

**U.S. and Allied Wartime and Postwar Relations
and Negotiations With Argentina, Portugal,
Spain, Sweden, and Turkey on
Looted Gold and German External Assets
and U.S. Concerns About the Fate of the
Wartime Ustasha Treasury**

**Supplement to
Preliminary Study on U.S. and Allied Efforts
To Recover and Restore Gold and Other Assets
Stolen or Hidden by Germany During World War II**

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With the Participation of

Central Intelligence Agency	Department of State
Department of Commerce	Department of the Treasury
Department of Defense	Federal Reserve System
Department of Justice	National Archives and Records Administration
U.S. Holocaust Memorial Museum	

June 1998

Foreword

This supplementary report, like our preliminary study completed in May 1997, reflects a solemn commitment by the United States to confront the largely hidden history of Holocaust-related assets after five decades of neglect. We have pursued this goal on twin tracks: first, we have made accessible a massive body of documents and conducted research to fill in the historical record on the role of the U.S. Government and other governments during and after World War II; second, in consultation with governments and non-governmental organizations (NGOs) on both sides of the Atlantic, we have pushed ahead with a series of diplomatic initiatives to ensure that the completion of this historical record is coupled with an attempt to do justice, however belatedly, in order to honor the memory of the victims and to lift the lives of the survivors of the Holocaust.

The United States is undertaking this multi-faceted effort to help complete the unfinished business of the Second World War under the leadership of President Clinton. His decision to commit the authority and dedicate the resources of the U.S. Government to this effort rests on understandings shared by Americans of all backgrounds and faiths. One is the enduring importance and poignancy that these events still have to our nation and the world, even after half a century. The other is a willingness to examine critically our own record, even in light of the overwhelming contribution America made to winning World War II, while we ask other nations to do the same.

It is in this spirit that we launched our interagency historical research effort in September 1996. Pioneering work was already being done on these issues by organizations such as the World Jewish Congress. We also gained encouragement from the bipartisan interest demonstrated by leading members of the U.S. Congress. Together, these organizations and individuals set the pace for advancing our twin commitments to history and justice.

We recognized that the U.S. Government had in its possession a tremendous amount of information bearing on looted assets, including the emotionally-charged but little understood issue of "Nazi Gold." On the basis of more than 15 million pages of documents, nearly one million of which were newly declassified, we resolved to piece together for the first time the story of Nazi Gold and looted assets from the perspective of the U.S. Government. We did so by establishing the facts about the policies pursued and the actions taken by the United States and our Allies in two broad contexts: our significant efforts, together with Great Britain, to deny Nazi Germany the economic capacity to wage war; and our postwar attempts to recover the gold looted by the Nazis from both the central banks of occupied countries and individual victims, and to liquidate other German assets in the neutral countries of Europe.

Our preliminary study was prepared by the dedicated chief Historian of the State Department, Dr. William Slany, in cooperation with ten other agencies of the U.S. Government and released in May 1997. We concluded then that:

- The German Reichsbank, as a deliberate policy and major means of financing the War, knowingly incorporated into its gold reserves looted monetary gold from the central banks of countries occupied by the Nazis;
- Vast amounts of looted gold left the Reichsbank and passed primarily through Switzerland and the Swiss National Bank, and to a lesser extent through other wartime neutral countries, where it was converted into hard currency to finance the German war effort;
- Some victim gold -- confiscated or extracted brutally from victims of Nazi persecution, including those sent to concentration camps -- was knowingly incorporated by the Reichsbank into its reserves and sold by the Reichsbank abroad during the War. Some of the victim gold remaining in the Reichsbank's reserves at the end of the War, along with other victim gold, was transferred by the United States into the Tripartite Gold Commission's "gold

pool" (established by the United States, Britain, and France in 1946) and returned along with monetary gold to formerly occupied countries;

- After the War, a combination of recalcitrance and indifference on the part of the neutral nations and conflicting priorities on the part of the Allies -- particularly the need to rebuild a war-torn Europe and assemble a Western coalition against Soviet aggression with the onset of the Cold War -- led to an insufficient recovery of looted gold and other assets. These factors diminished the amount of such assets available for reconstruction and for the benefit of stateless refugees and other surviving victims of the War and Holocaust.

Our most significant findings were the overall movement of looted gold flowing to and through Switzerland from Germany; that the Swiss National Bank must have known that some portion of the gold it was receiving from the Reichsbank was looted from occupied countries; and that the gold received by the Swiss National Bank from the Reichsbank included some stolen from Holocaust victims, although there is no evidence that the Swiss National Bank knew this fact. These findings were confirmed by the bold and probing gold report that Switzerland's Bergier Commission presented initially at the London Nazi Gold Conference in December 1997 and now by its more conclusive report released on May 25, 1998. That report established even higher figures for gold looted from central banks and individual victims. Our report estimated gold moving to or through Switzerland in a range between \$185-\$289 million (\$1.3-\$2.4 billion in today's values); the Bergier Commission's final report puts the total amount of gold transferred to or through Switzerland at around \$444 million (almost \$4 billion in today's values). The Bergier Commission also estimated that about \$82 million of the total Reichsbank gold holdings during the War (or about \$700 million in today's values) was taken from individuals, including \$2.9 million (\$25 million today) from Nazi victims.

Scope of This Study

Although Switzerland figured prominently in our preliminary study because the focus was on gold looted by the Nazis and the use of that gold in financing Germany's wartime trade, brief sections on Argentina, Portugal, Spain, Sweden, and Turkey were included as well. Further research has allowed us to provide a more detailed analysis of the economic roles played by these wartime neutrals and the factors that shaped those roles. We have focused on these countries' trading links with both the Axis and the Allies, as well as on their handling of looted assets -- especially gold. We particularly wanted to make greater use of newly-declassified U.S. records in order to reconstruct with sharper clarity U.S. wartime policy toward and postwar negotiations with these countries. It is our hope that this supplementary study embodying the further work done by Dr. Slany and his team accomplishes these core objectives.

Now we have a clearer view of the full picture. This supplementary report supports and builds on the conclusions reached in the preliminary report. When considered together, the two studies provide a comprehensive view from the U.S. perspective of the part the neutrals played in the systematic financing and acquisition of materials vital to the German war effort. The looted gold received mostly by Switzerland was either exchanged for currency or used directly to finance Germany's purchases of essential materials for its war machine: wolfram from Portugal and Spain; ball-bearings and iron ore from Sweden; and chromite ore from Turkey. Each of these countries, in its own way, played an important part in the structure of the German war economy.

