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Mr. Steven Eizenstat
Under Secretary
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Dear Mr. Eizenstat,

As one who was deeply involved in the immediate post World War II period with the looted gold, I have been reading with interest the many current articles about it. I had been an official of the Treasury Department in that period after returning from the Pacific area of combat and one of my first assignments was to trace looted gold. With the help of a Dutch patriot and comptroller of the Netherlandish bank, I uncovered records in the dark buried vault of the Reichsbank in Frankfurt in 1946. The article in *The New York Times* of Friday, January 10, was of particular interest to me since the Treasury Department had responsibility for looted gold negotiations, and I went twice to Portugal in 1946-47 and was elected head at the delegation meetings of the tripartite (US, UK, and France) team negotiating with Portugal for recovery of gold.

In writing my autobiography, I did a section on the looted gold which was put aside for about a year. However, current interest has given me the idea of seeking to have it published as a magazine article. But my current pressures from my work as a Trustee of Economists Allied for Arms Reduction, have given little time to revise the text. Yesterday, I discussed this with Seymour J. Rubin, a long-time friend and associate from my days in the Treasury. He is one of the most informed on post war reparations and was a key player, as you probably know, in the Allied Reparations Agency. Mr. Rubin suggested that I write to you and inform you of some of the facts which would indicate the inadequacy of *The New York Times* article. After negotiations in Portugal, I returned full time to my assignment at the Treasury and future negotiations were taken over by a senior team of State and Treasury including Seymour Rubin, Walter Surrey, Orvis Schmidt, and Albert Post.

Treasury Department
Office of International Finance

Date: January 29, 1952

To: Mr. E. H. Rittmann

From: Robert J. Schwartz

The attached draft on Safehaven and Looted Gold is rather lengthy but thereby contains all of the essentials. Fred Smith did a major job of the original writing.

In view of the comment at Monday's Staff Meeting that no classified material is to be incorporated in the final report, I believe that our judgment in this regard may not be sufficient. While we have attempted to delete obviously classified material there are certain aspects which probably should be reviewed by the State Department for possible political repercussions before any release. We have not undertaken any clearance with State until you determine which of this material may be used.

cc: Mr. Fred Smith

Draft of Sections of the History of Activities in which the Treasury Department Participated with Respect to the Recovery and Distribution of Gold Looted by the Germans During the War and the Liquidation of German Assets Located Outside of Germany.

Background of Programs.

It became apparent during the war that Germany was systematically looting the valuables of the countries which it occupied with particular attention to gold and other valuables such as securities and currency which could be converted into foreign exchange. This information lead the United States to take the leadership in obtaining cooperative measures by the Allied Governments to minimize the realization by Germany upon these valuables. The Foreign Funds Control of the Treasury Department had already instituted controls on the importation of securities and currency and other controls to this and when on January 5, 1948, 18 allied countries (including Czechoslovakia, Russia and Poland) warned against acts of dispossession and declared that the signatory governments "reserve all their rights to declare invalid any transfers of, or dealings with property, rights and interests of any description whatsoever which are, or have been situated in, the territories which have come under the occupation or control, direct or indirect, of the governments with which they are at war now."

Subsequently, the Treasury was instrumental in the issuance on February 22, 1944 of a Declaration by the United States that "it does not and will not recognize the transference of title to the looted gold which the Axis at any time holds or has disposed of in world markets." It was further declared that it would be the policy of the United States Treasury "not to buy any gold presently located outside of the territorial limits of the United States from any country which has not broken relations with the Axis or from any country which after the date of this announcement acquires gold from any country which has not broken relations with the Axis unless and until the United States Treasury is fully satisfied that such gold is not gold which was acquired directly or indirectly from the Axis powers or is not gold which any such country has been or is enabled to release as the result of the acquisition of gold directly or indirectly from the Axis powers." Subsequently, the United Kingdom and the U.S.S.R. issued similar declarations.

This Declaration was followed on July 22, 1944 by the issuance of Resolution No. VI of the United Nations Monetary and Financial Conference held at Bretton Woods, New Hampshire, which recommended that all of the governments represented at the conference take immediate measures to prevent any disposition or transfer within the territories subject to their jurisdiction of assets belonging to the government or any individuals or institutions of countries occupied by the enemy and to prevent the concealment of such assets, in order to facilitate their ultimate delivery to the post-armistice authorities.

At the end of the war certain measures were taken by the allied authorities to implement the foregoing resolutions and declarations. One of the most important of these was the Paris Reparations Conference held from November 9 to December 21, 1945, which resulted in an agreement of January 14, 1946, signed by 18 Allied Nations (including Czechoslovakia but not China and the U.S.S.R.). Among other things, the agreement established the Inter-Allied Reparations Agency for the collection and distribution of reparations, fixed the shares of each country in different categories of reparations, established the principle that monetary gold would be divided among the allied countries from which it had been looted, and designated the United States, the United Kingdom and France to collect and distribute such gold.

