intelligence was passed to the State Department on March 22, but it is unclear if it had any immediate effect on the negotiations since for a long period, the positions of the two sides were too far apart for any progress to be made. Stucki’s firm stance contrasted sharply with the more conciliatory posture of the Swiss Foreign Office in Bern, but he clearly had considerable latitude in negotiating with the Allies. Obviously frustrated by the lack of progress, Stucki nevertheless retreated very slowly to his final negotiating position, apparently adhering strictly to what must have been his instructions before he left Bern.² In contrast, the intelligence that came from the Swiss Foreign Office indicated that Petitpierre and the Federal Council were willing to be more flexible, possibly even to the extent of increasing the sum they were willing to offer as restitution.³ Moreover, the Swiss were concerned that the Allies might exploit their considerable economic leverage to force Switzerland into an agreement on unfavorable terms. It is probable that the U.S. negotiators found it difficult to resolve the differences between Stucki’s position and that of the Swiss Federal Council in Bern. On March 27 the Chief of the Strategic Services Unit, General John Magruder, complained to U.S. officials in Bern: “Everything Swiss delegation has said to date” contradicted the information that had been provided through intelligence, and he requested immediate confirmation: “Much depends on it.”⁴

---

¹ Memorandum from Chairman, Reporting Board, SSU, to Surrey, March 22, 1946, ibid., Box 108A, Box 1, Folder 6.
⁴ SSU Washington #WASH 2434: (Bern) BRUCC from Magruder, March 27, 1946, RG 226, Entry 134A, Box 9, Folder 26.
At the end of March, when Walter Stucki returned to Switzerland for about a week to discuss the progress of the negotiations with the Foreign Office, he became an especially important target. On April 10 SSU Headquarters in Washington cabled Bern placing an “urgent” requirement for “information re Stucki’s new instructions and report of his activities during the week he spent in Switzerland.”¹ By this time, however, SSU in Bern was reporting all intelligence obtained on German assets in Switzerland directly to the Ambassador in Bern² and no further reports have been found.

**F. First Swiss Draft Agreement on German Assets**

Stucki returned from Bern on April 11, and immediately wrote Paul reserving the Swiss legal position, but enclosing a draft agreement that accepted a role for the Allies in the liquidation of German assets in Switzerland through the establishment of a joint commission and a plan to share the revenues in some unrevealed proportion. The draft offered a Swiss payment in gold without prejudice to the strongly held Swiss view that the Allies had no claim to gold acquired from wartime Germany. The Swiss draft failed to indicate the level of payment the Swiss contemplated in this category. Two days later, the Swiss followed the draft with an April 13 memorandum entitled “Swiss Observations With Regard to the Gold Problem,” which differed markedly from Allied calculations regarding German gold holdings at the beginning of the war and questioned the credibility of information provided by former Reichsbank Vice President Emil Puhl (and presented to the Swiss by the Allies) since, among other things, the Swiss were not present for his interrogation. Puhl had told U.S. interrogators that Swiss National Bank officials knew they were receiving looted gold, in part because he admitted this to them.³ The press accounts of the Swiss position at this time emphasized continuing Swiss resentment to the continued blocking of the $1.5 billion of Swiss assets in the United States, Swiss insistence on the rightness of its claim for the $250 million wartime clearing account with Germany, and Swiss reminders that the Allies were supplied during the war with three times that amount against blocked Swiss gold accounts in the Allied countries.⁴

The Allied delegation’s reaction to the latest Swiss proposals was strongly negative, but Paul’s response to Stucki was carefully crafted to avoid a breakdown in the negotiations. His letter reasserted (with some further legal clarification) the Allies’ right to order the liquidation of German assets but it gave up the insistence that Switzerland recognize ACC Law No. 5. Paul pointed out that the Allies could have simply transferred title to individual German assets to those countries claiming reparations with very negative implications for the Swiss economy and relations with the countries involved, but had rejected this course in order to do as little damage as possible to the Swiss economy.

---

¹ SSU Washington #WASH 2829: (Bern) BRUCC from War Department Strategic Services Unit, April 10, 1946, ibid.
² SSU Bern #438: War Department Strategic Services Unit from (Bern) BRUCC, April 11, 1946, ibid.
economy. Paul also rejected the notion of arbitration for several reasons, paramount among them the length of time involved during which the Allies would have to maintain “certain measures to ensure that no German assets fail to be uncovered.” Lastly, Paul drew a correlation between the outcome of the negotiations and procedures for unblocking Swiss assets in the United States. Paul reserved the Allied position on looted gold and followed the letter with a memorandum of April 17, providing the Swiss with a detailed accounting of the Allied gold calculations on the critical matter of Germany’s monetary gold reserves at the beginning of the war based, in part, on the Reichsbank’s books. The Allies also offered an accounting of Swiss gold imports from Germany during the war and a reiteration of their position on looted Belgian monetary gold.1

By mid-April the negotiations had become largely an exchange of notes, memoranda, and letters and meetings between principals. Stucki wrote Paul on April 17, answering the latter’s assertions on the assets question point for point, and concluding on a constructive note that the framework of an agreement could be worked out at Washington and later polished and concluded in Bern. Both Stucki and Paul agreed that the major differences boiled down to only two issues—gold and procedures for liquidating German assets and dividing the revenues.

G. Second Swiss Draft Agreement on German Assets

On April 18 the Swiss gave the Allies another draft agreement, very similar to the first draft but more detailed in the technical treatment of the asset question and with the significant concession that Switzerland would consider sharing with the Allies the custody of German assets. Specifically, Swiss debtors and others holding German assets located in Switzerland would settle either through the use of a special account at the Swiss National Bank or by surrendering German assets to a Swiss Governmental agency. The agency would be charged with the liquidation of these assets and with the payment of the proceeds into the special account. Swiss holdings belonging to Germans living in Germany would be transferred to Swiss ownership and the equivalent in Swiss francs would be paid into the special Swiss National Bank account. Germans with Swiss debts would be expected to pay their debts in Reichsmarks to a designated agency in Germany.

The Swiss draft provided further that a percentage of the proceeds of the liquidation on account at the Swiss National Bank would be credited to the Allies in a special account to be used for humanitarian and reconstruction purposes. The Allies would also be expected to undertake that the equivalent of their share of the proceeds would be deposited with a German agency in Marks. These revenues would in turn be used to pay the German creditors whose claims and assets were transferred to the Swiss National Bank. The Swiss added that the control and liquidation of German assets were wholly functions of the Swiss authorities who would act in close cooperation with a commission composed of representatives of the three Allied governments.

1 Letter from Paul to Stucki, April 14, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646.
2 U.S. delegation memorandum, April 17, 1946, ibid.
3 Swiss draft agreement, April 18, 1946, ibid.
On the gold issue, the draft provided for a payment to the Allies of an undisclosed amount provided that the Allies waived all claims in connection with gold transactions. Both the gold payment and the Allied share of the revenues from the liquidation of German assets were characterized in the draft as “a Swiss contribution to the alleviation of human suffering and to the reconstruction of the areas of Europe ravaged by war.” Finally the draft provided for procedures to unfreeze Swiss assets in the United States and to remove all restraints on Swiss trade. The Allied governments would also undertake to respect and protect private Swiss property in their territory and territory occupied by them.

The Swiss draft gave rise to an exchange of memoranda in which the Allied side rejected the Swiss proposals for the procedures to be followed in Germany for clearing of Swiss and German debts and compensating Germans for their assets located in Switzerland. In summary, the Allied view was that compensation of Swiss and German creditors was a matter for the domestic authorities of Germany and Switzerland to decide, not the negotiators. The Swiss memorandum focused on gold, asserting that the Swiss Government accepted no legal or moral obligation for the restitution of gold and if the Allies did not accept the offer outlined in the Swiss draft, made in the “interest of a contribution to the reconstruction of Europe,” arbitration would be the only solution. In a short note dated April 23, the Allies rejected the Swiss position on gold but left the door open for a continuation of discussions looking to a fair settlement.1

The Swiss also considered all accounts and property owned by Jews to be foreign-owned assets, therefore subject to blocking. The American Jewish Congress (AJC), after meeting with Colonel Bernard Bernstein, former head of the Foreign Exchange Depository of OMGUS, responded that these assets were exempted from ACC Law No. 5 since Jewish-owned property was not slated to be used as a form of reparations. The AJC maintained that there was a “substantial amount of property in Switzerland belonging to Jews who have been exterminated during the last thirteen years and who have left no heirs or other legal representatives to claim on their behalf...Great amounts of property all over the world now held in the accounts of non-Jews are assets that belonged to Jews on or since January 1933, and were taken from them by force or duress. Undoubtedly, a substantial amount of this type of looted property is now held in Switzerland.”2

H. Collapse of the Talks

Within a 24-hour period, there were several meetings of the principals and exchanges of notes embodying an Allied request for a Swiss payment of $130 million in settlement of the gold issue and two-thirds of the revenue from the liquidation of German assets. A Swiss source wrote that “Stucki could hardly contain his anger and left the

---

1 U.S. delegation memorandum, April 23, 1946, ibid.
2 Draft letter from AJC to Professor Rappard of the Swiss delegation, n.d., ca. April 1946, RG 56, Acc. 56-69A-4707, Box 84, Germany: Restitution.
conference room abruptly.”¹ On April 24, Stucki wrote Paul formally rejecting the Allied request and stating that in his judgment the “discussions should be interrupted.”²

Seymour Rubin informed Under Secretary Acheson and Assistant Secretary Clayton on April 24 that the Swiss had suspended the talks, and he set out the negotiating posture of both sides. From Rubin’s standpoint, the negotiations broke down on the gold issue. The Swiss had informally (and tentatively) offered $25 million as a contribution to the reconstruction of Europe. The Allies sought $130 million or the amount the Allies believed equaled the looted Belgian gold traceable to Switzerland. The Swiss had sought an exploration of the data. When the numbers turned out to favor the Allied position, the Swiss retreated to “the question of principle,” pointing out that only a Swiss court was competent to decide the gold issue and that Swiss law gave no legal or moral basis for restitution of gold. Rubin assured Acting Secretary Acheson:

“Mr. Paul and his associates, Messrs. Chargueraud and McCombe, tried until the very last to reach a satisfactory compromise agreement. They had no help from the Swiss, who were legalistic even when they privately conceded that their legal position had been exploded by the Allied offer to compensate the German owners, and who consistently refused to put forward proposals of a reasonable character…Despite the Swiss attitude, the Allied negotiators have throughout impressed me with their moderation and sincere desire to reach an amicable solution. They have not endeared themselves to the fire-eaters in the American agencies by this conciliatory spirit; but they have persisted in…trying to bring the negotiations to a successful conclusion.”

Rubin observed that “an extreme Allied position was not the cause of the collapse of the negotiations and that the outcome would have been the same if the Allies had asked for $30 million in gold rather than $130 million.” The underlying Swiss position on German assets, according to Rubin, boiled down to using the machinery put in place by the occupying powers for a Swiss-German capital clearing arrangement that would enable Swiss authorities to use the revenues from German assets to pay Swiss claimants against Germany, in effect honoring Swiss franc claims that were of doubtful value given the collapse of the Reichsmark. Rubin assured Acheson and Clayton that the Allied side had, despite Stucki’s bitter refusal to consider further counterproposals, made every attempt to continue the discussions (as did Stucki’s deputy). He concluded with the judgment that Stucki would have terminated the talks whatever offers were on the table.³ This critical phase of the talks ended with a short letter from Paul to Stucki informing him that unless the Allied negotiators heard to the contrary they would inform their governments that the Swiss saw no possibility of finding a basis for a settlement.⁴

² Letter from Stucki to Paul, April 24, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646.
³ Memorandum from Rubin to Clayton and Acheson entitled “Termination of Allied-Swiss Negotiations,” April 24, 1946, ibid., 800.515/4-2446.
⁴ Letter from Paul to Stucki, April 24, 1946, ibid., 800.515/5-646.
During the next week, an exchange of letters between Assistant Secretary of State William Clayton and the Swiss Minister in the United States, Bruggmann, evidenced the continuing strong disagreement with Switzerland’s legal argument that German wartime requisitions of monetary gold were consistent with international law and hence the Swiss were within their rights to have accepted such gold in the course of their commercial activities. In his response, Clayton made clear that the United States could not accept the legitimacy of German acquisitions and hoped that the gold issue could be resolved on the “equities of the situation.”

The press reported that public reaction in Switzerland was unanimously in favor of the firm bargaining position of its representatives at the Washington talks. Swiss newspapers sought to portray the negotiations as struggle between David and Goliath. Invoking the sanctity of private property protected by the Swiss constitution, Swiss commentators argued that Allied intentions to confiscate German assets was plainly illegal because such assets could only be disposed of by their owners acting without pressure. A Basel newspaper was quoted in The New York Times as stating: “Nothing will move us. We will not yield to pressure or relinquish our sovereign rights…We must have the courage to resist force and bear whatever restrictions are imposed.”

I. Resumption of the Talks and the Final Swiss Offer

The Swiss resumed the negotiations on May 2 when Paul and his British and French colleagues met with Stucki, a meeting arranged by Minister Bruggmann. Stucki made what he explained “on his word of honor” was his final offer. It provided for a 50-50 split on the proceeds of German assets in Switzerland and a payment of 250 million Swiss francs, or approximately $58.1 million, in settlement of the gold question. Stucki told Paul that he would be returning to Switzerland, whether his offer were accepted or not, either to sell the proposition to the Swiss people or to report his failure to the government.

Paul discussed the Swiss offer with his French and British colleagues on the afternoon of May 2. Paul felt that the Swiss offer was the final bid. He reminded his colleagues that their original proposal of $88 million in gold had been a good case, but they had agreed to a settlement of $75 million. A better settlement with the Swiss would only be possible if economic controls against the Swiss remained in place. Chargueraud and McCombe agreed to consult their governments. Paul was told at the time that the French Government probably would refuse Stucki’s offer as insufficient, but the British probably would accept the offer as made.

Before turning to his own government for instructions, Paul met with Stucki again on May 2 and, on behalf of the Allies, expressed willingness to conclude an agreement if

---

1 Letters exchanged between Assistant Secretary William L. Clayton to Swiss Minister Bruggmann, April 30-May 2, 1946, ibid.
3 Paul reported on the meeting in a letter to Clayton, May 3, 1946, RG 59, Decimal Files 1945-49, 800.515/5-346.
the Swiss offer on gold were raised to $70 million. Stucki not only refused but suggested that the Swiss would subtract a 2 percent commission as a collection fee on German assets, but Paul reported that “he retracted this suggestion after I indicated that I thought he was chiseling on his previous offer.”

Paul immediately reported his last several meetings with the Allies and Stucki in identical letters on May 3 to Assistant Secretary of State Clayton and Treasury Secretary Vinson. Paul made clear his conviction that the Swiss had made their last and best offer. A final Allied decision whether to accept the offer rested on the willingness of the Allies to maintain trade and financial controls against the Swiss. Paul observed that there was significant sentiment in France, Britain, and the United States for elimination of controls over commercial and financial activities, and Switzerland would inevitably be drawn into trade with the wartime allies, creating even greater pressure against continued economic controls against Switzerland. He doubted the Allies would have much leverage to employ against the Swiss within several months. Paul further pointed out that a settlement of the Swiss negotiations would set a pattern for negotiations with the other neutrals, but he remained silent on whether the precedent would be for the better or worse:

“If it were assured that this Government would maintain its freezing controls and the Proclaimed List in effect for a substantial period, even without regard to whether the French would be willing to bring suit on the gold question, I would probably recommend rejection of this offer, on the ground that within a few months it would be increased to the Allied advantage. However, I am told that the British Government refuses to continue the Proclaimed List beyond June 30, and that this Government is reluctant to press the British more than has already been done. I am also told that the pressure for the release of the freezing controls are increasing daily. In addition, there is significant sentiment in the United States, Great Britain and France in favor of the elimination of controls over commercial and financial activities. As trade in Europe becomes more feasible, it is apparent that Switzerland will be drawn more and more into arrangements which so far have been largely confined to the United Nations, with the end result that the pressure against controls on Switzerland will be great.

“You will recall that when these negotiations began I discussed with Secretary Byrnes the question of economic sanctions. It was his view that any decision on this matter should be postponed until it became necessary to raise the question in the course of the discussions. Accordingly, the subject of economic sanctions has not been discussed since the original meeting with Mr. Byrnes. The decision, however, is now pertinent on the question of whether the settlement offered by the Swiss at the present time can be improved at some future date.”

1 Paul reported on the meeting in his letter to Clayton, May 3, 1946, RG 59, Decimal Files 1945-49, 800.515/5-346.
Taking these factors into account, Paul asked Vinson and Clayton to instruct him if the Swiss offer should be accepted or rejected.\(^1\)

U.S. understanding of the Swiss position gained at the bargaining table was supplemented by information provided by U.S. intelligence. That some details of the Swiss instructions were made available to the Allied negotiating team appears to have become known to and alarm Stucki. On April 15 he expressed his concern that the United States was obtaining information on his instructions directly from a source in Bern.\(^2\) On April 24, the day after he terminated the talks, Stucki voiced his conviction that the State Department was leaking information from Bern to the American press corps on how far the Swiss were willing to go in making restitution.\(^3\) Although it is impossible to confirm such leaks, negotiators in Washington were probably still receiving reporting on the Swiss negotiating posture from information being provided directly to the Ambassador. On April 30 Magruder asked representatives in Bern: “What instructions were given to Stucki on gold? How far can he go and how much has he been authorized to pay?”\(^4\) No response has been found to Magruder’s cable, but it is clear that by May 3 Randolph Paul was persuaded that the Swiss had made their final offer.

**J. Response to the Swiss Offer**

On May 3 Randolph Paul cabled the Legation in Bern asking the Minister to approach the Federal Council describing Stucki’s last minute attempt to get a commission for the Swiss as well as his apparent willingness to break off negotiations before tabling the Federal Council’s best offer.\(^5\) Paul hoped that Stucki’s behavior might motivate the Council to accept the Allied request for a $70 million payment instead of the roughly $60 million already offered. Paul stressed that the higher figure would be much easier to sell to the French who had the most pressing interest in the gold settlement. The Legation responded on May 6 that Petitpierre had stated that the Federal Council could not go beyond its previous offer and that Stucki would so inform Allied negotiators at a meeting the same day. Petitpierre also informed the U.S. Minister that any final agreement reached would be submitted to the Swiss Parliament for ratification. The Minister reported that Petitpierre appeared to recognize that only the French would be dissatisfied by the Swiss gold offer. The message signaled that there was no room left for further bargaining (including any attempts by Stucki to drive a harder bargain) and that the Swiss believed the United States and the United Kingdom could convince the French to accept Switzerland’s offer.

Hours after receiving the Legation’s message, Paul and his colleagues called on Senator Harley Kilgore, Chairman of the War Mobilization Subcommittee of the Senate

---

\(^1\) Letter from Paul to Clayton, May 3, 1946, ibid. Robert J. Schwartz, writing in 1952, recalled that Treasury officials felt the negotiations had been “extremely difficult,” and had recommended terminating the negotiations rather than accept a fixed amount, see Schwartz “History,” pp. 8-11.

\(^2\) Army Security Agency Diplomatic Translation #H-234376, April 15, 1946, RG 457.

\(^3\) Army Security Agency Diplomatic Translation #H-232831, April 25, 1946, RG 457.

\(^4\) Washington #WASH 3427: (Bern) BRUCC from War Department Strategic Services Unit, April 30, 1946, RG 226, Entry 134A, Box 9, Folder 26.

\(^5\) Telegram 1144 to Bern, May 3, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646.
Military Affairs Committee, to determine the Senator’s view of the Swiss offer. In the course of the discussion, Paul explained that the Swiss were very likely keeping over $30 million of the gold looted from the Belgians or close to one-third. Nonetheless, Allied negotiators believed the approximately $60 million the Swiss were offering was the best the negotiations could provide. Paul explained in great detail the terms of the procedures relating to the liquidation of German assets. According to Rubin’s account of the meeting, there was an extended discussion of the difficulty of negotiating a better deal with the Swiss if economic sanctions could be brought to bear:

“Mr. Paul indicated his feeling that a better deal perhaps might be worked out with the Swiss if the United States were firm in a policy of application of economic sanctions and of continuation of the freezing controls and black list, and if agreement on these matters could be worked out with the other interested United Nations, particularly the British. Senator Kilgore indicated his feeling that the most effective sanction was the freezing controls and he had some doubt that the British would go along on any application of continued economic pressures on the Swiss. Rubin stated that the questions of the black list had been taken up with the British, and that so far it had been indicated that the British would not continue the Statutory List beyond June 30, 1946. He stated also that the British had said that this decision could only be reversed if Mr. Truman were to take up the matter with Mr. Attlee…. He [Rubin] emphasized that a better agreement might perhaps be worked out if a strong position were maintained by the Allies for a substantial period of time, but stated his belief that the pressures for relaxing rather than tightening controls were increasing all the time. Senator Kilgore stated that he knew this very well, and that he was receiving daily a great many letters in this general vein.”

Rubin’s account concluded as follows:

“Senator Kilgore, in summing up his reactions, stated that he felt that the security aspects of the proposed agreement were the more important, and that apparently the agreement did about as well as could be done with respect to the problem of security. He indicated that he had never expected to get a great deal from the Swiss on the monetary side, and stated that he felt that the agreement outlined by Mr. Paul did quite well on this aspect of the problem. In response to Mr. Paul’s question, Senator Kilgore indicated that he would accept the terms suggested, if the problem were up to him.”

Paul next wrote Secretary of War Robert Patterson, enclosing a copy of his earlier letter to Assistant Secretary Clayton and Secretary Vinson as well as reporting that Senator Kilgore favored accepting the Swiss offer.

On May 8 Paul and Rubin met with Vinson and Clayton to make a final decision on the Swiss offer. Clayton indicated early in the discussion that he believed the Swiss offer should be accepted since it would provide the Allies with a substantial sum of money that could be used to help rebuild Europe. Clayton felt that factors other than

---

1 Memorandum of conversation, May 6, 1946, among Kilgore, Paul, and Rubin, ibid.
controls impelled him to think that the Swiss offer ought to be accepted. According to Rubin’s record of the meeting, “should the negotiations fail, there would be a great deal of comment inspired by the Swiss along the lines of Switzerland, ‘a small democratic country’, being bullied by the greatest power in the world. He thought that the negotiations had been very well conducted by Mr. Paul, and that the offer should be accepted.” Vinson remarked that it seemed to him pointless to endanger the agreement for the difference between $70 million informally put forward by Paul to Stucki and the Swiss offer of $58-60 million. In his judgment, any further risk was not justified and given the current atmosphere of the negotiations he would not hesitate “a split second” to accept the offer. Both Acting Secretary Clayton (both Byrnes and Acheson were out of the country) and Secretary Vinson addressed the issue of how the State Department leadership regarded the impending agreement with the Swiss.

During their meeting, Paul pointed out that one problem of the negotiations was that the Allies were acting on behalf of one group of claimants with respect to gold and another group of claimants with respect to external assets, and Vinson and Clayton observed that “we might incur criticism if an overall settlement were given up in order to get an additional amount on the gold claim.” According to Rubin’s record:

“Mr. Clayton said that he had not consulted Mr. Acheson on this matter, but that he thought he could speak for him, and that he knew how Mr. Acheson felt about this matter. Mr. Vinson alluded to the question of sanctions, and read aloud that portion of Mr. Paul’s letter alluding to sanctions and to Mr. Byrnes’ views. He said also that there had been discussion at the staff level (it was understood that this meant in Treasury) and that there was considerable doubt about the efficacy of sanctions.”

After the group agreed to accept the Swiss offer, the discussion turned to eliminating controls, and Rubin believed that June 30 would be a workable deadline assuming the agreement was signed.¹

**K. Allied Acceptance of the Swiss Offer**

Three weeks passed during which the United States and the United Kingdom attempted to convince the French to accept the Swiss gold offer, apparently with considerable difficulty.² Finally, on May 21 Paul wrote Stucki that the Allied governments accepted Switzerland’s last offer, and a final agreement could be based on definitions included in written exchanges that had taken place on April 17. Paul’s letter included an assumption that the Swiss Government would provide detailed statements outlining amounts of gold deposited in Switzerland by the Reichsbank and subsequently sent to other countries. In the penultimate paragraph of his letter, Paul proposed that the Swiss delegation recommend to the Swiss Government that “procedures should be established whereby the property within Switzerland of victims of Nazi action who have since died and left no heirs are put at the sole disposal of the Allied Governments for

purposes of relief.”¹ Stucki answered Paul’s notification the following day, generally repeating the Federal Council’s final offer, but asserting that German assets must be defined differently than in the U.S. note of April 17. Regarding the Allied request for an accounting of Reichsbank deposits, Stucki offered to discuss it orally. He also noted that the Allied proposal on the use of heirless accounts would need further study.

The negotiations ended officially the same day with a press release outlining the main terms of the agreement and stating that some technical details remain to be worked out in Washington. The final agreement with the Swiss was signed on May 26; it consisted of an Accord, an Annex, a gentlemen’s agreement, and an exchange of letters between the Swiss and Allied delegations.² On June 3 Paul submitted a report to President Truman on the negotiations, which included a summary of the final agreement.³

The Allied-Swiss Accord agreed that:

- The Swiss Compensation Office would liquidate German property in Switzerland.

- Germans whose property was liquidated would have a right to compensation in German money.

- The Swiss Compensation Office would liquidate German assets in cooperation with a Joint Commission composed of Allied representatives.

- Liquidated assets would be divided on a 50-50 basis between Switzerland and the Allies.

- The Swiss Government would make available to the Allied Gold Pool 250 million Swiss francs ($58.1 million) on demand in gold in New York.

- The United States would unblock Swiss assets and the Allies would discontinue trade “black lists” as they applied to Switzerland.

- The interpretation of the Accord might be settled by arbitration.

- The effective date of the Accord would be the date of ratification by the Swiss Parliament.

The Annex to the Accord elaborated on the process for the liquidation of German assets and provided that the Allies might draw immediately up to 50 million Swiss francs (nearly $12 million) upon their share of the liquidated assets, and that advance would be assigned, through the Intergovernmental Committee on Refugees, for the rehabilitation and resettlement of non-repatriable victims of Nazism. Exchanges of six letters between the Allied and Swiss negotiators further defining the procedures for asset liquidation and including, as well, a commitment by the Swiss Government to examine the matter of

---

¹ Letter from Paul to Stucki, May 21, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646.
² For text of the Accord and the Annex, see Department of State Treaties and Other International Acts Series (TIAS) No. 5058 or United States Treaties and Other International Agreements (UST), vol. 13 (pt. 1), pp. 1118-1130. The text of the Swiss letter is printed in Department of State Bulletin, June 30, 1946, pp. 1121-1124.
putting the proceeds of property in Switzerland of heirless victims of German aggression at the disposal of the Allies for relief and rehabilitation purposes.

**L. President Truman Endorses the Allied-Swiss Agreement; Senator Kilgore Rejects the Settlement**

On May 24, 1946, Senator Harley Kilgore, reversing the approval of the Allied-Swiss agreement that he gave Randolph Paul on May 6, wrote to President Truman a lengthy letter rejecting the agreement, urging the breaking of negotiations with the Swiss and the referral of the issues to the United Nations. Kilgore’s letter argued that the agreement “violates, both in spirit and in form, the Allies’ pledges to root out Nazism and the German war potential” and would “leave intact Nazi resources and strengthen the hand of Nazis and Nazi collaborationists in Switzerland, and eventually in all neutral and allied countries.” The Senator based his assertions on his understanding that the Germans had looted over $700 million in Europe, that $400 million in gold was transferred to Switzerland, that it was reasonable to estimate that Switzerland received at least $200 to $300 million in looted gold from countries conquered by the Nazis. He expressed dismay that the Allied-Swiss negotiators agreed that $130 million in looted gold bars had been received by Switzerland, that $88 million was the amount retained by Switzerland, and of this amount assigned only $58 million to the Allied gold pot. Kilgore argued against the terms of Switzerland’s gold payment:

“Justice, decency, and plain horse sense require that the Allies hold Switzerland responsible for all of the $300,000,000 of looted gold which they accepted from the Nazis and reject their proposition of settling for 20 cents on the dollar.”

The Senator also categorically rejected the terms of the Allied-Swiss agreement that would split the Nazi assets in Switzerland on a 50-50 basis and contended that such a deal would profit those Swiss who dealt with the Nazis during the war, might safeguard the assets of wealthy German industrialists who aided Hitler, left entirely to the Swiss the management of the divesting of the assets, and allow Nazis and Nazi collaborators to regain “cloaked” portions of the $1,500 million in Swiss assets frozen during the war in the United States. Kilgore doubted that the “riches” in the assets would reach the Swiss people but would rather enrich only the Nazi collaborationists and ensure that Switzerland remained an outpost of Nazism, and the agreement would establish a pattern allowing other former neutral states to serve as safehavens for Nazism. The Senator concluded his letter as follows:

“Mr. Randolph Paul, the principal American negotiator, has personally informed me that he does not believe it possible to secure from the Swiss, by negotiation, anymore stringent terms with respect to seizure and elimination of Nazi assets in Switzerland. I believe that this is probably the case. I accordingly urge that all negotiations be broken off and that the United States take the initiative in bringing this matter to the attention of the United Nations as a matter
of the highest order of security to the nations which sacrificed so much in blood and treasure to defeat Nazism and Fascism in the field of battle.”

President Truman acknowledged Kilgore’s letter on May 27 and also sent a copy to Treasury Secretary Vinson with the request: “I don’t know where he gets his information but I thought it might be worth looking into.” Vinson never replied to the President, and shortly thereafter was named Chief Justice of the Supreme Court. John Snyder was named by the President in June 1946 to become the Secretary of the Treasury, and he finally replied to the May 27 inquiry on July 3. Secretary Snyder’s letter sought to refute, point by point, Senator Kilgore’s allegations about the Allied-Swiss agreement. Negotiations could no longer be broken off, as the Senator proposed, because the agreement had already been concluded, and referral of the issue to the United Nations (like the Swiss proposal to refer the dispute to arbitration) was a protracted process and would leave the issue of the German assets unsettled for years, leaving security concerns weakened and denying urgently needed reparations payments to the victims of the Nazis. Secretary Snyder was convinced of the soundness of Randolph Paul’s negotiation and recalled Paul’s consultations with Vinson and with Kilgore resulting in the judgment to accept the final Swiss offer in early May. Snyder was also sure that the Allied security interests had been met by the agreement, and Kilgore’s fears about the Nazi exploitation of the unblocking of Swiss assets to be wholly unfounded. Snyder’s letter concluded as follows:

“It is my view that if the Allied Governments approach the execution of the agreement with the sense of cooperation and trust, which is basic to the agreement, German assets in Switzerland will be liquidated to accomplish the two-fold Allied objective to: (1) eliminate the use of German assets in Switzerland for future war or aggression; and (2) make these assets available for the rehabilitation and reconstruction of countries which have been devastated or depleted during the war.”

On the basis of his close analysis, Secretary Snyder offered President Truman a letter of reply to Senator Kilgore responding to the Senator’s various points. The President signed and sent the letter on July 3. In it the President noted that the American negotiators had consulted with the Senator in early May and thought they had his approval of the main lines of the agreement with the Swiss. The President made abundantly clear his acceptance of the agreement:

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

---

1 Letter from Kilgore to Truman, May 24, 1946, Truman Library, Papers of Harry S. Truman, Office File.
2 Truman Library, Truman Papers, Office File.
The President’s letter asserted that the Allies, under the agreement, had gained their security objectives which would be seriously jeopardized without such an agreement. Additionally, it pointed out that the agreement would make immediately available to the Allies sums badly needed for the rehabilitation, restitution, and relief in Europe including the $25 million in German assets assigned to the resettlement and rehabilitation of non-repatriable victims of Nazism and “relieve the distress and misery of Hitler’s first victims.” The President’s letter summed up his endorsement of the agreement as follows:

“You will recognize that, of the amount of looted gold purchased from Germany, about two-thirds of the amounts fairly provable [$88 million] will be returned by the Swiss. The Swiss Delegation, upon several grounds, denied any liability. We, of course, did not admit the validity of any Swiss defense. But settlement of the claim on the basis finally adopted was certainly within the realm of the reasonable—particularly since the settlement was concurred in by France, the nation which has lost most gold during Germany occupation.

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

Senator Kilgore appears to have been a lone voice of complaint from the Senate regarding the terms of the Allied-Swiss agreement. From the House of Representatives, Congressman Joseph Clark Baldwin also turned to the President with a request to abort the agreement. In a telegram to the White House on July 13, 1946, Congressman Baldwin urged that the negotiation of the Allied-Swedish agreement on German assets and looted monetary gold going forward at the time be halted until the agreement with Switzerland was reexamined and more forceful directives be given to the U.S. negotiators. Congressman Baldwin said he was “profoundly disturbed” by the agreement, which netted only “$58 million out of a reliably estimated $300 million of gold looted by Germany,” and he urged investigations, stating that “surely the situation warrants both Executive and Congressional investigations.” Baldwin’s letter was also the subject of a New York Times story on July 17.

Acting Secretary of State Dean Acheson responded to Congressman Baldwin on behalf of the White House in a letter on July 31, 1946. Acheson’s letter, which was presumably not seen by Acheson or any other senior officer of the Department, was

---

1 Truman to Kilgore, May 27, 1946, ibid.; Truman to Vinson, May 27, 1946, ibid.; Snyder to Truman, July 3, 1946, ibid.; Truman to Kilgore, July 3, 1946, ibid.
2 Telegram to the White House, July 13, 1946, RG 59, Decimal Files 1945-49, 800.515/7-1346
drafted by Walter Surrey of the Division of Economic Security and cleared by Seymour Rubin and junior officers on the staffs of Assistant Secretary Clayton and European Chief James Dunn, reported in some detail the mechanisms and definitions established under the agreement to deal with German assets in Switzerland and summarized the course of the negotiations regarding looted gold as follows:

“With respect to the looted gold problem, there was no reasonable evidence that Switzerland had purchased $300,000,000 worth of gold looted by Germany. As you will realize, there is necessarily difficulty in proving just what amounts of gold purchased by Switzerland were in fact gold which had been looted by Germany. It was conceded that about $88,000,000 worth of gold originally belonging to the Bank of Belgium had been acquired by the Swiss National Bank: the Swiss vigorously contested liability, on the ground of purchase in good faith. Under these circumstances, the Allied negotiators agreed that settlement for $58.14 million worth should be accepted—particularly since the French Government, which was the largest loser to the Germans, held this opinion.”

It has not been determined on what basis Congressman Baldwin calculated the Swiss portion of looted gold at $300 million, nor is there any information about why those officials preparing Acheson’s letter disregarded or discounted the estimate of $289 million of German looted gold drawn up in February by their State Department colleague Otto Fletcher.

**M. Stucki’s Appraisal of the 1946 Allied-Swiss Negotiations**

A postscript to the story of the Swiss-Allied negotiations occurred in Basel on November 11, 1946, during a speech by Walter Stucki, head of the Swiss delegation at the Washington talks. Characterized by the U.S. Consul at Basel as a presentation by a disappointed and bitter man, Stucki asserted that the principles advanced by the Atlantic Charter had been violated by the very Allied nations that had promulgated the Charter. “Can one still speak of equality today, considering everything that has happened of late, the veto rights of the Great Powers, for example?” Turning to the Currie agreement, he described the setting of the negotiations as Switzerland confronting three great powers with sixteen other states arrayed behind them. Stucki claimed that in 1935 the Swiss could still say “no” to the solicitations of a Herman Goering, but “in the dangerous political isolation in which Switzerland found itself at the end of hostilities in a world lacking material and moral foundations, our no could not have avoided consequences of such action because the pressure on us was heavy.”

Stucki followed in a sarcastic vein with a series of accusations he imagined the Allies had made against Switzerland, such as a “haven of Fascism.” When the Swiss first learned of the Currie Mission, these negative sentiments were far from their minds. In

---

1 Letter from Acheson to Baldwin, July 31, 1946, ibid., 800.515/7-1346.
2 The Consul’s report on Stucki’s speech is in despatch from Basel, November 14, 1946, RG 84, American Legation Bern, Economic Section, 1946, 631, Stucki, Dr. Walter, Box 62.
fact, the just concluded liberation of France had raised hopes that shortly proved futile. Without identifying those “hopes,” Stucki pointed out that at the time Swiss imports were at their “lowest figure.” He enumerated the measures taken by the Swiss Government as a result of the Currie mission and other forms of Allied pressure. Under the circumstances, “what were we to do,” Stucki asked rhetorically: Switzerland could not have dealt with the trial of nerves that would have ensued if an agreement had not been reached. According to Stucki, definitive measures against the Axis had not been taken earlier (although they were under consideration for some time) because Switzerland lacked coal which was only to be had from Germany. He continued by pointing out that the Germans understood the situation and did not consider Swiss blocking actions as an “unneutral act.”

Stucki viewed the political environment as further deteriorating with the passage of Allied Control Council Law No. 5 presenting Switzerland with an array of new problems. This was particularly the case when viewed against the background of a petition presented to the Federal Council in October 1945 signed by a number of important parliamentarians and 220,000 Swiss citizens “to the effect that the blocked German assets in Switzerland were to be considered in the first place as a pledge for our own, Swiss legal claims.” In enumerating the courses of action open to the Swiss, Stucki saw a total rejection of Allied demands as impracticable since it would have led to a “new campaign of the world against our country.” On the other hand, the Swiss constitution and public opinion, as evidenced in the 1945 petition, made total submission impossible. Stucki stressed that the compromise reached with the Allies permitted no foreign intervention in Swiss affairs and in general sustained the Swiss constitutional injunction against expropriation without appropriate compensation.

Stucki added that Swiss consent to cede 250 million Swiss francs to the gold pool, a decision severely criticized domestically, should be viewed as a Swiss contribution to friendly central banks which had to begin their economic functions under difficult circumstances. This contribution was clearly in the national interest of the Swiss as was the return to a normal position in the world trading community occasioned by the unblocking action taken by the Allies. Stucki made no reference to the promised down-payment in support of non-repatriable refugees nor to the dire conditions facing many Europeans.

The U.S. Consul reported that Stucki’s speech was well received but recognized as the presentation of an embittered civil servant who had not received a posting commensurate with his performance on behalf of the Swiss nation.
V. Five-Power Conference on Reparation for Non-Repatriable Victims of Germany, June 1946

Article 8 of the January 1946 Agreement of the Paris Reparations Conference had provided, inter alia, that the United States, the United Kingdom, France, Czechoslovakia, and Yugoslavia consult with the Intergovernmental Committee on Refugees (IGCR) to work out a means to allocate a share of reparation for the non-repatriable victims of Nazi crimes. In light of Article 8, the President of the Reparations Conference suggested that the Director of the IGCR call a meeting of France, the United Kingdom, the United States, Czechoslovakia, and Yugoslavia for March 1946 to confer on implementing Article 8. Accordingly, the Director of the IGCR wrote a letter to those governments on January 24, 1946. The British resisted the proposal, but the United States continued to press for an early conference, seeing merit in moving as swiftly as possible given the immensity of the problem facing the occupying powers in dealing with the displaced victims of the Nazis.

A. Exploratory Talks

In early April the Department of State gained the impression that the French Government hoped to convene the meeting on Article 8 in early May at Paris. On May 9, 1946, the State Department announced the appointment of Professor Eli Ginzberg of Columbia University as the U.S. representative to the forthcoming conference on non-repatriable victims of German action. The announcement included the statement that the United States considered the first $25 million realized from the liquidation of German assets in neutral countries should be made available to speed the work of rehabilitating and resettling the non-repatriable victims. Ginzberg, who was loaned to the State Department by the War Department where he had been serving as special assistant to the Surgeon General of the United States, was joined on the U.S. delegation by Irwin Mason and Jacob Kaplan of the State Department.  

As the time approached for the U.S. delegation to leave for Paris, neither a final date nor venue had been decided as the British continued their delaying tactics. One British approach appeared to be an attempt to tie the Article 8 talks to the London UN Conference on Refugees (an event that had run into many delays) by suggesting that the talks be shifted to London to take place just after the UN conference. Ignoring another attempt to shift the talks (this time to New York), the U.S. delegation left for London on May 13, with the intention of bringing pressure to bear on both the French and British to get on with the Article 8 process.

Upon arrival in London, Ginzberg learned that the French had taken no further action to host the talks. However, the British undertook to host “exploratory talks”

---

attended by representatives of the five governments involved. While the British attempted to turn the talks to substantive matters, the United States insisted that the delegations limit discussion to procedural issues and that the conference itself be held in Paris as originally planned. In reporting to Washington, Ginzberg characterized the British tactics as dilatory and the attitude of the other participants as passive to the point of negativism. Nonetheless a consensus developed for holding the conference in Paris on June 11.

**B. The Search for Compromise**

During a 2-week hiatus between the exploratory talks and the convening of the conference, the U.S. delegation embarked on a series of separate exchanges with the participants aimed at formulating an agreement in principle before the formal negotiations began. Starting with Yugoslavia, the U.S. delegate noted that for the purposes of the Article 8 negotiations, the United States could agree that a strict interpretation of the Agreement of the Reparations Conference would exclude dissidents as beneficiaries of the reparation regime. A less important issue centered on the IGCR and the fact that Yugoslavia was not a member. In the end, Yugoslavia appeared willing to find a formula for working with the IGCR without joining.

Once Yugoslavia appeared satisfied on the dissident issue and other minor ones, Czechoslovakia had little problem in proceeding. The Czechs had no problem with IGCR, since Article 8 provided for the administration of the funding for non-repatriables by the Committee. France proved only a temporary problem, since French negotiators had gained the impression during the UN Conference that the moneys acquired in accordance with Article 8 would be used as the initial working capital for the new International Relief Organization. Ginzberg asserted that the French approach would delay the allocation of Article 8 assets to non-repatriables and was wholly inconsistent with the language and the intent of the article. By the conclusion of Ginzberg’s preliminary talks with the French, it appeared likely that they would proceed in accordance with U.S. views, leaving only the United Kingdom as a serious obstacle to a successful conference.