The two studies considered together also provide a more nuanced view than our initial study alone of the variety of forms neutrality took during World War II. Different countries contributed to the German war effort in different ways at different times; these different roles reflected both their distinctive history, geography, previous relationships with the wartime belligerents and, in the case of Sweden and Switzerland, long-standing traditions of neutrality. In particular, this new study conveys a sharper sense of how the severe pressures and counter-

pressures faced by the European countries referred to loosely as "neutrals" throughout this report* led each to make choices in ways that dispel any monolithic view of neutrality during the Second World War.

There are two chapters which do not fit easily within the scope of the report. One is the Argentina chapter. Argentina conducted far more trade with the Allies than with the Axis; moreover, it was never determined that Argentina received any Nazi gold and its status as an Ally in the closing months of the War gave it the same rights as the other American Republics to dispose of German assets within its borders. Nonetheless, Argentina is included in the report because of the fascist leanings of some of its wartime leaders, its role as the center in the Western Hemisphere for Germany's espionage, propaganda, and smuggling activities, and because of long-standing suspicions that Nazi-looted gold and other looted assets ended up there.

The other chapter whose inclusion in this report requires explanation is the short chapter addressing the fate of the Croatian Ustasha treasury, which also touches on the Vatican. The Ustasha puppet regime was not neutral and therefore different from the countries that are the main subjects of the report. We became aware that the U.S. Government possessed important documents bearing on Ustasha gold in particular, although much of this intelligence information is incomplete and has not been verified. Despite the limitations of our sources and the fact that even in light of our research, the postwar disposal of the wartime Croatian treasury remains obscure, the chapter nonetheless adds to the public record on the subject of monetary gold looted from Croatia as well as on victim gold. The chapter raises questions about aspects of the Vatican's record during and immediately after the War, to which answers may only exist in Vatican archives.

While our completion of a more comprehensive view of the role of the neutral nations in the Nazi war economy and our emphasis on the complexities of neutrality are the most significant dimensions of this study, some new findings on the issue of victim gold are the most dramatic. Since the release of our preliminary study last spring, new sources have come to light that provide additional information about the Melmer account at the Reichsbank, in which the SS deposited the gold and other valuables that it looted from individual citizens and from its victims at killing centers and concentration camps. These sources provide the most detailed data currently available for the value of the gold in the Melmer account and yield an estimate for the total value of this gold (\$4.6 million in wartime value, \$40.5 million in today's gold values) that is markedly higher than previous estimates. These sources also provide further details about the role played by German commercial banks and industrial smelters in the conversion of personal property looted from the victims of Nazi persecution. Our team studied these documents as well as the records of the Degussa company in Germany which, along with the Prussian Mint, resmelted looted monetary and victim gold into disguised gold bars. This new material is presented as a separate annex prepared by the U.S. Justice Department's Office of Special Investigations.

Our perspective in each chapter offers a panoramic but certainly not an omniscient view. While this supplementary report adds a wealth of new detail to the record of what U.S. policy-makers, negotiators, intelligence officers, and other American officials saw, thought, and did, we can only know fully about key actors in other countries through records at their own disposal and

*The long-standing legal understanding of "neutrality" underwent fundamental revision -- still evolving -- as a consequence of the momentous changes in international political and economic relationships in this century, particularly as a result of the experience of World War II. Neutral nations encountered great difficulty in maintaining their rights toward belligerent nations and allowed violations of traditional obligations of neutrality. During the War some neutral nations claimed a status of "non-belligerency" -- a new concept somewhere between belligerency and neutrality. For a brief analysis of the definitions of "neutrality" and "non-belligerency" during World War II, see the Note on Neutrality printed on page xxxiii below.

studies which they may do. With this important caveat in mind, it is our hope that our two U.S. Government interagency reports together contribute significantly to the completion of the historical record on these complex events.

Like our preliminary report, this one, also prepared by historians, is dispassionate in its analysis and unflinching in its determination to discern all the dimensions of the facts our sources reveal. Once again, we have sought neither to defend nor indict any nation today on the basis of its actions half a century ago. This is a commitment we have taken seriously given the nature of the relationships the United States has with each of the governments whose predecessors are the focus of the report. It is our hope that any perceptions that may arise from this report that we are singling out others for negative scrutiny is offset by the recognition that we have examined our own historical record with the same commitment to establish the truth and, where justified, acknowledge our own shortcomings.

Historical Conclusions

First, "neutrality" was not a monolithic concept during World War II; it took different forms in different countries for different reasons. The wartime neutrals often faced similar pressures and counter-pressures but reacted to them in varied ways, reflecting their specific wartime circumstances, the attitudes of their leaders, and the more enduring features of their own economies and geography.

Our analysis highlights the different forms that neutrality took during the War. The actions of the wartime neutrals were so varied as to make any composite model of "neutral" conduct difficult to construct; the circumstances that shaped their choices were sufficiently diverse as to make any single measure of conduct inadequate.

This study demonstrates that with the exception of Argentina, each of the wartime neutrals made a substantial contribution to the economic foundations of the Nazi war effort. Apart from that key similarity, the differences between them loom larger. There was no such thing as a uniform or absolute neutrality during World War II. The ideological leaning of Franco's regime in Spain was clear and unmistakable; Franco's dispatch of the Blue Division to join the Wehrmacht at the Russian front underscores this pro-Axis tilt. So, too, leading members of the Argentine military regimes were also openly sympathetic to the Axis. Sweden's permission for German troops to regularly transit its territory and to protect German shipping in the Baltic were hardly "neutral" acts; neither was Portugal's granting access to the British to bases in the Azores, even though it was a welcome and important contribution to the Allied war effort.

Although there were many differences, the European wartime neutrals shared a common challenge in the form of extraordinarily difficult pressures from Nazi Germany, along with other counter-pressures by the Allies, which together forced implacable choices on each country. To varying degrees, each faced the threat of German military action, putting at risk its sovereignty and the survival of its population: Switzerland and Sweden faced the greatest threats for the longest period; Spain, Portugal, and Turkey faced lesser but not insignificant threats. Each of the neutrals was on the one hand confronted by Hitler's determination to exploit its strategic vulnerabilities and economic resources in order to support his war effort, and on the other by concerted efforts on the part of the Allies through preclusive purchasing of key war supplies and, later, through ultimatums, to curtail exports to Germany. Each was then confronted by the problem of whether and when to curtail that trade with Germany, both in the face of Allied pressure and in light of perceptions of the remaining threat of German invasion late in the War. None of the wartime neutrals responded to these extraordinary pressures similarly, or even in ways that were internally consistent.