After the establishment of IARA the Treasury Department's participation in the reparations program for Germany was considerably reduced. The program was administered largely by the State Department and by the military authorities in Germany but Treasury continued to be consulted on technical matters and to participate in the gold recovery program.

Part 3 of the Reparations Agreement dealt with the restitution of monetary gold and provided that all the monetary gold found in Germany by the allied forces, as well as any monetary gold which might be recovered from a third country to which it was transferred from Germany, should be pooled for distribution as restitution among the

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countries participating in the pool in proportion to their respective losses of gold through looting or wrongful removal to Germany. It was provided that, without prejudice to claims by way of reparations for unrestored gold, the proportion of monetary gold accruing to each country participating in the pool should be accepted by that country in full satisfaction of all claims against Germany for restitution of monetary gold. The Governments of France, the United Kingdom and the United States were directed to take appropriate steps within the zones occupied by Germany in accordance with the foregoing provisions.

On September 27, 1946, the three Governments constituted themselves as the Tripartite Commission for the Restitution of Monetary Gold and established the "gold pool". Into this pool was put all monetary gold found in Germany, including gold which had been secreted in the Merkers salt mines and other places and gold taken up from the German population under the foreign exchange law of the Allied Military Government. Just as representatives of the Treasury Department had been active (and in many cases the leaders) in formulating with the State Department the policies and programs with respect to German external assets and looted gold, so also a large number of Treasury officials participated in the administration of such programs. Under the leadership of Col. Bornstein, former Assistant General Counsel of the Treasury, a group of Treasury employees were detached from service and placed in the uniform of the

Allied Military Government in Germany and participated in the discovery and handling of the gold found in Germany and in the investigative work necessary to locate German external assets. Other Treasury employees in civilian status visited Germany as advisors, including the Assistant Director of the Mint and other mint employees. Major U. S. policy questions were considered jointly by the Defense, State and Treasury Departments in Washington.

Part I, Article 6 of the Paris Reparations agreement provided that each signatory government should liquidate German assets within its jurisdiction in such a way as to preclude their return to German ownership or control. Records were to be kept of the property so liquidated by each signatory country and the property so liquidated to be considered as part of and deducted from each country's share of German reparations. Article 6 also provided that "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 these countries. The net proceeds of liquidation or disposition shall be made available to the Inter-Allied Reparations Agency for distribution on reparation account."

It had been known that there were large holdings of German property in the neutral countries. In fact, investigations had revealed that for a number of years (prior) to the commencement of World War II, Germany had systematically transferred assets to Switzerland as well as the nominal ownership of securities and other evidences of ownership of properties located within the allied countries. The purpose of such transfers had been, undoubtedly, twofold:

(1) To provide a means whereby, after the commencement of the war, Germany could continue to control its investments in the allied countries in a way designed to assist the Axis war effort and hinder the Allied war effort; and

(2) To conceal German ownership or control in order to avoid confiscation of such property and holdings by the allied government. Shortly after the liberation of Germany from Nazi rule, the Allied Military Authorities issued a decree vesting, or taking title to, German assets located in third countries (other than countries signatory to the Paris Reparations Agreement). It was the intention at the time of the issuance of this decree that representatives of the Allied Military Government would in each of the neutral countries establish an office and in the name of the Allied Military Government proceed to liquidate the German assets to be found there and transfer the proceeds to the Inter-Allied Reparations Agency. It was soon

discovered, however, that the neutral governments (or the courts thereof) would not recognize the legal validity and effect of the decree within their respective jurisdictions.

Accordingly, pursuant to the provision contained in Part I, Article 6 of the Reparations Agreement, representatives of the three governments proceeded to negotiate agreements with the neutral governments for the disposition of German assets within their jurisdictions. Most of these neutral governments had, as the result of diplomatic representations made by the three governments, taken measures to institute some form of control over German property in order to conserve it for the post war period. The negotiations with the neutrals were with respect to both German assets and the restitution of looted gold. The first country with which such negotiations were carried on was Switzerland.

II.

Negotiations of the Swiss Accord.

Safehaven

Negotiations in Switzerland resulted in the signing on May 25, 1946, of an accord with Switzerland commonly known as the "Washington Accord". The essential provisions of the Accord provided that with respect to property in Switzerland owned or controlled by Germans in Germany, the Swiss compensation office should liquidate such property.

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The German owners were to be compensated in German currency, half of which would be provided by the Swiss Government. From the proceeds of the liquidation of German property in Switzerland, 50% was to accrue to the Swiss Government and 50% placed at the disposal of the Allies for the rehabilitation of countries devastated during the war, including the sending of supplies to famine stricken people. In addition, the Swiss Government undertook to place at the disposal of the three Allied Governments an amount of 250 million Swiss francs payable on demand in gold in New York (equivalent to about \$55,000,000 in gold) in return for which the Allied Governments waived in their own names and in the names of all of the Allied Governments signatory to the Paris Reparations Agreement any further claims against the Government of Switzerland and the Swiss National Bank in connection with gold acquired during the war from Germany by Switzerland.

