Annex II

Summary of the May 1997 Preliminary 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. policy-makers.

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 re-exported 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 to the Inter-Allied Reparations Agency (IARA) for reconstruction 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.

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-Hauptsturmfuehrer 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 original claims. Approximately six metric tons worth about $70 million in today's gold values remains under Commission control in the Federal Reserve Bank of New York and the Bank of England.

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.