In part by reason of distance from the European theater of war, Argentina played a less significant role than any of the other wartime neutrals. Argentina could be described best as a neutral since it traded with both sides despite its military leaders' ideological sympathy with Nazi Germany. Unlike the other neutrals, Argentina could not claim either *force majeure* (superior

force) or economic necessity as justification for its neutrality, since it was under no threat from Germany and could expect no significant benefit from Germany. Alone among the nations of the Western Hemisphere, Argentina refused to line up with the United States against the Axis until 1944. A small minority of Argentines, including some of the leaders of the military governments that ruled the country after mid-1943, actually favored Germany during the War; for most Argentine supporters of neutrality, however, that policy was a symbol of Argentina's sovereignty and of its defiance of Washington's attempt to impose political hegemony in the Western Hemisphere. The fact that Argentina's governments did not restrict the activities of Axis agents permitted the country to become a center for Axis espionage and propaganda. While Argentina did not engage in any significant trade with the Axis, Buenos Aires served as one of the principal Western Hemisphere ports through which small (but to American officials, vital) quantities of important materials such as platinum were smuggled to Nazi Germany. Argentina conducted much more substantial trade during the War with the Allies, including critical exports of meat to Great Britain.

Franco's Spain began the War as an avowed non-belligerent, and only in October 1943 did it formally declare neutrality. Franco and his government openly sympathized with Hitler and Mussolini ideologically and out of gratitude for their support against the Republican forces during the Spanish Civil War. Franco permitted a full-fledged fighting force, the Blue Division, to join the Wehrmacht as the 250th Division in the German order of battle on the Eastern front against the Red Army. Early in the War Franco allowed German U-boats to resupply and refuel covertly at Cadiz and Vigo, but withdrew this permission in the face of fierce protests from the Allies. Spain, like Portugal, supplied Germany with wolfram, a crucial ingredient for the Nazi war effort, as well as food and other goods, and used the profits to make payments on the debt incurred during the recent Civil War. Spain's economy remained ravaged by the recent Civil War, however, and the wolfram trade did little to improve life for its people. Wolfram exports to Germany continued until the Allies were forced to use a combination of economic carrots and sticks to compel Franco to curtail it.

The wartime actions of Portugal and Turkey were more similar to each other than to any of the other neutrals, despite their geographic positions on opposite peripheries of the European continent. Both had long-standing ties to the Allies and conducted substantial trade with them, while also providing indispensable exports to the Axis.

Portugal had a centuries-old alliance with Britain, which influenced its conduct during the War, and thus could be described at one level as a pro-Allied neutral. And yet Portugal carefully maintained a balance in its trade between the Allies and the Axis, which worked to its great advantage as both sides paid inflated prices for wolfram. Portugal profited so much from the wolfram trade that it maintained its wolfram exports to Germany well into 1944 in the face of growing pressure from the Allies -- especially the British -- to curtail that trade, which was far more important to the German war effort than to that of the Allies.

Turkey's self-described "active neutrality" balanced its wartime economic relations with both the Allies and the Axis and provided clear and substantial profits for the Turkish economy. Turkey remained a non-belligerent from the fall of France in June 1940 until it declared war on Germany in February 1945 in the closing months of the War when the defeat of Nazi Germany was clear, and Turkey's entry was of little military consequence. Turkey continued to feel bound by the Tripartite Anglo-French-Turkish Alliance of 1939 even while concluding a June 1941 Turkish-German treaty of friendship. Even after the fall of France in June 1940, Turkey balanced these apparently contradictory commitments into 1944, together with substantial commercial ties to Germany (especially its exports of critically needed chrome ore), despite continuing Allied efforts to persuade it to join the War against Germany. During the War, Turkey was the only neutral nation to modernize its military with arms from both Germany and the Allies.

Sweden and Switzerland shared two key elements in common: one reflecting the military circumstances they faced in World War II; the other the distinctive and enduring character of

each country's tradition of neutrality. Sweden and Switzerland were encircled by German forces through most of the War; they were probably the two wartime neutrals whose territory was most clearly threatened by German invasion and whose national survival was most clearly at stake. This encirclement constrained their ability to trade freely in order to sustain their economies. They were also committed neutrals as matters of long-standing national security policy well predating the War (a stance that continues to this day), making neutrality a reflection of principle as well as circumstance for both countries.

Sweden was clearly among the most helpful of the neutral countries to the German war effort. Not only did it supply Germany with critical war supplies (iron ore and ball-bearings) and receive substantial amounts of looted gold, but it gave the Germans significant transit rights across its territory to reach Finland in order to fight against Soviet occupation forces, as well as to facilitate the occupation of Norway. German soldiers on rotation to and from the war front made about 250,000 trips across Swedish territory before permission was withdrawn, under heavy pressure from the Allies, in August 1943. Moreover, the Swedish Navy escorted German convoys in the Baltic. The Allies understood but did not fully accept the pressure on Sweden from the proximity of German forces. Once the tide of battle changed, Sweden was relatively more responsive to Allied pressure to curtail its trade with the Germans than most of the other neutrals.

Switzerland's tradition of neutrality dates back to the sixteenth century and was later recognized by the international community at the Congress of Vienna in 1815. Landlocked and surrounded by Axis forces, it had an even tighter noose around its neck than Sweden. Switzerland's military preparedness and doggedness in defending its territory and airspace had some effect on the German decision not to invade. Nevertheless, Switzerland's status as a neutral allowed it to help Germany finance its war effort by accepting looted Nazi gold for Swiss currency that Germany used to buy strategic materials from other nations. But for all the attention focused in our preliminary study on Switzerland's pivotal role in this regard, it is important to point out that Switzerland also conducted gold transactions during the War with the Allies that exceeded the value of those it conducted with Germany. It should also be noted that its export of some important war supplies to Germany such as ball-bearings and anti-aircraft guns were of far less strategic importance than the matériel supplied by Portugal, Spain, Sweden, and Turkey.