**C. Tentative U.S.-U.K. Agreement**

The United States and the United Kingdom differed on the rapidity with which refugee relief should be integrated into the UN system; Ginzberg recognized, however, that the underlying British concern centered on a reluctance to make funds readily available for Jewish resettlement in Palestine. To confront the issue, Ginzberg wrote his British counterpart, Hector McNeil, Parliamentary Under Secretary of State, Foreign Office,\(^1\) that the United States agreed with the British contention (advanced by Foreign Minister Bevin) that the group most eligible for relief funds comprised those who suffered most from Nazi terror. Triage of this fashion would ensure that the limited sums

---

1 Letter from Ginzberg to Hector McNeil, Parliamentary Under Secretary, Foreign Office, marked Doc. No. 9, First Letter of U.S. Representative to the Parliamentary Under-Secretary of State, June 1, 1946, ibid., p. 56.
available would make a real contribution to the resettlement of the neediest rather than be
dissipated over a much larger group. Ginzberg then referred to the just concluded Allied-
Swiss talks as strong evidence of the common concern for early action in providing relief
to the non-repatriables and to the Allied request for a Swiss down payment of $25 million
from the revenues to be realized from the liquidation of Nazi assets.

Ginzberg then moved to outline a prospective agreement that would provide for
Five-Power allocation of $25 million to “appropriate public and private field
organizations.” The conference would develop specific directives to govern the
expenditure of the non-monetary gold that had not yet been liquidated by the IGCR as the
administering agency. The specific programs that fell under the first allocation, from the
U.S. perspective were the resettlement of eligible Jewish children in Palestine, assistance
for the resettlement in the various countries of their choice of indigent refugees, a
specialized medical rehabilitation program to facilitate the occupational readjustment of
immigrants, and a specific allocation for non-Jewish eligibles to facilitate their
resettlement. Ginzberg concluded his letter with a statement that the United States would
support an outcome identical or close to the above and hoped that the United Kingdom
could do the same.

McNeil responded that the United Kingdom would be willing to associate itself
with the U.S. proposals advanced by Ginzberg except the suggestion providing for a
children’s resettlement scheme for Palestine. McNeil noted that 600 child immigrants
per month would be too high but that he would seek the Foreign Minister’s approval for a
figure closer to 250. Ginzberg had not mentioned a number for child immigrants in his
letter to the McNeil, but he had referred to 600 in separate conversations with
representatives of the IGCR who in turn passed the number to the British Government.
Ginzberg concluded that there was little to gain through debating the scale of the program
at this stage of the negotiations and asked the Jewish Agency for Palestine not to
approach the IGCR with proposals for resettlement numbers in Palestine until mid
summer. While McNeil promised to seek written confirmation that 250 children could be
resettled in Palestine under the proposed agreement, the U.S. delegation received no new
information on the matter before the conference convened.

Following additional exchanges with the participating powers and concerned
international organizations, Ginzberg summed up the situation in a second letter to
McNeil. Ginzberg wrote that the United States, France, Czechoslovakia, and Yugoslavia
appeared satisfied with the draft agreement. Moreover, the just-concluded Allied-Swiss
talks in Washington provided that the Swiss would shortly make available to the Allies
up to 50 million Swiss francs for the rehabilitation and resettlement of non-repatriable
victims of German action. Under these circumstances, Ginzberg hoped that the British
could join with the other participants and accept the proposed language designed to meet
Five-Power obligations under the Paris Agreement.

1 Ginzberg’s report to the Secretary of State, Part I, entitled “Accomplishments of the Conference,”
ibid., p. 16.
After additional exchanges with the participating delegations and the IGCR, the U.S. delegation drafted a basic agreement and submitted it to the French Government as the conference host. After recommending slight changes in allocations among the groups of non-repatriables, the French approved the draft agreement and agreed to cosponsor the draft when the conference convened. Upon receiving a copy, McNeil responded that subject to “drafting changes,” he would instruct the U.K. delegate to the conference to accept the agreement.

**D. The Conference Proceedings**

Despite McNeil’s assurance, the U.K. delegate told Ginzberg that the draft agreement was unsatisfactory shortly after the conference opened. As an alternative the British proposed that Article 8 money be made available for “government sponsored and approved” schemes of resettlement. The U.S. delegation strongly rejected the suggestion, stressing that Article 8 did not envisage governments as the implementing agents for refugee programs. To avoid an impasse, the U.K. delegate undertook to review the draft agreement paragraph-by-paragraph with his U.S. counterparts. Aside from several inconsequential matters of form, British problems centered on the draft’s reference to the Jewish Agency for Palestine. Ginzberg undertook to deal with British problems by deleting any reference to the Jewish Agency and the American Jewish Joint Distribution Committee in the agreement. For their part, the British agreed to designate both as appropriate field organizations in the annexed Letter of Instruction to the Director of the IGCR. With these changes accepted by all parties, negotiations were concluded and the agreement signed at Paris on June 14, 1946.

**E. Content of the Agreement**

The agreement essentially provided a practical plan for allocating the reparation envisaged in Article 8 of the Final Agreement of the Paris Reparations Conference. The Preamble reiterated the Paris Conference’s reference to “the sum of $25 million having been made available by the Allied Governments as a priority on the proceeds of the liquidation of German assets in Neutral Countries.” Since the conference participants had received no further amplification of that language, a consensus was reached to continue to consider the entire $25 million as a priority, thus justifying use of the same language as in the Reparations Agreement.

On another key issue, the Preamble made clear that the IGCR will distribute the funds to “appropriate public and private field organizations” thus establishing a basic administrative structure for the delivery of relief and resettlement funds. Ginzberg pointed out that, although the word “practicable” appeared in the Preamble and throughout the text of the agreement, there was no discussion of the term even by the British.

Paragraph A began with the statement that it was the unanimous view of the Five Powers that funds becoming available under Article 8 of the Reparations Agreement be

---

1 For text of the agreement, see Department of State *Bulletin*, July 14, 1946, pp. 71-73.
used “not for the compensation of individual victims but for the rehabilitation and resettlement of persons in the eligible classes.” The paragraph defined the eligible group based on statistical data from the U.S. occupying forces\(^1\) and the IGCR. The available data indicated beyond any reasonable doubt that the overwhelming majority of eligible persons were Jewish. Paragraph A also referred to the need to give priority to the resettlement of Jewish children, a carryover from the draft language worked out by Ginzberg in his efforts to arrive at a compromise in his preliminary exchanges with the British.

However, in recognition that a small minority of non-Jews fell into the eligible category, Paragraph B set aside the sum of $2.5 million as well as 5 percent of the heirless funds garnered by Allied governments for administration on behalf of that group by the IGCR. Non-Jewish eligibles were very narrowly defined by the paragraph as those who could prove that they were persecuted for religious, political, or racial reasons and who did not wish to return to their countries of origin (including Germany and Austria). The broader category of non-Jewish victims of Nazi concentration camp victims was specifically excluded by the new agreement at the demand of the Yugoslavs and Czechs who were anxious to avoid the inclusion of dissidents in the eligible group.

Paragraph C addressed the question of limits on spending per individual and other administrative issues. Paragraph D authorized the IGCR to add to the $25 million sum all non-monetary gold found in Germany and to take appropriate steps to liquidate such assets for as high a return as possible. In Paragraph E the conference appointed the French government as an agent of the Five Powers to request the neutral powers to make available all assets of victims of Nazi actions who died without heirs. These heirless funds were to be made available to the IGCR for distribution to the appropriate field agencies for the rehabilitation and resettlement of eligible persons under the agreement. If further representations became necessary, the United States and the United Kingdom would join France in representing the Five Powers. Paragraph F addressed currency and exchange rate issues as they related to funds collected for Article 8 purposes. Paragraph G concluded the agreement by charging the Director of the IGCR with the responsibility of carrying out the provisions of the agreement on behalf of the Five Powers. To assist in that effort, the agreement provided for a Letter of Instructions to be transmitted by the French providing the terms of the IGCR’s responsibility.

**F. Annexes to the Agreement**

The Czech and Yugoslav delegations insisted on appending a statement asserting that their governments retained the right to claim heirless assets as provided in international law despite their acceptance of the language in Paragraph E of the agreement.

---

\(^1\) Memorandum summarizing request for data from U.S. POLAD, indicating there were 85,000 Jewish non-repatriables and 2,000 non-Jewish in the U.S. Zone as of June 1946, marked Doc. No. 15, Ginzberg Report, p. 65.
The second annex provided the text of the Letter of Instructions to the Director of the IGCR. Among the substantive points covered was the designation of the American Jewish Joint Distribution Committee and the Jewish Agency of Palestine as the “appropriate field organizations” referred to in the covering Five-Power Agreement. Additional points provided the IGCR with authority to certify to the neutral powers that heirless funds as well as other moneys provided were to be used for practicable rehabilitation and resettlement programs. The IGCR Director was vested with the authority to distribute all money and other assets from all sources foreseen in the governing agreements. The authority to liquidate non-monetary gold was made explicit in the text. The Director was further given the responsibility for selecting field organizations for providing assistance and resettlement to eligible non-Jewish victims of Nazi action. The remainder of the letter and its attachments went into detail on questions of interpreting eligibility principles, auditing responsibilities, and other matters such as the transfer of the same responsibilities and rights to successor refugee organizations.
VI. Implementation of the May 1946 Allied-Swiss Accord

The U.S. Government moved swiftly to meet its obligations under the May 1946 Accord. That same month the United States unfroze the assets of the Swiss Government and the Swiss National Bank, and in early July the Allies eliminated the wartime blacklists affecting Switzerland. After negotiations in Bern in October 1946 private Swiss assets in the United States were unfrozen, and a November 10 exchange of letters between U.S. Secretary of the Treasury Snyder and Chief of the Swiss Federal Political Department Petitpierre in late November agreed on deblocking measures to take effect on November 30, 1946. By the end of 1948 the United States had unblocked nearly 5 billion Swiss francs (over $1.1 billion) worth of Swiss private assets in the United States.

In 1946, the Swiss and others viewed the money expected to accrue to the Allies from the liquidation of German assets as a significant contribution to the refugee problem and the reconstruction of Europe. The Swiss estimated that German assets in Switzerland totaled about 1 billion Swiss francs ($230 million), but only about half this amount would fall under the Accord.¹

A. The Exchange Rate Issue

In the first three months after the Accord was completed, July-September 1946, Swiss negotiators raised some interrelated issues related to its implementation. The Swiss linked their delay in advancing funds for refugees to the lack of an agreement on a “fair” Reichsmark-Swiss franc exchange rate, and refused to begin liquidating German assets without agreement on an exchange rate.

In a note to the U.S. Legation in Bern, dated July 2, 1946, the Swiss stated that they could not proceed with the liquidation of German assets until the Allies fixed a “fair” rate of exchange between the Reichsmark and the Swiss franc. The Swiss argued that they could be charged with being parties to “expropriation” without adequate compensation to the Germans who had made direct investments or deposited money in Switzerland.² The Swiss were concerned that the international banking community would view that outcome as a blot on Switzerland’s reputation as a refuge from political unrest. In addition, the Swiss, according to a Legation report, “repeatedly contended that they feared possible retaliatory measures by a future German Government for any action taken against German interests under Allied pressure.” The Department of State instructed the Legation to stress that there had been no requirement established in the Washington Accord that a Reichsmark-Swiss franc exchange rate be set before proceeding with liquidation.³

¹ Inter-Allied Reparations Agency Report on German External Assets, Doc. 323, September 27, 1947, RG 59, West European Office Files.
² Despatch from Bern, September 6, 1946, ibid., Decimal Files 1945-49, 800.515/9-646.
³ Telegram from Bern, July 2, 1946, ibid., 800.515/7-246; telegram to Bern, July 15, 1946; ibid., 800.5145/7-846.
The Swiss Federal Council, during parliamentary debates, admitted that there had been no agreement on this point during the Washington negotiations. Nonetheless, the Swiss leadership assured Parliament that the Swiss had an obligation to see that Germans who faced “expropriation” in Switzerland would be properly indemnified, and that compensation would be at a fair rate of exchange.\(^1\)

Whether by design or not, the Swiss succeeded in sorely testing Allied unity with the exchange rate issue. In an attempt to forge a common response to Swiss efforts to link liquidation to the exchange rate, Allied diplomats in Bern met in late July 1946. The French representative informed his British and U.S. counterparts that Paris supported the Swiss position that there had been a “gentlemen’s agreement” among all four parties negotiating the Washington Accord that the Swiss franc-Reichsmark exchange rate would be fixed prior to liquidation. The French position made it impossible for the Allies to respond to the Swiss note for over a year and hence delayed serious consideration of this issue. Apparently, the French supported the Swiss on this point for financial motives: a Swiss source told a Legation officer that the French desperately needed a Swiss loan and also wanted to purchase certain German assets in Switzerland. Such stories, sometimes including British interest in a Swiss Government loan, would continue to surface over the next two years.\(^2\)

At the first meeting of the Joint Commission established under the Washington Accord to monitor the liquidation of German assets on September 5, 1946, the Swiss reiterated the link between the exchange rate and liquidation. In response, the U.S. representative stated that “the Accord does not provide for the fixation of the Swiss franc-Reichsmark rate before mobilization and liquidation of German assets.”\(^3\) At the September 12 meeting of the Joint Commission, the Allied members contested the Swiss contention that establishment of a Swiss franc-Reichsmark exchange rate was a precondition to liquidation of German assets. The French representative presumably acknowledged that the actual text of the treaty called for liquidation without prior establishment of an exchange rate, and made no reference to a “gentlemen’s agreement.”\(^4\) Throughout this period, the Swiss refused to act on liquidation, pointing to the lack of agreement on the exchange rate as justification for their non-performance.\(^5\)

---

1. Despatch from Bern, July 30, 1946, ibid., 800.515/7-3046.
2. Telegram from Bern, July 26, 1946, ibid., 800.515/7-2646; Telegram from Bern, July 30, 1946, ibid., 800.515/7-3046; Telegram to Bern, September 16, 1947, ibid., 800.515/9-1647. This period of uncertainty in resolving the settlement of German assets gave rise to speculations that portions of such assets in Switzerland and elsewhere were used to finance American postwar covert actions against Communist groups and sympathizers in Italy and elsewhere in the immediate postwar period. CIA historians assisting in the preparation of this report reviewed the records of intelligence operations in postwar Europe, and specifically in Europe in 1948 and found no basis for the allegations. They have confirmed that the money used in operations in Italy came from funds appropriated by the Congress for CIA administration and operations in fiscal year 1948.
3. Despatch from Bern, September 6, 1946, ibid., 800.515/9-646.
During 1947, the Swiss continued to insist on prior establishment of an exchange rate before proceeding with liquidation of German assets.\(^1\) Persistent differences among the Allies held up for a year a response to the July 2, 1946, Swiss note on the exchange rate issue. In June 1947 the French proposed that the Allies offer an exchange rate of 173 Swiss francs to 100 Reichsmarks. When the United States and the United Kingdom resisted the proposal, the French representative threatened indirectly to inform the Inter-Allied Reparations Agency (IARA) that they were responsible for non-implementation of the Accord because of their opposition to an exchange rate that had been accepted by the Soviet Government in the Allied Control Council.\(^2\) For the sake of Allied unity, the United States and the United Kingdom proposed a compromise that the rate of 173 Swiss francs to 100 Reichsmarks could be used “as a provisional rate for bookkeeping purposes only, and subject to adjustment when the overall exchange rate” would be established.\(^3\)

On July 22, 1947, the Allies sent their exchange rate proposal to the Swiss. The Swiss promptly rejected it on August 5 on the ground that the rate could not be fixed unilaterally by France, the United States, and the United Kingdom. In a follow-up note, the Swiss added that if the Allies were unable to accept the Swiss proposal, the exchange rate could be fixed by arbitration. Alternatively, the Swiss indicated that they could begin liquidation and place the proceeds in a blocked account.\(^4\)

In internal discussions, State Department officials were negatively disposed toward the Swiss proposals. The Soviets were unlikely to approve of a rate that the Swiss could accept. Nor did the United States want German investors to benefit from such a favorable rate of exchange. State Department officials also recognized that placing the proceeds of liquidation in blocked accounts would not make these funds available to the IARA for immediate distribution.\(^5\)

On November 24, 1947, to break the deadlock over the exchange rate-liquidation issues, the State Department handed a note to the British and French proposing Allied negotiations with the Swiss. The United States even suggested offering to revise the Accord if that would encourage the Swiss Government to accept such negotiations. The objective of the negotiations was to obtain the funds necessary to European economic recovery: “The desirability of obtaining such funds at this time as an aid to the economic recovery of nations devastated or depleted of resources by war, has strongly influenced the Department’s consideration of this problem.”\(^6\) The British and the French took a dim view of the U.S. proposal. A British Embassy official in Washington told the State Department that the U.S. proposal to consider certain revisions would be “equivalent to

---

\(^1\) Despatch from Bern, September 10, 1947, ibid., 800.515/9-1047.
\(^2\) French Note to the U.S. Embassy, June 13, 1947, transmitted in Despatch 9015 from Paris, June 18, 1947, ibid., 800.515/6-1847; telegram to Paris, June 6, 1947, ibid., 800.515/6-647.
\(^3\) Telegram to Paris, June 17, 1947, ibid., 800.515/6-1047.
\(^4\) Despatch 15427 from Bern, September 3, 1947, ibid., 800.515/9-347. The Swiss Note dated October 8 was transmitted in Despatch 15489 from Bern, October 10, 1947, ibid., 800.515/10-1047.
\(^5\) Despatch to Bern, December 3, 1947, ibid., 800.515/10-1047.
\(^6\) Ibid.
discarding the Accord,” and he urged the United States to secure implementation of the Accord via arbitration. The French also reacted negatively.¹

In early 1948, the United States found it difficult to take initiatives given the continued disunity among the Allies on the exchange rate-liquidation issue. In an April 7 aide-mémoire to the British and French, the United States again proposed negotiations with the Swiss. The U.S. aide-mémoire added a new element to the plan: if the negotiations with the Swiss failed, the United States proposed to file a report with the IARA on the Swiss position and on the unworkable nature of the Washington Accord; the Allies would then consider their obligations under the Accord discharged.²

**B. Swiss Contribution to Monetary Gold in the Allied “Gold Pot”**

In the summer of 1946, the Swiss raised an issue that threatened to undermine the monetary gold portions of the May 1946 Allied-Swiss Accord. Swiss representatives questioned the amount of gold Switzerland was obligated to transfer to the Allies in settlement of all claims against Switzerland for the its acceptance of looted monetary gold. On August 2, 1946, in a note to the State Department, the Swiss Legation stated that it was prepared to turn over to the Allies 50,807 kilograms of gold in payment of its 250 million Swiss franc obligation. This amount was about 800 kilograms and nearly $1 million short of the $58 million anticipated by the Allies. The Swiss arrived at the 50,807 kilograms of gold by devaluing the Swiss franc to 4,920.63 per fine kilo of gold, whereas the value used in transactions in New York and London was 4,844.55 per kilogram. The higher gold-franc parity would have required the Swiss to deliver over 51,600 kilograms in gold to equal 250 million Swiss francs. For several months into 1947, the Swiss insisted on arbitration of the Swiss franc’s gold value, despite the fact that it was clear what the gold transaction rates were in London and New York (presumably fixed on a daily basis).³

The Swiss eventually backed down, and in early May informed the British Foreign Office that they could accept the Bank of England’s technical assessment of the proper rate (which was also the rate acceptable to the U.S. Federal Reserve). By June 1947 the Federal Reserve confirmed that the Swiss had deposited the amount of gold necessary to carry out its obligations under the Washington Accord—a transfer of gold bars from the Swiss account in the Federal Reserve Bank to the Tripartite Gold Commission account. All the bars were of pre-war origin.⁴

---

¹ Letter from the British Embassy to State Department official, December 3, 1947, ibid., 800.515/12-347.
³ Note from the Swiss Legation in Washington, August 2, 1946, RG 59, Decimal Files 1945-49, 800.515/8-246; Note from the British Embassy in Washington, March 12, 1947, ibid., 800.515/3-1247.
⁴ Letter from the British Embassy in Washington to the State Department, March 12, 1947, ibid., 800.515/3-1247; Note from the Swiss Legation in Washington to the State Department, March 18, 1947, ibid., 800.515/3-1847; Telegram to the U.S. Legation in Bern, April 9, 1947, ibid., 800.515/4-947; Telegram to the U.S. Legation in Bern, May 14, 1947, ibid., 800.515/4-947; Letter from the U.S. Treasury Department to the Secretary of State, July 3, 1947, ibid., 800.515/7-347.
C. Swiss Contribution to Non-Repatriable Victims of the Nazis

At the September 5, 1946, meeting of the Joint Commission, the Swiss also cited the unresolved exchange rate question as the basis for Swiss non-fulfillment of Article V of the Annex of the Accord, which obligated Switzerland to permit the Allies to draw immediately up to 50 million Swiss francs against the Swiss share of the proceeds from liquidation of German property. The advances would go to refugee organizations for the rehabilitation and resettlement of non-repatriable victims of German action (mainly Jewish refugees). The U.S. representative challenged Swiss linkage of the exchange rate and liquidation issues to the Swiss obligation to advance 50 million Swiss francs ($11.6 million) for refugees. The U.S. representative was supported by his British counterpart on this point.¹

Switzerland’s delay in making these funds available created concern among American Jewish organizations, which appealed to Acting Secretary of State Acheson. On March 28, 1947, Edward M. M. Warburg, Chairman of the American Jewish Congress (AJC), asked Acheson to remind the Swiss of their obligations. In his letter, Warburg suggested that the Swiss provide as soon as possible 20 million Swiss francs ($4.7 million) of the 50 million franc advance. Warburg noted that the Jewish organizations designated to receive these funds had reached the limit of their borrowing capacity and were faced with the prospect of having to discontinue resettlement projects for Jewish refugees. Acheson replied on April 9 that the State Department would make every possible effort to secure such sums and was discussing this matter with the British and French Governments.²

In early May, State Department officials sent a proposed note on the request for nearly $5 million to the British and French Embassies, noting the need to act “as soon as possible.” Before the Allies could present their note, however, the Swiss on June 10 dropped the linkage between liquidation and advances for refugees, offering to make the full 50 million franc advance.³ State Department officials took a negative view of the Swiss offer, noting that the “principal interest” should be rapid implementation of the Accord and bringing to the attention of all IARA countries the Swiss refusal to proceed with implementation over such a “meaningless issue” as the specific rate of exchange. The Department indicated that it was “against requesting Swiss to advance 50 million francs for humanitarian purpose…until after some settlement reached on this major issue.” “Dept wants to avoid any charges that it has bargained on Accord for all IARA countries in order to advance one special cause.”⁴

Pressure began to build on the State Department to adopt a position more helpful to refugees. The New York Times accurately reported on September 25 that the United

¹ Report from the U.S. Legation in Bern, September 6, 1946, ibid., 800.515/9-646; letter from Assistant Secretary of State Hilldring, July 1947, ibid., 800.515.7-1147.
² Exchange of letters between Acheson and Warburg, March 28, 1947, ibid., 800.515/3-2847.
³ Letters from the State Department to the U.K. and French Embassies, May 12, 1947, ibid., 800.515/5-1247; Note from the Swiss Legation in Washington to the State Department, June 10, 1947, ibid., 800515/6-1047.
⁴ Telegram to Paris, June 30, 1947, ibid., 800.515/6-2247.
States had spurned the Swiss offer of 50 million francs for the non-repatriable fund because it did not wish to raise the question of this advance separately from the general question of the disposition of German assets. AJC Chairman Warburg was also active. In the fall of 1947, he wrote two follow-up letters, this time to Secretary of State Marshall. Warburg’s October 17 letter to Secretary Marshall raised the specter of Jewish victims of war and persecution starving in refugee camps in Europe during the winter of 1947-1948 unless refugee organizations obtained an urgently needed $5 million. Apparently, this negative press coverage and Warburg’s letters to Marshall spurred the State Department into acting on the Swiss offer.¹

On February 13, 1948, after consultations with the British and French, the U.S. Legation in Bern requested 20 million Swiss francs (about $4.7 million) from the Swiss. The State Department followed up with a similar note to the Swiss Embassy on March 19, and another on May 11.² On July 27, 1948, the Swiss fulfilled the request for a 20 million Swiss franc advance.³

Less than a year after the Allies received the 20 million Swiss francs for refugees, there were renewed appeals for the remaining 30 million franc ($7 million) advance from Representative Jacob K. Javits and the IRO. In a May 16, 1949, letter to Secretary Acheson, Javits noted that the Allies could draw upon the 50 million francs “immediately” and wondered why this had not been done. He indicated that the Director General of the IRO had already informed Secretary Acheson of IRO needs. Replying to Javits’ letter, Assistant Secretary of State Ernest Gross indicated that, at an appropriate time, the Allies would request additional advances from the Swiss, but probably for smaller amounts as there were funds becoming available from other neutral countries. Gross added that, under these circumstances, the IRO had requested only an additional $3.5 million from the Swiss and $4 million from Portugal. In November 1949, Javits again made inquiries along the same lines.⁴

Following these appeals from Representative Javits, and after another appeal from the IRO, the United States sought an additional $4 million from the Swiss (17 million Swiss francs), after obtaining British and French approval. On January 12 and again on March 28, 1950, the U.S. Legation in Bern sent notes to the Swiss Government requesting 17 million Swiss francs to bring the Paris Reparations Fund up to $25 million. The Swiss rejected the appeal in early May, noting that Switzerland was under no legal obligation to make an advance in favor of the IRO. The Swiss argued that such an advance should be made from the proceeds of liquidation of German assets in

¹ Telegram to Bern, October 2, 1947, ibid., 800.515/10-247; letter to Secretary Marshall from Warburg, October 17, 1947, ibid., 800.515/10-1747; telegram to London, November 10, 1947, ibid., 800.515/6-2147; telegram to Bern, December 22, 1947, ibid., 800.515/12-547.
² Note from the State Department to the Swiss Legation, March 19, 1948, ibid., 800.515/2-1648; Note from the State Department to the Swiss Legation, May 11, 1948, ibid., 800.515/5-1148.
³ Letter from Assistant Secretary of State Gross to Representative Javits, September 21, 1949, ibid., 800.515/5-1649; telegram to Paris, July 9, 1948, ibid., 800.515/7-948.
⁴ Exchange of letters between Representative Javits and Acheson/Gross, May 16, 1949, ibid., 800.515/5-1649; Letter from Representative Javits to Secretary Acheson, November 5, 1949, ibid., 800.515/11-549.
Switzerland. The Swiss blamed the delay in liquidation on the unresolved “intercustodial” issues between Switzerland and other countries.¹

In short, the Swiss reverted to their original position on the liquidation of German assets in Switzerland to the Accord. Instead of citing the exchange rate, however, which by May 1950 had largely been resolved, the Swiss linked their refusal to intercustodial conflicts with Washington—the release of assets blocked in the United States as Nazi German property during the war, which the Swiss claimed as their own. It would not be until September 11, 1953 (after revision of the Accord in August 1952) before the Swiss would advance the remaining amounts as part of the final overall settlement—13 million Swiss francs ($3 million). The Swedish contribution of $13.5 million and the Portuguese contribution of $3.5 million, combined with the total Swiss contribution of $7.7 million (the Portuguese contribution was paid by the Allies out of the Swiss francs acquired from Switzerland pursuant to the 1952 Allied-Swiss agreement), brought the total of the Paris Reparations Fund to $24.7 million ($300,000 less due to the Swedish kroner devaluation).² In the modified Allied-Swiss Agreement of 1952, the Swiss lump sum payment of 121.5 million Swiss francs was reduced by the 20 million francs that Switzerland advanced the Allies in July 1948.³

### Sources of Contributions to the $25 Million Paris Reparation Fund⁴

<table>
<thead>
<tr>
<th>Dates Received</th>
<th>Country</th>
<th>Kroner</th>
<th>Francs</th>
<th>Dollar Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 12, 1947</td>
<td>Sweden</td>
<td>50,000,000</td>
<td></td>
<td>$13.5 million</td>
</tr>
<tr>
<td>July 27, 1948</td>
<td>Switzerland</td>
<td>20,000,000</td>
<td></td>
<td>$4.7 million</td>
</tr>
<tr>
<td>September 11, 1953</td>
<td>Switzerland</td>
<td>12,896,917</td>
<td></td>
<td>$3.0 million</td>
</tr>
<tr>
<td>March 29, 1955-December 15, 1956</td>
<td>Allied payment on behalf of Portugal</td>
<td>15,209,909</td>
<td></td>
<td>$3.5 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$24.7 million</strong></td>
</tr>
</tbody>
</table>

¹ State Department Notes to U.K. and French Embassies, August 22, 1949, ibid., 800.515/8-2249; State Department Notes to U.K. and French Embassies, October 7, 1949, ibid., 800.515/10-349; U.K. Embassy Note to State Department November 4, 1949, ibid., 800.515/11-449; State Department Note to French Embassy, December 22, 1949, ibid., 800.515/10-2449; despatch 397 from Bern, May 10, 1950, ibid., Decimal Files 1950-54, 654.62231/5-1050.
² Note: The Allies regarded the $25 million Reparations Fund as an upper limit of payments from the liquidation of German assets in neutral countries. Given the expectation of a $3.5 million payment from Portugal, the United States believed that the Swiss total payment could be reduced from $11.6 million to $7.7 million.
⁴ Ibid. Note: the Swedish Government transferred in July 1947 the 50 million Swedish kroner into a blocked account at the Sveriges Riksbank as the kroner was at the time an convertible currency. Thus, Swedish funds were not immediately available to the designated refugee and relief organizations, and then only in limited amounts.
D. Swiss Treatment of the Assets of German-Jewish Persecutees

Another issue related to implementation of the 1946 Washington Accord involved Swiss treatment of the assets of Jewish concentration camp victims who fell into the category of “Germans in Germany.” As provided by the Accord, the assets in Switzerland belonging to “Germans in Germany” were to have been liquidated and the proceeds divided equally between the Allies and the Swiss. The Allied portion was for the “rehabilitation of countries devastated or depleted by the war, including the sending of supplies to stricken people.” In addition, the Accord provided that Switzerland, out of the proceeds of liquidation, would advance 50 million Swiss francs to the Allies for rehabilitation and resettlement of non-repatriable victims of German action. Liquidation of German assets applied to all property and assets of both natural and juridical persons. The Accord included a provision for eventual compensation of asset owners, but the assets of all Germans in this category were to be blocked, indeed for a longer period than anticipated. One exception that the Swiss successfully included in the Accord was for female Swiss spouses of Germans in Germany; their assets could be released.

With this one exception, the Washington Accord had the result that all Germans, including Jews in Germany who survived Nazi death camps, would lose access to their assets. This was not the intent of the U.S. negotiators, who were also aware of the feelings in the U.S. Congress that German-Jewish concentration camp victims, and other persecutees, should have their assets returned regardless of whether they were “Germans in Germany” during the war, or, subsequent to their persecution, chose to remain in Germany. To provide a remedy, the U.S. delegate Randolph Paul had negotiated an oral and informal “gentlemen’s agreement” that such property would constitute an exception to the Accord. However, because of time constraints, this side agreement was not reduced to writing and was left as a matter to be disposed of in the actual administration of the Accord. Indeed, the first impression of Washington officials was that Switzerland was considering sympathetically the release of assets belonging to persecutees.1

By late 1948, it became clear that this was not the case. In a letter to Secretary of State Marshall, dated November 26, 1948, the Director General of the International Refugee Organization stated that the Swiss Office of Compensation was continuing to block the assets in Switzerland of certain persons who had been persecuted by the Nazis and requested U.S. assistance in the matter.2 In his response of December 23, Assistant Secretary of State Saltzman wrote that the United States hoped that the cause of the persecutees would soon be re-examined with a view toward obtaining “a less strict interpretation” of the status of their assets in Switzerland.3

In the Allied-Swiss negotiations planned for May 1949, the United States sought to exempt from the terms of the Washington Accord the assets of German persecutees. At the March 1949 preparatory meeting of the three Allied delegations, the United States asked for British and French support on this issue, citing the “gentlemen’s agreement”

1 Memorandum of conversation between Rubin and Adams, October 23, 1947, RG 59, Decimal Files 1945-49, 800.515/10-2347.
2 Letter from IRO to Secretary of State Marshall, November 26, 1948, ibid., 800.515/11-2648.
3 Letter from the State Department to IRO, December 23, 1948, ibid., 800.515/11-2648.
from the May 1946 Washington Accord. The United States also sought to establish the
general principle that property of persecutees would be exempt from the Accord in the
same manner as in IARA countries. (IARA member countries could release assets if the
victims planned to depart Germany at some later date.) The British and French,
however, balked. According to a U.S. report of the meeting, the British regarded such
action favoring the persecutees as “discrimination” and neglecting “the security purpose
of the Accord,” which was to eliminate all German assets abroad. Given strong U.S.
concerns, the Allies agreed to allow delegations to raise the matter separately.\(^2\)

Learning of the Allied-Swiss negotiations taking place in May 1949, U.S. Senator
J. Howard McGrath asked the administration to assure that Allied delegations would
press strongly on releasing the assets of persecutees, as laid down in Public Law 671 of
1946.\(^3\) In response to Senator McGrath’s concerns over this and other related issues,
Assistant Secretary of State Gross wrote that the French Government opposed the
exemption for persecutees. Without citing the British rejection of the U.S. proposal,
Gross stated that the British had not yet responded, but noted that the British preferred to
consider each persecutee case on an ad hoc basis. Remaining silent on future U.S. action
on this issue, the Assistant Secretary stated that the “Swiss Compensation Office…has
denied requests for exception on the ground that the owners were persecutees.”\(^4\)

The May negotiations between the Allies and the Swiss ran until June 10; the
question of exemptions for the property of persecutees was not raised.\(^5\)

\textbf{E. Switzerland and the Diplomacy of European Economic Recovery}

In March 1948 the U.S. Congress adopted, by a lopsided vote, the Economic
Cooperation Act, the legislative implementation of the Marshall Plan for the recovery of
war-battered Europe. Passage of the legislation was greatly facilitated by rising anxieties
among American leaders occasioned by the Communist coup in Czechoslovakia in
February 1948, the upcoming elections in Italy where the Communists appeared likely to
prevail, and the deepening German crisis among the Western and Soviet occupying
forces. Four billion dollars were appropriated for the program’s first year, and the
Truman administration moved quickly to complete a diplomatic structure necessary to
support the program.

Switzerland joined with other nations in April 1948 in Paris in the creation of the
Organization for European Economic Cooperation, but was not nearly so willing to
become a full participant in the European Recovery Program. Swiss Minister Bruggmann

\(^1\) Briefing Memoranda for U.S. Delegation, March 9, 1949, ibid., 800.515/3-949.
\(^2\) Tab A of Briefing Memorandum to the Secretary, May 4, 1949, ibid., 800.515/5-449.
\(^3\) In 1946 the U.S. Congress passed Public Law 671 (60 Stat. 925, 930) permitting the return of
property of persecutees in the United States, regardless of whether they were Germans in Germany.
Congress failed, however, to complete work on heirless assets as of May 1949.
\(^4\) State Department letter to Senator McGrath, June 1, 1949, RG 59, Decimal Files 1945-49,
800.515/5-549.
\(^5\) Report on Swiss-Allied Conference: May 10-June 10, 1949, submitted June 1949, ibid.,
800.515/10-348.
told the State Department in April 1948 that his country did not want economic assistance from the United States and would not agree to participating in the ERP if it meant compromising Switzerland’s traditional neutrality. The Minister was particularly resistant to a section in a proposed exchange of diplomatic notes with Switzerland, identical with exchanges with all other ERP participants, that involved acceptance of the policy “to sustain and strengthen principles of individual liberty, free institutions, and genuine independence of Europe.” Bruggmann explained that his country could not officially adopt a policy of this kind because that would be a departure from Swiss neutrality and would expose his country to pressure from the Soviet Union.¹

Negotiations dragged on as the State Department sought to conclude a bilateral agreement with the Swiss comparable to such agreements with other Marshall Plan countries. State Department experts reviewing the status of bilateral negotiations for U.S. economic assistance under the ERP in June 1948 concluded that both Switzerland and Portugal were countries that did not require financial assistance from the United States and, although they would be vital cogs in the Marshall Plan concept, would probably not sign any agreements. State Department records indicate that Switzerland insisted on being treated separately and resisted such an agreement until the United States finally abandoned the effort at the end of 1948.²

F. Revision of the Washington Accord

In 1947 the Swiss began to identify problems over the handling of German assets in the United States in which Switzerland had interests as a hindrance to liquidation. These problems, referred to as “intercustodial” during the extended negotiations, arose between the United States and Switzerland when the U.S. Office of Alien Property applied controls to properties in the United States that were ostensibly owned by Swiss corporations but which may have been owned in some degree by German interests. The Swiss argued that such foreign-owned assets in the United States should be released by American authorities to allow the Swiss to determine whether there were German interests in the parent company in Switzerland. The Swiss position was that the authorities in the host country of the parent company should decide whether a subsidiary located abroad had fallen under Nazi German control. The Swiss had similar disputes with other signatories.³

In late April and early May 1948 representatives from the United States, Britain, and France met in Paris to review all outstanding issues on German assets in non-IARA countries of the Western and Eastern Hemispheres and in the wartime neutral countries of Spain, Portugal, Sweden, and Switzerland. Seymour Rubin, the chairman of the U.S.

² Extract from Current Economic Developments (State Department internal publication), June 28, 1948; ibid., p. 459; telegram 100 to Bern, July 19, 1948, ibid., p. 474; and telegram 1502 to Bern, November 4, 1948, ibid., p. 494.
³ Swiss Compensation Office Expose no. 49, Oct. 15, 1947, RG 59, Decimal Files 1945-49, 800.515/10-1547; State Department Memorandum, November-December 1950, in ibid., West European Office files.
delegation to the conference in Paris, subsequently reported on the outcome. With respect to Switzerland, there were clear differences among the three Allies. Britain seemed optimistic that the Swiss were serious about implementing the Washington Accord and wanted to focus on those objectives of the Accord that might assist European recovery resulting from the liquidation of German assets. The French were skeptical about further negotiations, pointed out various reasons for doubting the good intentions of the Swiss, and suggested that the United States use sanctions against the Swiss. The U.S. representatives reminded the British and the French that “sanctions had been ruled out in the beginning of the negotiations two years before” and the United States would certainly not take them unilaterally. The United States wished to report to the IARA as soon as possible the unworkability of the Accord and “if possible to relieve itself of a task that would then threaten our dignity and promise no success.”

It was finally agreed that the Allies would present a strongly worded note to the Swiss on May 11 with the following points:

- The Allies accepted the Swiss offer of October 1947 to place the proceeds of liquidation into blocked accounts, on condition that the Swiss made immediately available to the Allied governments an advance of 100 million Swiss francs against the proceeds of liquidation.
- The Swiss must advance 20 million Swiss francs ($4.7 million) to the International Refugee Organization.
- The Allies could discuss adjustment and settlement of problems relating to the expeditious execution of the Agreement, including the functions of the Joint Commission.
- The Allies could discuss with Switzerland on a bilateral basis any intercustodial problems.
- Although “no immediate solution” was attainable, the Allies would stand by their obligation to provide compensation to German property owners.

The U.S. Legation in Bern reported that the Swiss failed to provide a satisfactory reply to the Allied note and continued to argue that they were not obliged to liquidate German assets before knowing what counterpart in German currency would be paid to German owners. The Swiss also renewed their request for arbitration of this particular point.

During the remaining months of 1948, there was little progress. On August 23, Assistant Secretary Thorp met in Bern with Swiss chief negotiator Stucki, but little came of the meeting. Stucki continued to favor arbitration as a solution to the exchange rate.

---

2 Ibid.; Note from the State Department to the Swiss Legation, May 11, 1948, ibid., Decimal Files 1945-49, 800.515/5-1148; ibid., OFD Office Files.
3 Cable from Bern, July 7, 1948, ibid., Decimal Files 1945-49, 800.515/7-748.
issue. On September 8, Max Petitpierre, Chief of the Swiss Political Department, met with Seymour J. Rubin of the State Department’s Legal Adviser’s Office who was in Geneva on other business. In the meeting, Rubin saw the Swiss proposal for arbitration as a slow process which, until completed, would continue to hinder the transfer of funds to the IARA and IRO. Rubin suggested solutions to the impasse that transferred to the Swiss Government the responsibility to achieve through negotiations its objective of providing fair compensation to the German owners of liquidated property. Moreover, such negotiations would be conducted by the Swiss directly with the Allied authorities or a new German Government. Over the next several months, there was little movement in discussions with the Swiss, and Allied disunity continued.

On December 29, 1948, the head of the Swiss Legation in Washington told Assistant Secretary Thorp that Switzerland was prepared to put aside its preference for arbitration and undertake negotiations with the Allies on all problems relevant to the Allied-Swiss Accord. The Swiss indicated their change in position came about because they considered arbitration too lengthy and too costly. Ironically the United States had come to consider arbitration a possible solution to the exchange rate issue.

After the Swiss had dropped their demand for arbitration, the way was clear for the United States to call for an Allied-Swiss conference on the Accord to discuss all issues and ultimately seek a revision of its terms. However, it was also clear that over the previous two and one-half years of negotiation there had been no progress on the critical exchange rate issue, and hence virtually no liquidation of German assets in Switzerland.