Looted Gold

The negotiation of an accord with respect to looted gold was extremely difficult. In the first place, the Swiss refused to concede any legal obligation to make restitution of looted gold which it had acquired from Germany. Moreover, the Swiss refused to open their books in order that an agreed determination could be made as to the amounts of such looted gold so acquired. At the time of the negotiations,

the Allied representatives knew that the Swiss National Bank had received shipments of large amounts of gold during the war from Germany, so large, in fact, in relation to the known prewar holdings of Germany that a substantial proportion thereof must have been looted gold. In addition, records found in Germany indicated fairly conclusively that a large part of the Belgian monetary gold which had been seized by the Germans after the occupation of France (it was held in Paris for safekeeping) was shipped to the Swiss National Bank. However, the Allied representatives did not know for certain how much of this gold was acquired for the account of Switzerland and how much for the account of others since the Swiss National Bank carried accounts for the German Reichsbank and for other countries. These facts could not be determined at that time without access to the records of the Swiss National Bank which the Swiss refused to make available. In these negotiations the allies adopted for the first time a principle which was applied in all subsequent negotiations, namely, that they would hold liable for the restitution of gold in each case the first purchaser of such gold from Germany.

while the Swiss refused to recognize any legal liability to restore looted gold and refused to open their records for a determination of the amounts acquired by them, the negotiations on this subject centered around the amount of the Belgian gold which the

Allies knew had been sent to Switzerland, and the Swiss finally agreed to make a voluntary contribution of approximately \$50 million in gold which was, roughly, between 40 and 50% of the amount of the Belgian gold which had been sent to Switzerland. One of the most difficult issues thereafter in the negotiations was the question of whether there should be included in the accord a so-called "open-end clause", since the Allied representatives were fearful lest subsequent discoveries should reveal that the Swiss acquired additional amounts of looted gold not known to them at the time, the amount of 250 million Swiss francs agreed upon could turn out to be an inadequate settlement. Accordingly, they attempted to have a clause inserted that in addition the Swiss would be obligated to make restitution of any other looted gold which the Allied Governments could subsequently prove had been acquired by Switzerland. In accordance with their basic position that they were under no legal obligation to make restitution of gold and that the various Allied declarations were without legal effect, the Swiss refused to agree to any "open-end clause". Representatives of the Treasury Department participating in the negotiations insisted that such a clause must be an absolute prerequisite to an accord with Switzerland on this subject and were in favor of terminating the negotiations on the subject rather than agree to acceptance of a fixed amount. On the other hand, the State Department eventually pressed

hard for acceptance of the fixed amount, their main thesis being that unless an agreement could be negotiated with the Swiss to provide for some restitution of looted gold it would be impossible to obtain agreement with any of the neutral countries on this subject and the whole program for the return of looted gold would collapse. It was finally agreed that the Swiss offer would be accepted and that they would be given, in return for their agreement to deliver this fixed amount of gold, a complete waiver of any and all further claims for the restitution of looted gold.

As the Allied representatives feared at the time of the negotiation of the Accord, it was subsequently discovered from an intensive examination of records of the German Reichsbank and the Prussian Mint and records supplied by the Dutch Government that, in addition to the Belgian gold the Swiss acquired from Germany substantial amounts of other looted gold, particularly Dutch gold. By the terms of the Accord, the Allied Governments are barred from making any claim for additional restitution of gold. In informal discussions between the Allied Governments and the Swiss, and the Dutch Government and the Swiss, the Swiss have indicated that regardless of any moral obligation which the Allied Governments felt they may have, they would not consider any further restitution of gold.

Almost from the very beginning difficulties arose in the implementation of the Swiss accord. The Swiss did deliver the amount of gold which they agreed to deliver under the Accord but on the German assets side of the program very little results have been obtained. The Swiss have delayed in the liquidation of German property. They had constantly raised technical problems in apparent attempts to make exceptions of various categories of German assets in Switzerland. The Swiss have raised many technical problems of construction of the Accord which have resulted in numerous laborious and fruitless negotiations. The only tangible results to date of the German assets part of the Swiss Accord has been an advance payment of 20,000,000 Swiss francs, approximately \$5,000,000, which the Swiss agreed to make to the International Refugee Organization as an advance on the 50% share to be paid to I.A.R.A. from the proceeds of the liquidation of German property. This was at a time when the I.A.R.A. was desperately in need of funds for the continuation of its work. The best estimate of the total amount of German assets in Switzerland which they obligated themselves to liquidate is between \$100 and \$200 million of which the I.A.R.A. was supposed to receive one-half. The Swiss have insisted upon interminable legal proceeding with respect to German property subject to liquidation. Another difficulty has resulted from the Swiss citizenship law under which certain descendants of Swiss citizens retain their

Swiss citizenship notwithstanding the fact that they have moved to Germany and have become German citizens. Thus, the Swiss have contended that the phrase "property of Germans in Germany" does not include those German citizens in Germany who are such descendants of Swiss citizens.