As we complete these observations on the different forms neutrality took during the War, it is important to make a distinction between governments and public opinion. There appears to have been a clear preponderance of sympathy for the Allied cause in several of these countries, and significant elements of sympathy in the others:

- In Argentina, despite the Axis leanings of some of its wartime military leaders, strong cultural and commercial ties with Great Britain anchored pro-Allied sentiments.
- Portugal's centuries-old ties with Britain were evident in widespread popular support for Britain and served as a check on whatever ideological sympathy the Salazar dictatorship had with the Axis cause.
- Spain, with its brutal civil war having ended just before the outbreak of World War II, was the country with perhaps the sharpest divisions between its government and significant segments of its people. While Franco and his supporters sympathized with the Axis, the defeated and suppressed Republicans were clearly pro-Allied in their sympathies, and the large population of Spanish Communists identified with the Soviet Union.
- The Swedish public was divided and in part ambivalent, although there was substantial sympathy for the Allies. There was also clear support for the Germans on the political right and among elements of the military, along with instances of "aryanization" of Swedish businesses and cultural institutions, which have received little attention until recently.
- The two overriding sentiments shaping Turkish public opinion were that Turkey had nothing to gain by entering the War and that it should enter only to protect its own

sovereignty. The Soviet Union, rather than Nazi Germany, was widely regarded as the greater threat to Turkish sovereignty and security.

- Finally, as noted in the Foreword to our first preliminary study, the Swiss people were overwhelmingly sympathetic to the Allies, even against the backdrop of Switzerland's strict neutrality.

This study focuses on the wartime records of governments, not peoples. That substantial segments of the publics in each of these countries may have lacked sympathy with their governments' wartime policies only adds to the extraordinary complexity of neutrality during the Second World War.

Second, different factors shaped the "neutrality" of Argentina, Portugal, Spain, Sweden, Switzerland, and Turkey, ranging from long-standing policies of avoiding entanglements in European wars to the fear of invasion and the desire to reap economic rewards. These interests, in turn, produced decisions and actions which were at various times both consistent and inconsistent with their claims of neutrality. These inconsistent actions were at times helpful to Nazi Germany and at other times helpful to the Allies. These decisions and actions were often based on their own strictly legal interpretations of what was permissible under existing international law, as distinct from moral considerations of what was right or wrong. All these seemingly inconsistent actions co-existed and contributed to the complex phenomenon of neutrality during World War II -- a war which was in many ways different from previous wars because of the unprecedented scope of the assault on human values and the horrors of the Holocaust.

The international community's standards of morality and proper conduct have evolved since the end of World War II. The searing experience of the War itself, the Holocaust which it wrought, the Nuremberg trials, and the adoption of the Universal Declaration of Human Rights together injected a new moral content into accepted international norms of conduct. In their attempts to dissuade the "neutrals" from continuing to trade with Nazi Germany, and in their postwar efforts to recover looted gold and liquidated German assets, the Allies were often frustrated by the neutrals' legalistic justifications for their actions. Indeed, international law did not always afford a basis for their demands on the neutrals, compelling the Allies to base their arguments on higher "moral" grounds.

There are a number of questions that should be addressed today by all the nations involved in World War II, including the wartime neutrals, questions which can help them come to terms with their role in the War. For example, at what point during World War II did it become evident that Nazi aggression was not just another in an endless series of European wars, but was qualitatively different in its brutal treatment of civilians and its threat to basic human values? At what point did the threat of a Nazi invasion recede sufficiently so that with little risk, trade with Germany in critical commodities could have been sharply curtailed or stopped? If neutrality was defended during the War as a way of self-defense, why was there so little cooperation with the Allies after the War in returning looted Nazi assets which had come into the possession of the wartime neutrals or in liquidating German assets for the benefit of stateless refugees and the reconstruction of war-torn Europe? These are difficult questions to which there are no easy or certain answers, with or without the benefit of hindsight.

The severe pressures under which the neutrals made their choices during the Second World War should remind us that even in this century's most stark armed confrontation with evil incarnate, there were no easy choices for countries to make. This is an important realization for Americans to keep in mind as we recall that for twenty-seven months, as Hitler overran one country after another in Europe, the United States remained formally neutral until the Japanese attack on Pearl Harbor -- although we provided substantial Lend-Lease assistance to Britain during its early, lonely stand against Nazi Germany and provided no assistance to Germany. Moreover, as we acknowledged in the Foreword to our preliminary report and as the display panels at the U.S. Holocaust Memorial Museum in Washington make so painfully clear,

America's response to the early stages of the slaughter of European Jews was largely one of indifference. Our record of turning back refugees early in the War reflects that sad fact. During World War II, the United States accepted only 21,000 refugees from Europe as our restrictive quotas were not significantly raised or even filled -- far less per capita than many of the European neutral countries and fewer in absolute terms than Switzerland.

The complex decisions taken by each wartime neutral country were shaped perhaps most fundamentally by its place on the map of war. In many real ways, neutrality allowed at least Sweden and Switzerland to avoid invasion and their peoples to survive. Alone among the neutrals, Switzerland was totally encircled by the Axis powers and the countries they occupied. This was virtually the case for Sweden, which bordered on two countries occupied by the Nazis (Norway and Denmark) and a third, Finland, which had joined the German campaign against the Soviet Union, while its Baltic and shorter North Sea coasts were essentially controlled by the German Navy until late in the War. This was not implausibly the case for Turkey with the potential threat posed to it by Germany and to a lesser extent by the Soviet Union.

The argument that national survival depended on neutrality is more difficult to apply to the two Iberian countries. Franco's pro-Nazi tilt diminished Hitler's need to invade Spain despite the strategic benefits he could have gained by extending Axis control to the Rock of Gibraltar and choking the British naval presence in the western Mediterranean. Portugal was further insulated from a German invasion, especially after Spain's declaration of formal neutrality in October 1943; its nearest border was about two hundred sixty miles west from occupied France across northern Spain. Argentina faced no such threat (despite the dramatic appearance and subsequent scuttling of the German pocket battleship *Graf Spee* in the Rio de la Plata in late 1939).

In maintaining substantial economic relationships with Nazi Germany, the neutral countries could point to the time-honored international concept that neutrals were free to trade with all combatants. They could also argue that their trade with the Germans helped to forestall an invasion that would have made their key industries and entire economies totally captive to the German war machine. Moreover, they could reasonably point out that the ability of the United States and Britain to engage in aggressive preclusive purchasing arrangements with them gave the Allies the chance to monitor, regulate, and in effect limit the volume of key war supplies exported to Germany while benefiting from extra supplies of these materials.

Their trade with the Allies was also helpful. Argentine meat exports helped to feed wartime Britain. Portuguese wolfram, as critical as it was to the German war machine, was exported in greater quantities to the Allies than to the Axis. But this balance of trade masked other facts.