G. Allied-Swiss Negotiations in Washington, May-June 1949

The Allied-Swiss negotiations were set for May 1949. Over the previous year, events in Germany and in East-West relations created new concerns for U.S. policy-makers. The Berlin Blockade, in effect since June 1948, had highlighted the onset of the Cold War and initiated a process of reconciliation between Germans and Americans. The recovery of the German economy had also become an important U.S. objective since the London Conference of February-July 1948. U.S. objectives in Germany and toward implementation of the Allied-Swiss Accord sometimes appeared to be in conflict. A May 1949 joint State-Army message to U.S. occupation authorities in Germany drew attention to this conflict between strict implementation of the Accord and the requirements of U.S. policy toward post-war Germany:

---

1 Despatch from Bern, August 25, 1948, ibid., 800.515/8-2548.
2 Despatch from Bern, September 10, 1948, ibid., 800.515/9-1048.
3 Cable to Bern, August 24, 1948, ibid., 800.515/8-1848; Note from the British Embassy in Washington, September 4, 1948, ibid., 800.515/9-448; Note from the State Department to the British Embassy, October 18, 1948, ibid., 800.515/9-448 (both notes only first page available).
4 State Department memorandum of conversation, December 30, 1948, ibid., 800.515/12-3048; State Department memorandum of conversation, December 31, 1948, ibid., 800.515/12-3148; Cable to London, December 31, 1948, ibid., 800.515/12-3148.
5 Internal State Department memorandum, January 25, 1949, ibid., 800.515/1-2549.
“Under Swiss Safehaven Accord, U.S., U.K., France legally obligated to ensure that compensation paid in Germany to former owners German assets in Switzerland. Circumstances have changed since commitment undertaken but, unfortunately, obligation persists and a practical way out must be found.”¹

The conference on the Accord was held in Washington from May 10 to June 10, 1949. After 5 weeks of discussions, the conference ended with agreement on several minor issues, but failed to reach agreement on the three major issues of the exchange rate, compensation of Germans residing in the Soviet Zone, and intercustodial matters.²

The chief Swiss negotiator suggested at one point that the exchange rate issue could be resolved through direct negotiations between Switzerland and West Germany. He also indicated that the German asset owners would prefer to see established the strongest possible Swiss franc, as they would thereby obtain more marks for each franc. He also linked the exchange rate to the problems of a “clearing agreement,” which Switzerland would negotiate with Germany on trade relations. Such negotiations would be “under the supervision of the occupying powers, making it difficult to reach agreement.”³

The Allies, while continuing to maintain that establishment of an exchange rate was not a prerequisite under the Accord, sought to meet the Swiss point of view via a number of proposals. One proposal involved the following: “Liquidation (of German assets) shall begin immediately. The counter-value of assets liquidated shall be computed at the provisional rate of Swiss Francs 100 equals DM 78.” The Swiss indicated that they might be able to accept a modified version of this proposal but only in conjunction with a settlement of the intercustodial question.⁴ The new Swiss position must have been all the more frustrating for senior U.S. officials because it ran contrary to the assurances that Swiss Minister Stucki gave to Thorp and Rubin in March 1948 that the exchange rate was the only problem standing in the way of speedy implementation of the Accord.⁵

The second unresolved major issue at the conference involved the disposition of assets in Switzerland owned by Germans residing in the Soviet Zone. The Allies proposed that the West German authorities provide indemnification to East German owners on an identical basis as for West German owners. The Swiss rejected this proposal. The Allies made a counterproposal, but it was not acted upon.

Regarding intercustodial matters, the Swiss sought to find a single solution on the basis of a multilateral agreement among the governments represented at the conference, an agreement that would also be binding on all IARA member governments. In rejecting the Swiss proposal, the Allies stated that solution of cases subject to intercustodial

¹ Joint State Department-Army Cable to OMGUS, May 3, 1949, ibid., 800.515/5-349.
³ Summary Minutes of Ninth Plenary of Quadripartite Conference, May 24, 1949, ibid., 800.515, Box 4256.
⁵ Memorandum of conversation, March 24, 1948, ibid., 800.515/3-2448.
conflict was not covered in the Accord and recommended that the Swiss negotiate on a bilateral basis with IARA member governments.

The inability to reach agreement on the three major issues prevented the Allies from raising the question of the property of persecutees of the Nazi regime and delivery of Swiss francs to the International Refugee Organization.¹

H. Possible Reconvening of the Allied-Swiss Conference

The Allied-Swiss conference did not reconvene as planned in September 1949. On December 29 Minister Stucki told the U.S. Legation Chief and a visiting State Department official that Switzerland could not agree to convening a conference until the intercustodial discussions were more satisfactorily advanced.²

In an internal State Department note, U.S. officials expressed frustration over the delays, which they attributed to delays in Swiss negotiations of intercustodial agreements with several Allies. The Swiss were in bilateral discussions with the United Kingdom, France, the Netherlands, and Belgium. Delays with Belgium seemed to be the main problem for the Swiss. A British official informed his U.S. counterpart that the delays were “not entirely the fault of the Swiss.” He also stated that the Swiss were “entirely justified” in not reconvening the Allied-Swiss conference until there would be more progress in the intercustodial discussions.³

In the first half of 1950, while the United States sought to get the Swiss to reconvene the Allied-Swiss conference, obstacles to the Accord arose within the State Department. In January 1950, the European Bureau’s German Office objected to the Accord provisions that required the German authorities to establish a system of compensation for German owners of assets liquidated in Switzerland. The German Office objected to such a system because:

“(1) this would be discriminatory treatment in favor of a particular class of persons who lost as a result of the war and would be politically dangerous;

“(2) it would lead to demands for compensation in Germany for other classes of war losses, the acceptance of which would be economically impossible.”⁴

The West European Office of the State Department argued in favor of respecting an international agreement to which the United States was a party and noted that the Swiss would not implement the Accord without the compensation scheme. Differences were papered over adequately to allow the matter to be discussed at the June meeting of

---

² Telegram from Bern, December 30, 1949, ibid., 800.515/12-3049.
³ Letter to E. M. Adams, November 25, 1949, ibid., 800.515/11-2549; telegram from Bern, December 30, 1949, ibid., 800.515/12-3049.
⁴ State Department memorandum, January 3, 1950, ibid., Decimal Files 1950-54, 262.0041/1-350.
Allied experts in Frankfurt, hosted by the U.S. High Commissioner, called to prepare for the reconvening of the conference that was recessed in June 1949.¹

The Swiss finally agreed to reconvene the conference on June 22, 1950, in Bern. As U.S. officials departed for the preparatory meetings, they listed the following issues for discussion at the Bern conference:

- A compensation system that could meet German and Swiss requirements,
- Compensation arrangements for Germans in the Soviet Zone,
- The Swiss franc-DM rate of exchange,
- Intercustodial disputes,
- Persecutees (returning vested property in Switzerland belonging to Nazi victims),
- Hardship cases and the minimum exemption (under 5,000 Swiss francs) for divestiture, and
- Swiss obligation to contribute another 17 million Swiss francs to the IRO.²

The United States believed that the Swiss would accept an exchange rate that would be determined by a formula based on the dollar-Deutschmark rates.³ On the intercustodial issue, the U.S.-Swiss Memorandum of Understanding, negotiated in July 1949 separately from the May-June conference, had not yet been approved by the U.S. Congress. There were still differences within the Executive Branch over the terms, and the Swiss had requested some amendments.⁴

The Allied delegations arrived in Bern on June 22, 1950. In preliminary talks, the Swiss stated that they would not carry out any agreements that might be reached with respect to outstanding problems under the Accord unless prior and final settlement was reached on the U.S.-Swiss Memorandum of Understanding on intercustodial matters. The Swiss had suggested such linkage at the May-June 1949 Allied-Swiss conference, but they stated the linkage explicitly just before the June 1950 session was underway.⁵ After several days, U.S. negotiators left Bern before the conference could resume. State Department officials warned the Legation Chief not to “gloss over” the true reasons for the breakdown of the conference, concluding that the “most recent Swiss performance reinforces [Washington’s] belief Swiss have no intention ever implementing the Accord.”⁶

¹ State Department memorandum, January 18, 1950, ibid., 262.0041/1-1850; Airgram to Bern, May 31, 1950, ibid., 262.0041/5-3150.
² Airgram to Bern, May 31, 1950, ibid., 262.0041/5-3150.
³ Later documents indicated that the agreed rate of exchange would be 100 Swiss francs to 95.88 Deutschmarks. See Despatch from HICOG Frankfurt, July 5, 1951, ibid., 262.0041/7-551.
⁴ Airgram to Bern, May 31, 1950, ibid., 262.0041/5-3150.
⁵ Telegram to Bern, July 3, 1950, ibid., 262.0041/7-350.
⁶ Telegram to Bern, July 4, 1950, ibid., 62.0041/7-450.
In early July, *The New York Times* reported that the Swiss action constituted an “insult” to the United States. On July 6, the State Department issued a press statement that noted that the conference was “canceled because of the last minute imposition by the Swiss Government of a condition unrelated to the Accord which the United States Government could not accept. The condition, which the Swiss Government advanced for the first time after the Allied delegations already had assembled in Bern was that the Swiss Government would not carry out any agreements which might be reached with respect to outstanding problems under the Accord unless prior and final settlement were reached on the bilateral Memorandum of Understanding between Switzerland and the United States.”¹

The Swiss asserted in a subsequent press release that they imposed no conditions; they merely pointed out that a resumption of the conference was “premature” given the differences that arose “in respect of certain bilateral negotiations” (i.e., on intercustodial matters). Moreover, the Federal Council “could not take a definitive attitude with regard to a new quadripartite agreement...so long as agreement with the U.S....had not been concluded.” The Swiss sent a note indicating that Switzerland was prepared at any time to resume the “bilateral negotiations,” but the note made no reference to Allied-Swiss talks.²

The United States soon made an effort to reconvene the negotiations. In late July, Assistant Secretary Thorp made an oral and informal proposal to the Swiss Legation Chief that the Allied-Swiss conference and the bilateral negotiations on intercustodial issues could both begin in the fall without preconditions.³ The Swiss responded in a September 20 Aide-Mémoire to the State Department, indicating willingness to resume bilateral discussions “as soon as possible,” but continuing to propose terms that would allow linkage between the Accord and the bilateral intercustodial agreement: the two issues could be discussed “separately” but “the result of each would be submitted ad referendum to the participating governments.”⁴

I. U.S. Policy Toward Switzerland in 1950 and 1951

In August 1950, as part of its broader practice of preparing policy statements summarizing current foreign policy toward most nations and regions, the State Department updated its policy paper on Switzerland. The paper summarized U.S. policy objectives as follows:

“The Swiss Confederation is an important factor in European economic recovery and a positive force in the maintenance of free democratic institutions in Europe. While traditional neutrality precludes their political or military alignment

---
¹ Telegram to Bern, July 6, 1946, ibid., 262.0041/7-650; telegram from Bern, July 7, 1950, ibid., 262.0041/7-750.
² Telegram from Bern, July 12, 1950, ibid., 262.0041/7-1150; Note from the Swiss Legation to the State Department, July 7, 1950, ibid., 262.0041/7-750.
⁴ Aide-Mémoire from the Swiss Legation, September 20, 1950, ibid., 262.0041/9-2050.
with the west, the Swiss can nevertheless be relied upon to defend their territory resolutely against any aggressor. As such Switzerland constitutes a deterrent to the expansion of Soviet influence in Western Europe and a strategic asset, even though a passive one, within the frame of United States objectives.”

The body of the policy paper expanded on these objectives. With respect to the Marshall Plan to help revive the war-shattered economy of Europe, the paper observed that the Swiss had at first been skeptical but by 1950 had become more supportive. The paper estimated that Swiss contribution to European economic recovery amounted to $500 million in the form of Swiss Government credits of over $187 million, additional credits from private Swiss banks, and gifts for international relief and welfare. In this 25-page paper, only one page was devoted to the problem of liquidating German assets in Switzerland. The paper adopted the attitude that the 1946 Allied-Swiss Accord had “caused difficulties in our relations with Switzerland disproportionate to the intrinsic importance of the matter” and saw it in terms of a negotiating deadlock without any criticism or blame to the Swiss.¹

By late 1951 U.S. policy toward Switzerland had continued to change, and on December 9, 1951, President Truman approved NSC 119, “The Position of the United States With Respect to Switzerland,” which assessed the military capabilities and economic strength of Switzerland and concluded that U.S. policy should be to bring Switzerland into closer relationship with the common defense effort of Western Europe. NSC 119 acknowledged the neutrality of Switzerland but also saw the strengths of Switzerland’s military and strategic position against a possible Soviet attack and proposed that Switzerland could be induced to cooperate closely with the Western Powers. Early versions of this paper, drafted in the State Department, had included recommendations for extending military assistance to Switzerland and for persuading Swiss military industry to work closely with NATO, but the Joint Chiefs of Staff were reluctant to give Switzerland priority over NATO nations in the receipt of military assistance.²

**J. Possible U.S. Withdrawal From the Washington Accord**

Throughout the summer and fall of 1950, most mid-level U.S. officials involved in the implementation of the May 1946 Accord had concluded that the Swiss never had any intention of implementing the Accord. In line with this conclusion, the Western European Office in the State Department prepared several memoranda recommending that the United States report to the IARA that the Accord was unworkable and that the United States should be relieved of further responsibility as a trustee for the other IARA countries. The West European Office believed that it could be expected that the United Kingdom and France would have the necessary interest to seek implementation of the

Accord, which would remain in effect, as these two countries needed the Swiss francs for balance of payments purposes.¹

Other offices objected to this approach, notably the Legal Adviser’s Office and the Monetary Office of the Economic Bureau. The latter indicated that the proposed action might prejudice negotiations with other neutrals for the recovery of looted monetary gold and success with the Swiss could lead to another $58 million in Swiss francs, which were in great demand in Europe and would be important to fostering European recovery. The Monetary Office also addressed the issue of whether compensation in Germany should be a stumbling block, making the following point:

“Staff members of OFD remember that it was stressed by the Swiss during the [May 1946] negotiations and understood by the U.S. that no liquidation of German property could be undertaken by them without simultaneous genuine compensation to the individual Germans involved. Consequently, the U.S. was in full knowledge of this necessity in concluding the Accord and cannot shun the responsibility involved now. The problem of finding a satisfactory exchange rate has solved itself in the meantime.”²

The move to withdraw from the Accord gained strength during the fall of 1950, in part because of evolving U.S. objectives regarding Germany. U.S. officials felt confident that they were on strong legal grounds if the negotiations broke down on the intercustodial issues, but if the negotiations broke down on the compensation issue, the United States would be faced with a Swiss demand for arbitration, supported by the United Kingdom and France. The German Office regarded the compensation issue as a “desire by the Allies to extract at this late date a comparatively few Swiss Francs for reparation,” and feared that the compensation provision of the Accord would be a burden on the German economy and create political problems for the German government, particularly at a time when German support on European and NATO issues was critical.³

By 1951 U.S. policy toward Germany became a critical factor for U.S. policymakers. A cable to the U.S. High Commissioner in Frankfurt of March 22, 1951, stated that the limit to which the Department was willing to go in implementing the Accord depended “primarily” on the High Commissioner’s view of acceptability of the Accord “from German standpoint.” The cable continued:

“Implementation Accord wld avoid abrogation international agreements and wld have beneficial effect US relations with Swiss, U.K., FR and IARA countries although such effect not major consideration since Accord relatively small item as compared to arrangements such as NATO or issues such as East-West trade, materials allocation, etc., which currently control climate of US

¹ West European Office memorandum, August 22, 1950, RG 59, Decimal Files 1950-54, 262.0041/8-2250; West European Office memorandum to European Bureau, October 17, 1950, ibid., 262.0041/10-1750; German Office memorandum to European Bureau, October 27, 1950, ibid., 262.0041/10-2750.
² State Department memorandum, October 16, 1950, ibid., 262.0041/10-1650.
³ German Office memorandum to European Bureau, Oct. 27, 1950, ibid., 262.0041/10-2750; European Bureau memorandum to G—Matthews, November 7, 1950, ibid., 262.0041/11-750.
relations with these countries. On other hand, if Accord not implemented we wld be relieved disadvantages of compensation program.”

The State Department’s European Bureau prepared a plan, described in a November 1950 memorandum to Deputy Under Secretary Matthews, to find a way to allow the United States to make a “dignified withdrawal” from the negotiations and “a situation which for more than four years has poisoned our normally good relations with the Swiss.” The memorandum stated:

“Such a withdrawal, however, does not contemplate creation of a vacuum as regards German assets in Switzerland. Switzerland’s obligations under the Accord and existing blocking mechanisms would not lapse, and the emerging German Government could effectively deal with the Swiss. In such a settlement it must be contemplated that Germany will be part of the Western Europe defense structure and hence its acquisition of purchasing power in Switzerland would redound to the common good.”

U.S. policy-makers believed that the Swiss were eager to assure that the new German State honored the Reich’s wartime debt of 1.2 billion Swiss francs (more than $275 million) to Switzerland. Thus it was also in Switzerland’s interests to come to an agreement with Germany on the liquidation and compensation issues.

The decision resulting from the November 1950 memorandum to Under Secretary Matthews was to inform the Swiss of the U.S. intent to withdraw from the Accord (i.e., lay down its trusteeship functions). When the British and the French objected strongly, the United States, in the interest of maintaining Allied harmony, agreed to make another attempt to get the Swiss to drop the linkage between the intercustodial agreement and the Accord.

On January 10, 1951, Assistant Secretary of State for European Affairs Perkins handed Swiss Legation Chief Bruggmann an aide-mémoire calling for a resumption of Allied-Swiss discussions on the Accord at the earliest practical date. The aide-mémoire also allowed for talks on the bilateral intercustodial agreement in the spring of 1951, but was explicit in de-linking the two issues. The British had already agreed that, should the Swiss reject the Allies’ compensation plan, all three Allied governments would refuse to submit the matter to arbitration. On February 6 the Swiss responded to the U.S. aide-mémoire, agreeing to essentially all the terms of the U.S. proposal of January 10.

---

1 Cable to U.S. High Commissioner, Frankfurt, March 22, 1951, ibid., 262.0041/3-2251.
2 European Bureau memorandum to G—Matthews, November 7, 1950, ibid., 262.0041/11-750.
3 European Bureau memorandum, January 26, 1951, ibid., 262.0041/1-2651.
4 State Department Aide-Mémoire to British and French Embassies, December 15, 1950, ibid., 262.0041/12-1550.
5 State Department Aide-Mémoire to Swiss Legation [only draft version available dated December 11, 1950], January 10, 1951, ibid., 262.0041/12-1450.
6 British Embassy Aide-Mémoire to State Department, January 5, 1951, ibid., 262.0041/1-551.
7 Swiss Legation Aide-Mémoire to State Department, February 5, 1951, ibid.
K. Allied-Swiss Conference at Bern, March-April 1951

The conference reconvened in Bern on March 5, 1951, and negotiations continued into April. The session was characterized by the U.S. and British negotiators as “a final test of Swiss good faith.” Agreement was reached on a number of subsidiary points (including an exemption from the Accord for property valued at less than 10,000 Swiss francs). The exchange rate agreed upon earlier was confirmed at 100 Swiss francs to 95.88 Deutschmarks. On the critical issue of compensation, the four powers agreed on what came to be known as the “April 20 Understanding,” with the following provisions:

- Germany would pay the owners of property liquidated in Switzerland 50 percent of a property’s value; the remainder would be paid via a bond issued by the Federal Republic.

- Germany would receive 25 percent of the proceeds from the liquidation as financial assistance in meeting its cash obligations to compensate German property owners.

- The Allies and Switzerland would share equally in the remainder.

The Swiss subsequently imposed an additional condition on liquidation: Switzerland required a formal undertaking from the Federal Republic that the German Government would carry out the compensation program. The three Allies rejected this condition.

The issues of persecutees and heirless assets also became important points of controversy in May 1951. The Swiss refused to grant exemption from forced liquidation to persecutees but noted that they would receive compensation. The United States pointed to Allied agreements with Sweden and Italy, as well as U.S. law, which exempted the property of persecutees from liquidation. The United States also argued that it was contrary to basic U.S. policy to allow America or others to profit from the assets of persecutees. If the Swiss refused to yield, the United States would press for an exemption of persecutees’ assets if persecutees took up residence outside of Germany by the effective date of the final agreement on the Accord. The U.S. view was that this would exempt the majority of persecutees.

---

1 State Department memorandum to French Embassy, February 24, 1951, ibid., 262.0041/2-2051.
2 Aide-Mémoire transmitted by Allied Delegations to Swiss Legation, April 20, 1951, ibid., 262.0041/4-2051; State Department Memorandum on Accord, September 6, 1951, ibid., 262.0041/9-651. A summary of the negotiations and terms affecting Germany can be found in Staff Memorandum of U.S. High Commissioner for Germany, July 13, 1951, located in Box 1047 with State Department Documents, ibid., 262.0041.
3 Ibid. For more detailed view of terms, see cable from Frankfurt, June 22, 1951, ibid., 262.0041/6-2251. The Allies had hoped to obtain 135 million Swiss francs from this formula. The total value of German assets in Switzerland subject to liquidation was 360 million francs, but 25 percent (90 million francs) was to be turned over to Germany under the “April 20 Understanding,” leaving 270 million to be divided equally between the Allies and Switzerland.
4 U.S. Position Paper on Persecutees in State Department memorandum to French Embassy, February 24, 1951, ibid., 262.0041/2-2051; Cable to Bern, May 23, 1951, ibid., 262.0041/5-2151.
As soon as the main session of the Bern conference ended on April 21, the Allies informed the German Government of the compensation formula. On April 25 in Bonn−Petersberg, the Allies handed to the Germans an Aide-Mémoire on the compensation proposals, i.e., the terms agreed upon in the “April 20 Understanding.” On May 8 the Germans informed the Allies that they were unable to respond to the compensation proposals. U.S. officials suspected that the Germans would view such a compensation plan, and Chancellor Konrad Adenauer’s letter in late March to Allied officials opposed the principle of compensation.1

During May and June, German newspapers published stories critical of Allied plans to impose the settlement with Switzerland on Germany. On June 9 additional evidence of a German rejection of the compensation plan appeared in a cable from the U.S. High Commissioner. Based on the information in that cable, the State Department instructed the U.S. High Commissioner to draft an Allied High Commission law to implement the “April 20 Understanding.” 2 On July 3 The New York Times reported in detail German rejection of the April 20 compensation plan. Shortly thereafter, Chancellor Adenauer clearly rejected the Allied-Swiss compensation plan.3

On July 13 the State Department instructed the U.S. negotiators in Bern to inform the Swiss that Germany “has not agreed to take initiative on compensation.” Nevertheless, the Allies intended to issue the required law, and the delegation should submit the draft Allied High Commission (AHC) law to the Swiss for their information with a statement that the Allies regarded it as fulfillment of the “April 20 Understanding” and a valid basis for Swiss implementation of the Accord. The instructions concluded:

“If Swiss refuse implement Accord this basis USDel shld take position it must reluctantly conclude Swiss lack genuine intention to carry out Accord and that in view of history Accord US must consider Accord unworkable and terminate futile attempts reach solution.”4

The Swiss responded on July 21, in an aide-mémoire to the Allied Legations in Bern, regarding the plan to promulgate a law on the compensation plan. The Swiss aide-mémoire indicated that the Swiss wished to conclude an agreement with the German authorities and proposed direct negotiations with the German Finance Ministry on “numerous technical problems.”5

---

1 “Staff Memorandum of U.S. High Commissioner for Germany,” July 13, 1951, located in Box 1047 with State Department Documents, ibid., 262.0041; telegram 683 from Bonn, March 31, 1951, not found; telegram to U.S. High Commissioner, Frankfurt, April 3, 1951, ibid., 262.0041/3-3151.
2 Cable from U.S. High Commissioner, Frankfurt, June 22, 1951, ibid., 262.0041/6-2251; Cable to U.S. High Commissioner, Frankfurt, June 11, 1951, ibid., 262.0041/6-951; Cable to U.S. High Commissioner, Frankfurt, June 26, 1951, ibid., 262.0041/6-2251; Cable to Bern, July 13, 1951, ibid., 262.0041/7-1151.
3 Cable 6 from Bonn, July 4, 1951, ibid., 398.10-GDC/7-451; Cable from U.S. High Commissioner, Frankfurt, July 6, 1951, ibid., 398.10-GDC/7-651.
4 Cable to Bern, July 13, 1951, ibid., 262.0041/7-1151. See also Cable to U.S. High Commissioner, Frankfurt, June 11, 1951, ibid., 262.0041/6-951.
5 Swiss Aide-Mémoire to Allied Delegations in Bern contained in a despatch, July 21, 1951, ibid., 262.0041/7-8-1651. Apparently, the U.S. delegation was not in Bern to receive the Aide-Mémoire, and it
L. Direct Negotiations Between Germany and Switzerland

The Allies wanted to prevent direct negotiations between Switzerland and Germany in the fall of 1951 when there was still no plan for getting out of the impasse that German rejection of the compensation plan had created. Eventually, the Allies saw no other means of taking account of German interests and approved the German-Swiss discussions, scheduled for early December 1951. The Swiss were determined to assure that the Germans settled their wartime debts for imported goods and other items on the bilateral clearing account, which included about 1.2 billion Swiss francs ($275 million) of German debt to Swiss citizens. The collateral for this German debt had always been blocked German assets in Switzerland, estimated by the IARA at about 1 billion Swiss francs in 1947. (Although only 500 million ($116 million) of the 1 billion ($233 million) was actually subject to liquidation under the Washington Accord after the Allied and Swiss negotiators agreed on a variety of exceptions.)

On December 11, 1951, the Germans reported to the Allies on their discussions with the Swiss. The Germans had discussed the idea that Switzerland would make a lump sum payment to the Allies of 135 million Swiss francs ($31.7 million) in lieu of the May 1946 Accord’s provision for liquidation of German assets in Switzerland and payment of 250 million Swiss francs ($58.7 million) each to the Allies and the Swiss. Germany would in turn reimburse Switzerland for the 135 million, and the Swiss would give up their claim to half the proceeds of liquidation. The Swiss would also release German assets to their original owners. The British and French agreed to the reduction but insisted on making the 135 million Swiss francs the minimum amount acceptable because that was the amount the Swiss had agreed to pay under the April 20 Understanding.

In early February 1952 the Allies finally authorized the Germans to conduct direct negotiations with the Swiss with a view toward achieving agreement on a compensation plan along these lines. In order to assure that no additional burden would be placed on Germany’s balance of payments, the Allies acceded to a German request that the 135 million Swiss franc payment be discounted by 10 percent, thereby arriving at 121.5 million Swiss francs. On the difficult question of Germany’s 1.2 billion Swiss francs debt to the Swiss, the Germans agreed to request the Swiss to defer any unsettled wartime claims until a final general settlement in the future on this matter. On February 13 the

---


2 Cable from London, December 12, 1951, ibid., Decimal Files 1950-54, 398.10-GDC/12-1251; Message of Swiss Cabinet to Parliament, August, 29, 1952, contained in Despatch 263 from Bern, September 9, 1952, ibid., 262.0041/9-952 (in a December 4 Note to the State Department, the Swiss Legation in Washington stated that there were 360 million Swiss francs available for liquidation and that this amount excluded the 10,000 Swiss franc exemption; see ibid., 262.0041/12-451); cable from London, January 18, 1951, ibid., 398.10-GDC/1-1852.
Allies informed the Swiss of formal Allied authorization of German negotiations on the compensation plan with Switzerland.¹

On February 14 the Germans and the Swiss began negotiations in Bern. Agreement was achieved on the compensation plan details, which was initialed on February 22. Problems arose, however, in the debt negotiations between the two countries. The Germans initially offered 60 million Swiss francs as a lump-sum payment under the Washington Accord and as final settlement on their 1.2 billion Swiss franc debt to the Swiss.²

On February 22 Swiss Foreign Minister Petitpierre sent a strong response to the U.S. Legation, insisting that the Swiss Government would never forego German payment of its debts to Switzerland. Petitpierre reported that the Germans and the Swiss had just agreed on compensation along the lines proposed by the United States, but warned that implementation depended on an Allied-Swiss agreement on liquidation and settlement of Swiss claims of 1.2 billion Swiss francs against Germany. Petitpierre concluded by noting that the German offer (of 60 million) on debt settlement was a “mockery.” He therefore expressed the hope that the London Conference on German Debt, beginning February 28, would be able to deal with Swiss claims. The Swiss Government announced on the next day a suspension of the German-Swiss negotiations.³ In an early March aide-mémoire, the United States warned the Swiss not to jeopardize an agreement on releasing German assets in Switzerland by an attempt to use the German proposal “as a means of affording Switz more favorable terms with respect to Swiss credits extended to Ger during the past war than have already been accepted by Allied powers whose territory suffered Ger occupation.”⁴

Swiss officials were unsuccessful in bringing the matter before the London Debt Conference, but they did conduct side discussions with the Germans at the conference during March. The Germans quickly improved their original 60 million offer to 121.5 million Swiss francs, i.e., the same amount the Allies would receive from the Swiss as a lump sum payment under the revised provision of the Accord. The Germans also made clear that this 121.5 million would be a final payment in settlement of the German Reich’s debt of 1.2 billion Swiss francs. The Allies fully backed Germany’s position.⁵

The result was a new impasse. The Swiss made their preparedness to sign an agreement on liquidation dependent on getting satisfaction on their debt claims. To find a way out, the Allies authorized the Germans to conduct parallel discussions on the Reich’s wartime debt. These negotiations, conducted in Bern in April and May, finally reached agreement. The Germans proposed a compromise to recognize Swiss claims to the extent of not more than 650 million Swiss francs, approximately half of the total. An agreement

---

¹ Cables 1443, 1444, and 1445 from Bonn, February 6, 1952, ibid., 262.0041/2-652.
² Cable from Bern, February 20, 1952, ibid., 262.0041/2-2052; cable from Bern, February 23, 1952, ibid., 262.0041/2-2352.
⁴ Cable from Bern, March 8, 1952, ibid., 262.0041/3-852.
⁵ Von Castelmur, Schweizerische-Alliierte Finanzbeziehungen, pp. 354-365.
between Switzerland and Germany on the clearing claim, and a revised agreement on German assets in Switzerland, were initialed on May 8. But not all issues had been resolved.\footnote{State Department Internal Report on Agreement [probably \textit{Current Economic Developments}], September 1952, RG 59, West European Office Files; Message of Swiss Cabinet to Parliament, August, 29, 1952, contained in Despatch 263 from Bern, September 9, 1952, ibid., Decimal Files 1950-54, 262.0041/9-952.}

\textbf{M. Compromise on Intercustodial Matters}

The three Allied delegations arrived in Bern in early May 1952 to initial the changes agreed upon with respect to the lump-sum payment and the revised Washington Accord. But the United States refused to initial because of Swiss insistence on the retention of Articles IV and VI on intercustodial matters, which had been in dispute since 1947. The talks were suspended on May 7, and remained suspended through early August.\footnote{Ibid.; State Department Memorandum of conversation, May 6, 1952, ibid., 262.0041/5-652.} The Swiss had been attempting unsuccessfully to get the U.S. Office of Alien Property to release an estimated $15 to $50 million of assets in the United States (based on a 1950 estimate) on the grounds that the companies were no longer (or never were) controlled by Germans. Swiss insistence on inclusion of these two articles would have permitted them to continue to raise intercustodial issues after ratification of the new agreement. If the Swiss failed to obtain satisfaction, they could then demand arbitration. U.S. opposition was based on the legal ground that neither the terms of the May 1946 Accord nor the arbitration provisions of the Accord covered German assets in the United States.\footnote{West European Office memorandum to European Bureau, November 21, 1950, ibid., 262.0041/11-2150; Legal Adviser’s memorandum to European Bureau, June 3, 1952, ibid., 611.5423/5-2952.}

On July 2, 1952, the Swiss Legation Chief raised the matter with the West European Office of the State Department, noting that the negotiations in Bern had broken down when the United States asked that Switzerland give up its rights under Article IV. The Chief of the West European Office stated that the United States “was acting within its sovereign rights when it seized enemy property located in its territories” during the war. His response made clear that the United States felt strongly about this issue:

“Article IV, which provided that ‘Swiss property’ in the U.S. would be unblocked, referred to the Swiss property which had been blocked as a protective measure. As fast as it could be determined that this property was in fact totally Swiss, and not enemy owned or controlled, it was unblocked.

“Accordingly, latter-day Swiss demands that, on the basis of Article IV of the Washington Accord, Switzerland has rights regarding enemy controlled property in the U.S. are completely without foundation. When the U.S. negotiators in Bern met with an adamant Swiss demand for such rights, they could only withdraw to consider the matter.
"[The importance of the Washington Accord] to Swiss-American relations far transcends the dollar values in question. As the [Swiss] Minister knows, it was, quite humanly, true that many people in the U.S. viewed neutral Switzerland rather unfavorably during the war. The fact that the Washington Accord remains to this day unresolved constitutes a constant remainder of these unpleasant feelings, which cannot have favorable consequences with relation to whatever subject regarding Switzerland is being discussed."¹

During June and July State Department officials worked out a compromise solution that was presented to the Swiss in early August. The solution involved retaining the validity of the May 1946 Accord with respect to East German property while the new agreement of 1952 would apply only to the area of the Federal Republic and West Berlin.² The compromise allowed the Allies and the Swiss to sign an agreement on the liquidation of German property in Switzerland on August 28, 1952, in Bern. This followed the signing of the German-Swiss agreement of August 26, 1952. Indeed, there were three major agreements involved among the three Allies and Switzerland and Germany and Switzerland.

A summary of their key provision follows:

**August 28, 1952, Allied-Swiss Agreement on Liquidation of German Property.** This agreement assured release of German assets blocked by Switzerland in 1945 at the behest of the Allies. Switzerland agreed to pay the Allies a lump sum of 121.5 million Swiss francs ($28.3 million), less its advance of 20 million francs ($4.7 million) to the IRO in July 1948. The Allies actually received 101.5 million ($23.6 million), from which the Allies were committed to make an additional payment of 13 million Swiss francs ($3 million) to the IRO. The Allies were entitled to receive the 121.5 million francs in lieu of Switzerland's liquidation of German assets in its country. The May 1946 Accord ceased to have effect with respect to the Federal Republic and West Berlin, allowing the Swiss to release under certain circumstances blocked German assets to their owners.

**August 26, 1952, German-Swiss Agreement on Financing.** This agreement between Germany and Switzerland involved establishment of the procedures for financing the 121.5 million Swiss francs that Germany was required to reimburse the Swiss Government for its lump sum payment to the Allies. German owners of property released by the Swiss would be asked by the Federal Republic to make a contribution to the German State equal to one-third the value of their Swiss property. If they refused, the Swiss Government would liquidate their property and the proceeds would become available to the German Government. The German property owners would then receive the full value in German Marks and be liable for taxes to the German State. To assure prompt payment to the Swiss Government of the 121.5 million Swiss francs, the German

¹ Memorandum of conversation on meeting between Marshall Vance (Director, West European Office) and Minister Bruggmann, July 2, 1952, ibid., West European Office Files.
² Legal Adviser's memorandum to European Bureau, June 3, 1952, ibid., Decimal Files 1950-54, 611.5423/5-2952; cable from London, August 8, 1952, ibid., 398.10-GDC/8-852. See Article I of Multilateral Agreement signed at Bern, August 28, 1952, TIAS 5059.
State would obtain a loan from a consortium of Swiss banks; the loan would be secured by the contributions of German property owners. Exempted from this process were properties with a total value of less than 10,000 Swiss francs and the property of dual nationals and those who had suffered persecution in Germany for racial, political, or religious reasons. The total value of blocked German property in Switzerland was estimated in 1947 at 398 million Swiss francs ($93 million). During the 1951-1952 negotiations, additional deductions for exempted property reduced the total to 360 million Swiss francs.

August 26, 1952, German Settlement of Reich’s Wartime Debts to the Swiss. In this agreement, Switzerland agreed to renounce its claim to a payment under the May 1946 Washington Accord, so long as the Germans agreed to recognize the Reich’s wartime debt, which had reached 1.2 billion Swiss francs exclusive of interest payments. The Germans agreed to pay not more than 650 million Swiss francs as settlement of this debt and begin making specified installment payments on April 1, 1953.1

---

VII. Allied Negotiations With the Other Neutral Countries

A. Allied Negotiations With Sweden

U.S. and British efforts to enlist the Swedes in the Safehaven program began in 1944, but the two Allies were not united in their goals. Britain favored a more restrictive program, limited to controlling gold in the country. 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. In spite of these divisions, the Allies’ entreaties to Stockholm appeared to have some effect. In September 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.¹

By Spring 1945 the British agreed to the broader U.S. objectives. A joint Safehaven proposal for Sweden was drafted, and the U.S. Missions in Lisbon and Madrid were advised to use it as the basis for their Safehaven talks.² Informal talks in Stockholm began in late April. The Swedes noted their support for the principles of Bretton Woods 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 German plans for postwar resistance.³

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 their census to include all types of German property. In addition, to implement these decrees and penalize violators, an administrative and investigative body, the Foreign Capital Control Office (FCCO), was established. In January 1946, after Allied prodding, Sweden tightened these laws to include controls over German subsidiaries.⁴

In November 1945 Sweden provided U.S. Treasury Department officials with reports concerning Swedish gold transactions during the war.⁵ In comparing these records with data on German gold holdings at the time of the Swedish purchases,

¹ 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.
² 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.
³ 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.
⁴ Memorandum from Rubin to Hilldring, December 2, 1946, ibid., 800.515/12-246.
⁵ Schwartz to Schmidt, February 8, 1946, RG 131, Entry 243, Box 256, Enforcement 1946 [A188].
Treasury believed that Sweden had acquired $22.7 million of looted Belgian gold. For negotiation purposes, the Allies reduced the claims to about $17 million.1

On February 11, 1946, the U.S. Embassy informed the Swedish Government of the details of ACC Law No. 5, vesting title to the occupation authorities of German assets in other countries, and invited a delegation to Washington to discuss its implementation in Sweden. Although Sweden consented to the talks, it had grave concerns over the Allied claims to these assets.2 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.”3 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.4

On March 8, 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.5

By the end of March, 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.6 The United States and Britain developed a joint strategy shortly thereafter, paying particular concern to their defense of ACC Law No. 5.7 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 Govt” and the “right to marshal its assets, internal and external.” They presented this argument, along with a proposal to begin

---

1 Memorandum on Swedish-German gold transactions from January 1939 to December 1945, May 27, 1946, RG 56, Acc. 66A-1039, Box 62, IARA: Looted Gold-Location and Recovery; Background of Programs, ibid., Acc. 66A-816, Box 1, Looted Gold: Inter-Allied Reparations Agency (1950-1954), General [A42].
2 Note 901 to Swedish Royal Minister of Foreign Affairs, February 11, 1946, with attachments, RG 59, Decimal Files 1945-49, 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; see despatch 6857 from Stockholm, March 29, 1946, ibid., 800.515/3-2946.
3 Telegram 638 from Stockholm, April 5, 1946, ibid., 800.515/4-546.
4 Memorandum from Rubin to Hildring, December 2, 1946, ibid., 800.515/12-246.
5 Memorandum of conversation, March 8, 1946, ibid., 800.515/3-846. Details on the Sveriges 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.
6 Memorandum from Klayman to Martin, March 29, 1946, ibid., 800.515/3-1946.
7 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.
negotiations on May 13, in a note to Sweden on May 4. Starting negotiations so soon, State hoped, might inspire the Swiss to expedite their Safehaven talks. Although the Swedes remained unmoved by these arguments, they agreed to meet. As a “partial quid pro quo,” however, they again requested that the Allies grant them the right to investigate the status of Swedish property in Germany. Although nothing formal was decided, by late April the Allies seemed inclined to approve the trade-off.

Formal negotiations began in Washington on May 29. The U.S. delegation was headed by Seymour Rubin, Deputy Director of the State Department’s Office of Economic Security Policy, and 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. Assistant Secretary of State William Clayton opened the conference with a statement in which he made clear that there was no intention in the discussions to attack Sweden’s role as a neutral 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.

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 they, 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.

Negotiations continued into the summer, and on July 18 the two sides reached an accord. Of the estimated 378 million kroner (about $90.7 million) in German assets in Sweden, Sweden agreed to divide the proceeds from their liquidation as follows: 50

---

1 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; memorandum from Rubin to Hilldring, December 2, 1946, ibid., 800.515/12-246.

2 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; memorandum from Rubin to Hilldring, December 2, 1946, ibid., 800.515/12-246.

124

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) would go to the Inter-Allied Reparations Agency (IARA), excluding the amounts the United States, Britain, and France would get; 150 million kroner (about $36 million) would go for assistance in preventing disease and unrest in Germany. This last sum would be placed in a special account in the Swedish National Bank usable for purchases in Sweden or other countries of essential commodities for the German economy. In addition, the agreement permitted Swedes 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; called for the release of frozen Swedish assets in the United States (estimated at the time at $200 million) and the removal of any "blacklists;" and allowed the Allies to hold in reserve their claims to German state properties in Sweden.\footnote{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 Monetary Research Activity Report, ca. October 11, 1946, RG 56, NN-370-177, Box 19 [A41]; "Draft History," ibid., Acc. 66A-816, Box 1, p. 15 [A-42]; Schwartz to Richards, April 28, 1947, ibid., Looted Gold: General [A46]; Division of Monetary Research Activity Report, July 1946, attachment to Division of Monetary Research Activity Report, October 11, 1946, ibid., NN-370-177, Box 19 [A41]; Background of Programs, 29 January 1952, ibid., Acc. 66A-816, Box 1, Looted Gold: Inter-Allied Reparations Agency (1950-1954), General [A42]; Schwartz to Richards, April 28, 1947, ibid., Acc. 66A-816, Box 1, Looted Gold: General [A46].}

Paragraphs 4 (a), (b), and (c) of the agreement addressed the question of looted property, including gold. Sweden agreed to “effect restitution to the Allies of 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.” According to evidence gathered, Sweden would “restitute amounts to 7,155.32664 kilograms of fine gold [approximately $8.1 million], corresponding to the quantity of gold deriving from the Bank of Belgium which was acquired by the Swedish Riksbank,” but Sweden would be held harmless “from any claims deriving from transfers from the Swedish Riksbank to third countries of gold to be restituted.” In addition, the Allies could not make claims “with regard to any gold acquired by Sweden from Germany and transferred to third countries prior to June 1, 1945,” or any additional claims after July 1, 1947.\footnote{For text of the agreement, see 61 Stat. 3194-3211. See also Schwartz “History,” pp. 15-16.}

In his report on these negotiations, Rubin noted that the talks proceeded smoothly and with an “absence of the bitterness” that characterized the Swiss negotiations. In comparison to the 50-50 split of German assets with the Swiss, the Swedes agreed to deliver almost 73 percent of their holdings.\footnote{Memorandum by Rubin, July 24, 1946, RG 59, Decimal Files 1945-49, 800.515/7-2446. Rubin submitted a more detailed report on the Allied-Swedish negotiations since the war to Assistant Secretary of State Hilldring on December 2, 1946, ibid., 800.515/12-246. Minutes of the negotiations held on July 13,
“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. Discussion 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.”