The two main difficulties arising in the implementation of the Swiss Accord, however, have been the exchange rate question and the inter-custodial question. The Swiss have taken the position that there must be agreement between the Allied Governments and themselves as to the exchange rate to be used in compensating German citizens before they will proceed with their program of liquidation. Numerous conferences and negotiations have been had on this subject but to date the parties have not been able to agree on the exchange rate. In terms of what the German economy can stand and in terms of the overall Allied financial policy for Germany, the proposals of the Swiss on this question have not been feasible. The Allied Governments have taken the position that it is up to them to determine what is a fair return of compensation to the Germans and that the Swiss have no interest in the matter. On the other hand, the Swiss have taken the position that they have an interest under the Accord in seeing that the German owners are fairly compensated for their liquidated property and that until they know the rate of exchange for compensation, they will be unable to determine whether fair compensation actually will be made.

The second major problem relates to the inter-custodial issue. There are many cases where the United States Office of Alien Property applies controls to property in the United States which is ostensibly owned by Swiss interests, but which may actually be owned in some degree by German interests. The Swiss contend that the United States should relax control of such property once the Swiss have either liquidated the German interest in Switzerland or determined that no German interest is involved. The United States, British, and French representatives supported by a resolution of I.A.R.A. have refused to accept the extra-territorial effect of such an interpretation of the Accord. The Allies have insisted that the Swiss Accord by its terms refers only to German property in Switzerland. As of the present date some progress has been made in working toward a compromise of the inter-custodial problem. There have been many other technical problems raised by the Swiss which have interfered with and, in fact, prevented the implementation of the Accord with respect to German assets. The attitude of the Swiss in creating these difficulties at every turn has raised serious doubts in the minds of the Allied representatives as to the good faith of the Swiss.

III.

Negotiation of the Swedish Accord.

Safshaven

Shortly after the Swiss Accord, negotiations were commenced in Washington, with representatives of Sweden on the subjects of German assets in Sweden and looted gold. These negotiations resulted in an agreement signed on July 18, 1946. Although the negotiations were difficult, the attitude of the Swedish representatives was considerably more sympathetic to the views of the Allied representatives, and the result was an accord which was much fairer from the standpoint of moral principles.

In the first place, the Swedish Government agreed to continue its program until all German property interests in Sweden had been eliminated. It was agreed that the proceeds of the liquidation of the assets in Sweden would, after payment of certain Swedish claims against Germany and German citizens, leave a balance of 150 million kronor which Sweden agreed would be made available in a special account in the Swedish Riksbank to be used for financing such purchases in Sweden or in any other market, of essential commodities for the German economy as might be agreed upon by the Swedish Government and the Allies. It was also agreed that the German owners of the property liquidated would be compensated therefor.

Looted Gold

In regard to looted gold, the Swedish Government agreed, "in pursuance of its policy to restitute looted property, 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." It was agreed that any claims for looted gold not presented before July 1, 1947, could be considered to be barred. It was also agreed that, on the basis of evidence then available to the negotiating parties subject to further check, that the obligation of the Swedish Government was 7,155 kilograms of fine gold corresponding to the amount of Belgian gold which was acquired by the Swedish Riksbank. The Allied Governments agreed to hold the Swedish Government harmless from any claims deriving from looted gold acquired by Sweden for which this settlement had been made. The amount of gold for which Sweden agreed to make restitution was the equivalent, roughly, of 27,000,000 in gold.

As in the negotiations, so in the implementation of the accords, the Allied Governments encountered considerably more difficulty with Switzerland than with Sweden. It might be stated at this point that the Treasury Department has not participated actively in the program with respect to liquidation of German property in Sweden and Switzerland since the time of the negotiation of the accords. Since the signing of the Swedish Accord the liquidation of German property in Sweden has proceeded and no serious problems on this subject have arisen. The Swedish Government did delay a long time before making delivery of the 7,155 kilograms of fine gold which it had agreed to deliver. The delay, however, does not appear to have been based upon any desire to refuse its obligation, but rather on the necessity of checking records to determine the exact amount of the Belgian gold for which Sweden