The neutrals' key exports were not philanthropic contributions; they were commercial transactions which benefited the neutral countries tremendously. Moreover, the Allies conducted much of this trade with the neutrals not because they needed their commodities, which they could purchase elsewhere from other sources, but because they were willing to pay exorbitant prices to deny the Nazis their only source for critical items. In fact, the Germans did not need to invade these neutral countries when they could gain adequate supplies of critical materials without incurring the costs and risks of invasion. Any invasion of the neutrals would also have forced the Germans to fight the Allies on a broader front and risked the disruption of the neutrals' production.

Several of the wartime neutrals also aided the eventual victory of the Allies in ways that would not have been possible had they been overrun and occupied by the Germans, like the other countries of continental Europe. Two strategic contributions were particularly significant. One was Switzerland's willingness to let the OSS (the forerunner of the CIA) use Bern as its major listening post in continental Europe. The other was Portugal's willingness to let the Allies have access to the Azores air base, from which aircraft crossing the Atlantic could be refueled and wide swaths of ocean beyond the reach of other bases patrolled. The two "classic" neutrals made valuable diplomatic contributions to the Allied cause. Best known is Switzerland's role

throughout the War as the protecting power for Allied POWs. Less well known is Switzerland's role in bringing together the Allies and representatives of German forces in northern Italy, helping to speed the capitulation of those forces a few days before the general surrender in the spring of 1945. Both Switzerland and Sweden made available their diplomatic communications channels to spur Japan's final agreement to the surrender terms presented by the Allies, perhaps shortening the War in the Pacific and saving thousands of lives.

Consistent with this mixed pattern of actions was the refuge offered by the neutral nations to more than 250,000 Jews fleeing the Holocaust. Acts of humanity and even heroism rose above the harshness or insensitivity of wartime refugee policies and reflected well on their governments and peoples.

An estimated 100,000 refugees, mostly Jews, fled through or into the Iberian peninsula. Spain allowed 20,000 to 30,000 refugees to cross the French border from the fall of France until the summer of 1942, and another 7,500 refugees entered Spain by the end of 1944. Spain also gave protection to 4,000 Jews of Spanish descent living in occupied Europe. The Portuguese Government allowed Jewish organizations to relocate from occupied Europe to Lisbon during the War. Although Portugal sought in 1940 to halt the entry of refugees and the issuance of visas for them, acts of individual bravery allowed some to cross the frontier. A Portuguese diplomat in Bordeaux, Aristides de Sousa Mendes, disobeyed his government's orders and issued 10,000 visas before he was recalled and dismissed. During 1941 and 1942 the Portuguese Government allowed 5,000 refugees to pass through Portugal to the United States.

The same Swedish Government that could escort German convoys in the Baltic could also act heroically by providing refuge for about 7,000 Danish Jews who fled to the safety of Swedish shores. The Swedish Government's most important activities on behalf of European Jews occurred in Hungary in 1944 where Sweden's protection, spearheaded by the actions of Raoul Wallenberg (with funding from the U.S. War Refugee Board), was extended to 20,000 to 30,000 Jews who faced extermination in the last phase of the Holocaust.

Turkey, which had protected Jews since their expulsion from Spain in 1492 and had a centuries-old tradition of tolerance of its Jewish population, played a significant role in the rescue of Jewish victims of Nazism throughout Eastern Europe. More than 100,000 Jewish refugees are estimated to have passed through Turkey during the War. The Turkish Government sent trucks and ships to neighboring Balkan nations on rescue missions, and Istanbul served as a center of activity by Jewish representatives seeking to arrange for the flight of Jewish victims in Central and Southeastern Europe and to facilitate their onward passage to Palestine.

Argentina received a large number of Jewish refugees between 1933 and 1945. Many of these 25,000 to 45,000 refugees reached Argentina before and during the War, more than any other country in the Western Hemisphere (including the United States).

Switzerland's mixed record on refugees was addressed in the Foreword to the preliminary study. This record included the Swiss Government's request to the Germans to distinguish the passports of refugees or immigrants, leading to the introduction of the odious "J-Stamp," which helped officials turn back thousands of fleeing refugees. (The Swiss Government publicly apologized for this policy in 1995.) Yet it also included admission of over 50,000 Jewish refugees from 1933 until the end of the War, of whom some 30,000 remained and survived in Switzerland during the War. A Swiss vice consul in Budapest, Carl Lutz, acted on his own initiative to provide letters of protection that saved the lives of 62,000 Jews and other targets of Nazi persecution.

It was not just neutral countries that acted in seemingly contradictory or ambiguous ways. Such differences were apparent even within families. There is no better example than the Wallenbergs of Sweden, whose industrial and financial empire dealt with both the Allies and the Axis. The Wallenberg-controlled Enskilda Bank in particular served as a "cloaking" agent for German-owned businesses, including the American subsidiary of Bosch. Yet it was a member of

the same extended family, Raoul Wallenberg, who as a young Swedish diplomat performed one of the greatest (and, much later, most celebrated) acts of the entire War.

Third, this report makes clear that whatever their motivations, and however acceptable by the standards of the time for neutrals, the cumulative trade of the World War II European neutral countries helped to sustain the Nazi war effort by supplying key materials to Germany essential to their conduct of the War -- in many cases well past the point where, from the Allied perspective at the time, there was a genuine threat of German attack.

The long-standing commerce with Great Britain of Portugal, Spain, Sweden, Turkey, and Argentina grew during the War as did their trade with the United States. Until the last full year of the War these nations (other than Argentina) maintained significant trade with Nazi Germany as well. But for the Allies, the commerce of the European neutral countries with Germany posed considerable danger by supplying Hitler's war machine with key materials. Beginning in 1943, when the Allies believed that Germany's own supply of several critical commodities would have been exhausted, the Allies repeatedly warned the neutrals -- and at times threatened them -- to stop trading with Nazi Germany and told them explicitly that they were trafficking in looted gold and other looted assets.

Portugal and Spain together provided Germany with almost 100 percent of Germany's wartime supply of vitally-needed wolfram, the essential mineral in processing tungsten for steel alloys used in machine tools and armaments, especially armor-piercing shells. American and British efforts to curtail or prevent the flow of wolfram to Germany fostered a heated competition that generated great profits for Portugal and to a lesser extent Spain, whose earnings from its wartime trade with Germany eliminated its debt from the Civil War and provided a gold reserve that lasted until 1958. The strategic significance of wolfram was not lost on the Portuguese. Prime Minister Salazar acknowledged in early 1944 that denying wolfram to Germany "would reduce her power of endurance, and the war would be accordingly shortened." The United States and Great Britain predicted at the time that if Germany were deprived of wolfram, its machine-tool industry would virtually shut down within three months, severely diminishing Germany's capacity to continue the War.