Sweden and the Allies moved quickly to implement the July 18 agreement. Sweden formally ratified it in November 1946. In July 1947 the Preparatory Commission of the IRO received a deposit of 50 million kroner (then worth about $12.5 million) for the support of non-repatriable refugees in Europe, of which a considerable portion was made available in sterling and other currencies that could be used for the rehabilitation and transportation of the refugees.2

Shortly before the expiration of the July 1, 1947, deadline for gold claims, the Allies filed a request for the restitution of 638 looted Dutch gold bars (worth about $10 million) acquired by Sweden during the war. Sweden challenged a portion of these claims, arguing that some of the gold had been acquired before the January 1943 London Declaration. The Allies claimed, however, that the July 1946 agreement clearly stated that Sweden would restitute all looted gold. In subsequent discussions, the Swedes continued to argue that the agreement did not apply to looted gold acquired prior to 1943.3

The debate over the Dutch bars continued into the 1950s. 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 State and Treasury 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. On May 19, 1954, the Swedes and Americans met to discuss the issue further, but nothing was apparently resolved.4 Ultimately, Sweden restituted about 6 tons of the gold (about $6.8 million) to the Netherlands in 1955.5

---

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
2 Rubin and Schwartz, p. 382.
3 Schwartz to Schmidt, May 8, 1947, RG 56, Acc. 70A-6232, Box 22, Negotiations for Recovery of Looted Gold: Sweden [A65] (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., [A62] (this memorandum establishes 638 gold bars as the official tally of looted gold in the two additional Allied claims against Sweden); Schwartz “History.”
4 Memo to the Files, October 12, 1951; Willis to Bonbright, November 15, 1951; both in ibid., Acc. 70A-6232, Box 22, Negotiations for Recovery of Looted Gold, Portugal; Minutes of Meeting, Swedish-Allied Conference on Looted Gold, May 19, 1954, ibid., Gold: Swedish Gold Con. [C107].
5 Swedish Riksbank Press Release, December 20, 1996, reported in telegram 227258, January 17, 1997; POEMS.
Other problems arose in implementing the July 1946 agreement. By 1948 Sweden was still claiming that the Allies had no official rights 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. In addition, Sweden did not turn over the gold specified in the July 1946 agreement by the March 1948 deadline, claiming apparently that the gold had not been properly identified. On March 15 the U.S. Embassy responded by denying this assertion and requesting that the transfer be made to the Tripartite Commission for the Restitution of Monetary Gold. The Allies discussed these compliance problems at the Conference on Economic Security held in Paris April 26-May 7, 1948, and left it up to the United States to respond.

On May 12, 1948, Sweden delivered a note to the U.S. Embassy in Stockholm claiming that further investigations were needed to determine if their gold holdings included looted gold as defined in the July 1946 agreement. State discussed its 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.

Although Sweden had expeditiously fulfilled its obligation to the IRO in July 1947, it was not as forthcoming with the funds for the IARA. In September 1947 the IARA Assembly accepted a Swedish plan for distributing the 75 million kroner (about $18 million) due under the July 1946 accord with the Allies. This plan allowed Sweden to negotiate bilaterally with each member nation to decide how to satisfy its portion of the total. As of September 1952, Sweden had distributed all but 7 million kroner ($1.4 million at 1952 exchange rates) destined for Belgium and Luxembourg. Sweden had apparently asked these two countries to reimburse them for the 7 million kroner, but they refused. Accordingly, the Allies sent similar notes to Sweden asking that it turn the money directly over to the IARA for distribution. On July 28, 1953, the U.S. Embassy in London reported that in lieu of the 7 million kroner offer to the IRO, “the Swedes will pay 12,896,917 Swiss francs [about $3 million] to Kingsley.” No further information on the settlement has been found.

---

1 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.
2 Despatch 125, March 16, 1948, with attached Note No. 58, March 15, 1948, ibid., 800.515/3-1648.
4 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.
5 Despatch 74 to Stockholm with attached draft note, July 13, 1948, ibid., 800.515/5-1248.
7 Telegram 432 from London, July 28, 1953, ibid., 262.0041/7-2853. Kingsley was the General Counsel of the IARA.
In addition to settling the additional claims for Dutch gold in 1955, Sweden delivered the 7,155 kilograms of gold stipulated under the July 1946 agreement in December 1949.¹

**B. Allied Negotiations With Portugal**

During the course of the war, Portugal was an important source of wolfram, tin, manganese, mica, chrome, and antimony for the Third Reich’s war machine. Of these, wolfram was the most coveted by the Nazis. In February 1943 Germany concluded an agreement with Portugal to obtain 100 percent of the output of its German-owned wolfram mines and 50 percent of all other mines with the exception of those owned by Allied interests. Portugal, wary of the long-term value of the Deutschmark, requested payment in gold. The Allies contended that most of this gold had been looted from occupied countries and peoples after 1942.²

On June 5, 1944, with the tide of war having turned against Germany, the Allies compelled Portugal to cease wolfram shipments, prompting Germany to begin liquidating German mining assets and cloaking them in Portuguese businesses. As of June 1946 the Allies estimated that approximately 50 million escudos (about $2 million) had been liquidated and invested in assets such as hotels, cinemas, and factories.³

With the end of the war in sight, Portugal was more amenable to the Allies’ Safehaven demands. Heeding their requests to comply with Bretton Woods Resolution VI and the February 1944 Gold Declaration, on May 14, 1945, Lisbon enacted Decree Law 34,600, freezing all German assets in Portugal, creating a licensing system for unblocking these assets, providing for a census of these assets, prohibiting the trading of foreign currency notes, and establishing a penalty regime to enforce these provisions. On May 23 the decree was extended to all Portuguese colonies.⁴ Included in these frozen assets were the official state properties of the German Government in Portugal. On May 6, 1945, upon request of the U.S., British, and French Embassies, Portuguese officials seized German governmental buildings and their contents throughout Portugal and its colonies. One month later, they surrendered these properties to a tripartite committee, the Joint Allied Committee on German Affairs in Portugal, established to oversee their liquidation. Included in these seized assets were 5,000 gold sovereign coins found at the German Legation in Lisbon.⁵

¹ TGC Account Activity.
³ Albert Post to Surrey, “Memorandum on German Assets in Portugal,” June 19, 1946, RG 59, Decimal Files 1945-49, 800.515/6-1946.
⁴ Ibid. See also Schwartz “History,” p. 18.
⁵ Despatch 220 from Lisbon, June 8, 1948, RG 59, Decimal Files 1945-49, 800.515/6-848. In the course of the Nuremberg War Crimes Trials a so-called “Ribbentrop Gold Fund” came to light. A body of gold bullion of approximately 15 tons had been used by the German Foreign Ministry (Joachim Ribbentrop was the wartime German Foreign Minister) for the use of its diplomatic missions. American experts concluded after the war that about 4 tons were sent to German Embassies abroad in Madrid, Stockholm,
The State Department continued to be concerned about two aspects of the law: the Allies were excluded from the census and, more importantly, the law permitted the transfer of blocked assets to individuals for their “subsistence” and “the normal exercise of commercial and industrial activity.” The Division of Economic Security Controls (ES) complained to the Embassy in Lisbon that this last aspect could prove a significant “loophole,” permitting the Portuguese to grant excessive living allowances to Germans and the continued transfer of German assets. ES believed the Embassy did not make a serious enough effort to compel the Portuguese to amend the law, and in a June 19, 1946, report concluded that the Department’s worst “fears” had been realized—German firms continued to operate “without any serious handicaps” and much of Germany’s assets had been dissipated. Moreover, the Portuguese census had failed to uncover any holdings the Allies had not already identified.¹

On September 3, 1946, Allied and Portuguese technical-level negotiators met in Lisbon to begin working out how to assess, liquidate, and distribute German assets.² The Allies submitted a draft accord to the Portuguese on September 9, who responded with a counterproposal 9 days later. In the midst of the talks, Allied negotiator Seymour Rubin reported to the U.S. Ambassador to Portugal, John C. Wiley, that while the talks could be characterized as friendly, “serious disagreement” existed between the two sides. These were: 1) defining exactly what German assets would qualify for liquidation; 2) determining how much the Portuguese could claim for wartime losses against Germany; 3) deciding what role each side would play in overseeing liquidation; and 4) deciding how much gold, if any, Portugal would have to relinquish to the Allies.³ None of these issues was resolved during the Lisbon negotiations in 1946-1947.

From 1945 on, the Portuguese had shown little flexibility on the issue of looted gold, claiming that it was not their responsibility to return the gold that they had exchanged with Germany during the war for tangible assets.⁴ In fact, in at least one

---

¹ Albert Post to Surrey, “Memorandum on German Assets in Portugal,” June 19, 1946, ibid., Decimal Files 1945-49, 800.515/6-1946.
² Based upon minutes of the Fourth, Fifth, and Sixth meetings forwarded under Despatch 1120 from Lisbon, September 23, 1946, ibid., 800.515/9-2346, and Seventh, Eighth, and Ninth Meetings forwarded under despatch 1129 from Lisbon, October 1, 1946, ibid., 800.515/10-146.
³ Memorandum from Rubin to Ambassador, September 27, 1946, “A Report on the Progress of the Safehaven Negotiations to Date,” ibid., 800.515/9-2746. For a copy of the Allies’ draft accord delivered on September 9, see despatch 1105 from Lisbon, “Transmitting Copies of Draft Memorandum of Accord delivered to Portuguese Government September 9, 1946,” September 10, 1946, ibid., 800.515/9-1046. A copy of the Portuguese reply of September 17 was not found, but a summary of the salient points was transmitted in telegram 841 from Lisbon, September 19, 1946, ibid., 800.515/9-1946. Minutes for the September meetings as well as scattered despatches on the negotiations after October and copies of the various proposals from each side are ibid., Boxes 4216-4218. See also despatch 874 from Lisbon, October 3, 1946, ibid., 800.515/10-346.
instance officials at the Bank of Portugal claimed that “no gold whatsoever was ever
shipped from Germany to Portugal between April 1938 and May 1945.”¹ A July 1946
State Department report, based upon Allied reviews of wartime intelligence and
investigations of German and Swiss Government and banking institutions, determined
that Portugal had acquired a total of 123,827 kilograms of gold (or roughly 121.87 tons,
valued at the time at $143.8 million) from the Swiss National Bank. Of that amount,
20,117 kilograms ($22.6 million) was definitely deemed to have been looted Belgian gold
from the German Reichsbank’s deposit at the Swiss National Bank. For the remaining
approximately 103,709 kilograms ($116.7 million), the Allies had substantial, but less
conclusive proof that approximately 72 percent was looted. Consequently the report
recommended that the Allies request from Portugal the full 20,117 kilograms of looted
Belgian gold as well as 94,787 kilograms (about $106.6 million) of the probably looted
gold.²

At the talks in Lisbon, the Allies proposed that the Portuguese turn over 44,864
kilograms of gold (valued at roughly $50.5 million).³ This, they contended, was the
amount of gold that the Portuguese had acquired from Germany after 1942, when it had
become common knowledge throughout the world that Germany had expended its own
gold reserves and was relying on looted gold. The Portuguese argued that they were not
aware that Germany had expended its own reserves by 1942 and that they had purchased
all their gold in “good faith” that it was not looted. Therefore, if they did discover some
looted gold in the future, they would turn it over to the Allies only after being
compensated from any liquidated German assets. The Allies found this proposal
unacceptable. The most to which both sides could agree was to create a joint
Subcommittee on Gold to review the Portuguese holdings and records.⁴

After several months of bargaining, the Allies and the Portuguese reached a
tentative accord on February 21, 1947. But the agreement dealt only with the liquidation
of German assets and the Portuguese refused to implement its terms until some consensus
was reached on the gold issue. The Portuguese agreed to deliver all German assets on
their territory as of February 21, 1947, regardless of who had owned them, to the Allies
for liquidation. Of the proceeds, 100 million escudos (about $4 million) was to go to the
IARA to compensate non-repatriables. After reviewing Portuguese claims against
Germany, the Allies determined that Portugal was entitled to receive approximately 140-
180 million escudos (about $5.6-7.2 million) and would receive 50 million escudos
(about $2 million) in proceeds as a first installment. The remaining assets were to be

¹ Telegram 390 from Lisbon, May 4, 1946, as cited in memorandum from Fletcher to Surrey, July
3, 1946, RG 59, Decimal Files 1945-49, 800.515/7-346.
² Memorandum from Fletcher to Surrey, “Memorandum on Gold Acquisitions by Portugal During
the War,” July 3, 1946, ibid., 800.515/7-346. Based upon further investigation, State revised this figure in
September 1946 up to 75 percent. See telegram 1840 to Lisbon, September 10, 1946, ibid., 800.515/8-
2746.
³ This amount is based on troy ounces at $35 per ounce.
⁴ Memorandum from Rubin to Ambassador, September 27, 1946, RG 59, Decimal Files 1945-49,
800.515/9-2746. Despatch 874 from Lisbon, October 3, 1946, ibid., 800.515/10-346. Rubin also indicated
that the Allies were willing to settle for $23 million, which they felt they could prove was looted Belgian
gold.
divided equally between the Allies and Portugal, with the Portuguese portion not to exceed 180 million escudos (about $7.2 million). To oversee the liquidation, the parties agreed to create a three-man commission, including one member appointed by the Allies, one by the Portuguese, and one selected by both.¹

The gold question continued to be the main obstacle to a final agreement. On March 10, 1947, the Subcommittee on Gold issued a 187-page report on the amount of gold acquired by the Portuguese from the Germans between January 1, 1939, and October 31, 1945. Relations within the Subcommittee, apparently, had not been harmonious. The Allies presented detailed evidence from captured German Reichsbank records showing from where gold had been looted and how it was resmelted. The Portuguese members, instead of providing written records as the Allies had expected, would only verbally confirm that the Bank of Portugal had in its possession bars bearing the identifying information provided by the Allies. Because of Portuguese restrictions on the Subcommittee’s mandate, the report did not deal with the issue of whether or not the gold had been looted, only that certain bars “of concern to the Allied Delegations had been acquired by the Bank of Portugal.” Working within these confines, the Subcommittee reported that the Portuguese had acquired 3,859 bars of gold (about 46.76 fine weight tons valued at about $52.6 million). Of this amount, the Portuguese would only agree that 2,246 bars met all the criteria of the Allies’ evidence, 1,380 bars met most but not all the criteria, and 233 bars met none of the criteria. Although the report described 43.95 fine metric tons (about $49.5 million) as “of concern to the Allied Delegations,” one U.S. delegate felt there was conclusive proof that at least 38.45 tons (about $48.23 million) was looted gold.²

According to a summary of the March 1947 report, the investigators could not clearly trace the origins of 8.31 fine metric tons of gold (about $9.4 million). Of this, they surmised 5.5 tons (about $6.2 million) had been “produced by resmelting miscellaneous bars [of] Austrian and German gold coins, etc.…[which] possibly represent monetary gold legitimately acquired and owned by the Reich.” The remaining 2.81 tons could “not be identified,” and was “therefore…regarded as German pre-war or legitimately acquired gold.” There is no mention in the report of non-monetary gold and it is not readily apparent why the investigators did not consider any of the 8.31 tons as such.³

With the Subcommittee’s report in hand, the Allies decided to press for final negotiations on the gold issue. On March 29, they presented a note to the Portuguese Ministry of Foreign Affairs, requesting negotiations, but the Portuguese refused and

² Despatch 382 from Lisbon, “Transmitting Report on Portuguese Gold Negotiations,” October 14, 1948, ibid., 800.515/10-1448. The delegate was Robert J. Schwartz; see Schwartz “History,” pp. 21-22. Dollar values are based on metric tons at $35 per troy ounce.
formal negotiations were postponed.\(^1\) Informal contacts between the Portuguese and Allies continued into the summer, but by July 1947 the State Department began having reservations about its hard line with Portugal. In a July 19 telegram to the Embassy in Lisbon, State recommended compromise, noting that there was little “possibility of persuading the Portuguese to restitute full quantity gold [from the March 1947 report]…since economy could not stand such loss.”\(^2\)

State’s concern for the Portuguese economy, however, was just one factor in its decision to retreat from the March 1947 amounts. Simultaneous negotiations had been going on between the United States and Portugal over the stationing of U.S. military aircraft at Lagens (Lajes) air base in the Azores islands off the coast of Portugal. The United States viewed this base as an important strategic asset. Negotiations over the base had broken off in September 1946, but the two sides resumed talks by June 1947.\(^3\)

Also over the summer, the Treasury and State Departments worked to come up with a reasonable gold offer for Lisbon. An August 29 memorandum indicated that the two agencies had agreed on $40 million,\(^4\) believing that this was the least the Allies could request without “running the risk of justified reproaches by the smaller claimant nations.” But State and Ambassador Wiley argued that the figure was too high and would pose an unacceptable risk “before security negotiations” were completed.\(^5\) The State Department’s ambivalence about renewing the talks was reflected in a September 10 instruction to the Embassy. While leaving the decision to Wiley, it advised, “In view of imminent resumption of Azores talks, difficulties we will encounter with Portuguese in both negotiations and likelihood of Portuguese associating these two problems, we have assumed [that approaching the Portuguese at the Ambassadorial level]…should be held in abeyance until conclusion Azores negotiations permit adequate pressure on Portuguese to bring satisfactory gold settlement.”\(^6\) Wiley decided to proceed with negotiations in November, but at the technical level so as not to impede the Azores talks.\(^7\)

While little of substance was accomplished during the November talks, both sides began to clarify their positions on the gold issue. The Allies officially presented their evidence from the Gold Subcommittee’s March 1947 report along with a request for 38,331 kilograms of gold (valued at $43.1 million). The Portuguese rejected the figures, refused to address the fact that the gold might have been looted, and continued to argue

---

\(^1\) Copy of Note attached to telegram 1438 from Lisbon, April 7, 1947, ibid., 800.515/4-747.
\(^2\) Telegram 515 to Lisbon, July 19, 1947, ibid., 800.515/7-1947.
\(^3\) For negotiations over the airbase, see Foreign Relations, 1947, vol. III, pp. 1019-1052.
\(^4\) Based on $35 per troy ounce, this would be about 35,546 kilograms.
\(^6\) Telegram 671 to Lisbon, September 10, 1947, ibid., 800.515/9-1047.
\(^7\) Telegram from Lisbon, November 12, 1947, ibid., 800.515/11-1247; despatch 265, “Gold Negotiations—First Meeting,” November 17, 1947, ibid., 800.515/11-1747; letter from Wiley to Sam Reber (WE), December 23, 1947, enclosure to ibid., 800.515/1-2048; letter from Hanely to Dunham (WE), December 12, 1947, ibid., 800.515/12-447.
that since they had purchased the gold “in good faith” it did not matter that the Germans had looted it.¹

Unofficially, the Portuguese responded to the Allies’ proposal with an offer of 3.9 fine metric tons gold (about $4.4 million) with full indemnification. When pressed by the Allies for an additional meeting to get this offer on the record, however, they refused, claiming that such a meeting would accomplish nothing.² Eager to reach a reasonable compromise, the Allies made an informal offer of 15 tons (about $16.95 million), 11 of which would be reimbursed from the proceeds of liquidated German assets.³ The two sides scheduled a tentative meeting for January 19, 1948, to discuss the figures further, but the United States canceled out of fear that they “would interfere with the... the Azores agreement.” By that time, however, Portugal had informally indicated that it would not accept the proposal.⁴

While Ambassador Wiley and State concurred that it would not be in the U.S. interest to press Portugal on the gold issue until the Azores deal was signed, Treasury was less willing to compromise, advocating increasing the Allied demand to $25 million in gold (about 22,216 kilograms). Wiley, writing to State about Treasury’s position, cautioned that the United States “must use care that we do not injure our own position while on a crusading rampage. I am certain that the Portuguese, although they have never mentioned the subject to me, do not expect us to apply any pressure...on gold—having in mind the concession which they are making to us in the Azores....[They want] to settle the Azores and the gold question at the same time; and they have not as yet put the Lagens concession in writing!...Why, therefore, are we ‘demanding’ so much more [than the 12 ton offer that Britain and France agreed to recommend] when we stand to gain absolutely nothing for our efforts”⁵

¹ Schwartz “History,” pp. 21-22. Airgram A-376 from Lisbon, December 5, 1947, RG 59, Decimal Files 1945-49, 800.515/12-547; letter from Hanely to Dunham, December 4, 1947, ibid., 800.515/12-447. The amount of 38,331 kilograms is based on a November 18 draft accord that was to be presented to the Portuguese on November 20. No record was found that the draft was actually sent. See despatch 267 from Lisbon, “Safehaven Report,” ibid., 800.515/11-1847.

² Wiley to State, December 4, 1947, ibid., 800.515/12-447. Despatch 314 from Lisbon, December 9, 1947, ibid., 800.515/12-947. The $4 million estimated value of the 3.9 ton offer was in Wiley to Reber, December 23, 1947, ibid., 800.515/1-2048.

³ Despatch 328 from Lisbon, December 16, 1947, ibid., 800.515/12-1647. The amount of $16.95 million is based on $35 per troy ounce.

⁴ Airgram A-121 from Lisbon, March 19, 1948, ibid., 800.515/3-1948.

⁵ Wiley to Reber, December 23, 1947, ibid., 800.515/1-2048. This letter is a collection of three letters between Ambassador Wiley and mid-level officers at State. The correspondence was engendered by “topic A” of State telegram 907, December 19, 1947, which the writers considered “shocking.” None of the correspondence describes “topic A,” but presumably it dealt with the Azores negotiations. Wiley also cited the $25 million in his letter; however, records of the negotiations between State and Treasury at the time discussed requesting 25 tons of gold from Lisbon valued at $28 million. See Friedman to Southard, December 18, 1947, attachment to Smith to Files, December 18, 1947, RG 56, Box 22, Gold Looted, Portugal; Lovett to Wiley, December 19, 1947, ibid., Negotiations for Recovery of Looted Gold, Portugal; telegram from Lisbon, December 47, ibid., Gold Commission 1947-49.
On February 2, 1948, Portugal and the United States signed a 5-year agreement allowing the United States to station military aircraft at Lagens air base in the Azores, but State continued to be unsure about pushing the Portuguese too hard on a gold settlement, as became apparent during a controversy over frozen Portuguese assets in the United States. Because no agreement had been reached with Portugal, its assets—estimated at $63.3 million as of February 1948—were still blocked. State and Treasury were considering offering to unblock them as a quid pro quo for a settlement on the Allies’ terms.

A controversy over these assets arose on February 2, when Treasury Secretary John Snyder sent a public letter to Senator Arthur Vandenberg, Chairman of the Senate Foreign Relations Committee, proposing that assets still frozen in the United States be transferred to the Justice Department’s Office of Alien Property for a census within three months. Snyder concluded the letter: “Spanish and Portuguese assets are still blocked pending completion of the current negotiations...covering looted gold and German assets....If the negotiations are not completed... within the 3-month period...[they will] remain blocked pending the conclusion of the negotiations.”

The Portuguese press published a French translation of this statement which made it appear as though the assets would be blocked permanently, causing great consternation in Lisbon. Reporting on the controversy, Ambassador Wiley noted that “Salazar and Foreign Minister are extremely disturbed over this ‘unfriendly act’ so immediately after signing Azores agreement.” He added that Snyder’s statement, “has created a serious problem in our relations and has most unhappy significance regarding present and future problems in Azores. If there ever was a moment when we should be seeking a gesture of appreciation to Portuguese...in view of what we have received in the Azores agreement, certainly this is it.” Wiley recommended unblocking all assets that had no readily apparent German interests “immediately.”

State felt it had to tread more carefully. On one side were the relatively friendly relations with Portugal and the ever-present concern over the Azores. In a May 1948 memorandum to the Secretary, OE noted that “the present objective of US policy is to maintain and improve the existing cordial relations with Portugal and to encourage...[its] cooperation in the economic and political rehabilitation of Western Europe.” In addition, the 5-year Azores deal was an “interim arrangement” and the JCS was still interested in long-term base rights. On the other side was the concern for the postwar recovery of the U.S. Allies and moral commitments to the victims of Nazi Germany. Although the Department also felt it was best for overall bilateral relations with Portugal to unblock the assets, it recommended caution about the timing of such a move and wanted to “avoid

---

2 Memorandum from Surrey (Le/E) to Thorp (A-T), February 5, 1948, RG 59, Decimal Files 1945-49, 800.515/1-2348.
3 Copy of Secretary Snyder’s letter is attached to ibid., 800.515/1-2348.
5 Ibid., p. 999.
any suggestion that Portugal’s intransigence...has earned her the premium of unblocking.”¹

Treasury and State continued to debate the frozen assets issue through the summer. Finally, on August 25, 1948, State issued an ultimatum: Under Secretary of State Robert Lovett wrote to Treasury Secretary Snyder that the Department and the Embassy in Lisbon had concluded that the “overriding political and strategic considerations of our foreign policy make it essential” that the Portuguese assets be unblocked. A week later, Snyder conceded, changing the licensing procedures for Portuguese assets, ostensibly unblocking them.²

With the Azores agreement in hand, the Allies decided to reopen the stalled gold negotiations. At the Paris Conference on Economic Security held April and May 1948, the United States, the United Kingdom, and France decided to present a unified front to the Portuguese, asking for 14.6 fine metric tons, about one-third of the amount the Allies deemed looted. On May 19 they presented identical notes to this effect to the Portuguese Foreign Minister in Lisbon. Portugal asked for time to study the proposal.³

Six weeks later, on July 8, Portugal rejected the offer. The Portuguese response continued to ignore the issue of whether the gold had been looted, maintaining that since the gold had been purchased in “good faith,” Portugal was not obliged to return it. Portugal did offer 328 gold bars (3.9 tons, about $4.4 million)—the only ones that had not been resmelted by the Germans, which were all that the Allies could legitimately prove had been looted. In exchange, the Portuguese asked that their initial installment for restitution for claims against Germany under the terms of the February 1947 agreement be increased from 50 to 100 million escudos ($2 to 4 million) and their portion of the proceeds from liquidation to pay off the remainder of those claims, plus the cost of the 3.9 tons of gold, be increased from 50 to 70 percent. The offer was unacceptable to the Allies, but again they felt they had no leverage. Instead, they did not respond and the negotiations collapsed.⁴

On February 16, 1949, the United States approached the Portuguese with an offer to partially implement the terms of the February 1947 agreement. The United States

¹ Ibid., p. 1000.
² Ibid., pp. 1000-1002 and footnote 3.
³ Letter from Rubin to Secretary of State enclosing a “Classified Report of the Chairman of the United States Delegation to the Conference on Economic Security at Paris, France—April 26 to May 7, 1948,” RG 59, Decimal Files 1945-49, 800.515/6-1148. The May 19 note actually requested an amount not “less than one third of the total” of the “43,829 kilos of fine gold” that the Allies felt they had proven was looted. This figure differs from the 43.95 fine metric tons listed in the March 1947 report described above and no record has been found explaining the difference. However, the source text indicates that the Allies were seeking not less than 14.6 fine metric tons which is roughly one third of either figure. See despatch 199 from Lisbon, “Presentation of Note on Looted Gold to Portuguese Government,” ibid., 800.515/5-2048; Telegram 282 from Lisbon, May 20, 1948, ibid., 800.515/5-2048; telegram 293 from Lisbon, May 25, 1948, ibid., 800.515/5-2548.
asked the Portuguese to turn over all stipulated assets for liquidation, the proceeds of which would be placed in a blocked account until the “gold-issue” could be resolved. The concern on both sides by this point was that these assets were quickly losing their value and that little would be recouped by the time agreement could be reached. The Portuguese agreed and on April 21, 1949, promulgated decree law 37,377, which accomplished the transfer.\(^1\) In August 1949 Seymour Rubin visited Portugal in an effort to convince Lisbon to release the 100 million escudos ($4 million) held in the blocked account but earmarked “for the refugee sufferers from Nazi persecution.” But Portugal refused until settlement of the looted gold question.\(^2\)

In November 1949, following discussions with Ambassador MacVeagh and the British Embassy, the Department agreed to a joint note suggesting that the Safehaven negotiations be sent to international arbitration. However, State told the British “in strictest confidence” that it wanted to delay this move until after conclusion of talks “re facilities in the Azores.”\(^3\)

Informal negotiations on a final Safehaven accord appear to have continued through 1951, but intermittently and with no concrete results. The Allied Committee for German Assets in Portugal noted in an April 1951 report that Portuguese authorities had not been very cooperative, demanding documentation that the Allies deemed excessive and delaying reviews of appealed cases. The delays were having financial repercussions: in 1946 the Allies estimated the total value of all non-gold assets at around 500 million escudos (about $20 million); as of the April 1951 report, the value had decreased to 400 million escudos (about $12 million). The only assets that had been nearly completely liquidated were the German state assets turned over to the Allies in 1945. These had netted 43.889 million escudos (about $1.3 million). In addition, the Allies estimated that there were 27.942 million escudos (about $.84 million) in German assets in Portugal’s colonies, but they could not be certain because Portugal had never provided them with any firm information on these assets.\(^4\)

On July 17, 1951, the Department indicated to the Embassy in Lisbon that it was willing to settle on Portugal’s terms: “Department is anxious to eliminate as rapidly and to the fullest extent possible time consuming and now out-dated operations such as German external property problems still hanging over as deadwood from World War II.” Underlying this change of position, was the “overriding importance of politico-military objectives” and the need to “relegate other matters to a…subservient [position].” Based

---


\(^2\) Despatch 213 from Lisbon, August 8, 1949, “De-blocking of German Assets Earmarked for Refugee Purposes: Visit of Mr. Seymour Rubin to Lisbon and Embassy Assistance,” RG 59, Decimal Files 1945-49, 800.515/8-849.

\(^3\) Telegram 4217 to London, November 23, 1949, ibid. [Document number not legible, but assume it is 800.515/11-2349.]

\(^4\) Despatch 131 from Lisbon, August 20, 1951, ibid., Decimal Files 1950-54, 262.0041/8-2051; Report by the Allied Committee for German Assets in Portugal, “German Assets in Portugal, Statistical Survey as of September 15th, 1951,” September 15, 1951, ibid., Box 1049 [no decimal number].
on these priorities, the Department, after consultation with the British, recommended the following to break the deadlock:

- The question of ownership of over 42 German subsidiaries would be referred to a panel of experts selected by the liquidating commission. The panel would include one member appointed by the Allies and two by the Portuguese.

- Portugal would set time limits for each phase in the liquidation process to "prevent a continuation of indefinite delays and postponements on individual cases."

- The Department would accept the Portuguese offer of 3.9 tons of gold and remuneration from liquidated assets.

- To assure the Portuguese of the "Allies’ genuine desire" for a settlement that would not upset "existing Portuguese legislation or machinery," the Department recommended approaching Lisbon at "a very high level."

State’s willingness to settle with Portugal on the gold issue was not shared throughout Washington. The Treasury Department was unhappy with the Portuguese offer of 3.9 tons and wanted to refer the issue to the IARA so that the various claimant countries could make their demands directly to Portugal. The two agencies debated the issue through the autumn. Finally, in an October 11, 1951, meeting, Treasury agreed to "go along" with State under the following conditions: they receive a letter "signed at the Assistant Secretary level, stating...that there are political considerations which warrant a settlement...at this time...and that any agreement...would not result in claims against" the United States; the United States get permission from the Netherlands for such an agreement; and that the United States make sure the Portuguese offer still stands.

State agreed, and on November 1, Acting Assistant Secretary for European Affairs James Bonbright sent a letter to this effect to Treasury Secretary Snyder. Along with the letter, Bonbright included a memorandum from Ambassador MacVeagh noting his concurrence in the settlement proposal. MacVeagh also noted that reaching a settlement was of the utmost importance considering the "NATO concept and the cooperative attitude of the Portuguese in the negotiations regarding the Azores."

State began discussions with the British and French on accepting the Portuguese offer in November 1951 but apparently nothing was resolved and the slow pace of negotiations continued.

---

1 Airgram A-9 to Lisbon, July 17, 1951, ibid., 262.0041/7-1751.
2 Memorandum from McDiarmid (OFD) to Peterson (EUR), July 10, 1951, attached to ibid., 262.0041/10-1251.
3 Rosenson (MN) to Peterson (WE), attached to ibid.
4 MacVeagh’s October 24, 1951, memorandum and Treasury’s November 15 response to Bonbright’s letter are included as attachments to ibid. The November 1 letter to Secretary Snyder from Bonbright was not found. Interestingly, Secretary Snyder did not write the November 15 response. Instead, it was sent by Director of the Office of International Finance, George Willis.
In May 1953 the Allies and Portugal held a Safehaven conference. Portugal proposed that the Allies’ claims be satisfied by the Germans, presumably in lieu of having them settled out of liquidated assets in Portugal. The Allies rejected this offer and insisted that the Portuguese turn over 3.9 tons of gold, 100 million escudos ($3 million) for the IRO, and 75 million escudos ($2.25 million) for the IARA. As for being reimbursed for the gold, the Allies suggested that the Portuguese reimburse themselves from what remained after these funds were turned over to the Allies.\(^1\)

Another attempt at settlement came in July 1953. The two sides agreed that Portugal would give about 4 tons of gold to the TGC, 100 million escudos to the IRO, and 75 million escudos to the IARA. Implementation, however, was dependent upon Portugal and Germany reaching accord “similar to the Swiss-German agreement” of August 1952 to settle the former’s claims against the latter. These negotiations were expected in the “near future,” but the issue remained unsettled for the next three years.\(^2\)

In October 1956 the two sides met again, and by November 3 approved a cash settlement of 132.5 million escudos ($3.98 million) for the German assets and monetary gold, pending final ratification by Germany and Portugal. Neither country, however, immediately ratified the agreement. Instead, the Portuguese and Germans conducted their own negotiations over Portugal’s wartime claims, reaching an accord on April 3, 1958, in which Germany agreed to pay Portugal $132.5 million for the gold it would turn over to the Tripartite Gold Commission and 250 million escudos for its claims.\(^3\) With this assurance, the Portuguese finally decided to settle its Safehaven obligations. On October 27, 1958, they signed an “Agreement on German Assets in Portugal and on Certain Claims Regarding Monetary Gold,” agreeing to turn over a total of 144.5 million escudos (about $4.3 million) to the Allies. Of this amount 12 million escudos (about $360,000) was to come from the blocked account established under the terms of the 1949 agreement. The remaining 132.5 million escudos (about $4 million) was to paid by the Portuguese in either escudos or the equivalent in gold up to 3,998.741 kilograms. The treaty came into force in October 1959, and the Portuguese turned over the full amount of gold by the end of the year.\(^4\)

\(^1\) Telegram 441 from Lisbon, May 22, 1953, RG 59, Decimal Files 1950-54, 262.0041/5-2253; telegram 444 from Lisbon, May 29, 1953, ibid., 262.0041/5-2853; telegram 448 from Lisbon, May 30, 1953, ibid., 262.0041/5-3053.
\(^2\) Telegram 67 to Brussels, July 21, 1953, ibid., 262.0041/7-2153.
\(^3\) The German-Portuguese Treaty is in 1959 WGBB 264. See also telegram 5369 from Lisbon, November 19, 1996, Department of State INR Information System (unclassified).
C. Allied Negotiations With Spain

During the war, Spain continued an active trading program with the Nazis in goods and raw materials (principally wolfram) and Germany invested heavily in the country. Allied efforts to end these practices became an intricate balancing act. On one side was the strategic significance of Gibraltar and Allied concern (particularly in London) that pressing Spain too hard, such as by limiting petroleum exports, might prompt them to seize Gibraltar for Germany. On the other side lay the Allies’ equally serious concerns that Spanish goods as well as their own oil might make its way into the Nazi war machine.¹

Early Allied estimates of German non-gold assets in Spain totaled 650 million pesetas (about $39 million), but exact calculations were hampered by the fact that the United States withdrew OSS operatives in the area in November 1945.² To prevent the dissipation of these assets, the Allies began negotiations with Madrid in April 1945. The United States had previously presented two notes to Spain: the first, dated October 2, 1944, requested Spanish adherence to Bretton Woods Resolution VI; and the second, dated November 6, 1944, requested Spanish adherence to the Gold Declaration of February 22, 1944. When Spain did not respond promptly, the United States sent a third, more detailed, note on April 22, 1945, requesting the following: that Spain 1) announce publicly its intention to adhere fully to the terms of the agreements noted above; 2) immediately freeze all assets of persons of Axis or Axis-controlled countries; 3) immobilize and facilitate the return of any looted assets; 4) conduct a detailed census of all assets; 5) provide the United Nations full information concerning all persons in Spain with the nationality of Axis or Axis-controlled countries and all nationals who entered Spain since January 1, 1939; and 6) establish effective controls with respect to any transactions with the Axis or Axis-controlled countries.³ On May 5, 1945, under mounting pressure from the U.S. and U.K. Governments, the Spanish Government issued a decree freezing all German assets in Spain, arranged for the taking of a census of such assets, and set up administrative bodies to control them.

By the beginning of 1946, State reported that Spanish implementation of the Decree Law had “not been altogether satisfactory and the census has proved to be a complete farce.”⁴ The United States issued an official declaration charging Spain with failure to implement Bretton Woods Resolution VI and the Gold Declaration and stating that Spain’s assets in the United States would continue to be blocked. Spain argued that this criticism was unwarranted and cited the “lack of appreciation abroad” for its efforts.⁵

In May negotiations stalled because of Spanish reluctance to recognize the Allied Control Council as the successor to the German Government and its authority to take title

---

¹ Acheson, Present at the Creation, pp. 86-90, 93-98.
² Schwartz “History,” p. 25.
³ Telegram 3158 to London, April 22, 1945, RG 59, Decimal Files 1945-49, 800.515/4-2245.
⁴ Memorandum to Surrey, January 10, 1946, ibid., 800.515/1-1046.
⁵ Despatch 1680 to Madrid, February 27, 1946, ibid., 800.515/2-2746.
to official and parastatal assets. On May 9 the State Department instructed the U.S. 
negotiator to “firmly point out to Spanish how strongly we feel over the long time [it] has
taken to give necessary recognition to the ACC which they unconditionally promised in
June 1945 which...has been successively renewed but now appears to be retracted.”

By September 1946 the principal unresolved issues in the negotiations with Spain
were: 1) representation of German private interests, 2) disposition of German private
interests, 3) disposition of proceeds of the liquidation of German private interests, 4)
gold, 5) loot other than gold, 6) patents and trademarks, 7) consular functions for
Germans, and 8) repatriation. Allied negotiators also requested detailed information on
Spain’s gold holdings. Spain replied that such information was normally treated as
confidential, that it could not answer the Allies’ request without getting Allied help in
locating gold possibly looted by Germany after the Spanish Civil War, and that it had
probably settled any gold claims when it turned over two vessels to the Allies after the
war.

In early 1947 a series of draft accords were exchanged. Discussions centered on a
British proposal, with U.S. concurrence, for a lump sum settlement of the German assets
rather than distribution of the proceeds on a percentage basis. The United States favored
the lump sum settlement, believing it would avoid the delays caused by considering the
liquidation of these assets on a case-by-case basis.

On May 16 Spain submitted a proposed accord; the Allies responded on May 21.
The crux of the Allied response was the lump sum formula. If Spain accepted it, the U.S.
negotiator opined, “our interests could be limited to the identification of German property
and to the protection of our security objectives.” But Spain’s reaction was “lukewarm.”
The Spanish negotiator worried that the formula would not adequately compensate Spain
for claims against Germany and that the Allies’ estimate of the value of German assets (in
the proposal they listed 700 million pesetas (about $42 million) as a maximum value, but
privately they projected 500 to 600 million (about $30 to 36 million) ) were too high. In
addition, he wanted some assurance that the Allies would abide by Spanish laws
governing foreign holdings, provide Spain a fair share of any foreign exchange realized
during liquidation, and revise the draft so that permanent German residents of Spain

1 Telegram 802 from Madrid, May 1, 1946, ibid., 800.515.5-146; telegram 803 from Madrid, May
1, 1946, ibid., 800.515/5-146.
2 Telegram 649 to Madrid, May 7, 1946, ibid., 800.515/5-146; telegram 639 to Madrid, May 3,
1946, ibid., 800.515/5-346; Despatch 2201 from Madrid, May 24, 1946, ibid., 800.515.5-2446.
3 In May the Embassy in Madrid had reported that Spanish authorities had identified wartime
shipments of gold from Switzerland and directly from Germany totaling 85 tons worth 414 million Swiss
francs (about $100 million), airgram 242 from Madrid, May 9, 1946, RG 260, 1945-50, Box 650.
4 Despatch 2871 from Madrid, September 23, 1946, RG 59, Decimal Files 1945-49, 800.515/9-
2346.
5 Despatch 3163 from Madrid, November 26, 1946, ibid., 800.515/11-2646.
7 Despatch 3527 from Madrid, February 12, 1947, RG 59, Decimal Files 1945-49, 800.515/2-
1247.
could still be purchasers. In the U.S. negotiator’s estimation, there was still “a wide gulf which must be bridged before a satisfactory accord can be reached.”

By July negotiations stalled as both sides haggled over whether to base the lump sum settlement on the appraised value of German assets, favored by Spain, or the liquidation value, favored by the Allies. In addition Spain claimed 330 million Reichsmarks (about $33 million) in damages against Germany, but the Allied negotiators only considered 116 million (about $11.6 million) legitimate.

In December 1947 the U.S. Embassy in Madrid reported that substantial progress had been made in the negotiations. Spain proposed a method to identify and recover German property, which the Embassy deemed “practical and acceptable.” But further negotiations were needed to resolve issues related to “the machinery of indemnification” and “the method of adjudication of properties” from a security standpoint. The Allies also made some progress in the gold negotiations. After two years of stalling and excuses, Spain finally provided records of its gold holdings from the Foreign Exchange Institute. The documents, supposedly, were riddled with discrepancies, but by the end of January 1948 the investigators determined that Spain had acquired at least 26.8 tons of fine weight gold (about $30.3 million) through the Swiss National Bank, Bank of Portugal, and Banco Aleman Trans-Atlantico.

The talks continued with little progress into early 1948. Spain insisted that expropriated European properties be liquidated at appraisal values. The United States alternatively insisted that the Spanish method serve “as a guide or base price only,” and that “properties be sold at the highest prices obtainable.” In addition, the negotiators sparred over the restitution of looted property including gold, a satisfactory procedure on the transfer of German schools to Spain, and the wording of an acceptable statement to Spain regarding its fulfillment of the terms of the Bretton Woods Resolution VI.