was responsible. Also, just prior to the terminal date of July 1, 1947, on the basis of information derived from an intensive study of the records of the Reichsbank and the Prussian Mint in Germany, the Allied Governments filed two additional claims against Sweden for the restitution of gold totaling approximately \$10,000,000, which more than doubled the obligation of the Swedish Government under the Accord. These additional claims represented primarily claims for the restitution of gold looted by the Germans from the Dutch, remelted by the Prussian Mint and subsequently sold to Sweden. It has been very apparent that the receipt of these additional claims was a considerable shock to the Swedish Government which, it seems, had been under the belief that its total obligation amounted approximately to \$7,000,000 in gold. Sweden has not as yet delivered gold equivalent to these additional claims of the Allied Governments. A difference of opinion has arisen in regard to that part of the gold in these additional claims which represents gold acquired by Sweden prior to January 5, 1943, the date of the first Allied declaration on forced transfers of property. The Swedish position is that it was implicit in the Agreement and the negotiation which lead up to it that Sweden would not be responsible for any looted gold acquired by it prior to the time the Allied Governments declared themselves publicly on the subject. On the other hand, the language of the Accord appears to be clear in that Sweden obligated itself to effect restitution to the Allies "of all gold acquired by Sweden and proved to have been taken by the Germans from occupied countries". While it is not known how this controversy will be resolved, it is possible that some compromise will be agreed upon.

IV.

Portugal.

Safehaven

After the cessation of hostilities in Europe on May 7, 1945, the United States sent a note to Portugal setting forth the Safehaven objectives. As a result, Portugal issued a decree blocking all German assets on Portuguese territory and providing for a census of these assets. The three Allied Governments first expressed to Portugal through the usual diplomatic channels their desire to negotiate an agreement. The Portuguese Government agreed to participate in such discussions and a meeting convened in Lisbon on September 3, 1946, between representatives of the United States, France, the United Kingdom and Portugal. A Treasury representative was a member of the American delegation. On September 9, 1946, the three Allied Governments representing the eighteen nations signatory to the Paris Reparations Act, submitted the first draft of an Accord to the Portuguese Government dealing with the liquidation of German assets on Portuguese territory and the disposition of the proceeds resulting from the liquidation. On February 21, 1947 a final draft of the Safehaven Accord was agreed upon by all four powers. This accord plus eight ancillary letters was to come into force after satisfactory negotiations had been concluded among the four governments regarding the restitution by Portugal of looted gold acquired by Portugal from Germany during the war.

Under the Accord, all assets of the German State existing on Portuguese territory on the effective date of the Accord were to be delivered to the three Allied Governments. Assets on Portuguese territory, at the effective date of the Accord of German war leaders, their associates or collaborators and organizations with main headquarters in Germany having propaganda aims contrary to international peace and security were to be liquidated. Certain assets on Portuguese territory, at the effective date of the Accord, of other individuals of German nationality who resided in Germany at any time between September 1, 1939 and June 30, 1947 were also to be liquidated. These were assets transferred to or acquired in Portuguese territory after the promulgation of Germany's foreign exchange control laws in 1933. Exempted from liquidation were assets of certain political and racial refugees.

The proceeds of the liquidation of these German assets were to be allocated as follows:

1. The sum of 100 million escudos for assistance to non-repatriable victims of German aggression.
2. A sum of 50 million escudos to the Portuguese Government as first installment on account of public and private credits of Portuguese nationals in Germany. The total amount of these credits was agreed to be between 110 and 160 million escudos.

3. The remainder in equal sums to the Allied Governments and to the Portuguese government except that the amount to the Portuguese government was not to exceed the total amount of the credits as agreed upon above. The amount to the credit of the Allied Governments was to be used by them in accordance with Portuguese exchange regulations and in such a manner as not to damage Portugal's exchange position with foreign countries.

The disposition of the assets was to be carried out by a three-man liquidating Commission, one member appointed by the Allied Governments, one by the Portuguese government, and the third member selected jointly by the other two. Property was to be liquidated so as to eliminate all German interests and no property could be acquired directly or indirectly by or on behalf of German nationals. It was to be the responsibility of the Allied Governments or the first legitimate government set up in Germany to provide indemnity in Germany to owners of assets liquidated under the Accord.

Because of the delay in reaching any agreement on looted gold, implementation of the safehaven accord was continuously delayed and the value of the assets continued to diminish. After an exchange of notes the Portuguese Government agreed in March 1949 to proceed with the liquidation of German assets in accordance with the procedure prescribed in the Accord. The proceeds of the liquidations, it was agreed would be deposited in a blocked account, the utilization of which will continue to be dependent upon a final solution to the looted gold.

Looted Gold

The Treasury Department continued its interest and activities with respect to recovering gold looted by the Germans and participated in negotiations with the Republic of Portugal by sending representatives from this Department to conferences at Lisbon. The preparation of detailed background data was also continued in Washington.