Sweden provided Germany's wartime industry with a major portion -- in some war years up to 90-100 percent -- of its requisite iron ore (including a high proportion of the high-grade ore needed for the production of the specially hardened steel used in German weapons and armored vehicles) and ball-bearings. Early in the War, Allied experts thought that the German war machine could be stopped if supplies of Swedish iron ore, among other key commodities, could be cut off. The Allies also considered ball-bearings to be so important to the German aircraft industry that they carried out a particularly dangerous air campaign in 1943 to cripple Germany's own ball bearing industry -- the famous raids on Schweinfurt that were so terribly costly in Allied aircraft and crews. Only in the last year of the War did Allied diplomacy secure the gradual end of Swedish iron ore and ball-bearing exports to Germany.

Turkey conducted a robust commerce with both sides that raised its gold reserves from 27 tons to 216 by the end of 1945. The balance of Turkey's commerce with the two sides had its most strategically meaningful expression in its chromite ore exports, which the Allies attempted to thwart with an extravagant preclusive purchasing program. In 1943, for example, Turkey provided essentially 100 percent of German requirements. According to Hitler's Armaments Minister Albert Speer, the German war machine would have ground to a halt without chromite ore. Indeed, Speer wrote in his memoirs that he told Hitler in November 1943: "Should supplies from Turkey be cut off, the stockpile of chromium is sufficient for only 5-6 months. The manufacture of planes, tanks, motor vehicles, tank shells, U-boats, almost the entire gamut of artillery would have to cease from one to three months after this deadline, since by then the reserves in the distribution channels would be used up."

Because Allied diplomatic efforts did not succeed in persuading the neutral countries to reduce or halt the export of materials critical to the German war effort, the United States and Britain were forced to resort to extensive and expensive preclusive purchasing operations -- buying as much as possible of strategic commodities, especially wolfram and chromite ore, at inflationary prices on the open market. These operations to deny these materials to Germany vastly enriched the economies of several of the neutral countries. Ultimately the neutrals' trade with Germany ended only late in the War in part as a consequence of Allied embargoes.

Implicitly or explicitly, the neutrals resisted Allied economic diplomacy and expressed fear of German reprisal if their economic relations were curtailed. This invocation of *force majeure* by the neutrals could not be easily countered by the Allies in the early years of the War when their vulnerability was all too apparent. But the invincibility of the German war machine was belied during 1943 with a series of major defeats that foreshadowed the Allied victory. The Soviet victories at Stalingrad in February and Kursk in June 1943 marked the beginning of the end of the German offensive in Russia. The defeat of the German and Italian forces at El Alamein and the Allied landings in Morocco and Algeria in the closing months of 1942 led to the expulsion of the Axis from North Africa. In September 1943, Sicily had fallen and Allied soldiers landed in southern Italy; by the end of the year, the mounting strength of the Western Allies made it clear that a long-awaited invasion of Western Europe was imminent. The neutral nations recognized the turn of the tide and the receding danger of German attack or reprisal, and began, at Allied demand, to curtail trade and other measures that supported the German war effort. By late 1943, the Allies were less willing to accept neutral claims of the threat of *force majeure* as a reason to justify their continuing economic interaction with the Nazi regime.

Of the continental neutrals, Portugal had the least reason to fear a German invasion, particularly once it became clear that Franco's Spain would not join the Axis. It laid aside its fear of German reprisal in August 1943 when it agreed to allow Britain to use its strategic air field in the Azores Islands, although it continued to export to Germany until 1944.

Despite the potential strategic advantage to Germany of invading Spain or compelling it to join the Axis in order to control the Western Mediterranean, there was little German threat to Spain. Franco's pro-Axis tilt and fears that Germany might garrison Spain receded further in October 1943 when Franco withdrew the Blue Division from the Russian front and publicly announced Spain's turn toward a more genuine neutrality. Even so, its wolfram sales to Germany continued, prompting British Ambassador Hoare to hand Franco a diplomatic note in January 1944 warning that if Spain "persists in giving, intentionally or unintentionally, unneutral assistance to the enemy, long after it is possible for them to plead the excuse of *force majeure*... (the Allies) will not be able... to maintain their present policy toward Spain."

Turkey was alone among the neutrals in having reason to fear aggression from both sides in the conflict: more immediately from German troops stationed in the Balkans; less immediately but not inconceivably from the Soviet Union. It resisted pressure from the Germans to allow the transit of troops along its rails, but permitted some movement of war matériel. At the same time, it resisted British-led Allied pressure during the course of 1943 to become an active ally against Germany and did so only in the waning months of the War.

Sweden and Switzerland were surrounded by German forces for almost the entire War. Given the sometimes irrational nature of Nazi decision-making, some degree of German military threat lasted through much of the conflict. Nevertheless, Sweden felt sufficiently confident that the German threat was waning in September 1943 to promise the Allies that it would significantly curtail its trade with Germany in the course of 1944. The Allies sensed the same waning of a German military threat when in late 1943 they considered the merits of direct Swedish intervention in the War. The surge of Allied forces up to the French-Swiss frontier in the last months of 1944 could have assured Switzerland that its isolation and vulnerability was nearing an end, even as the concentration of retreating German forces near its northern border and the failed German offensive through the Ardennes in December 1944-January 1945 were reminders of the

remaining German military potential. Yet its gold trade continued with Germany until the last weeks of the War.

Fourth, Nazi Germany financed a substantial portion of its war effort by paying for its wartime imports from the neutral nations in gold, much of it looted from occupied Europe and some of it stolen from the millions of victims of the Holocaust. Most of this looted gold was sent to the Swiss National Bank, which converted it into Swiss francs or deposited it in the accounts of other central banks.

No trading country accepted Nazi Germany's Reichsmarks in payment for goods and services, forcing the Germans to buy Swiss francs, which, along with the dollar, was the only accepted medium of exchange on the continent. Germany therefore had to sell looted gold to finance its strategic purchases from the neutrals. In this trade, according to Allied estimates, more than \$300 million (\$2.6 billion in today's values) in Nazi gold reached Portugal, Spain, Sweden, and Turkey during the War. Three-quarters of this amount was transferred from Germany through the Swiss National Bank, the principal gold trading center on the continent. This flow of gold from Germany to the neutrals persisted through the War despite Allied warnings in January 1943 and February 1944 against accepting transfers of assets from Nazi Germany that had been looted from occupied countries. The Bretton Woods Resolution VI of August 1944 also warned the neutrals not to "dissipate" German assets and gold which came into their possession. The European neutral countries continued to accept looted gold from the Reichsbank even after 1942 when it became clear that the Reichsbank had long since exhausted its own prewar gold reserve and was using the reserves of the looted central banks of the countries overrun by Nazi forces.