After January 1948, the parties apparently agreed to deal with the negotiations over assets and gold separately. The Embassy in Madrid, apparently not yet apprised of the results of the Allied negotiations, reported that it had uncovered only “very insignificant quantities” and that therefore “nothing practical would be lost if the looted property article [were] eliminated” from the accord. The Spanish believed that the restitution of looted gold was an issue of “national pride,” arguing that in the past it had returned, and would continue to return, all looted property found in Spain, presumably including looted gold, without the formality of an official agreement.

The United States, however, remained eager to reach a gold settlement. The Embassy informed Madrid in early February that the United States desired a strong

---

1 Despatch 3969 from Madrid, May 22, 1947, ibid., 800.515/5-2247.
2 Telegram 630 from Madrid, July 7, 1947, ibid., 800.515/7-747
4 Telegram 44 from Madrid, January 17, 1948, RG 59, Decimal Files 1945-49, 800.515/1-1748; Despatch 36 from Madrid, January 20, 1948, ibid., 800.515/1-2048.
5 Despatch 36 from Madrid, January 20, 1948, ibid., 800.515/1-2048; telegram 61 to Madrid, January 29, 1948, ibid., 800.515/1-2948.
Spanish economy and that once the “question of gold” was settled it would allow private investors to extend “very substantial” credits to Spanish industry.¹ There were also potential, indirect strategic-military benefits in allowing U.S. private investment in Spain. In March, Defense came to State to discuss the feasibility of equipping three airfields in Spain to handle heavy bombers in emergency situations. State advised against direct U.S. funding, noting that anti-Franco sentiments in the United States were high enough that “it would be…unwise to make such an arrangement…even in secret.” Instead, it recommended that once a gold settlement was reached the United States could permit “a privately financed civil aviation program” that could make the necessary improvements in these fields without political risk.²

In February the U.S. Embassy reported that the draft accord as it stood was “the best we can expect from the Spanish and that we should attempt to wind this up as soon as possible,”³ but three months of negotiations ensued before the final agreement was reached on March 10, 1948.⁴ In the final accord, Spain was to receive proceeds from the liquidation of German assets according to the following formula: 20 percent of the first 100 million pesetas (about $9 million) realized, 22½ percent of the next 100 million (about $9 million), 25 percent of the next, 27½ percent of the next, and 30 percent of any amount exceeding 400 million (about $36 million). The remaining proceeds were to be divided between the 18 members of the Inter-Allied Reparations Agency (IARA), with the United States and United Kingdom to receive 28 percent each and France to receive 16 percent. As of January 1952, roughly 400 million pesetas (about $36 million) had been distributed to IARA nations.⁵ None of the proceeds, however, was slated for non-repatriable victims, largely because the Allies believed at the time that they would be able to satisfy the $25 million stipulated in the Paris Reparations Agreement from Swiss, Swedish, and Portuguese liquidations and they did not believe that pesetas would prove much value to the International Refugee Organization (IRO).⁶

The Allies also reached an agreement with Spain on looted gold through an exchange of notes on May 3. Spain agreed to turn over 101.6 kilograms of fine gold ($114,329) identified as looted from the Netherlands and any other looted gold identified before April 30, 1949. In exchange, it demanded that the Allies’ note and all public pronouncements acknowledge that Spain “had not been aware…[at] acquisition or subsequently” that the gold had been looted.⁷ On November 3, 1948, the Embassy in

² Ibid., pp. 1034-1035.
³ Telegram 64 to Madrid, January 29, 1948, RG 59, Decimal Files 1945-49, 800.515/1-2948; despatch 67 from Madrid, February 5, 1948, ibid., 800.515/2-548.
⁴ Despatch 175 from Madrid, March 24, 1948, ibid., 800.515/3-2448; despatch 215 from Madrid, March 30, 1948, ibid., 800.515/3-3048; Telegram 232 from Madrid, April 7, 1948, ibid., 800.515/4-748; despatch 197 from Madrid, April 7, 1948, ibid., 800.515/4-748. The text of the Accord is in 62 Stat. 2061.
⁵ Schwartz “History,” p. 25. A detailed chart showing the distribution of the 400 million pesetas to the various IARA nations is an attachment to despatch 296 from Brussels, “53rd Session of the I.A.R.A Assembly, September 25-26,” October 1, 1951, RG 59, Decimal Files 1950-54, 262.0041/10-151. Note: The official value of the peseta rose from 6¢ to the U.S. dollar to 9¢ between 1946 and 1947.
⁶ Rubin and Schwartz, p. 383.
⁷ Schwartz “History,” p. 27. Copies of the notes are printed in 11 Bevans 708.
Madrid reported that the gold had been delivered and deposited in the Foreign Exchange Institute, freeing Spain from the restrictions imposed by the Gold Declaration of February 22, 1944.  

In November 1949 the Allies registered a protest over Spain’s implementation of the accord. The Allies objected strongly to the use of competitive bidding for the acquisition of assets expropriated instead of the agreed upon practice of setting a “justiprecio,” a just price. They reminded Spain that during the course of the negotiations, it had consistently argued against competitive bidding. The Allies further objected that Spain had retained a portion of the proceeds, a direct violation of the terms and intent of the accord.  

On November 30, 1950, Spain threatened to suspend the 1948 accord unless Germany ratified it. Germany, with the Allies’ concurrence, responded in February 1951 that since the occupying powers were the supreme authority in Germany, German ratification was unnecessary. The debate continued into 1953, when it was addressed during negotiations between the Allies and Germany on German external assets. In 1958 the accord with Spain was officially terminated with an exchange of notes and the signing of a Protocol in Madrid on August 9, which entered into force on July 2, 1959.

D. Allied Negotiations With Turkey

Safehaven negotiations with Turkey took a somewhat different tack than those with Sweden, Switzerland, Spain, and Portugal. Until February 1945, the Turks had been neutral, but joined the Allies for the last three months of the war. Turkey, therefore, insisted that the Allies’ Safehaven accords with the neutrals would not serve as a precedent for their own agreement. At this stage in the negotiations, the Allies believed that Turkey’s unique status would merely require changes to the text, but not in the substance of their Safehaven accords with the neutrals. In addition, they believed they had enough evidence that the Axis had hidden assets in Turkey and used it as a center of espionage during the war to warrant Safehaven controls. Furthermore, the United States believed that the Nazi Ambassador to Turkey, Franz von Papen, had secreted in Turkey at the end of his tenure gold pieces, other valuables, and documents that could bear on the Nuremberg trials.

The United States began pressing Turkey to implement Safehaven controls in 1944. On November 4, State sent diplomatic notes to Turkey, warning that under the February 1944 Gold Declaration and Bretton Woods Resolution VI it should neither

---

1 Telegram 274 from Madrid, May 6, 1948, RG 59, Decimal Files 1945-49, 800.515/4-948.
2 Despatch 575 from Madrid, November 11, 1949, ibid., 800.515/11-1149.
3 Memorandum to Laukhuff, February 28, 1951, ibid., Decimal Files 1950-54, 262.0041/2-2851; memorandum to Williams (WE), February 14, 1951, attached to ibid., 262.0041/10-1251.
4 Telegram 1596 to Bonn, November 20, 1953, ibid., 262.0041/11-2053.
5 11 UST 2274.
6 Telegram 833 from Ankara, August 6, 1946, RG 59, Decimal Files 1945-1949, 800.515/8-646.
7 Memorandum for Klayman (ES) to Martin (RPA), March 29, 1946, ibid., 800.515/3-2946.
8 Telegram 201 to USPOLAD Berlin, January 23, 1949, ibid., 800.515/1-2346.
acquire nor store any additional German gold. On January 25, 1945, State instructed the U.S. Embassy in Ankara to warn the Turks that they should preserve German assets for disposition in accordance with Allied policy. The Turks, however, did not respond and as late as March had done nothing to control German assets in their territory.

As the war drew to a close, the Allies began assessing the value of enemy assets in Turkey. By April 1945, they estimated that there was $10 million in private and $25.5 million in state assets in the country. At the time, however, Turkey was demanding $5 million from private funds and $12 to $13 million from the state funds in compensation for their own claims against Germany. Fourteen months later, these figures were revised: State now estimated that there were $28 to $44 million in private and $23 million in state assets, against which Turkey was demanding a total of $15.5 million in compensation.

After several months of negotiations and revisions, the Allies presented their draft Safehaven accord to Ankara on March 28, 1946. Six months later, Turkey issued its official response. While claiming that it had already taken necessary measures to protect German assets and was happy to cooperate further, Turkey demanded that it receive most of the proceeds from the liquidation of the assets and retain full sovereignty over the enforcement and control of these assets and enemy personnel. State, while not pleased with the response, was not willing to press the Turks further. Instead, it instructed the U.S. Embassy to convince the Turks not to publicize these terms at the moment lest they complicate any future discussions.

After some initial feelers in April 1947, the two sides began official talks on June 2. The Turks indicated that they were willing to adhere to the January 1943 Declaration, February 1944 Gold Declaration, and Bretton Woods Resolution VI; however, they continued to maintain that because they had joined the Allies in the last months of the war they were not bound by the Paris Reparations Agreement and, therefore, that the bulk of liquidated German assets go to satisfy their claims against Germany. After a month of talks, the issue remained unresolved.

By September 1947 Allied investigators had determined that Turkey had purchased at least 3,047 kilograms (almost 3 tons or $3.4 million) of looted Belgian gold from Switzerland. (The Allies suspected that Turkey also had 8 tons in gold ingots of

---

1 Dispatch 1087 from Ankara, February 19, 1945, ibid., 800.515/2-1945.
2 Telegram 15 to Ankara, January 25, 1945, ibid., 800.515/1-2545.
3 Telegram 378 to Ankara, March 20, 1945, ibid., 800.515/3-2045.
4 Telegram 493 to Ankara, April 11, 1945, ibid., 800.515/4-1145.
5 Note from Fletcher to Birch (ES), February 18, 1946, ibid., 800.515/2-1846.
7 Telegram 1030 from Ankara, September 24, 1946, ibid., 800.515/9-2446. Telegram 676 to Ankara, September 30, 1946, ibid., 800.515/9-3046. No record of how this instruction was handled was found. Full text of the Turkish note was transmitted in Telegram 1044 from Ankara, September 27, 1946, ibid., 800.515/9-2746.
low fineness and 3 tons of looted European gold coins (totaling about $12.43 million), most of which came from the Latin Union.) The Allies considering pressing this claim.\(^1\) Turkey argued, however, that it had purchased the gold in good faith that it was not looted and therefore was not obligated to return it.\(^2\)

On August 12, 1947, the Allies presented their terms to Ankara. In addition to professing adherence to the three agreements noted above, they asked Turkey to agree to return the property of Germany’s victims, deliver to the Allies all monetary gold proven to have been looted by the Germans, place controls on German assets, and begin liquidating these assets. In addition, they asked that the Turks not use these assets to settle their own claims against Germany until an agreement on this issue could be negotiated.\(^3\) Turkey responded on December 30, agreeing to most of the Allies’ terms, but stipulating that it would only turn over proceeds from the liquidation of German assets once its claims against Germany had been satisfied.\(^4\) Ten days later, the Allies presented similar notes to the Turks, officially requesting that they turn over 249 bars of looted Belgian gold and investigate the origins of 32,000 gold coins and 243 kilograms of gold ingots believed to have been looted by the Germans.\(^5\)

After studying the proposal, on March 25 State presented an Aide-Mémoire to the British and French Embassies recommending that the Allies accept these terms,\(^6\) but the British convinced the United States to push for additional talks.\(^7\) The Allies made a number of requests for renewed negotiations into 1950, but the Turks would not respond. Instead, they claimed they were awaiting passage of a bill in their National Assembly, which they had submitted in November 1949, granting them the authority to negotiate a Safehaven agreement.\(^8\) On March 25, 1950, the National Assembly adjourned without passing the Safehaven legislation.\(^9\) Frustrated by the lack of progress and convinced that the Turkish Government was using the bill as a means of delaying the return of looted gold, the Allies considered separating the gold issue from German assets and pushing for

\(^1\) Memorandum from McCombe (UK) to Baker (ES), July 24, 1947, ibid., 800.515/8-1147. Additional information on these gold holdings found in memorandum to file compiled in Ankara, September 3, 1947, ibid., 800.515/9-347. Also, the Allies learned in 1949 that German Foreign Office officials may have hidden almost a ton of gold from their own collection known as the Ribbentrop Gold Fund in Ankara. See memorandum from POLAD Berlin, May 11, 1949, ibid., 800.515/5-1149.

\(^2\) Schwartz “History,’’ p. 28.

\(^3\) Despatch 1791 from Ankara, August 12, 1947, RG 59, Decimal Files 1945-1949, 800.515/8-1247.

\(^4\) Telegram from Ankara, January 1, 1948, ibid., 800.515/1-48. The Turkish note to the U.S. was transmitted by letter from Ankara, January 2, 1948, ibid., 800.515/1-248.

\(^5\) Despatch 16 from Ankara, January 13, 1948, ibid., 800.515/1-1348.

\(^6\) Airgram A-45 to Ankara, April 8, 1948, ibid., 800.515/3-548.

\(^7\) British Aide-Mémoire to State, June 23, 1948 and State’s reply July 1, 1948, included in ibid., 800.515/6-2348. See also British Aide-Mémoire to State, July 14, 1948 and State’s reply July 16, 1948, included in ibid., 800.515/7-1448.


\(^9\) Memorandum from Ankara, April 20, 1950, ibid., 262.0041/4-2050.
new negotiations.¹

By spring 1951 the Allies had agreed to relinquish their claims to German assets in Turkey in return for settlement of the gold issue. In early 1952 the United Kingdom proposed that the Allies reaffirm this position by removing Turkey from Allied Control Council Law No. 5 and Allied High Commission Law No. 63, thus allowing it to negotiate directly with Germany on the future of German assets in Turkey without worry about legal claims of the Allies and requiring Germany to reimburse Turkey for any gold turned over to the Allies. After further discussions with British officials, the Department agreed to inform Turkey that if the gold issue were settled, the Allies would drop claims to German assets in Turkey and would consider justified a Turkish claim against those assets for the value of the gold turned over.²

On May 21, 1952, the Allied governments transmitted a note to the Turkish Foreign Ministry that agreed to settle the gold issue for $1 million. In return the Allies would relinquish their claim to German assets in Turkey, remove Turkey from AHC Law 63, and consider justified Turkey’s recompense to itself for the proceeds from liquidation of German assets.³ Ultimately, Turkey never turned over any monetary gold to the Tripartite Gold Commission.

E. Allied Negotiations With Argentina

Despite the findings set forth in the February 1946 State Department Argentine “Blue Book,” including Argentina’s failure to control the transfer of German funds from Europe, negotiations on German external assets were never pursued with the Argentine Government.⁴ Such negotiations were at first contemplated, at least as a possibility, at the time of the appointment of Seymour Rubin in May 1946 to lead negotiations on German assets with the European neutrals. Treasury officials believed that Argentina was one of the countries that remained subject to the February 1944 Gold Declaration, even though it had accepted the principles of the Declaration by adhering to the Act of Chapultepec.⁵

Argentina had delayed adhering to the Gold Declaration until March 1945, raising suspicions among Treasury and State Department officials that the pro-Axis Farrell–Peron government might have acquired looted gold from either Germany or the European neutral countries during that one-year hiatus. By the end of 1946, Treasury officials were pessimistic about the success of a Safehaven program in Argentina and did not expect the

¹ Memorandum from Ankara, June 8, 1950, ibid., 262.0041/6-850.
² Telegram 1928 to HICOG, March 7, 1952, ibid., 262.4001/3-652.
³ Despatch from Ankara, May 22, 1952, ibid., 262.0041/5-2252.
⁵ Department of Treasury memorandum, not dated, RG 56, Acc. 56-66A-816, Special Subject Files, Looted Gold, Box 1.
Argentine Government to come forward with information about its gold acquisitions, owing in part to the strained relations between the United States and Argentina.¹

Following publication of the “Blue Book,” the Ambassador in Buenos Aires, George S. Messersmith, undertook to turn around U.S. policy toward Argentina. In a series of top secret despatches and letters to Secretary of State Byrnes, Messersmith urged that the United States place its relationship with Argentina on a “completely friendly, collaborative, and constructive basis” by the end of 1946.² Messersmith also contended that Argentine leaders were actively and concretely handling the problems of enemy property and aliens, and that there was no doubt about the determination of the Argentine Government to proceed with liquidation of this property.³ In February 1947 the Embassy reported that all identified enemy assets had been taken over by the Argentine Government.⁴ The State Department’s initial response to Messersmith’s recommendations was positive but cautious. The Department wanted to see compliance based on specific measures against certain prominent individuals or enemy-controlled enterprises, rather than on hypothetical grounds.⁵ By 1947, Washington officials dealing with Safehaven matters had apparently turned their attention away from German assets in Argentina.

In May 1947 Argentina announced its intention to ship about $170 million in gold to the Federal Reserve Bank of New York, ostensibly to sell it to the United States.⁶ Treasury, concerned that Argentina might have accepted looted assets, including gold, after the Gold Declaration of February 22, 1944, asked State to approach the Argentine Government about its gold acquisitions from Germany as a precondition to authorizing the transfer of the gold to the United States. But because the Treasury Department planned to accept only Argentine gold bearing U.S. assay marks, State officials turned down Treasury’s request.⁷

³ Letter from Messersmith to Byrnes, November 6, 1946, ibid.
⁴ Airgram from Buenos Aires, February 15, 1947, RG 59, Decimal Files 1945-49, 800.515/2-1447.
⁶ Silver to Schmidt, June 20, 1947, RG 56, Acc. 66A-155, Box 33, ARG/3/37 Gold [A157].
⁷ Ibid.
The Treasury Department continued to insist that it could not purchase Argentine gold without U.S. assay marks until it had verified that it was not looted, while some sections of the State Department believed that Argentina’s acceptance of the Gold Declaration in 1945 should be sufficient. In early October 1947 Argentine plans to ship gold in excess of its U.S. assay marked gold gave urgency to the question. State acquiesced to Treasury’s request to ask Argentina for a statement of wartime gold acquisitions at an interdepartmental meeting on looted gold on October 3, 1947.¹ A cable sent a few days later asked only for Argentina’s certification that it had not acquired gold from Axis or neutral countries. The Argentine Central Bank gave verbal assurances (to be confirmed in writing) that the gold complied with the Gold Declaration, and on October 11, 1947, the Treasury Department reached the conclusion, based upon the reports from the Embassy in Buenos Aires on these discussions with Central Bank officials, that Argentina had not acquired any gold that had been looted by Germany.² This sufficed to clear the sale of the Argentine gold through the Federal Reserve on October 23, 1947.³

¹ Memorandum to the Files, October 7, 1947, ibid., Box 70, Correspondence, Gen. May ‘47-Dec. ‘47 [A161]; telegram to Buenos Aires, October 3, 1947, ibid., Box 33, ARG/3/37 Gold; Schmidt to Southard, October 1, 1947, ibid., Box 70, Correspondence, Gen. May ‘47-Dec. ‘47 [A159].
² Schwartz “History.”
VIII. U.S. Army Involvement With the Acquisition, Accountability, and Security of German Monetary Gold and Related Assets Following World War II

In early February 1945, German officials decided to relocate the German gold reserves to various remote locations south of Berlin. About 400 million Reichsmarks in gold was shipped to Merkers in Thüringia and stored in the neighboring salt mine complex. An additional 50 million Reichsmarks in gold was distributed to branch offices of the Reichsbank in central and southern Germany. Both the Merkers treasure and most of the lesser holdings were captured by U.S. Army forces during the closing days of the war and transported to Frankfurt am Main for security and central accounting. Later comparisons of captured records from the Berlin Reichsbank and U.S. Army inventories at the Frankfurt Reichsbank indicated that “98.6% of the 255.96 million dollars worth of gold” had been found and secured.

In April 1945 U.S troops in Germany found 2,007 containers filled with German Reichsbank gold, foreign currency, and other valuables hidden in a Thüringian mine. Treasury Department official Frank Coe informed Secretary Morgenthau about gold caches that U.S. troops had stumbled upon in German salt mines. Coe indicated that the occupation forces should not look at this captured gold as “war booty.” Instead, this bullion should be placed in a reparations fund until final plans were drafted to dispose of it. The discovery of the German gold reserve at the Merkers mine was accidental, but singularly significant because of the quantity of material that was found and because it became the catalyst for the Army to seek and find additional assets hidden elsewhere in Germany.

There was considerable confusion over how much was actually recovered in the mine. A number of factors contributed to this confusion, not least of which was the continuation of combat operations while the cache was discovered and secured. Reports from different sources, both German and American, varied, and this was exacerbated by the inconsistent means of measurement that recorded inventories of the same material.

---

1 Portions of this section are extracted from an information paper: [Russ Parkinson], “Allegations of U.S. Army Removal of Jewish Valuables From Buchenwald Concentration Camp,” Research and Analysis Division, U.S. Army Center of Military History, no date.


3 Memorandum from R.A. Nixon, Chief, Financial Intelligence and Liaison Branch, Finance Division, to Director, Finance Division, U.S. Groups Control Council, “Report on Recovery of Reichsbank Precious Metals,” September 6, 1945, RG 260, Box 440, 940.60 Overall Gold Report. In ibid., Box 444, 940.62, are several German language documents with English translations that include inventories of the gold reserve from the Berlin Reichsbank at 6-month intervals from December 1934 to February 1945.

4 Coe to Morgenthau, May 8, 1945, ibid., RG 56, Entry 360 P, Chronological File of Harry Dexter White, Box 13, “Chronological #71,” [C79]; White to Vinson, August 20, 1945, ibid., “Chronological #74,” [C80].
Thus, the initial inventory from the Merkers salt mine recorded such acquisitions as: “Gold Bars, Bullion, 8198”; “Gold Bar - 1”; “Crated Gold Bullion, Boxes 53”; and “Crated Gold Bullion, Long Boxes, 2.”¹ But the difference between the (presumably) 8,198 bars of gold bullion and the solitary gold bar was not defined; nor did any records indicate how much gold bullion was in the 53 boxes, or how large these boxes or the “Long Boxes” were. Understandably, the initial surveys focused on a general physical inventory, rather than a detailed financial accounting of what was found.

The first inventory the Army created became the primary document used to prepare the material for shipment from its cache at Merkers to more secure and accessible facilities in Frankfurt.² In view of the military and political situation at the time, security was an important issue in the shipment to Frankfurt. Later, when some military authorities suspected that there may have been some pilferage of the Merkers cache because of broken bags of coins and currency, an investigation concluded that all reasonable security measures had been exercised.³

A. Establishment and Operations of the Foreign Exchange Depository

The problem of determining exactly what Nazi monetary assets were under Army control was complicated after the Merkers material arrived at the Foreign Exchange Depository (FED), which the Army established at the Frankfurt Reichsbank. In the closing days of the war, additional gold was recovered from all parts of Germany—sometimes from banks, sometimes from businesses or individuals, sometimes from soldiers or U.S. Army units. Over a 30-month period, this comprised 91 different “shipments” from a wide variety of locations.⁴ All this gold was shipped to Frankfurt,

¹ Headquarters, XII Corps, “G-4 Functions in ETOUSA Operations, Merkers-Herringen-Frankfurt Areas in Germany, April 9 to April 22, 1945,” April 26, 1945, appendix I, p. 1, in CMH files, HRC 091.33, German National Gold Reserve. This inventory, however, is difficult to reconcile with what the chief cashier at the Berlin Reichsbank reported having delivered to Merkers; see “Statement of Albert Thomas [Thoms], Merkers, Germany, April 12, 1945,” RG 260, Box 423, 940.304 SS Loot “Melmer Loot”

² Information paper, “Report of the German Treasure Cache at the Merkers Salt Mine,” no date, p. 7; Supreme Headquarters, Allied Expeditionary Force, G-4 Division, report to Major General Robert W. Crawford, ACS G-4, April 1945, “Report covering the discovery, removal, transporting and storage of gold, silver, platinum, and currency,...” pp. 9-10. Both documents are in CMH files, HRC 091.33, German National Gold Reserve. See also Carol Sue Holland and Thomas Rothbart, “The Merkers and Buchenwald Treasure Troves,” After The Battle, no. 93 (August 1996), pp. 5-15; the authors, obviously using a variety of primary and secondary sources (but the article is not footnoted), have reconstructed a detailed account of how the Army secured the Merkers’ assets.


⁴ “Register of Valuables in the Custody of the Foreign Exchange Depository, Frankfurt A/M Germany,” February 9, 1948, ibid., Box 399. NB: The use of the word “shipment” causes some confusion in Army documents dealing with this subject. “Shipment” had three different meanings, all of which might apply in a single document. The first general use of this word applied to individual shipments of German assets to the Foreign Exchange Depository (FED), which would be comparable to an accession (i.e., a collection of material coming from one source at one time). The FED also cited “shipments” of assets coming into and out of the FED, usually currency transactions for Allied Military Marks. Other shipments,
along with other captured assets. It seems that the intent always was to centralize these assets at one site for ease of security, accountability, and disposition. By August 1945, the FED was overloaded, and shipments were suspended temporarily while cultural properties and related non-monetary materials were transferred to other sites in southern and central Germany. The FED resumed receiving captured monetary assets later in August, but not until November 1945 was the FED officially tasked by the 12th Army Group to serve as the central repository for all captured “gold and silver bullion and coin, foreign currencies, foreign securities, precious stones or jewels, jewelry, gold teeth, and other similar valuables.”

The Foreign Exchange Depository was frequently referred to as the “Fort Knox of Germany,” but it might be more accurate to characterize it as the “Bank of Europe.” The captured German and Nazi assets were only a part of the FED’s total operation. It was also responsible for all currency transactions in Germany, receipt for all restricted property (Laws 52 and 53), and funding for all U.S. military activities in Germany, and it seems to have served as the “banker” for several Allied countries as well.

The first chief of the Foreign Exchange Depository was Colonel Bernard Bernstein, a lawyer by education and experience. Colonel Bernstein had served as an attorney with the U.S. Treasury Department from 1933 to 1942, when he resigned his position and went on active duty in the Army in the Coast Artillery Corps. In 1945 he served as the Chief of Finance in the G-5 Division of Supreme Headquarters, Allied Expeditionary Force (SHAEF), where he was able to influence and direct the policies that established the FED and the Army’s control over all captured assets. Bernstein returned to private law practice in 1946.

Colonel Bernstein was assisted by a small group of company grade officers, none of whom seem to have come from the Finance Corps. In fact, most of the officers came from the infantry and cavalry, and a few were from the Regular Army. Personnel turnover, particularly in 1945, was a persistent problem in the FED (at its peak, it seems to have employed about 150 personnel).

From the initial discovery of the Merkers cache to the final disposition of the remaining assets held by the FED in 1950, two issues dominated everything that happened at the former Reichsbank building in Frankfurt: maintaining security of the assets and compiling a complete inventory of everything that the Army was securing there. The reports, memoranda, message traffic, and other documents that discuss these activities comprise a large portion of the archival records.

However, referred to the release of monetary and non-monetary gold and related assets to countries or organizations. Thus, “Shipment 1” was the Merkers cache received in 1945, “Shipment 33” was gold flown to the Bank of England in 1948, and “Shipment Berlin” was currency being sent to OMGUS in Operation BIRDDOG in 1946.

Memorandum from A.U. Fox, Acting Deputy Chief, Finance Branch, USFET, OMGUS, to Lieutenant Colonel H.D. Cragon, Chief, Currency Section, “Looted Valuables,” November 9, 1945. The initial decision and justification for the central location at Frankfurt appears to have originated from 12th Army Group; see: G-5, Headquarters, 12th Army Group, message to Lieutenant Colonel Cragon, May 26, 1945. Both documents are ibid., Box 394, 900.10 Org. & Hist. of FED.
Armed guards were stationed around the exterior of the complex, and a series of checkpoints restricted access to the building and secured various parts of the interior. Once assets were placed in a secured room or vault, the entrance was locked and sealed. Opening these chambers required the approval of the FED’s higher headquarters, the Finance Division of the Office of the Military Government of Germany, U.S. (OMGUS).\(^1\) The staff of the FED was very sensitive to maintaining firm security of both the building and its contents. Instances of petty theft were reported to the Army’s Criminal Investigation Division (CID)—from a stolen light bulb and four bottles of soda to a vandalized sign and an unlocked desk drawer.\(^2\)

All the assets at the Reichsbank building in Frankfurt were held on behalf of the Allied Control Council, a fiduciary responsibility that the FED took seriously. No one in the Army exercised decision-making authority over the disposition of these assets, a point that frequently was made by and to Army personnel.\(^3\) As one Military Government official was informed: “you are advised that the FED is merely the custodian of the property in question and has no power over its disposition or release.”\(^4\) The FED received and processed claims from individuals and governments, but its principal responsibility was to secure the assets that it held.

The Army also realized that it had to have a reliable inventory. The initial inventories were adequate for achieving immediate accountability for what was being secured, but Army personnel felt that only specialists could compile more precise data. Both SHAEF/OMGUS and FED personnel sent urgent requests to the United States for qualified experts who could evaluate precious metals, gems, and foreign currencies and securities.\(^5\) The first team of experts, comprised of two officials from the Bank of

\(^1\) See for instance memorandum from Colonel William G. Brey, Chief, FED, to Director, Finance Division, OMGUS, “Opening Cages within Main Vault,” June 18, 1946, with endorsement and approval, same date, ibid., Box 393.

\(^2\) Every theft and breach of security was carefully and completely documented and investigated. See ibid., Box 399, 910.73 Internal Security, Violations. The security measures at the FED replicated the practices employed in any U.S. mint (see memorandum from Captain Paul S. McCarroll to Executive Officer, Finance Division, USFET, “Foreign Exchange Depository,” January 24, 1946, ibid., Box 394, 900.10 Org. & History of FED).

\(^3\) See for instance memorandum from Brigadier General L.S. Ostrander, Adjutant General, to Director, FED, February 27, 1946, “Removal of Assets,” ibid., 310.3 Removal of Assets, F.E.D. Authorities Required. See also memorandum from First Lieutenant Frank C. Gabell, Executive Officer, FED, no. 16, June 14, 1946, “Restitution,” ibid., Box 393. Several cables from the War Department/Department of the Army to U.S. European Command (EUCOM) in 1947 and 1948 cited the State and Treasury Departments as the approving authorities in all dispositions of monetary gold. A courtesy copy of a cable from the Secretary of State to various U.S. representatives in Europe was sent to the Deputy Military Governor on August 18, 1945. The cable made it clear that “the President, the Secretary of the Treasury and others” were the decision-makers concerning the disposition of all captured gold; see ibid., Box 444.

\(^4\) Colonel William G. Brey, Chief, FED, memorandum to Property Control Regional Supervisor, OMG Hesse, “Box Containing Precious Stones...,” May 25, 1948, ibid., Box 436, 940.4064 Shipment No. 64.

\(^5\) See for instance memorandum from Lieutenant General W.B. Smith, Chief of Staff, SHAEF, to General George C. Marshall, “Gold bullion, currency and other property...,” April 19, 1945, ibid., RG 338 (Box 13), 123/2 USFET Captured Gold Bullion; USFET (Main), cable to AGWAR, ref. no. S-25884, September 30, 1945; USFET (Main), cable to Secretary of War, ref. no. S-27954, October 14, 1945, both
England and three from the Treasury Department, arrived in June 1945. The team conducted an extensive evaluation of the precious metals, primarily the gold and silver, and prepared a seven-page report. Named the “Howard Report” (for the team leader), it became a primary reference document in conducting subsequent inventories and evaluations of the holdings in the FED.¹

By August 1945, the FED reported to the Deputy Military Governor that 91 percent of the gold found in Germany and inventoried at Frankfurt came from the Merkers salt mine.² The rest came from banking facilities in central and southern Germany, some businesses and individuals, and non-monetary gold from victims of the Holocaust.

Defining how much of the gold the Army held at Frankfurt was monetary gold and how much was non-monetary gold was difficult. Part of the difficulty arose from the use of different measurements in establishing accountability for the material. At varying times, all or parts of the entire cache of jewelry, artifacts, precious metals, and currency were reported in pounds or kilograms, bags or boxes, or monetary value (often dollars and once each in pounds sterling or Reichsmarks); and it included gold, gold bullion, bags of gold, gold coins (from at least 15 countries), gold pieces, and miscellaneous gold. The Army made a conscientious effort to refine its inventories to report accurately what it held and to maintain accountability for the material in its custody. More importantly, a complete accounting history appears to have been maintained for each shipment and its component parts from arrival at the FED in April 1945 to its final disposition in 1948.

Through 1945 and into the first half of 1946, the FED personnel were busy establishing accountability for all the material that was arriving or had arrived at Frankfurt. Once basic accountability was established, the FED began to focus on the higher-valued portions of the total inventory: the monetary gold. One of the other complications in determining the quantity and value of all gold held at the FED were the changing definitions of “monetary gold” and “non-monetary gold.” The definitions used in this section are those initially used as guidance for the FED in its accounting and disposition of property: monetary gold consisted of bullion and coins (less numismatic/collectors’ items); non-monetary gold consisted of gold objects looted from private citizens and Holocaust victims (less cultural/religious objects) and rare coins (which had no identifiable institutional or individual owner).³ Throughout this process,

¹ The Howard Report was the only contemporary document found (aside from infrequent IG and CID investigation reports) which cast a shadow on the Army’s handling of the captured assets. The concluding remarks of the experts included a mild rebuke for the Army’s “inexperienced” personnel and “unsatisfactory working conditions.” See memorandum from Leland Howard to Lieutenant Colonel H.D. Cragon, August 15, 1945, ibid., Box 440, 940.60 Gold Report and Original Work Sheets.
³ See memorandum from Frank C. Gabell, Deputy Chief, FED, to Director, Finance Division, OMGUS, “Disposition of Valuables,” January 28, 1947, RG 260, Box 161, Disposition of Valuables.
valuations of the FED’s holdings included all assets—gold, other precious metals, currencies, securities, gems, jewelry, and associated materials. For the first 18 months of the FED’s existence, all valuations of the gold held at Frankfurt were estimates, and these estimates tended to fluctuate as items were added and refinements made in the inventory process. In some cases, what might have been identified originally as a gold coin might later be called a gold piece, and then recognized as melted dental gold, which would move the item from the monetary category to the non-monetary category. At the same time, more gold that needed to be inventoried and valued was being added to the FED’s holdings.

Beginning in June 1946, the FED employed about a dozen DPs and German civilians to assist them in a comprehensive inventory of all monetary and non-monetary assets by “shipment.”¹ Each separate shipment inventory was documented on a form that included the name of the individual conducting the inventory, the security officer, the recorder of the form, and the approving official for that specific inventory. The form also cited the origin of the objects (e.g., “Shipment No. 1” [Merkers]), date of the inventory, type of container the objects were kept in (e.g., “metal box”), a general classification of the objects (e.g., “precious metals, scrap gold”), the location, a container number, a tag number, and a brief description of the objects inventoried (e.g., “1 lot of 4 pieces low grade gold and silver, weight about 25 grams; 1 lot of dental gold 18 and 22 carats, weight about 740 grams”). These individual inventory sheets number in the thousands and provide another accounting of the FED’s holdings.²

B. Distributing the Gold Recovered in Germany

By October 1947, on the eve of the first release of monetary gold from the “gold pot,” most of the major inventories had been completed. At that time the FED reported “more than $260,000,000 of monetary gold, approximately one-half in bar form and one-half in coin.” An “agreed valuation of approximately $750,000” in non-monetary gold had already been released to the International Refugee Organization.³

From this time forward, the FED’s primary focus was on the disposition of the assets. There were some minor acquisitions in 1948—all due to Military Law 53, a directive that essentially forbade German nationals from holding foreign currencies or securities, large amounts of precious gems or jewelry, or precious metals. The inventories for precious metals, currencies, and all assets that comprised the “Nazi loot” were completed. Generally, the only significant inventory activity in 1948 and 1949 dealt with foreign securities and precious gems, principally diamonds, and their eventual restitution to various governments.

¹ The original inventory sheets are ibid., Boxes 401-414.
² One inventory sheet accounted for 84 “meal tickets” that came from Shipment No. 16—Buchenwald.
³ Memorandum from Theodore H. Ball, Director, Finance Division, to Finance Adviser to Commander, EUCOM, “Present Status of Disposition of Precious Metals...,” October 3, 1947, RG 260, (Box 424), 940.309 Precious Metals. These are 1945 prices, with gold valued at $35 per ounce.
The restitution of the captured assets from the Foreign Exchange Depository was a major operation, with numerous meetings to coordinate each shipment, operations orders, extensive message traffic, increased security measures, press releases, and photographic coverage of the event. The FED had engaged in some minor restitution initiatives prior to November 1947. On February 5, 1946, 801 sacks of Russian rubles were released to Soviet military representatives. Other releases included cultural properties, religious objects, and counterfeit English currency.1

Hungary received the largest direct restitution of gold from Germany. In early May 1946 the anti-Communist Hungarian Government was informed by the United States that there was no possibility of an Export-Import Bank loan to support the shaky Hungarian economy. During an official visit to Washington in June 1946, Hungarian Prime Minister Ferenc Nagy called upon Secretary of State James Byrnes and Acting Secretary Dean Acheson and formally requested the return of the Hungarian gold reserve of $32 million found in the U.S. Zone of Occupation. Secretary Byrnes, just before his return to Paris for the Paris Peace Conference, initially proposed returning only a portion of this reserve and retaining a portion to satisfy claims of Americans against Hungary. Acting Secretary Acheson on June 15 determined that the United States would return the Hungarian gold reserve held in custody in the U.S. Zone of Germany in order to stabilize the Hungarian monetary system and economy, provided the Hungarian Government assured that it would return any part of the reserve subsequently determined to be looted. An official American train carried the Hungarian monetary gold from Frankfurt to Budapest on August 6, 1946, where it was received ceremoniously by Prime Minister Nagy.2

Late in 1947 the restitution of both monetary and non-monetary gold proceeded at a more rapid pace. On September 5 the first shipment of non-monetary gold was released to a representative of the Preparatory Commission of the International Refugee Organization (IRO).3 One month later, the Tripartite Commission for the Restitution of Monetary Gold directed the Military Governor of the U.S. Zone of Occupation in Germany to release a total of 3,381,560.9146 fine troy ounces of gold to representatives of Belgium, Luxembourg, and the Netherlands. A French representative and his team received 75,794.5985 fine kilograms of gold on November 19, 1947 (this gold was later transferred to Belgium and Luxembourg). Three days later five trucks and one

---

1 Several individual transactions are documented ibid., Boxes 160, 394, 396, 398, and 436.
3 Shipping Ticket, No. 16, September 5, 1947, RG 260, Box 424, 940.38 PCIRO General. In the same file, a newspaper clipping reported the transfer occurred on September 6 and a press release reported the restitution happened on September 8. The Shipping Ticket, however, represented the signed receipt for the receiving institution, which also specifically released the U.S. Army from any further responsibility for the shipment. Although often referred to as “non-monetary gold,” these restitutions to the IRO also included silver, jewelry, precious stones, dental gold, and personal items—including purses and alarm clocks. A 168-page inventory of what was released in this first restitution is ibid., ibid., Box 424, 940.401 Joint Inventory Schedule “A” of 1st non-monetary gold release to PCIRO.
automobile arrived at the Foreign Exchange Depository to receive 541 boxes of gold bars and 550 boxes of gold coins for the Netherlands.\(^1\)

With the restitution to the Benelux countries completed, attention turned to the disposition of the remaining gold. Sometime in the latter half of 1948, 164 gold bars (Prussian Mint) may have been released to Italy, and 953 gold bars may have been released to Austria. These two transactions also may have included gold coins, with a total delivery of 689,295.906 fine ounces for Austria and 286,102.445 fine ounces for Italy.\(^2\) The Tripartite Gold Commission directed the last major release of monetary gold through two contracts with Pan American Airways, which served as the principal carrier. The first flights delivered “approximately 58,705.5410 kilogrammes of monetary gold coins,” and the remaining flights delivered “approximately 74,498.64262 kilogrammes of monetary gold coins and/or bars” to the Bank of England in London. As recorded two years later, the first shipment actually comprised 53,234.446 kilograms (valued at $59,903,407) and the second shipment 75,900.028 kilograms (valued at $85,408,426). The 53 individual flights began on June 15 and concluded on August 3, 1948.\(^3\)

Throughout 1948 and 1949 restitution shipments continued, with the IRO receiving the largest amounts of material in March and October 1948. Other restitutions, consisting of some precious metals (not gold) and mostly currencies, were released to several governments.\(^4\) By the end of 1948 the Foreign Exchange Depository was preparing to go out of business.\(^5\) Silver, gems, currency, securities, and an assortment of jewelry and rare metals were released to a variety of countries, and even some German industries. In what appears to be a close-out accounting for the disposal of all FED assets, the last and Acting Chief of the Foreign Exchange Depository submitted a final monetary report to the Office of Economic Affairs in dollar values.

---

\(^1\) Several pieces of correspondence and messages concerning this directive are ibid., Box 422, 940.1551 Monetary Gold, 1st Distribution.

\(^2\) Internal routing slip from Colonel William G. Brey, Chief, FED, to Financial Adviser, OMGUS, “Packaged Gold,” June 28, 1948, ibid., Box 422, 920.1551 Monetary Gold 2d Dist. Although there was extensive documentation showing the FED prepared to release gold to Italy and Austria, the completed transactions never appeared in later summaries of FED operations. This seems to suggest that either the gold was never released, or that it was an entirely different accounting transaction unrelated to the restitution issue.

\(^3\) Documentation for the Tripartite Gold Commission’s directives, contracts, and related message traffic is ibid., Box 422, 920.1551 Monetary Gold 2d Dist; see also ibid., Box 163, FED Tripartite Commission; and ibid., Box 166, Gold File (Brussels). Two memoranda by Fred B. Smith of the U.S. Treasury Department, January 20 and April 14, 1948, discussed the contract arrangements for the gold shipments to London. Army transportation had been considered and rejected by either the Treasury Department, New York Federal Reserve Bank, or the Tripartite Gold Commission. The April 14 memorandum suggests that some of the gold going to London would be reshipped to New York. The documents are at the Center of Military History.