The Portuguese Government from the outset of the negotiations in September 1946 showed no willingness to reach any reasonable settlement for the restitution of looted gold. At each stage of the protracted negotiations and exchanges of notes, memoranda, aide memoires, etc., the Portuguese indicated that it was not their responsibility to return gold which had been acquired from Germany and for which the Portuguese had given up tangible assets. It was even difficult at the outset to get the Portuguese to agree to a review of the gold acquired so that identification of their acquisitions could be made. Moreover, once the Allied Governments established bar-by-bar, beyond reasonable doubt that Portugal acquired at least 38.45 tons fine weight of gold looted by Germany, Portugal refused to accept any responsibility for restitution. This 38 tons was established as a minimum and where precise proof was not available a deduction was made from Portugal's total acquisitions from Germany of 46.76 fine weight tons.

On November 14, 1947, at a second series of meetings in Lisbon the U. S. Delegation presented the factual evidence on gold acquired by Portugal. The details of tracing the gold from its original looting by the Germans,

including various remelting operations of the Prussian Mint to the final acquisitions by Portugal, was done in Washington through records obtained from numerous sources, including the German Reichsbank records. The identity of the bars acquired by the Bank of Portugal had been made in the report of the "Subcommittee for Gold" dated March 10, 1947.

The Portuguese Delegates relied on two basic approaches. The first, that they did not acknowledge that the Bank of Portugal acquired looted gold and second, even if they were willing to set aside that question in view of the evidence presented, they would continue to claim "purchase in good faith". Numerous tangent legal and political arguments were presented by the Portuguese and in both the conference, which took place at the end of 1947, and a further exchange of notes in May of 1948, the negotiations were brought no further toward settlement. The Treasury Department, while very anxious to reach a satisfactory settlement with Portugal and to remove the application of the U. S. gold declaration accepted the lead of the Department of State in not pressing to the fullest extent possible for agreement. At one stage of the negotiations, the Portuguese offered to reconstitute what actually was a token amount of gold provided that she, Portugal, would be compensated for the full amount of the reconstituted gold. The compensation proposed by the Portuguese was for them to receive sufficient additional proceeds, from the liquidation of German assets in Portugal, to cover gold restitutions. The Allied Governments did not believe that the Portuguese Government approached any acceptable terms.

The last exchange with the Portuguese was a note delivered in 1950 by the British Ambassador proposing that the problem be submitted to the International Court or some other international body for arbitration.

(Note: The following paragraph is definitely CONFIDENTIAL)

A summary report of negotiations with the Portuguese was prepared for submission to the gold claimant nations but the State Department apparently is not considering that such a report should be made and, therefore, the problem remains unsettled. In October of 1951 the State Department proposed that efforts be made to reach a settlement on looted gold with Portugal based on the Portuguese offer previously rejected. In view of the considerations presented by the State Department the Treasury stated that it would not oppose such a settlement with Portugal provided, of course, agreement was reached with the other Allied Governments and that under no circumstances would any agreement result in a liability on the part of the Tripartite powers or their nationals. The State Department is currently engaged in consultations with the British and French Governments in order to determine whether a further approach may now be made to Portugal.

v.

Spanish Accord.

Safahaven

On May 10, 1945, a few days after settlement had been made with Spain with regard to the restitution of looted gold, an Allied-Spanish Accord on German external assets was signed. This represented the culmination of a series of conferences and exchanges of notes started in 1944 between representatives of the three Allied Governments and Spain. Appended to the Accord were executive and financial protocols and several letters and notes.

The agreement dealt with the liquidation and disposition of the proceeds of German assets situated in Spain, her protectorates or possessions on May 5, 1945. Assets to be liquidated belonged to persons of German nationality not residing in Spain on May 5, 1945 and to organizations in Spain to the extent to which the organizations were owned by such persons.

The executive protocol provided that the liquidation be carried out by a Spanish Administration but representatives in Spain of the Allied Control Council for Germany would have the right to intervene in any decisions. The Accord stated that owners of confiscated property were to be paid the equivalent amounts in Germany and the Allied Control Council was responsible for carrying out this provision.

The proceeds of the sale of the German assets were to be deposited in pesetas in the Spanish Foreign Exchange Institute to the credit of the Allied Governments except for the following amounts which were to be paid to the Spanish Government: 20 percent of the first 100 million pesetas realized from the sale of expropriated property; 22-1/2 percent of the yields realized between 100 and 200 millions; 25 percent of that between 200 and 300; 27-1/2 percent of that between 300 and 400, and 30 percent of any amount exceeding 400 million pesetas.

Under the financial protocol, the amounts in the account of the Allied Governments were to be distributed among the 18 nations which signed the Paris Reparations Act according to specific proportions. The United States, France and the United Kingdom were allotted 28 percent, 16 percent and 28 percent, respectively. The amounts could not be transferred abroad without the consent of the Spanish Government. However, the Spanish Government stated it would authorize such transfers "within the limits and possibilities of the Spanish economy".

It was originally estimated that the total value of assets which were to be liquidated would amount to approximately 650 million pesetas of which 525 million would be shared by the Allied Governments. Latest estimates are that the liquidation will yield only about 400 million pesetas to the Allied Governments.