The Allies estimated that Germany financed its imports from Spain and Portugal with as much as \$204 million in looted gold; more than \$20 million in gold financed German trade with Sweden. Turkey, for several years during the War, received German armaments in exchange for Turkish exports including the strategically critical chromite ore. Almost all of the gold that reached Turkey was traded through the free commercial market, not through the Turkish Government. Although the pro-Axis actions and sympathies of some of Argentina's leaders raised Allied suspicions that looted gold reached Argentina, no evidence has been found that European gold, looted or otherwise, was transferred there.

Evidence presented in this report and in the May 1997 preliminary report demonstrates that the property of Holocaust victims was incorporated into the Reichsbank's gold reserves and that some was included in the gold that Germany traded to the neutrals for foreign currency and strategic materials. Proof of one such shipment to the Swiss National Bank was presented in its final report. The Swiss Bergier Commission calculated the amount of victim gold delivered to the Reichsbank during the War at a minimum of \$2.9 million (about \$25 million today). Our calculations are that the amount of victim gold credited to the Melmer account was about \$4.6 million (about \$40.5 million today).

This supplemental study further reveals that victim gold from the Melmer account was also included in gold that the Dresdner Bank and the Deutsche Bank sold on the Turkish free market as part of a scheme to supply the Reichsbank with foreign currency, and to help Axis diplomats and agents finance their operations in Turkey. Some of the nearly \$1 million in victim gold from the Melmer account obtained by Dresdner Bank and Deutsche Bank likely was part of the gold sold by those banks on the Turkish free market.

Not all victim gold was funneled directly into financing the German war effort. Most of the gold and valuables of the Jewish as well as Serbian and Sinti-Romany victims of wartime Croatian Ustasha terror is still unaccounted for, but seems to have at least in part helped finance the escape of Croatian and other war criminals and fugitives from justice in Europe after the end of the War.

Fifth, the postwar negotiations that the United States, Britain, and France conducted with the wartime neutrals were protracted and failed to meet fully their original

goals: restitution of the looted gold and the liquidation of German external assets to fund the reconstruction of postwar occupied Europe and to provide relief for Jewish and other non-repatriable refugees. This resulted from the intransigence of the neutrals after the War, dissension within Allied ranks, and competing priorities stemming from the onset of the Cold War. Less than \$20 million (\$14.9 million from Sweden alone) of the up to \$240 million in looted gold acquired by the wartime neutrals, apart from Switzerland, was returned to the Tripartite Gold Commission to meet the claims from the central banks of 15 countries.

Switzerland returned \$58 million (around \$500 million in current values) of a U.S. estimate of \$289 million (or up to \$316 million as estimated by Switzerland's Bergier Commission). Only about 20 percent of \$474 million to nearly \$494 million in German assets estimated to have been in the neutral nations was turned over to the Inter-Allied Reparations Agency (IARA) for reconstruction and reparations. Switzerland turned over only \$28 million worth of German assets out of a pre-1946 Washington Accord estimate ranging from \$250 to \$750 million. During the negotiations in 1946 and those that followed, the Allies accepted the Swiss estimate of \$233 million of German assets in Switzerland. The Allies agreed to exclude assets of the German State and those of German emigrants, Nazi persecutees, and small savers. These exclusions reduced the amount of the total assets subject to liquidation to \$84 million. This meant that the amount to be turned over to the Allies totaled about \$42 million. By 1952, even with these exclusions, Switzerland turned over only \$28 million, which the Allies accepted as final payment.

Some of this result was due to the widespread postwar practice, on the part of Allied and neutral countries alike, of using German assets to settle debts between their own businesses and Germany. In addition, there was also a reluctance, notably in Switzerland, to expropriate the assets of private individuals for the settlement of unrelated debts of businesses and the German Government. The hard bargaining of the neutrals as well as the distractions and new priorities of the Allies in the postwar years resulted in the failure to gain for devastated nations and victimized peoples a fair share of Nazi Germany's stolen or hidden assets and gold.

The general lack of success of the postwar Allied negotiations with the neutral nations reflected as much the attitude of the neutrals as it did the rapidly changing international landscape.

Allied negotiations with Sweden were the most successful. They were completed quickly and cooperatively in July 1946 (soon after the Allied-Swiss Accord), resulting in the restitution of \$15 million of identifiable looted gold and the assignment of more than \$66 million in German assets in Sweden to agreed occupation and reconstruction costs. Nevertheless, the Swedes contested the legality of the Allied claim to German assets in Sweden and did not fully implement the agreement until 1955.

Spain, whose readiness to carry forward postwar negotiations with the Allies contrasted sharply with its recalcitrance during the War, was second to Sweden among the neutrals studied in this report in the amount of assets it turned over: more than \$32 million, although the final distribution was delayed until 1959. Spain opened its gold exchange records to the Allies, who agreed in 1948 that it need only return \$115,000 in gold of the \$138 million it was estimated to have acquired.

The protracted negotiations and exchanges with Portugal between 1946 and 1959 netted only about \$4.5 million in looted gold and about \$500,000 in assets.

The attempt at meaningful negotiations with Turkey failed as the Turks asserted their entry on the Allied side precluded any agreement to return gold or German assets. Despite strained relations between the United States and Argentina, the Argentine Enemy Property Board cooperated with the U.S. Safehaven investigators in identifying \$200 million in German assets, which Argentina subsequently liquidated.

The postwar Allied negotiations with the neutrals suffered from disagreements between the United States and its wartime Allies as well as differences within the U.S. Government on how to proceed. Such disagreements between the Allies had troubled the wartime economic warfare and Safehaven negotiations as well. Great Britain, for instance, was unwilling to jeopardize its own wartime imports by adopting the U.S. proposals for embargoes against Argentina and Portugal; it also took a more cautious approach on preclusive purchasing to thwart Portuguese and Turkish exports to Germany and was more reluctant to impose tough measures on Spain and Sweden through the Safehaven program. In the postwar negotiations, the British and French frequently opposed adopting the aggressive measures advocated by the United States to force the neutrals to turn over larger amounts of gold or external German assets.