\(^4\) See ibid., Box 424, 940.401 Joint Inventory Schedule “C” and 940.401 Joint Inventory Schedule B; Box 421, 940.154 Second Turnover to IRO; Box 466, 960.61 Security Officer Daily Report Jan-July 1948; Box 165, International Bank for Reconstruction and Finance; Box 400, 910.92 Reports-Daily July 1948.

\(^5\) Memorandum from Jack Bennett, Finance Adviser to the Military Governor, to Chief, FED, “Receipt of Additional Assets by FED,” December 29, 1948, ibid., Box 401, 920.401 FED Space & Liquidation.
After December 1950 the Foreign Exchange Depository ceased to exist. Its few remaining assets consisted of unclaimed personal items, some platinum bullion, German securities, and an odd assortment of foreign currency and industrial diamonds. This material was transferred to the Bank Deutscher Länder, which had already taken over most of the FED building (the former Frankfurt Reichsbank) a year earlier. Ironically, at least one of the platinum bars and some of the securities had come from the Merkers cache in April 1945. Albert Thoms, the man responsible for shipping the Berlin Reichsbank assets to Merkers, was one of the two representatives for the Bank Deutscher Länder who accepted custody of the FED’s remaining assets.
IX. Disposal by the United States of Captured Gold Looted by Germany From Individual Victims of Nazi Persecution and From European Central Banks

A. Discovery of SS Loot in the Reichsbank Treasure

The Reichsbank treasure discovered by the U.S. Army in the salt mines at Merkers consisted of more than just gold bars and currency. Lying in one area of the mines were 18 bags of silver and gold alloy bars and 189 parcels, boxes, suitcases, and trunks containing jewelry; gold and silver articles such as watches, wedding rings, cigarette cases, compacts, spectacle frames, candle sticks, and Passover cups; hundreds of pounds of gold dental crowns and fillings; and gold and silver coins. Also captured at Merkers was Albert Thoms, head of the Reichsbank’s Precious Metals Department, who identified the 207 bags and containers as comprising the “Melmer” account belonging to the SS. The implications of this SS horde were immediately recognized. Brigadier General Frank McSherry suggested that “this SS property contains evidence which might be useful in the prosecution of war criminals” and had the bags and containers stored in a separate room in the vaults of the Foreign Exchange Depository.

B. Acquisition by the Reichsbank of Gold and Valuables Looted by the SS From Jews and From Jewish and Non-Jewish Concentration Camp Inmates

Over the next two years, through examination of Reichsbank records and interrogations of the German officials involved, the U.S. military government in Germany

---

1 This section is derived entirely from a larger study prepared by the Department of Justice, Office of Special Investigations, which incorporated some research conducted by the U.S. Holocaust Memorial Museum. Except where otherwise noted, the research for this section was conducted in records at the United States National Archives and Records Administration, particularly: the records of the Foreign Exchange Depository under the Finance Division of OMGUS; records of the U.S. Military Tribunal at Nuremberg; records of the Department of State relating to the Tripartite Gold Commission. It is important to note that, as discussed in greater detail below, this analysis was written without the benefit of Tripartite Gold Commission records, Swiss records, Reichsbank records, or Prussian Mint records. The records of the Precious Metals Department of the Reichsbank were found at NARA in early April 1997, too late to be reviewed for inclusion in this report.

2 “Gold bullion, currency and other property discovered by Third Army near Merkers,” report by Brigadier General Frank McSherry to Commanding General, European Theater of Operations, April 19, 1945, NARA, RG 331, SHAEF/G-5/1/13; “SS Loot and the Reichsbank,” report to Bernstein from Andrew Kamarck, Chief, Financial Intelligence Branch, SHAEF G-5 Division, May 8, 1945 (hereafter cited as Kamarck Report), RG 260, OMGUS, Finance Division, Subordinate Agencies, Central File for Foreign Exchange Depository, Box 422, file 940.1551; “Inventory of the Various Shipments received by the Foreign Exchange Depository Section,” memorandum from Major E.A. Jesser to Lieutenant Colonel H.D. Cragon, Chief, Currency Section, G-5 Financial Branch, USFET, September 26, 1945, ibid., Finance Division, FED Group, Box 473, File Inventory of Shipments 1-64; “Foreign Exchange Depository,” report by Captain Paul S. McCarroll, USFET Finance Division, January 24, 1946, ibid., FED Group, Box 394, File 900.10.

3 “Gold bullion, currency and other property,” report by McSherry, RG 331, SHAEF/G-5/1/13.
pieced together the story of the “Melmer” account. The most important sources of information were Thoms, Reichsbank Vice President Emil Puhl, and SS-Hauptsturmführer (Captain) Bruno Melmer, all of whom were interrogated by or at the request of the U.S. Army’s Finance Division.

Puhl told his interrogators that, sometime in the summer of 1942, Reichsbank President and Reich Minister of Economy Walter Funk informed him of an agreement between Reich Leader of the SS and Police Heinrich Himmler and Reich Finance Minister Lutz Schwerin von Krosigk whereby the Reichsbank was to receive shipments of confiscated jewelry and securities from the SS, which would use the cash proceeds from the conversion of these shipments to finance its industrial enterprises. Funk instructed Puhl to make the necessary arrangements for these shipments with Oswald Pohl, head of the SS-WVHA (SS Economic Administrative Main Office). After meeting with Pohl, Puhl turned over responsibility for dealing with the shipments to Frommknecht, the Reichsbank director for cash and vault, and to Frommknecht’s subordinate, Albert Thoms, chief of the bank’s Precious Metals Department.1

Oswald Pohl confirmed that he met with Puhl in the summer of 1942. Pohl stated that he and Puhl worked in strictest secrecy to arrange for gold, jewelry, and foreign currency to be deposited in the Reichsbank, while gold teeth and crowns taken from concentration camp inmates would be melted down and the gold then transferred to the Reichsbank. After these arrangements had been agreed upon, all subsequent shipments from the East and from concentration camps were forwarded to the Reichsbank.2

As head of the Precious Metals Department, Albert Thoms was able to provide many details about the SS shipments to officials of the Finance Division, which employed him to examine the captured Reichsbank records for traces of the looted central bank gold.3 Thoms recalled that, in the summer of 1942, Frommknecht sent him to Puhl, who informed him that the SS was about to begin delivering shipments to the Reichsbank that would contain not only gold, silver, and foreign currency, which was in the Reichsbank’s area of competence, but also jewelry and other types of property whose disposal would be the Reichsbank’s responsibility. Puhl told Thoms that in the interest of secrecy, the Reichsbank must dispose of these items itself.4

Shortly after this meeting, Pohl’s deputy, SS-Brigadeführer (Brigadier General) August Frank informed Thoms that an SS officer named Melmer would deliver the first shipment in a truck. This shipment arrived on August 26, 1942, and other deliveries

---

3 See references to and memoranda by Thoms in RG 260, FED Central Files, Box 440, file 11/398/2.
4 Bernstein Report, Tab D: Statement of Albert Thoms.
quickly followed. The tenth delivery, in November 1942, was the first to include dental gold, and subsequent deliveries contained large amounts of this material.\(^1\)

The deliveries were first deposited into an account designated “Melmer.” The Reichsbank then sorted and inventoried the deliveries and disposed of them. Gold and silver bars and currency were bought by the Bank at full value from the SS and small items like gold rings were sent to the Prussian Mint for re-smelting. Jewelry and larger items were sent to the Municipal Pawnshop, which sold the better items abroad for foreign currency and sent most of the rest to the Degussa\(^2\) firm for re-smelting. Degussa was allowed to keep a certain amount of gold for industrial purposes, but any gold exceeding the permitted amount was sold back to the Reichsbank and credit for the proceeds was deposited in the SS account.\(^3\) Thoms noticed that a few of the deliveries contained stamps or other designations indicating that they came from concentration camps or from the cities of Auschwitz and Lublin.\(^4\)

SS-Hauptsturmführer Bruno Melmer confirmed Thoms’ statements. As head of the Finance Office in the Troop Administration Department (Amtsgruppe A/II) of the SS-WVHA, Melmer was instructed by Pohl to receive valuables confiscated as Jewish property that were shipped from Auschwitz concentration camp and the camps and killing centers in the Lublin District and to transfer them to the Reichsbank Berlin.\(^5\) The Reichsbank was “charged with realizing these valuables” and would credit the equivalent amount in Reichsmarks to an account of the SS at the Reichshauptkasse (Reich Main Accounting Office) in the Reich Ministry of Finance. The correspondence relating to these shipments was kept in the “Reinhardt” file.\(^6\)

Melmer recalled receiving these instructions in approximately May 1942, and soon thereafter, the first shipment arrived at his offices.\(^7\) After the first delivery, subsequent shipments were sent in sealed containers, which the Reichsbank’s Precious Metals Department opened, inventoried, and distributed to the appropriate Reichsbank departments or to the Prussian Mint or the Municipal Pawnshop. Eventually, the

---

1 Ibid.
2 Degussa (Deutsche Gold- und Silber-Scheideanstalt) was a large German industrial firm that engaged in the refinement of precious metals and the manufacture of alloys and chemicals, including hydrogen cyanide, the poison used in the gas chambers at Auschwitz-Birkenau. Today, the Frankfurt-based firm is the world’s leading manufacturer of dental alloys.
3 Kamarck Report.
4 Kamarck Report and Bernstein Report.
6 Melmer Sworn Statement of 15 July 1947; sworn statement of Bruno Melmer, February 11, 1948, attached to Interrogation Summary No. 4626, Office of U.S. Chief of Counsel for War Crimes, Evidence Division, Interrogation Branch, Microcopy M-1019, roll 46, frames 123-124. For more information on Operation Reinhardt, see below.
Reichsbank returned a statement to Melmer that gave the value of each shipment and reported that the equivalent value in Reichsmarks had been paid to the Reichshauptkasse.  

Will Burger, who was the administration chief at Auschwitz Concentration Camp from June 1942 until April 1943, testified at Nuremberg that while he was stationed at Auschwitz, an order came from the SS-WVHA to send all dental gold and such valuables as jewelry, rings, and watches to Melmer. Burger further recalled that in approximately late 1943, when he was working at the SS-WVHA in the department that administered concentration camps, an order was issued to all the concentration camps besides Auschwitz to send dental gold and valuables to Burger’s department, which delivered them to Melmer. Auschwitz, however, continued to ship them directly to Melmer because the number of valuables it collected was so large.

Reichsbank records captured at Merkers and maintained and studied by the Finance Division provided additional support for the claims of Thoms and Melmer. For example, among the records was the receipt for the first three Melmer deliveries on August 26, September 4, and September 7, 1942. In addition to jewelry, silver, and foreign currency, the shipments included gold bars and gold coins. The total value assigned to the gold, silver, and currency in all three Melmer deliveries was 1,184,375.59 Reichsmarks, which the Reichsbank paid to the Reichshauptkasse on October 27, 1942. This receipt did not, however, assign any value to the jewelry in the shipments. Also found among the captured Reichsbank records was a November 24, 1944, cover letter from Thoms to the Prussian Mint forwarding items from the 46th Melmer delivery for smelting, including more than 30 kilograms of gold teeth.

By 1946, therefore, the U.S. Military Government knew from available records and from interrogations that, beginning in August 1942, the Reichsbank received and converted gold and other valuables that the SS had looted from Jews it enslaved and murdered in Poland and from Jewish and non-Jewish concentration camp inmates. In fact, Puhl’s role in arranging for “the receipt, classification, deposit, conversion, and disposal of properties taken by the SS from victims exterminated in concentration camps” formed the basis for his indictment in 1946 before the U.S. Military Tribunal at Nuremberg, which subsequently sentenced him to five years’ imprisonment. The origin of the gold and other valuables in these shipments was clear from the “Reinhardt” designation of the file in which Melmer kept the correspondence relating to his deliveries.

---

4 Nuremberg Document NID 15534: “46th Delivery (M),” draft of letter (marked “clean copy sent”) to the Prussian State Mint from the Reichsbank, signed by Thoms, November 24, 1944, Microcopy T-301/125/840.
to the Reichsbank. The name of this file referred to Operation Reinhardt, the SS program for exploiting Jewish property and labor and murdering millions of Jews in killing centers in Eastern Poland. The Allies learned the details of Operation Reinhardt shortly after the war, and documents linking Oswald Pohl with the Reinhardt program contributed to the decision of the U.S. Military Tribunal at Nuremberg to sentence him to death.¹

Some of the Operation Reinhardt documents also revealed how gold and other valuables robbed from murdered Jews passed from the Lublin camps and Auschwitz via the SS Economic Administrative Main Office to the Reichsbank. On August 12, 1942, Himmler ordered all the Higher SS and Police Leaders in the Eastern Territories to send all precious metals and other valuables confiscated from Jews to the SS-WVHA, which would distribute them to the appropriate Reich agencies.² In February 1943 Odilo Globocnik, the SS and Police Leader in Lublin and head of Operation Reinhardt, sent an interim report concerning valuables from Operation Reinhardt that had been delivered to the SS-WVHA “for transmission to the Reich Bank or to the Reich Ministry of Economy.” In addition to foreign currency notes, jewelry, watches, silver bullion, and textiles, the report lists 1,775.46 kilograms of gold bullion and coined gold currency valued at 843,802.75 Reichsmarks.³ Globocnik’s final report on the total value of the valuables and textiles forwarded to the Reichsbank, Reich Ministry of Finance, and Textile Works in the course of Operation Reinhardt listed 2,909.68 kilograms of gold bullion valued at 8,147,104 Reichsmarks and minted gold currency valued at 1,736,554.12 Reichsmarks.⁴

C. Estimates of the Value of Persecutee-Origin Gold Acquired by the Reichsbank From the SS

The OMGUS officials responsible for storing and disposing of the German treasure at the Foreign Exchange Depository recognized that the “Melmer loot” captured at Merkers represented only those parts of the SS shipments that the Reichsbank had not yet processed through its normal disposal channels. The OMGUS authorities were also aware—from both the captured Reichsbank records and from the information supplied by Thoms and Puhl—that the Reichsbank, in disposing of the SS shipments, bought the looted gold coins and bullion at full value and incorporated them into the gold reserves of

¹ Green Series 5:988-989.
² Nuremberg Document NO-3192: Circular announcing Himmler’s directive, issued to Higher SS and Police Leaders in the Eastern Territories, signed: Brandt, August 12, 1942, Microcopy T-175/69/2585718.
the German Reich. Furthermore, the ingots smelted by the Prussian Mint from dental gold and small gold items also became the property of the Reichsbank, as did any gold smelted by Degussa in excess of its legal allotment. That the gold acquired by the Reichsbank from the SS shipments was eventually processed into a negotiable form is evidenced by the Reichsbank’s records of its releases to the Deutsche Bank (a private German bank): according to the U.S. analysis of these records, out of releases totaling 1,581,832 fine grams of gold, 673,493.3 came from the Melmer deliveries, of which 325,296.4 were apparently delivered by the SS to the Reichsbank in negotiable form, while 348,196.9 had to be resmelted by Degussa prior to release.¹

The contents of the SS shipments captured in the Melmer account at Merkers were housed separately at the Foreign Exchange Depository. With the exception of 25 gold and silver alloy bars,² they were not inventoried by the team of experts sent by the U.S. Treasury Department and British Government in June 1945. An inventory was conducted in August 1945 of 6,427 gold coins discovered in the Melmer account,³ but an inventory of other valuable, non-monetary articles in the SS loot (e.g., precious stones, dental fillings and other scrap metals, jewelry, watches, tableware, etc.) was not completed until November 1946, when French jewelry experts valued them at approximately $580,000.⁴ A January 1947 inventory of the entire contents of the Melmer account simply compiles the types of items by approximate number or weight.⁵

Valuations of the SS shipments liquidated by the Reichsbank, however, had to depend upon available Reichsbank records and the statements of Reichsbank officials. When interrogated by U.S. officials in Frankfurt on May 6, 1945, Thoms stated that there had been “60 or more” Melmer deliveries in all, about half of which were still stored at Merkers. Questioned about the total amount already credited to the SS account, Thoms estimated “very cautiously” that it contained 7-10 million Reichsmarks. From the Reichsbank records containing Melmer entries that were then available, the chief of the Financial Intelligence Branch of SHAEF concluded that the Reichsbank had purchased at least 1,278,417.2 fine grams of gold (worth about $1.4 million in 1945) from the Melmer shipments, of which 866,730.2 had been resmelted by Degussa.⁶ In his October 1945 report, Colonel Bernstein asserted that there had been 76 Melmer deliveries of which the first 44 had been processed, netting proceeds of approximately 23,455,782 Reichsmarks.

¹ Table II: “Miscellaneous Gold Bars Released to Deutsche Bank according to Kontrollbuch, Verschiedene Goldbarren of the Reichsbank,” RG 260, FED Group Central Files, Box 440, file 940.60.
² Work Sheet 234, attached to Howard Report, ibid., Box 441, Folder 16.
³ Memorandum from Lieutenant Colonel H.D. Cragon, Chief of Currency Section, to Bernstein, Director of Financial Branch, G-5, USFET, “Gold Coins in S.S. Loot,” August 20, 1945, ibid., Box 463, file 960.15.
⁵ “Shipment No. 1,” included in inventory summaries of shipments received by the FED, ibid., Box 390, file 46/9/5.
⁶ Kamarck Report.
Bernstein estimated the total value of all the Melmer deliveries to be about 36.17 million Reichsmarks, with gold and silver coin and bullion accounting for 10.67 million.¹

The Reichsbank Precious Metals Department records captured at Merkers included receipts for at least some of the SS shipments whose contents had been disposed of or “‘processed,’” although the receipts did not include the value of the “non-currency” contents of deliveries that were disposed of through other agencies.² Based on these receipts, the Foreign Exchange Depository concluded that there were 78 deliveries of which about 43 were fully inventoried by the Reichsbank, and put the total value of the inventoried deliveries at 23,455,781.96 Reichsmarks, “of which RM 1,866,329.18 is gold coins, and RM 3,018,062.13 gold bars.” “Thus it is possible to say that approximately $1.6 million in gold coins and bars were received by the Reichsbank in the first 40-odd deliveries of Melmer (SS Loot) received.”³

This $1.6 million worth of gold coin and bars represents only the amount reflected in the Reichsbank’s receipts for part of the contents of 43 inventoried Melmer shipments. From the Precious Metals Department’s receipts for Melmer deliveries, which did not include the “non-currency” contents of the shipments, and from the inventory of the Melmer account at Merkers, it can be concluded that the Reichsbank broke up the SS shipments and processed those items that were most easily disposed of first, while those items whose disposal was more complicated—because, for example, they required resmelting or marketing by another agency—remained in the Melmer account until that agency could receive them. This conclusion is supported by the Reichsbank’s statement for the first three Melmer deliveries, which gives the cash value of the currency, gold, and silver in the shipments but not of the jewelry, which was “not yet examined and evaluated.”⁴ Such a practice of cashing in those parts of the shipments that were most easily disposable also explains why the contents of the Melmer account at Merkers contained relatively little of the negotiable gold and currency that, judging from the Reichsbank’s statement for the first three SS shipments and from the Operation Reinhardt reports, comprised a significant portion of the Melmer deliveries.

The Reichsbank’s inventory of the valuables it stored at Merkers shows that the 207 shipments seized in the Melmer account originated from 20 SS shipments but did not represent the entire contents of those shipments. Since the FED identified a total of 78 SS shipments but only uncovered receipts for 43 shipments that had been processed by the Reichsbank, there were 15 shipments whose contents were evidently liquidated (as they were no longer in the Melmer account at Merkers), but for which no receipts were found. In addition to the $1.6 million in gold acquired from the 43 inventoried SS shipments, then, the Reichsbank must have acquired at least some gold from the 15 uninventoried shipments and probably also acquired some from the 20 shipments whose

¹ Bernstein Report.
² Cable CC-9926 from OMGUS to War Department, Civil Affairs, July 18, 1947, RG 260, Box 469, file 11/427/14.
⁴ Nuremberg Document 3942-PS.
partial contents were found at Merkers. It is not clear, moreover, whether the Reichsbank receipts that were found by U.S. forces included gold items in the SS shipments that the Reichsbank only acquired after they had been resmelted.

D. Other Sources of Persecutee-Origin Gold in the Reichsbank

Although the Melmer deposits provided the most direct evidence that the Reichsbank received gold robbed from individuals the Nazis persecuted and murdered, the SS was not the only agency from which the Reichsbank received gold taken from private individuals and enterprises. In a September 19, 1945, statement, Thoms explained to his U.S. interrogators the Reichsbank’s role in the confiscation of the personal property of German Jews. According to a decree of February 21, 1939, German Jews had to turn in their valuable personal property to the Municipal Pawnshops, some of which came to the Reichsbank, which had its own pawn office. This material included gold coins and gold bars.1

While the Reichsbank acquired the gold coins and bars taken from German Jews, the German Foreign Office assisted in liquidating the gems and jewelry confiscated both from German Jews and from individuals and businesses in the countries conquered by Germany by exchanging them abroad either for commodities essential to the German war effort or for the foreign currency needed to buy them. The Foreign Office regularly transferred via diplomatic pouch to its Legation in Bern packages of jewelry specifically referred to as Judenschmuck or “Jewish jewelry.” The packages were given to a German agent in Bern who exchanged them for industrial diamonds, described as “vitaly important” to the German war effort. The sale and export of industrial diamonds were banned under Swiss law. In at least one instance, the German Foreign Office arranged for gem diamonds to be sold to a Swiss citizen in Bern for Swiss francs.2

Gold also came to the Reichsbank from non-German inhabitants in the areas of Poland annexed by the German Reich. According to the head of the Haupttreuhandstelle Ost, the Reich Ministers of Economics and Finance (Funk and Schwerin von Krosigk) had ordered that all the confiscated valuables, including “significant quantities of gold and silver items, jewelry and the like,” be delivered to the Reichsbank. The same ministers were also negotiating with the Reich Minister for Armaments and War Production, Albert Speer, concerning the disposal of similar property confiscated in Western Europe.3 In addition, correspondence between the Reichsbank Berlin and its office in Kattowitz (Katowice) concerning smelted and broken gold, jewelry, and gold and silver articles indicates that the Trusteeship Office in Kattowitz had offered it to the Reichsbank for utilization. The Reichsbank Berlin instructed the Kattowitz office to accept smelted gold as long as it met the purchasing requirements of the Reichsbank but

---

1 Bernstein Report, Tab D.
2 The records of the German Legation in Bern were partially microfilmed before being returned to Germany; the microfilm is at NARA: Microcopy T-120: Records of the German Foreign Office, 713:330169-171, 726:326062-184, 741:352454-538, 755:350558-560, 1003:394154.
3 Bernstein Report, Tab H.
suggested that the Haupttreuhandstelle Ost send the remaining items directly to the Municipal Pawnshop in Berlin.  

**E. The Presence of Persecutee-Origin Gold in the “Monetary” Gold Holdings of the Foreign Exchange Depository**

It is clear that just as it received and incorporated into the Reich’s reserves the gold looted from the central banks of the nations occupied by Nazi Germany, so did the Reichsbank receive and incorporate into its reserves gold looted from individuals persecuted and murdered by the Nazi regime. If the gold looted from individuals was not already in a negotiable form, it was resmelted into bullion. Some of this persecutee-origin gold was traded abroad, while some of it was still present in the $252.5 million worth of Reichsbank “monetary” gold that was captured by the U.S. Army and stored in the Foreign Exchange Depository in Frankfurt. Unlike the contents of the Melmer account or other captured caches of gold that was in clearly “non-monetary” form (e.g., dental fillings or jewelry), the resmelted persecutee-origin gold in the Reichsbank’s gold reserves was not visibly distinguishable from genuine central bank gold.

The need to determine how much gold Germany looted from European central banks and how Germany disposed of such gold led in 1946 to an intense effort by personnel of the Finance Division of OMGUS, with the help of Thoms and other Reichsbank officials, to study the captured records of the Reichsbank Precious Metals Department and the Prussian Mint records made available by the Soviets in Berlin. By analyzing these records, the French had succeeded in tracing the Belgian central bank gold that the Belgian Government had sent to France for safekeeping at the start of the war and that the Germans had subsequently confiscated. It was hoped that the records would likewise reveal the fate of gold looted from other nations and deposited in the Reichsbank. Thoms particularly maintained that the records would make it possible to trace all the gold bars in the captured Reichsbank gold reserves at the FED to their original accounts or deposits.

In tracking the Dutch gold, the FED analysts were able to identify specific smelting operations at the Prussian Mint in which gold looted from the Netherlands was resmelting. A 1946 FED analysis of one Prussian Mint operation in which Dutch guilders were smelted into gold bars shows that 37 kilograms of gold acquired by the Reichsbank from the Melmer deliveries were added to the guilders in this smelting. Of the resulting

---

1 Bernstein Report, Tab M.  
3 Memorandum re inventory of gold in Shipment 1,” signed by Albert Thoms, undated, ibid., Box 470, file Merkers Mine Report.
gold bars, 83 percent were eventually traded to the Swiss National Bank, the remaining 17 percent to the Banca d’Italia and the Banco Commerciale Italiana. Another 1946 FED analysis of a 1944 Prussian Mint smelting operation, in which Dutch gold bars were resmelted to disguise their origin, notes that six bars from Melmer loot, weighing 56 kilograms in all, were resmelted and renumbered at the same time. Six bars with the same numbers that evidently were assigned to these renumbered bars containing SS gold are included in the inventory of the gold bars that were captured by U.S. forces at Merkers and subsequently transferred to the Gold Pool. Thus these FED studies show that 37 kilograms of gold acquired by the Reichsbank from the SS shipments were traded abroad while another 56 kilograms of gold looted by the SS from its victims were part of the Reichsbank gold reserves captured at Merkers.

The fact that the studies tracking the gold looted from the Netherlands also identify specific amounts of gold from SS shipments that were processed into the Reichsbank’s reserves supports Thoms’ assertion that the Reichsbank records could be used to track specific gold bars to their original accounts or deposits. The FED records do not, however, indicate that any effort was made to identify specific bars in the captured Reichsbank reserves that originated from the Melmer account.

Planning to distribute the gold held in Frankfurt began in earnest after the Five-Power Conference on Reparation for Non-Repatriables agreed on June 14, 1946, to implement Article 8 of the Final Act of the Paris Reparations Conference in part by allocating to the Intergovernmental Committee on Refugees (IGCR) all “non-monetary gold found in Germany.” The possibility that the Reichsbank gold reserves might include persecutee-origin gold that could qualify as non-monetary gold was not lost on the U.S. officials responsible for deciding how the gold held in Frankfurt should be distributed. In July 1946, the State Department sent Irwin S. Mason to the Foreign Exchange Depository to identify items there that might qualify for turnover to the IGCR. In reporting Mason’s findings to the Secretary of State, Livingston T. Merchant, Minister-Counselor for Economic Affairs at the U.S. Embassy in Paris, called particular attention to the 8,307 gold bars captured with the Reichsbank holdings at Merkers. According to Merchant,

---

1 “Looted Netherlands Guilders Resmelted in Early 1943,” prepared by Rona L. Geib with the assistance of Albert Thoms, November 1, 1946, ibid., Box 440, file 900.10.
4 In summary, the fact that Germany traded persecutee-origin gold abroad, including to Switzerland, is specifically evidenced in these 1946 U.S. Army (FED) studies of looted Dutch guilders that were resmelted into ingots by the Prussian Mint. The conclusion that persecutee-origin gold was traded abroad can also be drawn from the findings that the Reichsbank incorporated into the German gold reserves the gold it purchased from the SS and that Germany traded the majority of its gold reserves abroad during the war. Switzerland admitted receiving $415 million in gold from Germany between 1939 and 1945, whereas Germany’s total gold reserves in July 1939 was $186 million and only $255 million at the end of the war. No proof has been found that the countries to which Germany traded gold robbed from persecutees knew of the origin of such gold. Captured German records show that Germany also sent to Switzerland via diplomatic pouch packages of jewelry robbed from Jewish persecutees, which a German agent in Bern traded for industrial diamonds and foreign currency essential to the German war effort.
“these gold bars may, after proper assay and expert consideration, be determined to represent melted down gold teeth fillings and therefore [be] classifiable as non-monetary gold.”¹

F. U.S. Definitions of “Monetary” and “Non-Monetary” Gold and Their Application to Persecutee-Origin Gold and Valuables

In August 1946 the State Department proposed that the Joint Chiefs of Staff issue a directive to OMGUS and the U.S. Forces in Austria to proceed with the transfer to the IGCR of captured non-monetary gold held in the U.S. occupation zones. Urging the “broadest possible interpretation” of the reference to “non-monetary gold in Germany” in Article 8 of the Paris Reparations Agreement, State proposed to define non-monetary gold as “all personal property which represents loot seized or obtained under duress from political, racial or religious victims” of Nazi Germany or its satellites, “which was or may hereafter be found, seized or confiscated by USFET or by local authorities acting under direction or control of US forces,” with the following provisos: 1) the property could not be restituted to its rightful owner because the original owner was not identifiable or had died without heirs; 2) the property could not be restituted to the nation where it originated because its national origin was undeterminable; and 3) Jewish literature of cultural or religious significance, German currency, and real property in Germany should be excluded.²

The preparations for transferring non-monetary gold to the IGCR coincided with the establishment on September 27, 1946, of the Tripartite Gold Commission (TGC) in Brussels by the U.S., British, and French Governments, to implement the provisions of the Paris Reparations Agreement with regard to restitution of gold to the nations whose gold reserves had been looted by Germany during the war. The TGC planned to distribute gold from a “gold pool” that was to be assembled from the various neutral nations that had acquired looted monetary gold from Germany and from the monetary gold that was seized in Germany and in the German diplomatic missions in Spain and Japan.³

Responding to the State Department’s proposed directive for transferring non-monetary gold to the IGCR, OMGUS noted on October 2, 1946, that inventories of the holdings of the Foreign Exchange Depository were still being conducted and would probably require another year to complete. In view of the urgency of the refugee problem, however, OMGUS reported that “we are prepared to turn over shortly all SS-loot which appears to offer little chance of being restituted. Since a large part has already been melted down or made untraceable, this will include majority of SS loot. Although now formally held in name of Reichsbank or Reich Government, rather than SS, we will not recognize nominal transfer from SS, and will make available upon your Directive to

² Cable No. WARX-98112 from War Department, Civil Affairs Division, to OMGUS and USFA (U.S. Forces Austria), August 21, 1946, ibid., TGC, Box 25, folder I-V.
³ FCO: History Notes: Nazi Gold.
Zone Commander as non-restitutable Nazi property. Other Nazi Party loot, including caches of jewelry as discovered and determined to be non-restitutable loot, will be treated in similar manner."

On November 16, 1946, the Joint Chiefs of Staff issued a directive, referred to hereafter as the Non-Monetary Gold Directive, from the State, War, and Navy Departments instructing the U.S. occupation authorities in Germany and Austria to make available to the IGCR “all valuable personal property which represents loot seized or obtained under duress from political, racial, or religious victims of Nazi Government or its satellite governments or nationals thereof” that was in the custody of U.S. forces in Germany and Austria, subject to the same conditions listed in the State Department’s proposal of the preceding August. The officials responsible for carrying out this directive quickly recognized that its definition of “non-monetary gold” as “all valuable personal property” looted from Nazi persecutees conflicted with the Paris Reparations Agreement definition of valuables to be restituted or assigned to the TGC. In discussions within the Finance Division of OMGUS on how to implement the Non-Monetary Gold Directive, the “question relative to monetary gold contained in loot was discussed, and the ‘entire contents of boxes’ theory was favored, feeling that if a gold bar is found in a box of other loot, it is presumed that the gold bar is loot and not part of the gold pot.”

The Finance Division of OMGUS instructed the FED to compile a report on the valuables it was responsible for distributing and how the various directives should be applied.

In discussing what qualified as “monetary” gold to be distributed to the TGC, the FED noted that James W. Angell, U.S. Representative to the Paris Reparations Conference, defined monetary gold as “gold bullion and gold coins found in Germany” in a form of a “medium of exchange.” Gold in a form “as to indicate its use for dental, artistic and adornment purposes” and coins of numismatic or historical value were excepted from this definition of monetary gold. Given this definition, the FED concluded that “it is possible that the term includes gold in such form even if found among the effects removed from racial and political victims of the Nazis. For example, in the portion of the Merkers Mine shipment described as S.S. loot removed from concentration camp inmates gold coins, unidentifiable as to ownership, have already been found to the approximate value of $65,000. In another concentration camp shipment the valuables are in separate envelopes bearing names and nationalities of inmates. The definition of monetary gold apparently leaves no alternative if the inventory reveals the presence of gold bars and coins in these envelopes, even tho claims in the names of surviving inmates or their legal heirs are subsequently received through governmental channels. In short the source has no bearing; it is the form that decides the category. If it is in the form of a

---

1 Cable CC-4770 to War Department, Civil Affairs, Economic Section from OMGUS, October 2, 1946, RG 260, Box 469, folder 11/427/11.
2 Cable WX-85682 (Non-Monetary Gold Directive) from War Department, Joint Chiefs of Staff, to USFET, USFA, and OMGUS, November 16, 1946, ibid., Box 167, file 2/167/5.
4 Cable CC-7486 from OMGUS to War Department, Joint Chiefs of Staff, December 10, 1946, ibid., Box 469, file 11/427/11.
gold bar acceptable as a medium of exchange or if it is in gold coin form then it is monetary gold for disposal via the gold pot [emphasis in original].”¹

The FED recommended the following policy with respect to gold that, although “monetary” in current form, had been looted from Nazi persecutees:

“It would not be wise to apply the U.S. expanded definition of non-monetary gold to gold coins and thus encroach on the Gold Pot to the detriment of other nations. Therefore it is believed that gold coins and gold bullion, even though falling squarely within the scope of WX-85682 [the Non-Monetary Gold Directive], should be retained for the Gold Pot and not be delivered to IGCR. Furthermore since no country is on a free gold standard no individual lawful owners exist, other than a government. No Nazi victim could have been the lawful holder of monetary gold coins or bullion [emphasis in original].”²

At the same time, the State Department’s representative in Berlin was urging a different policy whereby all valuables (gold, coins, currency, jewels, or securities) that were suspected of being loot from racial, religious or political victims, “except in cases of exceptional value and restitutable” be classified as non-monetary gold and given to IGCR “regardless of any other directives which may be applicable, excluding objects of little or no value…. In cases of doubt or conflict, non-monetary gold fund should be favored.”³

After reviewing the FED’s report, OMGUS sought guidance from Washington regarding the report’s recommended policies, especially “what disposition is to be made on monetary gold falling under [the Non-Monetary Gold Directive]?“ In addition, OMGUS inquired whether the United States should act unilaterally in transferring to the IGCR items clearly falling under the definition of non-monetary gold, since the French and British Governments were opposed to the U.S. expansion of Article 8’s reference to “non-monetary gold in Germany” to include non-gold valuables looted from persecutees and all such valuables that were found in Austria as well as in Germany.⁴

The questions posed by OMGUS were taken up by the State-War-Navy Coordinating Committee. In response to the question of how “monetary” gold falling under the Non-Monetary Gold Directive should be distributed, the Committee decided on April 21, 1947, that monetary gold would “go entirely to gold pot.” The Committee also agreed that, with respect to distributions to the IGCR, no prior agreement was required with the French and British regarding the definition of non-monetary gold.⁵

² Ibid.
³ Telegram 7880 from Berlin, January 27, 1947, RG 59, TGC, Box 25, folder I-V.
⁴ Cable CC-7904 from OMGUS to War Department, Joint Chiefs of Staff, February 3, 1947; memorandum from Lloyd V. Steere, Deputy Director, Office of Political Affairs, State Department, to Jack Bennett, Director, Finance Division, November 25, 1946, attaching telegram from Caffery in Paris regarding French and British reaction to Non-Monetary Gold Directive, RG 260, Box 469, file 11/427/11.
Commenting on the decision of the State-War-Navy Coordinating Committee, the chief of the Foreign Exchange Depository noted: “We believe that the present form of the gold should be the governing factor inasmuch as it would be possible to resmelt all of the present non-monetary gold into monetary gold bullion. We think that the basis for distinction should be whether or not the gold is in such present form as to make it acceptable in international gold exchange deals.”

Although the disposition of gold coins and bullion looted from Nazi persecutees was settled, questions still remained with regard to the currencies captured in the Melmer account and also in the 313 boxes of SS loot discovered by U.S. forces near Buchenwald. The State-War-Navy Coordinating Committee had decided to delay deciding how such currencies should be disposed pending a more complete inventory by the FED. In July 1947 OMGUS reported that the FED had listed 101 different kinds of currencies as qualifying for transfer to the IGCR under the Non-Monetary Gold Directive. OMGUS explained that many of these currencies had been in “35 unprocessed Melmer loot deposits uncovered in Merkers Mine.” According to “key Reichsbank personnel,” the deliveries “represented loot from concentration camp victims,” and therefore their contents satisfied the requirements for transfer to the IGCR. While the proper disposition of the currencies in these deliveries presented no problems, OMGUS sought guidance with respect to the 43 Melmer deliveries that had been processed upon receipt at the Reichsbank in Berlin, “that is, packing was broken, contents removed and assimilated in general assets of Reichsbank,” including amounts of foreign currencies. OMGUS concluded: “The question arises whether, if IGCR is to receive currencies, they should also be informed of the processed Melmer deliveries and invited to submit claim for these amounts.”

The War Department responded in September by authorizing OMGUS to transfer to the IGCR all currencies at the FED that were eligible for such disposition under the Non-Monetary Gold Directive. Addressing the specific concerns expressed in OMGUS’ July message, the War Department concurred “that 35 unprocessed Melmer deliveries be transferred to IRO and that 43 processed deliveries...not within non-monetary gold directive unless particular lots can be identified. Not considered feasible to reverse transaction reflected only by records.” The War Department went on to state that it had no objection to “disclosure Melmer deliveries to IRO, however. Unless special reason to contrary, considered that disclosure should be made to avoid criticism secret decisions.”

Although no official notification to the IRO has been found, the FED files do contain the draft of a memorandum from Colonel Brey, Chief of the FED, to the IRO, notifying it that the FED had received authorization to turn over currencies falling under the definition of non-monetary gold. The currencies to be turned over, however, would

---

1 Memorandum from Brey, Chief, FED, to Director, Finance Division, OMGUS, “Proposed Reply to WX-96654,” May 23, 1947, ibid.
2 Cable CC-9080 from OMGUS to War Department, Joint Chiefs of Staff, May 9, 1947, ibid., file 11/427/8.
3 Cable CC-9926 from OMGUS to War Department, Civil Affairs, July 18, 1947, ibid., file 11/427/14.
4 Cable WX-86581 from War Department, Civil Affairs to OMGUS, September 18, 1947, ibid.
not include any that originated from concentration camps but “were subsequently assimilated into the assets of the Reichsbank as part of its cash thereby losing identity as concentration camp loot.” The draft memorandum concluded: “It is not possible to constitute the non-monetary gold fund solely on a basis of Reichsbank book entries.”  

OMGUS used a similar argument in rejecting a claim submitted by the Polish Government for gold in the captured Reichsbank reserves that was looted from individual Polish citizens. Citing in particular the Operation Reinhardt records used in the Nuremberg trials, the Polish Military Mission in Berlin asserted in December 1947 that “gold and valuables looted from Polish citizens in extermination camps were transferred to the Reichsbank, Berlin” and subsequently captured with the Reichsbank gold reserves by the U.S. Army, which deposited them in the Foreign Exchange Depository. Replying to this claim, General Lucius D. Clay, U.S. Military Governor in Germany, stated that, although the FED did contain most of the holdings of the Reichsbank Berlin, “it has been impossible to identify any of them as having come from Poland, except that 30 [sic] unprocessed deliveries of non-monetary gold items…were traced back to concentration camps in Polish territory.” Since the “inmates of these camps consisted of the nationals of practically every country in Europe,” the contents of the 30 deliveries were deemed unrestitutable and had therefore been turned over to the IRO. Clay further noted that it “may very well be that part of the Reichsbank’s monetary gold was obtained from melting down of Polish concentration camp and other loot, such as might have been acquired in consequence of the ‘Action Reinhardt,’ and together with gold from other sources might have gone into the gold bars or been added to the reserve of gold coins held by the Reichsbank. However, we are faced with the impossibility of identifying the source of the individual items involved or even of computing on a percentage basis the participation of the various countries of origin involved.” Consequently Clay concluded that under the Final Act of the Paris Reparations Conference, the Reichsbank gold could not be restituted to a particular country but had to be distributed to the Gold Pool.