Looted Gold

After preliminary discussions in Madrid in November 1946, the procedure to be followed in establishing the amount and restitution of looted gold in Spain was agreed upon by British, French and U. S. representatives in the Spring of 1947. The Spanish Government was unwilling to cooperate because they felt they had a counter-claim with regard to gold taken from Spain during her Civil War and, in addition, they had turned over some Spanish vessels to the Allies which they considered as payment for any looted gold that might have been acquired by Spain. However, in December 1947, the Spanish Foreign Exchange Institute was persuaded to turn over its records of gold acquisitions to the American Delegation investigating the restitution of looted gold. The Institute was the only Spanish Governmental agency authorized to effect gold transactions.

Two discrepancies were apparent in the records. First, Spain's published gold reserves at the end of 1941 and the end of 1945 could not be reconciled with the amount of gold acquisitions during this period. This was later accounted for by the Institute which explained that additional gold had been acquired by the Spanish Government through local subscription and from the Institute itself. Secondly, there was known to have been a shipment of gold valued at about 17.5 million Swiss francs from Germany to Spain in 1944 but this did not appear in the records. It was later established that this shipment had probably been minted into coins. Because of the difficulty of identifying the gold in this form, the Allied Delegation was forced to drop the matter.

The report of the American Delegation in January 1948 stated that of the gold acquired by the Spanish Foreign Exchange Institute between March 19, 1942 and June 20, 1945, 26.8 tons (fine weight) was of known looted origin. The looted gold had been obtained from the Banque Nationale Suisse, the Banco de Portugal and the Banco Aleman Trans-Atlantico. The amount of looted gold from the latter bank was 101.6 kilograms (fine weight) with a value of \$100,000. Only this gold was expected to be restituted because Spain was the original purchaser. The 101.6 kilograms of gold received from the Banco Aleman Trans-Atlantico were readily identified as of Dutch origin because the gold was in the original form of eight bars and markings had not been changed since it was forcibly removed from Holland.

By an exchange of notes completed on May 4, 1948, the Spanish agreed to retribute the identified Dutch bars and the international movement of Spanish gold was freed from the restrictions of the Gold Declaration. The Spanish Government also agreed to retribute additional identifiable monetary gold should such be found and claimed prior to April 30, 1949. The Spanish Government insisted that all publicity about the agreement should make it clear that Spain had not been aware of the looted origin of the gold at the time of acquisition or subsequently. The Dutch gold bars were physically transferred to the account of the governments of the United States, France, and the United Kingdom at the Bank of England for addition to the gold pool.

VI.

Turkey.

Safehaven

On December 30, 1947, the Turkish Foreign Office, maintaining that it would adhere to the London Declaration, the Gold Declaration and Bretton Woods Resolution No. 6 agreed to place at the disposition of France, Britain, and the United States, the balance of sums realized from German external assets after satisfaction of all claims of the Turkish Government and nationals.

A U. S. proposal was presented to the British and French Embassies in Washington, in March 1948, recommending acceptance of the December 30, 1947 Turkish proposal, but only in regard to German assets other than looted gold. It was suggested that the offer of acceptance be withheld until the time most propitious for effecting a settlement.

In November 1949, a bill was presented to the Turkish Grand National Assembly to establish the legal basis for agreement on German assets and the restoration of looted gold.

It is apparent that throughout the negotiations with Turkey, restitution of looted gold and German external assets is being held up by two basic Turkish attitudes. In regard to gold, Turkey felt that looted property acquired by them in good faith should not be returned. With regard to the German external assets, Turkey desired to satisfy Turkish claims against Germany before releasing any balance. However, it should be noted that because Turkey entered the war against Germany the treatment of Turkey is different in regard to Safehaven than that provided for countries which remained neutral.

Looted Gold

It has been established that 249 bars (\$3.4 million) of Banque Nationale de Belgique gold which were looted by Germany, were, according to Reichsbank and Prussian Mint records, smelted in Germany in March 1943 and sold by the German Reichsbank to the Turkish Central Bank.

The three Allied Governments requested Turkey to return this gold and in July 1947 the Turkish Government indicated a willingness to agree to a looted gold settlement as follows:

- (1) Restitute 3,047.32 kilos fine gold (\$3.4 million).
- (2) Allow six months from time of agreement for presentation of any additional claims.
- (3) Agree to adherence to the Gold Declaration.
- (4) Adhere to Bretton Woods, Resolution VI.

On August 26, 1947, the Allied Governments were seeking to recover the \$3.4 million Belgian gold acquired by the Turkish Central Bank plus \$4 million in gold deposited by the German Ambassador with the Swiss Legation at the time of Germany's surrender and transferred by the latter to the Turkish Government.

No agreement has yet been reached with Turkey in spite of previous understandings and a general agreement which was made at the time of the consideration of Turkey's entrance to the International Bank and Monetary Fund.