In late 1947 and early 1948, questions again arose concerning the definitions of monetary and non-monetary gold. During the preparations for the first distribution to the “gold pot,” the British occupation authorities in Germany asked OMGUS for its definition of monetary gold. OMGUS, in seeking guidance from Washington, noted that it had been using a “working definition” of monetary gold as “gold coins (excluding numismatic coins) plus gold in such form as to permit it by normal practice to be held as a part of the gold reserves of a central bank.” OMGUS particularly sought guidance with respect to a claim submitted by the Czechoslovak Restitution Mission for ten gold bars that had no recognized mint markings and that had allegedly been produced by smelting

---

3 Letter from General Clay to General Prawin, January 27, 1948, ibid.
gold jewelry confiscated by the German Vermoegensamt (Property Office) from concentration camp inmates and others in Czechoslovakia.\(^1\)

In November the Department of the Army directed OMGUS to use both the definition in Angell’s report and the definition employed by the TGC, namely that monetary gold is “all gold which, at time of its looting or wrongful removal, was carried as part of the claimant country’s central bank or other monetary authority at home or abroad.” Employing the latter definition, the gold bars claimed by Czechoslovakia did not constitute monetary gold. If, moreover, they represented concentration camp loot, they were not restitutable to Czechoslovakia but should be turned over to the IRO, because “location of particular concentration camp where loot was assembled not regarded as bearing on ‘national’ source.”\(^2\)

The TGC definition of monetary gold—that the gold must have been part of a country’s reserve at the time of looting—conflicted with the State-War-Navy Coordinating Committee’s directive that “all monetary gold go to gold pot and that no monetary gold, despite its source, be disposed of under [the Non-Monetary Gold Directive],” except for coins of numismatic value. In May 1948, the U.S. Army rescinded its previous instructions to incorporate the TGC language into the definition of monetary gold, pointing out that the Paris Reparations Agreement should govern “for purpose of recovery of monetary looted gold,” whereas the TGC language applied to the claims submitted by countries seeking to receive a portion of such gold.\(^3\)

G. Distributions of Monetary and Non-Monetary Gold From the Foreign Exchange Depository

On September 5, 1947, OMGUS made the first and largest transfer of non-monetary gold held at the FED to the IRO. The goods transferred, whose total value was appraised at approximately $747,367, consisted primarily of the contents of the Melmer account and the 313 boxes of loot found at Buchenwald,\(^4\) including some gold alloy bars without mint markings “apparently derived from smelting down of various gold objects such as rings, teeth, etc.”\(^5\) The currencies, securities, and gold coins found in the SS loot were not included in that transfer. The IRO shipped most of the newly smelted bullion and other non-monetary gold items to New York to be sold on the open market.\(^6\)

1 CC-1701, September 23, 1947, ibid., Box 422, file 940.1551.
2 Cable WX-90566 from Department of the Army to OMGUS, November 18, 1947, ibid.
3 Cable WX-82735 from U.S. Army, Civil Affairs Division, to OMGUS, May 27 1948, ibid.
5 Cable CC-1701 from OMGUS to War Department, Civil Affairs, September 23, 1947.
In October 1947 the TGC agreed that the FED would carry out the first distribution of its monetary gold holdings by turning over specified amounts directly to the Governments of France (on behalf of Belgium and Luxembourg) and the Netherlands. One problem that had to be addressed before final agreement could be reached on this distribution was that many of the gold bars in the Reichsbank’s reserves that had been smelted by the Prussian Mint were not of the appropriate weight and/or fineness to meet the requirements for “good delivery” bars. In addition, the origin of such bars was suspect, since it was by now well known that Germany had resmelted much of the gold it had looted. Consequently, although most of the bars had assay certificates from the Prussian Mint, there was evidently some reluctance to accept the information on the certificates and some skepticism about the FED’s ability to assay the bars accurately. However, since most of the gold bullion at the FED consisted of Prussian Mint bars, it was necessary to include them in the distribution. The TGC therefore decided that the bullion allocated to each of the countries included in the first distribution would be composed of 32.18 percent “good delivery” bars and 67.82 percent Prussian Mint bars.\(^1\)

Once the questions concerning the definition of monetary gold were clarified, the FED moved to complete the disposal of its monetary and non-monetary gold holdings. The final shipment of monetary gold to the account of the TGC at the Bank of England occurred on August 3, 1948, after which the FED reported that no monetary gold remained in its custody. The total amount of monetary gold distributed to the “gold pot” from the FED was $263,680,452.94, $10 million more than the entire amount of Reichsbank gold reserves captured by the U.S. Army as of September 1945.\(^2\)

The FED, however, set aside the assets that were to be turned over in the last major distribution to the IRO.\(^3\) A report on these assets mentioned that they included “miscellaneous watches, rings, cigarette cases, etc. which together with gold coin, bullion, and currency” were removed from the Reichsbank Berlin by the SS and Police to finance an Alpine redoubt. Only the jewelry and currency from this lot were designated to be turned over to the IRO, since the coin and gold bullion were “already placed in gold Pot”\(^4\)—despite the fact that they were part of a cache whose other contents had been designated loot taken from persecutees. The gold that OMGUS transferred directly from identified SS loot shipments at the FED to the TGC included at least the 6,427 gold coins seized in the Melmer account at Merkers and 10,709.667 fine ounces of gold bars and coins found in the intended SS Alpine redoubt.\(^5\)

---

\(^1\) “Present Status Disposition of Precious Metals, Currencies and Securities,” ibid.; copy of unnumbered telegram from Brussels, “For Ball from Daspit,” October 20, 1947, ibid., Box 422, file 940.1550.


\(^3\) “Annex A, Joint Inventory, Precious Metals, Numismatic Coins, Jewelry and Tableware, Currencies,” ibid., Box 421, file 940.154.


\(^5\) Regarding the gold coins in the Melmer account, see Cragon to Bernstein, “Gold Coins in SS Loot,” August 20, 1945, ibid., Box 463, file 960.15; for the gold coins and bullion in Shipment 31, the SS loot hidden near Salzburg on the orders of Ernst Kaltenbrunner, chief of the Reich Security Main Office,
A few items remained at the FED following these major distributions pending a
decision as to whether they constituted monetary or non-monetary gold. Among these
were the ten gold bars claimed by Czechoslovakia. The State Department’s Office of
Finance and Development Policy reviewed the question of the bars in September 1949.
Noting that the Czech claim mentioned gold teeth as one of the sources of the bars, the
State Department suggested that this “points to Terezin, a notorious Nazi extermination
camp in Czechoslovakia to which persecutees from all over Europe were shipped,” and
recommended that the bars be designated non-monetary gold and transferred to the IRO,
particularly since this solution was preferable to the United States “from a policy point of
view.”

The State Department adopted the recommendations, and in December 1949 the
Czechoslovak authorities were informed that their claim had been denied and that the ten
bars would be turned over to the IRO. In January 1950 American, British, and French
experts (Otto Fletcher represented the State Department) met with TGC officials in
Brussels to review past definitions and procedures regarding the recovery and distribution

see Schedule No. XII: Recapitulation of Shipments by Type of Metal, originally attached to the Howard
Report and sometime later annotated by hand with additional amounts and new totals, ibid., Box 440, file
940.60.

In summary, the conclusion that the Gold Pool administered by the Tripartite Gold Commission
included gold that was robbed from Jewish and non-Jewish victims of Nazi persecution is based on several
independent proofs. Gold that the SS took from Jewish Holocaust victims and from Jewish and non-Jewish
concentration camp inmates was purchased by the Reichsbank and incorporated into Germany’s gold reserves.
98.6% of the German gold reserves held by the Reichsbank at the end of the war was captured by the U.S.
Army, which eventually released it to the Gold Pool. An example of persecutee-origin gold in the captured
German gold reserves transferred to the gold Pool is provided by a 1946 FED study (cited above) relating to a
1944 resmelting of looted Dutch gold bars, which coincidentally mentions that 56 kilograms of gold bars
acquired by the Reichsbank from the SS were remelted and renumbered at the same time. Bars with the same
numbers that evidently were assigned to the SS gold bars are included in the inventory of the gold bars that
were captured at Merkers and subsequently transferred to the Gold Pool. In addition, the United States also
transferred to the Gold Pool gold coins and bars that the U.S. Army had captured in caches of loot that it
identified as having been taken from Nazi persecutees. The deliberate transfer of such persecutee-origin gold to
the Gold Pool resulted from the 1947 U.S. decision that all non-numismatic gold coins and all gold bars that
could “in normal practice” be “held as part of the gold reserves of a central bank” should be deemed to be
monetary gold, regardless of their origin, and as monetary gold should be transferred to the TGC Gold Pool.
The gold transferred to the Gold Pool from identified loot caches included the 6,427 gold coins from the SS
“Melmer” account and the 10,709 fine ounces of gold bars and coins captured in the Alpine redoubt.

1 Memorandum by A. F. Kiefer, “Disposition of ten non-monetary gold bars at present under U.S.
custody in Germany and claimed for restitution by Czechoslovakia,” September 1, 1949, RG 59, Decimal Files
1945-49, 800.515/9-849, Box 4257; Memorandum from Steinbower (State-OFD) to Otto Fletcher,
December 23, 1949, ibid., State TGC Records, Lot 70D516, Box 14; telegram 1883 from Frankfurt, March
3, 1950, ibid., Decimal Files 1950-54, 200.6241 Gold/3-350; State Department memorandum from Baker
(GEA) to McDiarmid (OFD), August 1, 1950, ibid., TGC Files, Lot 70 D 516, Box 14.)

2 Telegram 4820 from Frankfurt, December 13, 1949, ibid., Decimal Files 1945-49, 800.515/12-
1349.
of looted gold. This Brussels conference reached a decision that “monetary gold should be held to include gold which under German law and regulations was monetary gold.”

In light of the decisions at the Brussels meeting, U.S. officials in Germany conducted a complete review of the monetary gold definition issue during the spring of 1950 and proposed to apply new principles relative to delivery of so-called “Law 53 gold” (a 1948 directive under which U.S. Military Government authorities assumed custody in the U.S. zone of occupation of Germany of all substantial amounts of currencies, securities, precious gems, and precious metals). The primary principle was that “all gold in form of bars or bullion regardless of size and whether previously obtained by owner from Reichsbank under license” would go to the TGC. In accordance with this principle, U.S. occupation authorities proposed to deliver ten bars of “Czechoslovak gold” and to assemble these bars with other Law 53 gold for early delivery to the TGC, possibly simultaneously with delivery of similar gold from the British zone of occupation. Although State Department officials in the Office of German Affairs strongly protested the decision to direct the ten Czechoslovak bars of gold into the TGC instead of the IRO for the support of repatriables, Otto Fletcher and the U.S. mission to the TGC in Brussels insisted that the tripartite Brussels conference decision of January 1950 clearly included the ten bars, that the “origin did not matter,” that documentary evidence “did not prove conclusively concentration camp origin, and that British had reversed their decision regarding similar bars of gold of Yugoslav origin.” In mid-August the British Foreign Office agreed with the State Department that the ten Czechoslovak bars (by this time valued at approximately $11,000) be sent to the TGC. It has not yet been possible to confirm when or whether the ten bars were eventually delivered to the TGC.

**H. Conclusion**

U.S. military authorities in postwar Germany learned in 1945 that, during World War II, the Reichsbank had incorporated into Germany’s gold reserves both gold that Germany had looted from European central banks and gold, including smelted dental fillings and jewelry, that the SS had robbed from Jews and Jewish and non-Jewish concentration camp inmates. U.S. authorities also learned that the Reichsbank had also acquired the monetary gold confiscated from German Jews in 1939 and from the non-German inhabitants of the Polish territories annexed by Germany after the start of the war. The Reichsbank, in fact, was the primary repository for the gold systematically

---


2 Telegram 5528 from HICOG Frankfurt, June 27, 1950, ibid., 200.62141 Gold/6-2750; telegram 128 from Brussels, July 27, 1950, ibid., 200.6241 Gold/7-2750; telegram 739 to HICOG Frankfurt, July 28, 1950, ibid., 200.6241 Gold/6-2750; State Department memorandum from Baker to McDiarmid, July 17, 1950, ibid., 200.6241 Gold/7-1750; and memorandum from Baker to McDiarmid, August 1, 1950, ibid., State TGC Files, Lot 70 D 516; letter and telegram exchanges between British Embassy in Washington and Foreign Office, July 14, July 31, August 8, and August 16, 1950, copies supplied by the British Embassy.
acquired by Nazi Germany during World War II from governments, individuals, and public and private enterprises by means of conquest, confiscation, and plunder.

The goal of Nazi Germany’s assiduous efforts to acquire gold was to finance Germany’s war effort. Therefore, in order to acquire raw materials and other vital imports, Germany traded the majority of its gold, much of it looted from the occupied nations of Europe, to neutral nations, principally Switzerland. The conclusion that persecutee-origin gold was traded abroad can be drawn from the findings that the Reichsbank incorporated into the German gold reserves the gold it purchased from the SS and that Germany traded the majority of its gold reserves abroad during the war. Switzerland, the major purchaser of German gold during the war, admitted during the Allied-Swiss negotiations in 1946 that it had received $415 million of gold from Germany between 1939 and 1945, whereas Germany’s total gold reserves amounted to only $186 million (including hidden reserves) in July 1939 and only $225 million at the end of the war. It must be assumed that a significant portion of the persecutee-origin gold acquired by the Reichsbank from the SS was traded abroad. Indeed, a 1946 Foreign Exchange Depository study tracing Dutch gold, based on the records of the Prussian Mint, notes that 37 kilograms of fine gold from the “Melmer” gold was added to a 1943 smelting of looted Dutch guilders; of the resulting bars, 83 percent were traded to Switzerland, the rest to Italy. Captured records show that Germany also sent Switzerland via diplomatic pouch packages of jewelry looted from Jewish persecutees to be exchanged by a German agent for industrial diamonds and foreign currency essential to the German war effort. No proof has been found that the countries to which Germany traded gold robbed from persecutees knew of the origin of such gold.

The Reichsbank gold reserves captured by U.S. forces at Merkers included gold ingots and coins that had either been delivered directly to the Reichsbank by the SS in negotiable form or had been resmelted from dental fillings, jewelry, and other gold valuables. U.S. Government officials, including high-level OMGUS officials and policymakers in Washington, were aware that the Reichsbank gold reserves held by the United States in the Foreign Exchange Depository in Frankfurt included gold that the Reichsbank had “processed” from the deliveries of SS loot it received from SS-Hauptsturmführer Melmer. A 1946 FED study of a Prussian Mint smelting operation notes that 56 kilograms of gold bars acquired by the Reichsbank from the SS were resmelted and renumbered. Bars with the same numbers that evidently were assigned to these renumbered bars are included in the inventory of the gold bars that were captured by U.S. forces at Merkers and subsequently transferred to the Gold Pool.

Although the captured Reichsbank records made it possible to trace specific gold bars in the Reichsbank’s gold reserves at the FED to their original account, it does not appear that an effort was made to identify bars that originated from the Melmer account in which the SS loot was deposited. Time constraints may have been a factor in the FED’s apparent failure to complete its study of the Melmer account. Certainly, the U.S. Government’s desire to deal quickly—even without prior agreement with the British and French—with the desperate economic situation in Europe by transferring non-monetary gold to persecutees and monetary gold to the nations devastated by the war influenced the FED’s recommendation to adopt the simplest definition of monetary gold—all non-
numismatic gold coins and all gold bars that could “in normal practice” be “held as a part of the gold reserves of a central bank” should be deemed to be monetary gold, regardless of origin, and transferred to the TGC Gold Pool. Once the State-War-Navy Coordinating Committee in Washington adopted this recommendation in April 1947, the question of identifying persecutee-origin gold in the Reichsbank reserves was rendered moot.

Proceeding on the basis of its definition of monetary gold, the U.S. Government transferred to the Gold Pool administered by the Tripartite Gold Commission all the gold coins and bars in the Reichsbank reserves at the Foreign Exchange Depository, including those that originated from the possessions of victims whom the SS robbed, enslaved, and murdered.

Comparison of the Reichsbank inventory of the Melmer SS account found at Merkers with the FED analysis of the available Reichsbank receipts for the SS shipments shows that the total value of the gold acquired by the Reichsbank from SS loot must have exceeded $1.6 million in 1946, or approximately 1.6 metric tons. It is likely that the actual amount of persecutee-origin gold acquired by the Reichsbank was much higher, since the final report of Operation Reinhardt notes that 2.9 metric tons of gold bullion and a considerable quantity of gold coins were sent to Berlin for transfer to the Reichsbank during the operation. Moreover, the amounts reported in the Operation Reinhardt report did not include any gold robbed from persecutees at Auschwitz or the other concentration camps outside the province of Lublin. It has not been possible to determine a more precise figure since the records of the Reichsbank Precious Metals Department, the complete Prussian Mint records, or the records of the Tripartite Gold Commission were not available.\(^1\) It may well be possible, by using the records of the Reichsbank, Prussian Mint and TGC, to identify gold bars smelted from persecutee-origin gold and to determine whether they were subsequently traded abroad by Germany or incorporated into the Gold Pool.

Whatever difficulties there might have been in tracing persecutee-origin gold incorporated into the Reichsbank’s gold reserves, OMGUS could have no doubt about the identity or origin of the SS loot found in the Melmer account at Merkers. OMGUS had stored the 207 containers from the Melmer account, along with the 313 boxes found near Buchenwald and other caches suspected of representing property looted from persecutees, separate from the other holdings at the FED and categorized them as “SS loot.” Most of the contents of these loot caches were eventually designated non-monetary gold and transferred to the IRO for the benefit of persecutees, with one major exception: gold coins and bullion found in SS loot were deemed to be monetary gold according to the agreed definition based on the gold’s current form regardless of origin and were added to the Gold Pool. The gold transferred to the Gold Pool from identified caches of loot taken from Nazi persecutees included the 6,427 gold coins seized in the SS “Melmer” account and the 10,709 fine ounces

\(^1\) In 1948, the United States transferred all the Reichsbank records it had captured to the Bank Deutscher Länder. Prior to this transfer, however, the records had been microfilmed, and the 65 reels were turned over to the Treasury Department. These records were found at NARA in April 1997, too late to be reviewed for inclusion in this report. Although the Allies copied some of the Prussian Mint records made available for their review by the Soviets, the copied pages available in State Department records refer to smeltings of Belgian and Dutch gold and do not include all smeltings conducted by the Mint between August 1942 (the date of the first SS shipment to the Reichsbank) and the end of the war.
of gold bars and coins captured in the intended SS Alpine redoubt, despite the fact that OMGUS knew the coins to be loot robbed by the SS from murdered Jews and other persecutees.

It is clear from U.S. Army records that, in storing and disposing of the vast treasure it captured in Germany and Austria, the U.S. Government was careful to segregate all gold and other valuables suspected of representing loot robbed from persecutees and to transfer to the International Refugee Organization all such valuables that met the U.S. definition of non-monetary gold. The research carried out for this report also leaves no doubt, however, that the U.S. Government knowingly contributed gold looted by Nazi Germany from individual persecutees to the Gold Pool that was subsequently distributed by the TGC. In determining how to dispose of the gold in its custody, the United States consciously decided with respect to gold coins and bars that their current form should be the ruling factor and that their origin should be disregarded.
X. The Tripartite Commission for the Restitution of Monetary Gold

A. Establishment and Functions

Pursuant to Part III of the Paris Reparations Agreement, the British, French, and U.S. Governments established the Tripartite Gold Commission (TGC) on September 27, 1946. The Paris Agreement provided explicitly for the restitution of monetary gold to each participating nation in proportion to the losses of such gold it suffered through looting by Germany. At the outset, the Tripartite Gold Commission was co-located in Brussels with the Inter-Allied Reparations Agency (IARA) but was independent of that agency. The TGC was responsible for inviting, reviewing, and adjudicating claims from governments (not individuals) for the restitution of monetary gold looted by Germany or to participate in the distribution of monetary gold found in Germany or in neutral nations. The Commission was responsible for “announcing” the share in the pool of monetary gold available for restitution for each government entitled to participate in the pool, and “in such other ways as shall be decided by the three Governments establishing the Commission, to assist in the distribution of the pool of monetary gold available for restitution.” Russell H. Dorr, U.S. representative to the IARA, was the first U.S. representative on the Tripartite Gold Commission, as were Sir Desmond Morton for Britain and Jacques Rueff of France.

B. The Gold Pool

The TGC Gold Pool consisted of monetary gold found by the Allied occupation forces in Germany, payments of monetary gold negotiated by the three Allies with the neutral nations, and lesser amounts collected from the Bank for International Settlements (BIS), and various German diplomatic missions. Over the years the Gold Pool was held in accounts opened by the TGC at the Bank of England, the Bank of France, and the Federal Reserve Bank of New York (FRBNY). It started with and was based upon the more than $260 million in monetary gold recovered in Germany and maintained at the Foreign Exchange Depository (FED) in Frankfurt in the U.S. Zone of Occupation. The first contribution to come from a neutral occurred on June 6, 1947, when Switzerland transferred 1,659,121 troy ounces (51.5 metric tons) worth $58 million from its account at the FRBNY to the account of the TGC at the FRBNY. The Swiss payment consisted entirely of gold bars that had been refined at the U.S. Treasury and held in the Swiss National Bank account during the war.

---

1 All dollar figures in this section were computed in 1946 gold values, i.e., $35 per troy ounce.
In May 1948 the Bank for International Settlements shipped 3,740 kilograms of gold to the Bank of England.\textsuperscript{1} In subsequent years additional contributions to the Gold Pool worth more than $22 million were made following Allied negotiations with Sweden, Spain, and Portugal.

\section*{C. The First Distribution and Subsequent Payments}

The problems of postwar economic recovery that confronted many nations of Europe prompted the Tripartite Gold Commission to make an initial distribution of monetary gold even before assembly of the Gold Pool had been completed. Ten nations (Albania, Austria, Belgium, Czechoslovakia, Greece, Italy, Luxembourg, the Netherlands, Poland, and Yugoslavia) filed claims with the TGC, but the Commission made its preliminary distribution in those cases where the Commission felt the claims had no legal problems and were supported by full, verifiable data. The Commission decided that action on these claims should not be delayed pending the resolution of claims requiring further evidence. The initial distribution did not meet the full claims of the claimant nations. At the time of the initial distribution, the Allies were continuing their negotiations with neutral nations other than Switzerland for the recovery of additional monetary gold for the Gold Pool. For instance, Sweden agreed to return all of the looted monetary gold received from Germany after the total of such gold was determined. Accordingly, the Commission promised further allocations based on claims already accepted and partly made by the initial distribution.

On October 17, 1947, the TGC announced in Brussels the preliminary distribution of 128,468 kilograms of monetary gold ($143.8 million) of which 90,649 kilograms ($101.5 million) went to Belgium, 1,929 kilograms ($2.1 million) to Luxembourg, and 35,980 kilograms ($40.2 million) to the Netherlands. The gold allocated to Belgium was in fact delivered to France in pursuance of a 1944 French-Belgian agreement, and a similar arrangement had been worked out between France and Luxembourg. At the same time the Commission set aside, as it was empowered to do under the Paris Reparations Agreement for nations not represented at the conference, 26,187 kilograms ($29.3 million) for Austria and 3,805 kilograms ($4.2 million) for Italy pending the completion of negotiations regarding their entry into the Gold Pool. Agreements were concluded by the Allies with Austria and Italy for the distribution of looted monetary gold in November and December 1947.\textsuperscript{2} Czechoslovakia and Yugoslavia received partial allocations in

\textsuperscript{1} Proposed Note from the Governments . . ., April 5, 1948, ibid., Acc. 69A-4707, Box 82, Germany: Looted property [A152]; Restitution of Property, Gold Looted by Germany and Transferred to the Bank for International Settlements, May 13, 1948, ibid., Box 80, Germany: Gold-Looted Holdings and Transfers [A153]; Arnold to Southard, May 11, 1948, ibid., Acc. 56-75-101, Box 169. BIS/2/00 Looted Gold [A127]; Press Release 378, May 14, 1948, ibid., BIS/2/00 Looted Gold [A128]; Brussels to Secretary of State, July 6, 1948, ibid., Acc. 67A-1804, Box 49, Gold Commission-1948 [A113].

\textsuperscript{2} Protocols of November 4, 1947, with Austria, and December 16, 1947, with Italy, ibid., pp. 430-431.
1948. The bulk of the first distribution consisted of looted monetary gold seized in Germany and held at the FED at Frankfurt.¹

In announcing the first distribution, the Commission emphasized that it was in no way responsible for the restitution of gold looted by the Nazis from the victims of concentration and death camps and that under the Paris Agreement gold of this type recovered in Germany was under the administration of the Intergovernmental Committee on Refugees to be used in the rehabilitation and resettlement of non-repatriable victims of Germany action.²

Subsequent payments to governments awaited the adjudication of the more controversial and complex claims as well as the decisions of individual Allied governments (TGC decisions required unanimity among the three commissioners). Significant payments began again in 1958 and proceeded through 1996, although most quasi-final distributions had been made by 1976. A long delayed payment to Czechoslovakia was made in 1982. The distribution to Albania was further delayed until October 1996. Payments made from 1958 to 1996 accounted for roughly 60 metric tons of gold. Overall, a total of 329 metric tons was distributed to the claimant nations, or $379,161,426. Because claims far exceeded the amount of gold available in the pool, claimant nations received about 65 percent of their recognized claims.

The TGC presently retains control of about 6 metric tons of gold worth approximately $70 million. Of this amount, about 4 metric tons worth approximately $47 million remains stored at the Bank of England, and approximately 2 metric tons of gold worth about $23 million is held in the TGC’s account at the FRBNY.³ The TGC had planned a final pro-rata distribution of the remaining gold to the claimants and then to wind up its affairs.

D. Disposition of Monetary Gold Looted From the Netherlands

During the Allied-Swiss negotiations in Washington, the issue of the looted Belgian monetary gold was discussed and served as the basis for the 250 million Swiss francs in gold that Switzerland agreed to turn over to the Allied Gold Pool. Although Swiss negotiators during the Washington discussions firmly refused to accept the Allied assertions that Switzerland had received looted gold during World War II from Germany or that the Allies had any international legal right to claim or receive such gold, the Swiss did agree to the formula that they would contribute the 250 million Swiss francs (approximately one-half of the well-documented $128 million in monetary gold looted from Belgium and transferred to Switzerland by Germany) as a contribution to the

³ TGC letter to Senator D’Amato, October 7, 1996; FRBNY letter to Senator D’Amato, October 11, 1996.
reconstruction of Europe. Switzerland made this contribution only on condition that all other claims to monetary gold alleged to have been received by Switzerland be waived by the Allies. The discussions in Washington had never touched on the claim that an estimated $161–168 million worth of Dutch monetary gold had been looted by Germany, some portion of which may have been transferred to Switzerland by Germany.

In the months following the Allied-Swiss Accord in Washington, officials of the Treasury Department added further to the growing amount of information regarding the German transfer of looted Dutch monetary gold to Switzerland. In the early months of the occupation of Germany, Colonel Bernstein, Andrew Karmack, and Donald Curtis had traced and evaluated the records of gold handled by the German Reichsbank, and Curtis had concluded that between $38 and $42 million in Netherlands monetary gold had been shipped from Germany to Switzerland. Treasury officials did not inform the U.S. negotiators in Washington of the information about the Dutch gold. They felt their investigations were incomplete in early 1946 and that State Department negotiators should have concluded an agreement with the Swiss that ensured the opportunity of opening further claims such as that for the Dutch gold.¹

American Military Government officials completed their review of Reichsbank and Prussian Mint records in early 1946 and concluded that, in addition to the Belgian monetary gold, Switzerland had received shipments of up $135 million in Dutch monetary gold. In July 1947 the Treasury Department submitted to State Department negotiators its findings on looted Dutch gold transferred to German gold accounts in Switzerland during the war.² Ongoing Allied negotiations with Portugal were suspended, on the basis of this information, because some of the Dutch gold had been shipped to Portugal during the war. The United States, United Kingdom, and France were so impressed by the new information about the looted Dutch gold that they agreed to ask the Swiss Government to recognize a moral obligation to make restitution to the Netherlands government. Treasury Department requests to the State Department representatives to reopen the Washington agreement of May 1946 in this matter and void the previous undertakings were to no avail.

Despite the waiver in the 1946 Allied-Swiss agreement prohibiting future Allied claims on looted gold in Switzerland, Treasury and State officials planned on September 23, 1947, to present a Dutch claim for looted gold to the Swiss Government.³ But the U.S. Commissioner on the Tripartite Gold Commission questioned the validity of the Netherlands claim because a portion of the claimed gold might be non-monetary. Treasury, with State’s approval, asked the U.S. Commissioner to delay the invalidation of the Dutch looted gold claim because it would “jeopardize the position of the Allied negotiators at Lisbon and other negotiations such as Switzerland and Sweden.”⁴

¹ Memorandum by Fred B. Smith, staff attorney in the Office of the General Counsel, Treasury Department, September 3, 1948.
³ Memorandum for the Files, September 23, 1947, attachment to Schwartz to Schmidt, September 26, 1947, ibid., Acc. 70A-6232, Box 22, Negotiations for Recovery of Looted Gold, Switzerland [A66].
March 1948 the Allies suggested that perhaps the Netherlands Government should contact the Swiss directly and argue on moral grounds for restitution of their gold. The Netherlands Government, armed with the evidence of the movement of the Dutch gold to Germany and then onward to Switzerland invited the United States, United Kingdom, and France together with Switzerland to meet at The Hague on July 15, 1948. The Swiss Government refused the invitation and insisted that it could not admit any legal obligation to make restitution of looted gold and reaffirmed the finality of the Allied-Swiss Accord of May 1946.

When the Tripartite Gold Commission made its first preliminary distribution of monetary gold from the Allied Gold Pool in November 1947, the Netherlands was the recipient of 202,202 troy ounces. The Commission sought to obtain from the Netherlands, at the time of the distribution, a written waiver of any further claims against the Allies. When the representative of the Netherlands received the preliminary distribution of gold at Frankfurt, he obtained from the Commission and its U.S. member a memorandum interpreting the receipt and waiver in such a way as to satisfy the Netherlands’ desire to retain a legal basis for further claims against Switzerland.

Reports by other governments scheduled for publication soon will discuss further the contents of the TGC Gold Pool.

---

1 Southard to Schwartz, March 19, 1948, ibid., Acc. 66A-816, Box 2, Looted Gold: Netherlands, Vol. II [C-86]; Willis to Schwartz, September 14, 1949, ibid., [C-88]; Southard to Schwartz, March 22, 1948, ibid., Acc. 70A-6232, Box 22, Negotiations for Recovery of Looted Gold Switzerland [C-100].

2 Memorandum by Fred B. Smith, staff attorney in the Office of the General Counsel, Treasury Department, September 3, 1948.

3 Ibid.
XI. Bank for International Settlements

The Bank for International Settlements (BIS) is an organization of central banks with headquarters in Basel, Switzerland. The BIS was formed in 1930 to coordinate Germany’s World War I reparations payments to various nations. Its primary purpose soon became and still is to promote cooperation among central banks and provide additional facilities for international financial operations. The BIS’s statutes provided for U.S. representation on the Board of Governors, but the U.S. Federal Reserve Bank did not choose to do that until 1994. At the time of the founding of the BIS, the Federal Reserve had decided that it was not appropriate to join the BIS Board of Governors because the United States was not a party to the reparation settlement with Germany.¹

The United States was thus not a member of the BIS Board of Governors during World War II. The United States gave some support to the liquidations of the BIS, partly because the Bretton Woods agreement of 1944 provided for new restitutions to deal with postwar monetary issues. The U.S. Treasury Department also sought to monitor BIS operations closely during the war to determine what support it might be providing to German commerce and the German war effort.

The President of the BIS, American Thomas McKittrick, was re-elected in 1942 with German acquiescence. In February 1941, Paul Hechler, a German banker serving as the BIS General Director, explained to the U.S. Treasury representative in Berlin that the officers of the bank were determined to keep it alive as a center of future international financial cooperation and were unanimously agreed on the necessity of keeping McKittrick in office in order to maintain a link with the United States.² The Bank’s Board of Governors included British, German, Italian, and Japanese central bank leaders, serving under the chairmanship of President Weber of the Swiss National Bank.

In summer 1941, Fortune magazine warned that Germany, by picking up shares from French, Belgian, Netherlands, Norwegian, and other holders, had gained control over the BIS. This charge was denied by McKittrick.³ Concerns about Germany’s dominant role as the largest creditor of the BIS nevertheless helped shape U.S. policy toward this institution. As early as 1942 the Treasury Department suspected the BIS of shifting assets to neutral countries in order to “escape and defeat the foreign funds control” of the U.S. Government and of being controlled by the Axis.⁴ In July 1942, the United States, which had turned down a prewar effort by several member countries to guarantee freedom of movement for BIS funds in war as well as in peace, decided to deny

---

² Memorandum from Heath for Treasury, February 15, 1941, ibid., RG 59, Decimal Files 1940-44, 862.5151.
⁴ Memorandum on the transfer of dollar funds from the Bank for International Settlements to the Banque Nationale Suisse, June 19, 1942, RG 56, Entry 56-75-101, Box 241, Bank for International Settlements [E10].
a request by the BIS to transfer $1 million from its New York account to the Swiss National Bank.\textsuperscript{1} Assistant Secretary of State Dean Acheson subsequently pointed out to Minister Harrison in Bern that it was not impossible that the Axis might seize control of the Bank and its assets, directly or indirectly, and operate the bank as an Axis institution or in Axis interests.\textsuperscript{2} On the other hand, the Treasury Department determined that a proposed shipment of gold by the BIS to Portugal on behalf of the Bank of France was a matter outside its control, and did not consider it advisable to express either approval or disapproval.\textsuperscript{3} When Harrison wished to confirm reports picked up by the U.S. Consul in Basel that the Axis was shipping escudos to Latin America, he sent one of his staff to Basel to check out these reports with McKittrick.\textsuperscript{4}

Considerable controversy swirled around the question of whether the BIS permitted itself to be used to further Axis interests. At the July 1944 Bretton Woods Conference, Norway tabled a draft resolution calling for the liquidation of the BIS at the earliest possible date, and for the appointment of a commission to examine the management and transactions of the bank during the war.\textsuperscript{5} A resolution recommending liquidation of the bank at the earliest possible date, but dropping the call for an examination, was adopted by the Conference.\textsuperscript{6} The language of the resolution permitted the Bank to continue during the war, as desired by Assistant Secretary Acheson, supported by Lord Keynes and the British delegation. Treasury Secretary Morgenthau had wanted to liquidate the Bank at once.\textsuperscript{7}

Thomas McKittrick approached Orvis Schmidt, Treasury representative on the Currie Mission to Switzerland, in February 1945 and explained to him that the BIS sought to remain neutral during the war by dealing with high-level German financial officials from the Reichsbank, whom McKittrick considered to be cool to the Nazi regime. Schmidt asked McKittrick about the whereabouts of Belgian looted gold; McKittrick maintained that it still lay in the vaults of the Reichsbank.\textsuperscript{8} The President of the BIS continued to plead his case in a letter on May 2, 1945, to all Allied Finance Ministers, including Treasury Secretary Morgenthau, stating that during the wartime

\begin{itemize}
\item \textsuperscript{1} Letter from Acheson to Leland Harrison, Bern, August 5, 1942, ibid., 1942, 851.2-860.7.
\item \textsuperscript{2} Letter from Acheson to Harrison, October 28, 1942, ibid., 851.2-860.7.
\item \textsuperscript{3} Letter from Acting Treasury Secretary Bell to Acheson, June 17, 1942, ibid., 851.2-860.7.
\item \textsuperscript{4} Memorandum for Harrison, Bern, June 10, 1942, ibid., Legation Bern, Economic Section 1942-1948, 1942, 851.6, French Gold Sale to Portugal.
\item \textsuperscript{5} UN Monetary and Financial Conference press release, July 10, 1944; Document 252.
\item \textsuperscript{7} Arthur L. Smith, Jr., \textit{Hitler's Gold} (Oxford and Washington, D.C., 1996), p. 59. For an explanation and summary of BIS wartime operations, see pp. 54-60.
\item \textsuperscript{8} Schmidt to Morgenthau, March 23, 1945, Morgenthau Diary, roll 241, vol. 831:328, Roosevelt Library, Hyde Park, NY [C121].
\end{itemize}
period, the BIS complied with the provisions of the Hague Convention of 1930 governing financial clearinghouses. Morgenthau refused to respond to McKittrick’s letter.  

The Treasury Department collected evidence in June 1945 in the U.S. zone of occupation that the BIS had received resmelted looted gold from the Reichsbank. General Clay, Chief of OMGUS, recommended that “an immediate demand be made that the Bank for International Settlements permit a team of experts representing United States Group Control Council and Treasury to inspect all gold owned by or in the possession of the Bank for International Settlements and all relevant books, files, and records.”

McKittrick met with Abijah Fox, Acting Deputy Chief of the Financial Branch of OMGUS, on October 4, 1945, to discuss the forthcoming Allied investigation of BIS wartime acceptance of looted gold. He indicated that the BIS would not turn over its records to the Allies but would take the information gleaned by the Allies concerning specific looted gold bars and match them with BIS records. He then reversed himself and pledged to cooperate without agreeing to provide the Allies with access to internal BIS records. Faced with mounting evidence of collaborationist activities at the BIS during the war, Treasury Secretary Fred Vinson proposed to the new British Chancellor of the Exchequer, Hugh Dalton, to formulate plans to liquidate the BIS.

In December 1945, OMGUS’s External Assets Branch completed a preliminary assessment of BIS wartime activities. It concluded that the BIS accepted looted gold, aided the Reichsbank in salvaging assets threatened by blocking in neutral countries, was dominated by Axis interests, continued to pay dividends to occupied countries in spite of inevitable confiscation by the Nazis, and furnished financial intelligence to the Reichsbank. Based in part on the OMGUS findings and on a Treasury study detailing the looting by Germany of Netherlands monetary gold, Treasury officials from Foreign Funds Control and the Legal Department petitioned Assistant Secretary of the Treasury White and Treasury Secretary Vinson in February and May 1946 to press the British Treasury into holding bilateral talks for the purpose of liquidating the BIS. Years later, BIS authorities acknowledged that the Bank acquired 13,542 kilograms of looted monetary

---

1 McKittrick to Finance Ministers, May 2, 1945, RG 56, Acc. 56-75-101, Box 169, BIS/2/00 Looted Gold [D1]; Morgenthau to Anderson, July 14, 1945, ibid., BIS/0/98 Letters to Finance Ministers [D5].
2 Clay to State and Treasury, September 27, 1945, attachment to C. L. Adcock to Major General Hilldring, November 6, 1945, Truman Library, A. U. Fox Papers, Box 8, Mil. Gov’t for Germany-Plan for Liquidation (2).
3 Fox to the Files, October 5, 1945, RG 56, Acc. 66A-155, Box 21, Switzerland (Incoming) Letters March 45-Jan. 46 [D43].
4 Vinson to Dalton, November 5, 1945, RG 56, Acc. 56-75-101, Box 169, BIS/4/00 Liquidation [D6].
5 TWX conversation between Washington and Berlin, December 5, 1945, RG 56, Acc. 56-75-01, Box 169, BIS/2/00 Looted Gold [D7]; Schmidt and Friedman to White, February 14, 1946 [A117]; O’Connell and Coe to Vinson, May 27, 1946 [A119]; both in RG 56, Acc. 56-75-101, Box 169, BIS/4/00 Liquidation.
gold during World War II (worth more than $15 million) and retained 3,893 kilograms (worth approximately $4.4 million) of that gold at war’s end.¹

Soon more information became available regarding BIS banking support of Germany during the war. The Treasury representative in Lisbon, Portugal, informed Treasury and State on September 18, 1946, that, based on an investigation led by the Bank of France, the BIS had acquired 1,607 kilograms of looted Belgian gold. In an effort to placate the Allied powers, the BIS offered to pay France the equivalent dollar amount of $1.6 million.² Treasury and State were reluctant, however, to allow the French to accept the BIS offer. They pointed out that it would be preferable to incorporate their claim into the tripartite gold restitution program. Furthermore, any settlement between the French and the BIS would give the impression that the BIS was innocent of any wrongdoing, thereby complicating the U.S. campaign to liquidate the BIS. If liquidation was not possible, some Treasury officials recommended a campaign of harassment to weaken the BIS. They would target $17 million of gold BIS had allegedly taken from Italy with German assistance, as well as the “BIS dividends which this institution wrongly delivered into German hands.”³

Some American officials did not agree with the assessment of the Treasury Department. For instance, a June 1947 Federal Reserve Bank study of the BIS outlined a number of positive actions taken by the BIS during the war and advocated the maintenance of the BIS as a “convenient meeting place for European central bankers,” an institution that could extend small credit packages, and a locus of experience in international currency and financial transactions. The report concluded that charges of deliberate collaboration with the Axis during the war had never been proven. Moreover, the report noted that the British ardently supported the BIS, as did the International Bank for Reconstruction and Development.⁴

In 1948 Treasury and State proposed an agreement to the BIS. Walter Ostrow, Treasury representative in Bern, met with President of the BIS, on February 19, 1948, to discuss the unblocking of BIS assets in the United States. Auboin told Ostrow that the BIS had “accepted [the looted gold] involuntarily” and the BIS wanted to restitute it as an inducement to having the bank’s assets unblocked. BIS officials met with Treasury on April 29, 1948. They were told that their funds would be unblocked if the looted gold question was satisfactorily resolved.⁵ In exchange for unblocking the movement of BIS

² U.S. Embassy in Lisbon to the Secretary of State, September 18, 1946, [A121] and action memorandum to Curtis, September 23, 1946 [A122], both in RG 56, Acc. 56-75-101, Box 169, BIS/2/00 Looted Gold.
³ Acheson to Brussels, October 11, 1946, RG 56, Acc. 56-75-101, Box 169, BIS/2/00 Looted Gold [A124]; Curtis to Glasser, September 30, 1946, ibid., BIS/4/00 Liquidation [A125].
gold holdings, Treasury proposed to ask the BIS to restitute 3,705 kilograms of gold, open its records on all gold transactions from January 1939 to September 1945, and allow the Allies to make additional claims for looted gold for one more year. The BIS would also relinquish any claim to 1,525 kilograms of gold that the Reichsbank had deposited at Constance under BIS account in the final moments of the war. On May 11, 1948, Treasury accepted State’s proposal to demand 3,728.49 kilograms of gold (approximately $4.2 million) and to leave the issue of the Constance gold open for further negotiation. The Allies and BIS signed the agreement on May 13, 1948, whereupon the BIS agreed to ship 3,740 kilograms of gold ($4.2 million) to the Bank of England.

Of this total of 3,740 kilograms of gold ($4.2 million), the BIS acknowledged that 2,093 kilograms (worth approximately $2.3 million) represented Dutch looted gold, 1,607 kilograms ($1.8 million) were Belgian looted gold, and 40 kilograms were Italian looted gold. Under the May 11, 1948, agreement, the Allies agreed to waive all claims against the BIS with regard to looted monetary gold. What this meant in practice was that the 155,000 gold coins and 34 gold bars (worth roughly $1.7 million) deposited at Constance on the account of the BIS at the end of the war, was not released to the BIS until after the signing of the Allied-BIS agreement, and the Allies made no further claim against that gold, which the BIS soon sold. The State Department issued a press release indicating that the BIS had “inadvertently acquired” looted gold during the wartime period, and the gold reached the Bank of England on July 6, 1948.\(^1\)\(^2\)

---


XII. Disposition of Heirless Assets, 1946-1963

The May 1946 negotiations at Washington that resulted in the Allied-Swiss Accord ended without the Allies providing in the text of the agreement a way to deal with the assets of victims of Nazi actions who had died without heirs. There were ample reasons to believe that Swiss banks and insurance companies held the assets of many Jewish and non-Jewish victims. Moreover, it was believed by many Jewish organizations and the Allies that the other neutrals would not have significant amounts of heirless assets. Unlike other neutrals, Switzerland was an important financial center with strict bank secrecy laws and a strong convertible currency. Switzerland introduced bank secrecy in part to counter Nazi efforts to block or trace capital outflows from Germany into Swiss banks. In the 1930s it made sense for any European who feared political unrest, confiscation, or war to protect family assets by placing them in Switzerland.1

The Allies, in negotiating German property questions with neutrals, intended to make heirless assets available to those who survived Nazi atrocities via “class action” provisions in bilateral and multilateral treaties. The first such negotiation was with the Swiss. As it was not possible to include in the text of the Washington Accord a provision on heirless assets because of Swiss opposition, the Allies decided to use an exchange of letters as a mechanism for obtaining a commitment from the Swiss.

On May 25, 1946, Walter Stucki, chief of the Swiss delegation, addressed a letter on heirless assets to the three Allied delegations negotiating the Washington Accord. In his letter, Stucki confirmed that the Swiss Government would “examine sympathetically the question of seeking means whereby they might put at the disposal of the three Allied Governments, for the purpose of relief and rehabilitation, the proceeds of property found in Switzerland which belongs to victims who, by reason of violations by the late German Government, had died without heirs.”

On May 25, 1946, Walter Stucki, chief of the Swiss delegation, addressed a letter on heirless assets to the three Allied delegations negotiating the Washington Accord. In his letter, Stucki confirmed that the Swiss Government would “examine sympathetically the question of seeking means whereby they might put at the disposal of the three Allied Governments, for the purpose of relief and rehabilitation, the proceeds of property found in Switzerland which belongs to victims who, by reason of violations by the late German Government, had died without heirs.”

On June 24, 1946, Acting Secretary of State Acheson responded to the Swiss note, noting that, under Article 8 of the Paris Reparations Agreement, certain sums were set aside for the rehabilitation and resettlement of non-repatriable victims of German action. Moreover, under paragraph C of Article 8, the “governments of neutral countries shall be requested to make available for this purpose...assets in such countries of victims of Nazi action who have since died and left no heirs.” In his note, the Acting Secretary requested that Switzerland take the necessary action to make available such assets to the Intergovernmental Committee on Refugees. The letter also noted that a “considerable proportion of such foreign holdings by persons of such category were located in Switzerland,” and concluded by expressing appreciation for the statement that the Swiss government would examine this question sympathetically.2

---

2 Diplomatic note from Acting Secretary of State Acheson to the Swiss Legation, June 24, 1946, RG 59, Decimal Files 1945-49, 800.515/6-2446. This exchange of letters was not published with the text of the treaty in TIAS.
Thus, the Swiss Government, in its May 25 letter, made a clear moral commitment to make the proceeds of heirless assets available to refugee organizations. However, this commitment was not a treaty obligation, spelled out in the text of the Allied-Swiss Accord. The issue of heirless assets, therefore, differed from the related issue of Switzerland’s commitment in the Accord to make an advance out of the proceeds of Germans assets of up to 50 million Swiss francs to the IRO. The Swiss never took any steps to fulfill this moral commitment.

(Author’s Note: It may be useful to review the similarities and differences between heirless assets and persecutees assets. Neither category was mentioned in the text of the Washington Allied-Swiss Accord, but both were discussed during the negotiations of 1946 and 1952. The heirless assets issue pertained to victims from all parts of Europe who died as a consequence of Nazi action. (The Allies estimated that 95 percent of the victims of Nazi action were Jews.) If a German citizen died without heirs, his or her assets fell into the category of heirless assets, and the Swiss were obligated to identify them. The “persecutees” were those who survived, but could not obtain immediate access to their assets in Switzerland because they were placed in the category of “Germans in Germany,” i.e., German citizens, despite Nazi action depriving them of citizenship. The United States attempted in 1949 to get the Swiss to unblock the assets of persecutees, but the Swiss, British, and French Governments opposed this step. The Swiss proposed that the problem of most persecutees could readily be solved by releasing all assets valued at less than 10,000 Swiss francs, many of which were in Swiss banks. At the time, the Allies were reluctant to agree to this proposal, presumably because the majority of these property owners were not persecutees.)

A. Five-Power Conference on Reparation for Non-Repatriables, June 1946

The Five-Power Conference on Reparation for Non-Repatriables agreed informally on June 14, 1946, to recommend to their governments that heirless assets in their countries be made available for the relief and rehabilitation of non-repatriable victims of German action. The signatories to the agreement were the United States, France, the United Kingdom, Czechoslovakia, and Yugoslavia (the latter two with a reservation). The agreement gave the French Government responsibility for approaching the neutral countries to request their cooperation in making available heirless assets. Accordingly, the French provided a note to the Swiss Government on August 20, 1946. The Swiss responded on September 11, 1946, that they were studying the matter sympathetically and conducting an investigation into the number and amounts of heirless estates. The French also had follow-up discussions with the Swiss.1 The Swiss took no action on heirless assets until they enacted laws in 1962 and 1963, effective September 1, 1963, which required Swiss financial institutions to report to the competent Swiss

---

1 Note from the U.S. Legation in Bern to the Swiss Government, December 20, 1949, in Despatch 545, December 23, 1949, ibid., 800.515/12-2349. The text of the June 14, 1946, agreement is in TIAS No. 1594.
authority assets that belonged or were believed to belong to persecutees who had not been in touch with the institution since April 9, 1945.

**B. U.S. Domestic Arena, 1947-1951**

The focus of American action in the immediate postwar period was to assure that the United States met its commitment to make available heirless assets for relief and rehabilitation. This commitment required a change in State laws, particularly those of New York, the country’s leading financial center. Governor Thomas E. Dewey’s staff initially opposed enactment of any legislation on the ground that the Federal government, through its power to take possession of enemy property, would be in a better position to act in this field. However, the Office of Alien Property was opposed to vesting heirless assets that originally belonged to non-resident aliens of countries formerly occupied by Germany.¹

On March 6, 1947, Acting Secretary of State Acheson wrote Governor Dewey to request that he consider legislation that would assure that heirless assets in New York could be directed to the Intergovernmental Committee on Refugees, in accordance with the June 14, 1946, agreement. Acheson provided comprehensive background information for this request.²

Following Acheson’s letter, Federal and State officials met in Albany on March 8, and reviewed how to assist non-repatriable victims of Nazi action within the framework of New York’s Abandoned Property Law. Contrary to original expectations, the New York legislature placed a requirement that such assets had to be dormant for at least 15 years before becoming available to State and Federal governments for refugees, i.e., not before 1954 and too late to be of much use to victims urgently requiring assistance. On March 13 Assistant Secretary of State Hilldring wrote the State Legislature to request that the period of dormancy be reduced to seven years.³

In this period, the State Department also sought to support action in Congress on heirless assets located in the United States and seized by the Office of Alien Property. Such assets were frozen, pursuant to the 1917 Trading With the Enemy Act, on June 14, 1941, when the President froze the assets of certain designated foreign nations and their nationals, including Germany and its citizens, a fair number of whom were Jews. After World War II, the U.S. Government was to return the property of Holocaust victims to the survivors or their heirs, pursuant to Sections 9 and 12 of the Act. All German and Japanese assets had been seized or “vested” by the U.S. Alien Property Custodian in June 1945 under Executive Order 9567. During the war, financial assets owned by enemy-country citizens had been subject only to freezing controls of the Treasury Department while property useful to the war effort had actually been vested. Under the Executive

---

¹ Internal State Department memorandum, March 5, 1947, RG 59, Decimal Files 1945-49, 800.515/3-547.

² Letter from Acting Secretary Acheson to Governor Dewey, March 6, 1947, ibid., 800.515/3-547.

³ Letter from Hilldring to State Senator Arthur Wicks, March 13, 1947, ibid., 800.515/3-1347. No additional documents on this subject have been found as yet among State Department files. Hence how the State of New York finally acted is unknown.
Order, the United States retained control of German and Japanese property and financial assets without paying compensation to the former owners.\(^1\) There was, however, widespread Congressional support for the return of seized assets owned by Nazi victims.\(^2\)

In 1946 the Alien Property Custodian had $390-430 million in enemy property under its supervision (including properties from other Axis powers in addition to Germany and Japan).\(^3\) This amount eventually reached $900 million. Anything in excess of $495 million of this amount was turned over to the War Claims Fund to pay a variety of claims (e.g., American prisoners of war, U.S. owners of property sequestered by enemy powers, other war damage losses).\(^4\)

In August 1946 Congress enacted an amendment to Section 32 of the Trading With the Enemy Act (Public Law 671), which permitted the return of seized assets to certain victims of racial, political, or religious persecution who would otherwise have been ineligible because of enemy citizenship.\(^5\) Since the 1946 law did not deal with the problem of those victims who had died heirless, the State Department supported legislation (S. 2764), which would turn over heirless assets of persecuted persons to organizations that would assist surviving persecutees. In a June 9, 1948, letter to Senator John S. Cooper, State Department Counselor, Charles E. Bohlen supported such legislation,\(^6\) but the legislation failed in the House because of the press of time. Other similar bills were introduced in 1949 in the 81st Congress. This effort also failed, despite bipartisan and Truman administration support.\(^7\)

The Report on the proposed Senate bill (S. 603) from the 81st Congress explained in detail the background to the 1949 legislation.\(^8\) The 1949 Senate Report acknowledged that it would be difficult to estimate accurately the value of the seized assets in the United States that were heirless, but estimated the amount would not be large—“a few hundred thousand dollars.” The Senate bill set an upper limit of $3 million which could be returned out of vested property. The Report cited “competent observers” who suggested that the amounts would range between $500,000 and $2 million.\(^9\) The Report also connected S. 603 with the ongoing negotiations with Switzerland:

“It is generally recognized that the largest depositories for the assets of deceased minority victims are Switzerland and the United States. As a signatory to the aforementioned Paris reparations accords, the United States has made representations toward effective implementation of these agreements with respect to the Swiss deposits. … In response to such representations, however, the Swiss

\(^1\) Annual Report, Office of Alien Property Custodian, June 30, 1946, pp. 1-3, Justice Department Library.
\(^3\) Annual Report, Office of Alien Property Custodian, p. 17.
\(^4\) Hearing and Markup Before the Committee on Foreign Affairs, U.S. Congress, House, July 31 and Sept. 24, 1980, pp. 3-4, 8-9.
\(^7\) Rubin and Schwartz.
\(^9\) Ibid., page 4, 6-7.
and other governmental representatives have reportedly pointed to the inactivity of the United States with respect to those heirless assets within its borders, as a basis for their own continued inactivity. Thus, the proposed amendment will lend needed support to the State Department in that office’s efforts to secure effective enforcement of international agreements.”

C. U.S. Action on Heirless Assets, 1953-1963

Although the House bill related to S. 603 on heirless assets died in the Rules Committee in 1950, a new bill appeared in the 83d Congress, again as an amendment to Section 32 of the Trading with the Enemy Act. The amendment was approved on August 23, 1954, as Public Law 626. A new Section 32(h) of the Act gave designated charitable successor organizations authority to receive heirless property to rehabilitate and resettle survivors of Nazi persecution. The amended Section set an upper limit of $3 million on the total amount of property that could be turned over to charitable organizations. Pursuant thereto, the President issued Executive Order 10587 designating the Jewish Restitution Successor Organization (JRSO) of New York as “successors in interest.” By the closing date of August 24, 1955, approximately 11,000 JRSO claims had been filed. By June 30, 1957, 9,000 claims were withdrawn or closed, leaving a balance of approximately 2,000 claims.

In May 1957 Representative Isidore Dollinger introduced H.R. 7830 providing a lump-sum payment to the JRSO of $1 million. The State Department supported H.R. 7830 but the Bureau of the Budget did not. Seymour J. Rubin (who had been on the State Department negotiating team in the late 1940s, but since then had as an attorney represented persecutee interests) appeared before the House Committee on Interstate and Foreign Commerce to testify in favor of H.R. 7830 and for providing $1 million. He emphasized in his testimony the difficult burden of producing sufficient proof, due to the circumstances of the Holocaust, to meet the statutory requirements.

This attempt to settle the matter via H.R. 7830 failed, and another attempt was made in the 1960s. In August 1961 hearings on these claims were held in the House under Oren Harris, Chairman of the Interstate and Foreign Commerce Committee. On August 1, 1961, Deputy Attorney General Byron R. White wrote Chairman Harris to support H.R. 5028, which would amend Section 32 of the Trading With the Enemy Act to reduce the limit from the $3 million allowed in 1954 to $500,000. White noted that, of the numerous claims filed by the Jewish Restitution Successor Organization, there were no more than about 500 that were able to satisfy the difficult standards of proof of ownership required by the 1954 amendment. Moreover, the total of such claims would

---

1 Annual Report, Office of Alien Property, Department of Justice, June 30, 1955, p. 62, Justice Department Library.
2 20 F.R. 361.
3 Annual Report, Office of Alien Property, Department of Justice, June 30, 1957, p. 56, Justice Department Library.
5 Ibid., pp. 38-41.
involve approximately $500,000. White supported H.R. 5028 because it would allow rapid settlement by means of a lump sum payment to the JRSO. In a July 28 letter to Chairman Harris, Assistant Secretary of State Brooks Hays also supported H.R. 5028.\(^1\)

In a July 28, 1961, letter to Representative Peter F. Mack of the House Interstate and Foreign Commerce Committee, Monroe Goldwater, President of the JRSO, also supported H.R. 5028. Goldwater wrote that approval of the lump sum payment would be the most expedient method for assuring that heirless assets could be rapidly provided to Jewish victims and pointed out that “the processing of individual claims, case by case, is an impossible task. There still remain thousands of claims, many of them small in amount. A number of claims involve complicated facts, and hearings on them would consume more time of the Government and the JRSO than the amounts involved would warrant.”\(^2\) Goldwater also referred to support from Senator John F. Kennedy for an identical bill in the Senate.\(^3\)

Shortly thereafter, the bill became law (Public Law 87-846, October 22, 1962). On February 26, 1963, President Kennedy issued Executive Order 11087 which provided for the $500,000 lump sum payment to the JRSO out of the War Claims Fund.\(^4\) Recently contentions have arisen regarding Nazi gold flows into the United States, possibly through Swiss-owned banks operating in the United States. This could not be examined due to the timing of this report and the lack of available information, but this is an important area for further examination. In addition there have been contentions concerning the disappearance and denial of insurance claims. This likewise is an area that should be examined.

**D. International Arena, 1947–1951**

In the immediate postwar period, there is some evidence that U.S., French, and Swiss authorities were exchanging information on matters relating to the identification and disposition of heirless assets, but the contacts appear to have been infrequent and at a low level.\(^5\)

The United States appeared to give priority throughout the immediate postwar period to the problems relating to the Swiss commitment to advance up to 50 million Swiss francs to the IRO and to the related issue of liquidating German external assets in Switzerland. The issue of persecutees was an agenda item in the May-June 1949 Allied-Swiss conference on the Swiss Accord, but never discussed. The issue of heirless assets was not on the agenda, but it did occasionally appear in formal discussions, as in the case of the Swiss-Polish Agreement of June 1949.

---

\(^1\) Letters contained in report on *Hearings Before a Subcommittee of the Committee on Interstate and Foreign Commerce of the House of Representatives*, August 2 and 3, 1961, pp. 42 and 43

\(^2\) Ibid., letter from JSRO President Monroe Goldwater, July 28, 1961, p. 246.

\(^3\) Ibid.

\(^4\) Code of Federal Regulations, Title 3-The President, 1959-1963 Compilation, pages 721-722

\(^5\) Telegram to Paris, December 30, 1947, RG 59, Decimal Files 1945-49, 800.515/11-2547. This cable refers to two other cables of October 25, 1946, and November 25 1947, which were not found.
On April 28, 1949, an official of the World Jewish Congress wrote the State Department’s Acting Legal Adviser to request that the heirless assets issue be raised at the May-June 1949 Allied-Swiss conference. Responding on May 31 Assistant Secretary of State for Economic Affairs Willard Thorp described the State Department position:

“With relation to the question of heirless assets… the Department does not consider this to be a subject properly within the scope of the proposed discussions. However, the Department is mindful of the problem; and if the time should be opportune, the Department will make another approach to the Swiss, joined by the British and French if possible, collateral to but during the current negotiations.”

The issue of heirless assets was not raised at the conference, which was devoted to issues connected with implementation of the 1946 Allied-Swiss Accord. Moreover, the Allies presumed that the liquidation of German external assets in Switzerland would eventually yield 500 million Swiss francs, of which 250 million Swiss francs or about $58 million would accrue to the Allies. Among Allied diplomats, the $58 million was probably seen at the time as significantly greater than what might be found among the heirless assets in Swiss banks.

The discovery of heirless assets did not appear to have a high priority among senior State Department officials. This was evident in a September 1, 1949, letter from Assistant Secretary of Congressional Relations Ernest A. Gross to Senator J. Howard McGrath of Rhode Island. Senator McGrath had asked why the Allies, during the May-June 1949 negotiations with Switzerland, had not asked the Swiss Government to advance another $3.5 million for the International Refugee Organization. The Senator also asked about action on heirless assets. Assistant Secretary Gross replied that there had not been enough time to raise the issue of heirless assets, but that the Allies would shortly be making a request to the Swiss on the $3.5 million.

E. U.S. Démarche on the Swiss-Polish Agreement

The lack of Swiss action on heirless assets caused Jewish organizations in the United States and elsewhere to raise this matter directly with the Swiss Government. These discussions, which took place in July 1949 in Bern, received encouragement and support from the U.S. and other Allied Governments. The main issues in these private discussions involved finding a way to penetrate Swiss bank secrecy in a manner that would enable the identification of heirless assets as well as establishing whether Switzerland or the country of the decedent had a right to dispose of such assets. Another concern among Jewish groups was that the Swiss Bankers’ Association had established rules for proving ownership of bank accounts that made it virtually impossible for surviving family members of Nazi victims to file claims.

1 Letter from the World Jewish Congress (Robinson), April 28, 1949, ibid., 800.515/4-2849; letter from Thorp to the World Jewish Congress, May 31, 1949, ibid., 800.515/5-1249.
2 Letter from Assistant Secretary Gross to Senator McGrath, September 1, 1949, ibid., 800.515/6-2349.
3 Rubin and Schwartz, pp. 386-389.
These discussions were inconclusive and were affected by later press reports of a secret Swiss-Polish agreement on the disposition of heirless assets in Switzerland of Polish origin (concluded on June 25, 1949). This agreement allowed the Polish state to acquire the assets in Switzerland of deceased Polish citizens without heirs; these assets could then be used to pay Swiss claims against Poland. Upon learning of the Swiss-Polish agreement, the State Department instructed the U.S. Legation in Bern to transmit a note to the Swiss expressing U.S. concern. The Legation’s December 20, 1949, note indicated that such an agreement would be inconsistent with the declarations previously made by Swiss officials regarding the disposition of heirless assets found in Switzerland. In addition to the U.S. démarche, the British and French Governments also expressed concern. The United States sent a second note on March 21, 1950. The Swiss response of April 26, 1950, rejected Allied arguments and indicated that Switzerland needed more information on unclaimed assets before making any decisions. By 1975 Switzerland transferred to Poland 480,000 Swiss francs in fulfillment of Swiss obligations under the 1949 agreement with Poland.

F. Swiss Estimates of the Value of Heirless Assets of Germans

Although the Swiss Government had blocked liquidation since 1946, Swiss authorities were meticulous in their obligation to record the ownership and value of German assets located in Switzerland, an obligation stipulated under the May 1946 Washington Accord. Indeed, the Swiss had periodically provided the U.S. Legation in Bern with brief inventories of the value of German assets in Switzerland. One such inventory, dated February 5, 1948, indicated that the total value of German assets falling under the Washington Accord was 398 million Swiss francs ($93 million).

This inventory sum of 398 million Swiss francs was the total amount of German assets falling under the May 1946 Accord and subject to liquidation, but the Counselor for Economic Affairs at the U.S. Legation in Bern reported that Swiss authorities carried the category of “unidentified” assets in their inventory of German property. This category was about 86 million Swiss francs in 1946. Referring to the “1946 census” of German assets, then valued at 420 million Swiss francs, the Counselor wrote: “It is understood that about SF 86 millions of those assets have been unidentified as to ownership.”

G. Allied-Swiss Conference at Bern, March-April 1951

On March 5, 1951, the Allies resumed discussions with the Swiss in Bern on the 1946 Washington Accord. As of April 10, the question of heirless assets had not been raised, but the United States intended to raise it once other issues had been resolved, notably the compensation issue.

1 Despatch from Bern, December 23, 1949, RG 59, Decimal Files 1945-49, 800.515/12-2349, Box 4259
2 Despatch from Bern, February 5, 1948, ibid., 800.515/2-548.
3 Despatch from Bern, February 29, 1952, ibid., Decimal Files 1950-54, 398.10-GDC/2-2952
4 Note from the Department of State to the Israeli Embassy, April 10, 1951, ibid., EUR/WE Office Files.
On April 20 agreement was finally reached on the critical compensation issue, and the Allies could turn to other issues relating to the liquidation of German assets in Switzerland, such as heirless assets and the assets of persecutees. On May 21 the Swiss delegation reported that German property in Switzerland, which had been blocked by the Swiss authorities, did not include heirless assets. State Department officials reacted skeptically and instructed the U.S. delegation to include the issue in the revised agreement:

“Inconceivable that every Ger account in Switz has shown some activity since 1939 which wld appear to be only true basis for supposing that there are no heirless accounts in Switz. Nevertheless suggest that you accept Swiss statement at face value but insist in inclusion in agreement Swiss commitment that if during process of liquidation, heirless assets are discovered (presumably through inability to effect payment compensation) proceeds in Swiss francs or assets not be credited to pool but rather turned over to Allies for distribution in accordance with purpose stated in exchange of subsidiary letters in 1946.”

**H. Allied-Swiss Agreement on the Liquidation of German Property in Switzerland, August 28, 1952**

As in the May 1946 Washington Accord, the August 28, 1952, agreement between the Allies and Switzerland relegated the heirless assets issue to an exchange of notes (this time published with the treaty). On August 28 the Allies sent a note to the Chief of the Swiss delegation in Bern, calling his attention to the fact that the Swiss-German agreement did not contain “any provision for the exemption of the assets of heirless Nazi victims from the provisions of the agreement respecting contributions and determining the disposition of such assets.” The Allies accepted the omission in view of the Swiss statement during the discussions that there were “no such assets in Switzerland.” The note concluded with the Allied request that “if any such assets should be discovered in the future, the Swiss Government will give sympathetic consideration to the application of such assets for relief and rehabilitation of victims of Nazi actions.”

In response, the Swiss acknowledged receipt of the note and expressed their agreement with its contents, thus renewing their 1946 commitment to take action on heirless assets should such assets be discovered in the future. Although the Swiss made no commitment regarding discovery, the expectation among State Department officials was that the process of liquidation would lead to the discovery of heirless assets.

**I. Impact of the German-Swiss Agreement, August 26, 1952**

The German-Swiss agreement of August 26, 1952, explicitly exempted the assets of German Holocaust victims from its liquidation and contribution requirement that German owners of property in Switzerland pay one-third of the value of their assets to the

---

1 Telegram to Bern, May 23, 1951, ibid., Decimal Files 1950-54, 262.0041/5-2151.
2 Agreement on German Property in Switzerland, August 28, 1952, printed in TIAS No. 5059.
3 Telegram to Bern, May 23, 1951, RG 59, Decimal Files 1950-54, 262.0041/5-2151.
German Government before the Swiss release would release the property. (Swiss authorities would collect this “contribution.”) Holocaust victims and persecutees were exempt from the contribution requirement, while most other Germans were not. Thus, the assets of persecutees and other Nazi victims could be released by the Swiss authorities immediately upon application. The victims, their proxies, or the executors of their estates had to request this exemption in writing from the Swiss authorities.

The agreement provided a choice to German asset owners who were not Holocaust victims or persecutees of taking immediate possession of their assets in Switzerland and paying (or “contributing”) one-third of the value of their assets to Germany, or having their assets liquidated and receiving the full value in German money. In the latter case they would be liable for taxes and penalties to the German Government. In either case Swiss authorities would have to contact the German asset owners or their proxies. German owners or proxies had two months in which to make a declaration of intent. Presumably the failure of an asset owner to make a declaration would have been evidence that the owner was deceased and his assets were heirless. The assets of Germans who failed to make a declaration would become available to the Federal Republic of Germany for financing its 121.5 million Swiss franc payment to Switzerland. (Swiss banks provided a credit to make it possible for Germany to pay Switzerland immediately the 121.5 million francs owed under that agreement.) Moreover, as the August 1952 agreement applied only to assets in Switzerland of Germans in the Federal Republic, the assets of persons whose last address was in East Germany remained under Swiss control.

The 1952 German-Swiss agreement provided for the total exemption from the liquidation and contribution requirements of all assets valued at 10,000 Swiss francs or less. According to Swiss Government estimates during 1952, 15,000 persons held assets of less than 10,000 Swiss francs, amounting to a total of 26 million Swiss francs. As in the case of Holocaust victim assets, the assets of small account holders could be released immediately without the owners being subject to the requirement of contributing one-third of the value to the German authorities. Based on a February 1952 text of a German-Allied agreement on this point, however, the small account owners would have had to apply for the release of their assets, or their assets would be “sold and the proceeds paid into a special account in favor of the German Federal Government.”

In 1958 the Swiss Government reported on the implementation of the agreement with Germany with respect to the release or liquidation of German assets in Switzerland. The Swiss authorities acknowledged that the total amount of German assets blocked in Switzerland and falling under the May 1946 agreement had by the mid-1950s appreciated in value to 697 million Swiss francs ($162 million); this amount compares with the estimated 398 million francs ($93 million) (before the exemption of property valued at

---

2 Ibid.
3 Ibid.
4 Telegram from Bonn, February 6, 1952, ibid., 262.0041/2-652.
less than 10,000 Swiss francs and the property of Nazi victims) discussed during the 1951-1952 negotiations.¹

Of the 697 million Swiss francs, 100 million francs ($23 million) were exempt from the contribution requirement of the 1952 agreement because they involved assets of less than 10,000 Swiss francs or because of “individual grounds.” (Nazi victims were excluded from the contribution requirement, and assets valued between 10,000 and 15,000 Swiss francs were partially exempt. These 100 million in assets had been blocked under the May 1946 Accord.) The procedures for handling these small accounts may have allowed heirless assets to remain undiscovered: the 100 million Swiss francs would have included victim assets only if the deceased victims had survivors or proxies who could file applications requesting release of the assets. If there were no survivors, the banks or financial intermediaries holding such assets would be responsible for informing the Swiss authorities of the dormant or heirless status of certain accounts.

According to the Swiss Government’s 1958 report, Swiss authorities liquidated the assets of 489 German owners, whose assets upon liquidation were valued at 9.3 million Swiss francs ($2.2 million). It is unclear if the assets were liquidated because the owners or their heirs failed to apply, or because the owners preferred receiving their assets in German money via the compensation arrangements contained in the agreements.² The 9.3 million Swiss francs in liquidated assets compares to 588 million Swiss francs ($137 million) in assets which were returned to their German owners without liquidation. Germans who obtained control over their Swiss assets were required to make a “contribution” to the German Government in Swiss francs equal to one-third of the asset’s value; asset owners in this category paid 183 million Swiss francs to the Swiss authorities who later transferred this amount to the German Government.³

**J. Heirless Assets, 1952–1963**

Between 1953, when the agreements went into effect, until 1959, U.S. officials appeared to take no action on heirless assets. There was no follow-up to determine the disposition of unidentified German assets in Switzerland, nor any follow-up on the 1946 and 1952 exchange of letters regarding heirless assets.

In the spring of 1959, the Swiss Federal Council accepted a proposed law on heirless assets, but the Swiss Bankers Association opposed enactment of any such law on the ground that the situation was both minor and capable of being handled under existing Swiss law. Seymour Rubin reported that “for the first time a spontaneous movement in

---

² Ibid.
³ Ibid. See also despatch 178 from Bern, September 30, 1960, RG 59, Decimal Files 1960-63, 254.6241/9-3060. (The 183 million francs was 46 percent of the 398 million figure, but this percentage is probably exaggerated due to the appreciation of the assets since 1952. The amount is somewhat less than one-third of the total. This could conceivably be explained by administrative costs or by the fact that assets valued at between 10,000 and 15,000 Swiss francs were subject to only a partial contribution. Thus, an account owner with 12,000 francs would have had to make a contribution of only one-third of the amount over 12,000.)
favor of a solution seems to exist within the Swiss Federal Council and the Swiss Administration.” He urged the State Department to coordinate with the United Kingdom and France to encourage Swiss action on the draft law. On December 8, in response to Rubin’s letter, the Department sent instructions to the Embassy in Bern.

On January 29, 1960, the Embassy’s First Secretary for Political Affairs raised the matter with a legal officer in the Swiss Federal Political Department. The First Secretary reported the remarks of the Swiss officer: The Swiss Government was still studying the matter; some Swiss bankers continued to oppose revising bank secrecy laws necessary to identifying the heirless assets; Swiss officials saw numerous bureaucratic obstacles to dealing with heirless assets (e.g., administrative expenses, the possibility that the heirs might one day actually appear); direct U.S. intervention in this matter would be counter-productive; and the Swiss would be more sympathetic to U.S. concerns in the matter of heirless assets if the United States would resolve a pending custodial conflict.

The State Department responded to the Embassy that, given the remarks of the Swiss official, it appeared that “the prospects of early action by the Swiss Government are not bright.” The Department also dismissed the Swiss legal officer’s other arguments for non-action as excuses and pointed out that Germany, Austria, the United Kingdom, and the United States had managed to find such assets. The Department’s response noted:

“In view of Switzerland’s unique position as an international banker and safe haven in Europe, it is considered unlikely that heirless assets do not exist in that country. It has been eight years since the Swiss announced a willingness to assist in this program, yet nothing has been done, and based on past experience, it is considered unlikely that the Swiss will voluntarily take any action.”

Rejecting the Embassy’s suggestion to move cautiously and wait until May before raising the matter again, the Department instructed the Embassy to review the Swiss action on heirless assets again with Swiss officials and report promptly. The Embassy responded by noting that Swiss officials remained reluctant to discuss details of the heirless assets issue, but sent a note to Swiss officials on the matter on June 1, 1960.

On July 6, 1960, the Swiss responded by questioning the existence of the August 28, 1952, exchange of letters. Referring to the May 25, 1946, exchange, the Swiss asserted that this exchange placed them under no specific obligation to take any action. The Swiss note implied that the possible amounts of the heirless assets which might be found did not seem to warrant the “important changes in Swiss law” that would be required.

---

1 Letter from Rubin to Assistant Legal Adviser Metzger, November 27, 1959, ibid., Office of the Legal Adviser, Maurer Files.
2 Airgram A-57 to Bern, December 8, 1959, ibid., Maurer Files.
4 Airgram A-97 to Bern, April 19, 1960, ibid., 262.0041/1-2960.
5 Telegram from Bern, May 20, 1960, ibid., 262.0041/5-2060.
The Embassy in Bern opined that “nothing short of massive and persistent pressure by the Three Allied Powers will hasten the glacial pace at which [the Swiss] are proceeding.” The Embassy suggested coordinating with the British and French and avoiding any further formal exchanges with the Swiss for an indefinite period.\(^1\) The Department appeared to stop pressing the Swiss for the next two years. However, during 1961, a number of newspaper articles on this subject (including a July 7 article in *The New York Times*) drew attention to the existence of heirless assets in Swiss banks.\(^2\)

In March 1962 the Swiss neared completion of the work on their heirless property law and planned to submit it to the June session of Parliament.\(^3\) The Swiss law, which came into effect on September 1, 1963, required all Swiss financial entities or persons to report any assets that belonged to any foreign nationals or stateless persons who had been persecuted for racial, religious, or political reasons. Reports were required in six months. The law stated that ten years from its enactment, 90 percent of any unclaimed assets would be placed in a special fund. At that time (1973), the Swiss Federal Council would decide on their disposition.\(^4\)

---

\(^1\) Despatch from Bern, July 19, 1960, ibid., 262.0041/7-1960.
\(^2\) “Assets in Switzerland of Victims of Nazism and the Compensation Agreements with East Bloc Countries;” unpublished historical paper by Peter Hug and Marc Perrenoud; Bern, January 17, 1997.
\(^3\) Telegram from Bern, March 28, 1962, 262.0041/3-2862, Box 409.
\(^4\) Letter from Acting Assistant Secretary of State for Congressional Relations H.G. Torbert to Senator Javits, February 25, 1970, Maurer Files.
Index

Aarons, Lehman, 33, 51
ACC Law No., 5, 49-54, 66, 67, 70, 75, 76, 88, 124, 128, 147
Acheson, Dean, 5, 9, 20, 24, 25, 27, 28, 42, 63, 65, 77, 78, 82, 87, 101, 102, 140, 146, 157, 190, 192, 195, 197
Adenauer, Konrad, 117
Albania, 4, 56, 184, 185
Alien Property Custodian (U.S.), 197, 198
Allied Control Authority, 35, 49, 51
Allied Control Council, 33, 36, 49, 50, 51, 52, 54, 65-67, 70, 75, 76, 88, 99, 124, 125, 128, 141, 147, 154
Allied Reparations Commission, 55, 56, 58
Allied-Swiss Accord on Liquidation of German Property in Switzerland (May 1946), 83, 84, 86, 97-101, 103-122, 125, 127, 130, 137, 143, 186, 187, 195, 196, 200-203, 205
American Jewish Congress, 59, 76, 77, 101, 102
American Republics, 3-6, 8-13, 20, 36, 147, 190
Angell, James W., 56, 59, 172, 176
Argentina, 6, 10, 11, 13, 17, 19, 22, 36, 147-149
Art, looted, 7, 42
Attlee, Clement, 55, 81
Auboin, Roger, 192
Austria, 4, 17, 29, 56, 57, 61, 72, 95, 132, 158, 171, 172, 174, 182, 184, 206
Azores Agreement, 133-137, 139
Baldwin, Joseph C., 12, 87
Baldwin, Joseph Clark, 12, 87
Bank Deutscher Länder, 159, 182
Bank for International Settlements (BIS), 3, 39, 63, 183, 184, 189-193
Bank of Belgium, 87, 126
Bank of England, 7, 10, 100, 153, 155, 158, 177, 183, 184, 185, 193
Bank of France, 4, 71, 128, 183, 190, 192
Bank of Portugal, 131, 132, 142
Belgium Congo, 9
Belgium, 9, 42, 56, 69, 71, 72, 75, 77, 87, 110, 124, 126, 128, 131, 146, 158, 169, 177, 182, 184-186, 189, 190, 192, 193
Bernstein, Col. Bernard, 10, 76, 153, 161-163, 166-170, 178, 186
Bevin, Ernest, 51, 92
Board of Economic Warfare (U.S.) (BEW), 1
Bohlen, Charles E., 198
Bretton Woods Conference (1944), 18, 19, 190
Bretton Woods Resolution VI, 17, 19, 27, 123, 129, 140-142, 145, 146
Brey, Col. William G., 154, 155, 158, 169, 174, 175
Bruggmann, Charles, 25, 30, 64, 78, 106, 115, 121
Brussels Conference (January 1950), 179-180
Byrnes, James F., 52, 53, 67, 80, 82, 148, 157
Casey, William J., 41, 42
Central Intelligence Agency, 37, 40, 46, 98
Charguéraud, Paul, 30, 68, 77, 79
Chile, 6
Churchill, Winston S., 23, 55
Clay, Gen. Lucius D., 51, 52, 68, 155, 175, 176, 191
Clayton, William L., 22, 30, 36, 37, 49, 55, 64, 70, 71, 77-80, 82, 87, 125
Cochran, Merle, 3
Coe, V. Frank, 11, 16, 17, 32, 33, 52, 53, 151, 191
Coins, 57, 130, 132, 146, 152, 155, 156, 158, 161, 164, 166-168, 172-174, 176-178, 181, 182, 193
Cooper, John S., 198
Cox, Oscar, 11, 16, 17
Criminal Investigation Division (U.S. Army), 154, 155
Currie Mission, 28, 31-33, 63, 64, 69, 88, 190
Currie, Lauchlin, 11, 16, 17, 20, 28, 30-33, 63, 64, 69, 88, 190
Czechoslovakia, 60, 61, 91-93, 96, 105, 176, 178, 179, 184, 185, 196
D’Amato, Alfonse, 185
Denmark, 2
Dental gold, 36, 60, 153, 156, 157, 161-164, 166, 169, 171, 173, 177, 179-181
Dewey, Thomas E., 197
Dollinger, Isidore, 199
Donovan, William J., 25, 26, 43, 45, 46
DuBois, Josiah E., Jr., 50
Dulles, Allen W., 38-41
Dunn, James C., 30, 31, 87
Eisenhower, Gen. Dwight D., 51, 52
European Recovery Program (Marshall Plan), 105, 106, 113
Exchange rate, 95, 97-101, 103, 108, 109, 111, 114, 116, 128
Executive Order 8389, 2, 8, 11
Federal Reserve Bank, 3, 66, 100, 148, 149, 158, 183, 189, 192
Federal Reserve Bank of New York, 148, 183, 185, 192
WASHINGTON, April 6 (JTA) – Congressman Joseph Baldwin was outraged in the summer of 1946. After learning the details of an agreement the U.S. government negotiated with Switzerland on the return of Nazi-looted gold, Baldwin complained in a telegram to President Truman that he was “profoundly disturbed” that the United States had settled for $58 million when reliable estimates put the amount of gold transfers at $300 million. Dean Acheson, then acting secretary of state, replied to Baldwin in a July 24, 1946, letter assuring the New York Republican that “there was no reasonable evidence that Switzerland had purchased $300 million worth of gold looted by Germany.”

Documents recently unearthed from the U.S. National Archives have raised questions about what the United States knew during and immediately after World War II about the Swiss role in handling Nazi-looted gold. The 1946 Washington Agreement between the United States and Switzerland and the broader issue of the role the United States played in tracking and recovering Nazi loot will be addressed in a report due out later this month. “We can’t shine the spotlight of history on other countries if we don’t do the same” with respect to the U.S. role, Undersecretary of Commerce Stuart Eizenstat, who is compiling the report, told a recent gathering of Jewish leaders. Postwar documents recently uncovered include a February 1946 document report that was used by the negotiators. “It is definitely known that the Swiss received at least $398 million worth of gold from Germany during the course of the war,” the report states. The “absolute minimum which is to be classified as loot,” the report states, “is $185 million,” and it concludes that $289 million “would represent a reasonable settlement.”

Last month, the Swiss National Bank acknowledged that it received 1.7 billion Swiss francs worth of German-looted assets during the war, which translated at the time to roughly $400 million. The figures detailed in the State Department report were well-known to members of the U.S. negotiating team, including Seymour Rubin, who initialed a draft of the letter Acheson sent to Baldwin. Rubin, 82, is the only surviving senior American negotiator and he has found himself the subject of considerable attention amid renewed scrutiny of the Washington Agreement. In addition, the former State Department lawyer made headlines recently when he said some money deposited by Holocaust victims in New York banks might have been confiscated by the U.S. government. Critics, including the World Jewish Congress and Senate Banking Committee Chairman Alfonse D’Amato (R-N.Y.), have denounced the 1946 agreement as a sellout. But in an interview, Rubin defended the agreement he helped fashion half a century ago. “The agreement accomplished what we set out to accomplish — the elimination of German influence in Switzerland,” said Rubin, who was 32 when he was named deputy chief of the U.S. negotiating team. “Nobody, including Senator D’Amato, seems to understand that back in those days, we were...
talking about preventing a resurgence of German influence in the neutral countries. “That was the primary objective of these negotiations, and we accomplished that 100 percent.” While acknowledging that $398 million worth of looted gold may well have passed through Switzerland, Rubin said that at the time of the negotiations “there was no credible evidence that all of that money remained in Switzerland.” Regardless of whether the looted gold remained in Switzerland was not supposed to be a consideration in the negotiations, according to the State Department report. The $58 million in gold agreed to under the 1946 settlement was turned over to the Allies and distributed through the Tripartite Gold Commission to European governments whose treasuries had been plundered by the Nazis. When asked whether he had any regrets about signing off on Acheson’s letter declaring that there was “no reasonable evidence” that Switzerland had received $300 million worth of looted gold, Rubin said, “I suppose I should be ashamed of myself, but I ain’t gonna belabor using one word rather than another word.” A WJC official said Acheson’s letter to Baldwin raised “moral questions” about the way the State Department attempted to justify the settlement. “Our issue simply remains: Did the State Department lie to the Congress and therefore to the American people? I think Dean Acheson’s letter speaks for itself,” the official said. Meanwhile, Rubin, who remained active in restitution issues after leaving the State Department, has other recollections about the role the United States played in recovering World War II era assets. In a recent letter to Eizenstat, he said that in 1959, the U.S. government shortchanged by at least $5.5 million Jewish groups seeking restitution. “A situation very like that in Switzerland existed in the United States,” wrote Rubin, who served as the American Jewish Committee’s legal representative as it worked with other Jewish groups in the 1950s to recover heirless assets that Holocaust victims had deposited in American banks. During the war, U.S. authorities froze all German and “enemy alien” funds held in U.S. banks. “Of these, many were deposits of Jews or other persecutees seeking refuge for their funds in America, mainly in New York banks,” Rubin wrote. Swiss banks also likely transferred such funds to the “safe haven of American branches,” he said. In the 1950s, Congress passed legislation allowing release of funds where ownership could be established. About the same time, Jewish organizations examined bank records in New York and estimated that $6 million existed in heirless assets, according to Rubin. Negotiations ultimately yielded only $500,000, and Rubin said that he reluctantly recommended accepting it. The money was turned over to the Jewish Restitution Successor Organization for distribution to Holocaust survivors and heirs of victims. In his letter, Rubin urged Eizenstat to investigate the issue, saying, “To the best of my knowledge, there has never been a re-evaluation of this paltry amount.” Jim Desler, a spokesman for Eizenstat, said the issue would not be covered in the Eizenstat report due out later this month. The fate of heirless assets “is a useful thing to explore, but the focus of our research efforts is on tracking Nazi assets, rather than the disposal of individual assets,” Desler said. The WJC, for its part, said the issue raised by Rubin needs to be clarified and examined, but that larger questions — including the fate of billions of dollars in looted Nazi gold — continue to take precedence.