The Turkish Government was specifically advised in an October 1947 meeting in Washington that in view of the U. S. Gold Declaration, we would not purchase gold from Turkey after the 277 million held on earmark in the United States was sold.

On February 12, 1951 the State Department participated in a decision that the three Allied Governments should offer to settle the gold claim with Turkey for \$1.0 million in gold. If needed as an inducement to settle, a waiver on claims to German external assets could be made.

The \$1 million gold settlement offer was made to Turkey and no settlement has yet been made.

VII.

Bank for International Settlements.

In May 1948 representatives of the Governments of the United Kingdom, France and the United States met in Washington with representatives of the Bank for International Settlements to discuss gold transferred by Germany to the B.I.S. During those discussions representatives of the Bank agreed to pay to the gold pool all gold which it was established had been looted by Germany and acquired by the Bank. In an exchange of letters dated May 13, 1948 the Bank agreed to deliver 3,740 kilograms of fine gold, valued at about \$1,200,000, in full settlement of all looted gold it had acquired.

VIII.

Argentina.

In the fall of 1947, when it became imminent that the United States would be asked to purchase gold from Argentina, which had not been on earmark at the Federal Reserve Bank of New York, the Treasury took steps to make the appropriate determinations under the U. S. Gold Declaration of February 22, 1944. After a series of meetings with the Department of State and an exchange of cables with our Embassy in Buenos Aires, we received sufficient information from the President of Banco Central, in a certified letter of October 11, 1947, to apparently establish that Argentina acquired no gold which had been looted by Germany.

IX.

Activities of the Gold Commission.

Since it was constituted, the tripartite Gold Commission for the Restitution of Monetary Gold has been sitting in Brussels, Belgium, (the seat also of I.A.R.A.) and taking the necessary steps to receive gold into the gold pool, and to determine the actual amounts of monetary gold lost by each occupied country through looting. The Commission has also been responsible for the distribution to each country of its proportionate share of the assets of the gold pool. The proof of its loss of monetary gold was an immense job for each of the occupied countries. In many cases important records were lost in these countries during the German occupation. In addition, some of the countries in question filed

claims for gold which had been privately held and for gold taken up in various fashions by German authorities, some of which passed through official Government institutions or banks and some of which did not. The Commission has had to give long and careful consideration to all of these claims and to the determination of the overall and percentage amount of each country's claim. The Treasury has participated at various stages in compiling and reviewing data on looted gold in connection with various aspects of the gold recovery program. Included in the gold pool was the gold found by Germany by the Allied military authority and gold delivered by third countries with which agreements were negotiated, namely, Switzerland, Sweden, Spain, and the U.S. The total amount of gold received into the gold pool to date is equivalent to \$351* million of which a total equivalent to \$267* million has been distributed among seven claimant nations. Three additional countries have lodged claims with the Tripartite Gold Commission.

In the latter part of 1949 a number of somewhat technical problems had arisen on which the Tripartite Gold Commission was unable to reach agreement and the situation threatened to delay indefinitely the conclusion of the work of the Gold Commission. Accordingly, a special Tripartite conference was held in Brussels from January 5 to January 10, 1950. The three governments represented on the Gold Commission sent representatives and a member of the Treasury Department was an advisor on the U. S. delegation which contained two members of the State Department. The problems to be considered were difficult and technical in nature. Most of these technical difficulties were disposed of as the result of the recommendations of the conference. However, one of the most

difficult problems was not settled at the conference although it has subsequently been disposed of by negotiation. This involved the claim of the Bank of Albania, which was the bank of issue of Albania, located in Italy, but founded with Italian capital. Representatives of both Italy and Albania claimed that they should receive restitution of gold. In addition, at the time this question arose, the British Government had just obtained a judgment in the International Court of Justice for damages arising out of the Corfu incident having to do with Albanian damage to a British destroyer and loss of British lives. The Albanian government refused to pay this judgment and the British representative at the Conference in Brussels persuaded France and the United States to enter into an agreement whereby an arbitrator would decide between the competitive claims of Albania and Italy; and if gold should thereby be allocated to Albania provisions were established for an international court procedure for determining whether that gold should go to the United Kingdom or Albania. It is possible also for Italy to participate before any international court hearing and to lodge its claims for the gold. The conference in Brussels agreed upon a program for the winding up of the affairs of the Tripartite Commission

and the final liquidation of the gold pool. A form of final receipt and waiver was devised to be signed by each of the countries receiving gold out of the gold pool at the time of the last distribution, in order to hold harmless the U. S., the U. K. and France from liability for any of their operations in connection with the collection and distribution of looted gold. At the time of the writing of this report the Gold Commission is about to be terminated. It will undoubtedly be necessary in order to dispose of some few operations to maintain a small Secretariat for a few years. However, the Gold Commission has just about completed all of its judicial functions in connection with the consideration and allowance of claims.

cc: Messrs. Hubbard, Jarman, Callander