Within the U.S. Government, the Treasury Department consistently took a tougher line than the State Department regarding economic warfare during the War, and afterward on the necessity of a firm postwar bargaining posture to recover and provide for the restitution assets. It is clear that after 1946 the negotiations with the neutrals no longer had the attention of the United States and its Allies and were overshadowed by the massive commitments to rebuild Europe (including the Allied occupation zones of Germany) and to forge a new security alliance in the face of an aggressive Soviet Union. Turkey was now on the front line of the new Cold War and became a cornerstone of the new U.S. policy of Soviet containment as that policy took shape in 1947. It was not in the Allies' interest to push the Turks hard on restitution. Similarly, the urgency of securing bases in Spain and Portugal and bringing these nations into the anti-Soviet alliance (even if Spain was not to join NATO until the post-Franco era) reduced postwar restitution efforts with these two nations in particular to diplomatic footnotes, with the Allies largely willing to accept dwindling neutral estimates and return of gold and German assets from them.

Allied representatives negotiating with Spain and Portugal between 1946 and 1948 adopted a critical reinterpretation of Bretton Woods Resolution VI, an Allied wartime determination to return looted gold to its owners, by which neutral nations need not return looted gold in their gold reserve that had passed through the hands of another nation (a notion that might have flabbergasted wartime Treasury Secretary Morgenthau, author of the February 1944 Allied Gold Declaration). This reinterpretation may have reflected the importance of Spain and Portugal to the emerging Cold War effort directed at the Soviet Union. Spain and Portugal were effectively relieved of their responsibility for giving back what might have been as much as \$150 million in looted gold, and Spain, with the full consent of the U.S. Government, used looted monetary gold and gold with Prussian Mint markings as collateral for commercial loans in the United States in 1949 and 1950.

Finally, the troubling questions raised by the case of the Croatian Ustasha treasury require answers, including an accounting of the gold and valuables of the victims of Ustasha terror and the escape from postwar trial and punishment of its leadership.

The Ustasha regime in Nazi Germany's wartime puppet state of Croatia systematically and mercilessly robbed, murdered, or deported its Serbian, Sinti-Romany, and Jewish populations. Gold and other valuables of the victims became a part of the Ustasha treasury, which may have been as much as \$80 million. Portions of this treasury appear to have been transferred to Switzerland in the last year of the War. Very little of it was accounted for in the postwar arrangements made by Yugoslavia with the Allies and Switzerland.

With the defeat in May 1945 of Hitler and his satellites, including puppet Croatia, the leaders of the Ustasha regime fled to Italy, where they found sanctuary at the pontifical College of San Girolamo in Rome. This College was most likely funded at least in part by the remnants of the Ustasha treasury, and appeared to operate with at least the tacit acquiescence of some Vatican officials. It helped fugitive Croatian war criminals escape to the Western Hemisphere in the early postwar years, and cooperated with the "rat line" being used by the U.S. Army Counter Intelligence Corps after the War to assist the escape from Europe of anti-Communists. The fact

that the "rat line" later facilitated the escape even of a Nazi war criminal like Klaus Barbie underscores the shift in the Allies' attitudes: World War II was over; the Cold War was on.

The record of the terrible legacy of the Ustasha assembled for this study is very incomplete. A full accounting should be made now to achieve a complete understanding of these issues. The opening of relevant archives in Croatia, Serbia, and the Vatican and cooperative international research will be essential in this effort.

Other Historical Research Efforts

These conclusions are based largely on the limited perspective of our almost exclusive reliance on U.S. documents (as well as captured Nazi documents in possession of the U.S.) which our interagency team has located, declassified, and evaluated. We hope that each country with a stake in these issues will intensify its efforts to examine its own record and confront its own history on its own terms and in its own way. It is essential that these studies move forward quickly so that a more comprehensive historical record of the looting and ultimate disposition of Holocaust-era assets can finally be completed.

Enormous progress has been achieved since the release of the path-breaking British Foreign Office gold report in September 1996 and our preliminary report in May 1997. A number of reports, most of them also preliminary, have been completed by the some dozen historical commissions at work on these issues. While the mandates guiding their work vary, virtually all are examining the handling of looted assets from central governments and individual victims of the Third Reich and Nazi atrocities; some are also focusing more broadly on their country's overall wartime role and relationship with Nazi Germany.

No country is undertaking more comprehensive research than Switzerland through its historical commission headed by Professor Jean-Francois Bergier. The Bergier Commission's December 1997 initial report and its May 1998 report on gold demonstrate the integrity and probity of its work. It will release its study on Swiss refugee policy later this year, and continue to develop its final conclusions on Switzerland's overall role during the War.

Each of the countries that are the focus of this supplementary study has also established mechanisms to conduct its own research:

- Argentina's commission, spearheaded by President Menem and Foreign Minister DiTella and advised by a distinguished international panel of experts, is addressing the range of Nazi activities during the War.
- Portugal's commission, led by former President and Prime Minister Mario Soares, has widened its mandate beyond its initial focus on wartime gold transactions and expects to release a report later this year.
- Spain's commission, chaired by former Justice Minister Mugica, released its report on wartime gold transactions in April 1998. Some of its conclusions and data are referred to in the Spanish section of this study.
- Sweden's commission last December released a preliminary draft of their work to date, focusing in particular on monetary gold payments and the disposition of Jewish assets in Sweden. The Swedish Central Bank also completed a report on intergovernmental monetary gold transactions during the War, many of whose conclusions are reflected in this study. Since then, the commission has also released a report identifying all dormant assets in Sweden attributable to foreign residents.
- Turkey's effort began in late 1997 under the direction of Minister of State Gurel, who is coordinating the research of several government agencies focused so far largely on the gold purchases of the Central Bank of Turkey. The Turkish Government's initial work was reviewed carefully for this study.
- Croatia's commission is researching the broader issue of the fate of Croatian Jews during the Holocaust, including the disposition of Jewish property.

Formal commissions focusing on these issues are also at work in Belgium, Brazil, Canada, France, the Netherlands, and Norway -- countries which were U.S. Allies or which were occupied by the Nazis during the War. The Canadian commission produced a very detailed report late last year examining the issue of whether looted gold reached the Bank of Canada. It is particularly praiseworthy that French President Chirac has asked the Matteoli Commission to examine fully and for the first time in the postwar era, the role of Vichy France in collaborating with Nazi Germany in deporting French Jews to their death and has pledged to identify and return art works looted by Vichy France or the Nazis which are now in France. In May 1998 the Presidents of the three Baltic republics -- Estonia, Latvia, and Lithuania -- committed to establish historical commissions in their countries to address these difficult issues as well.

In March 1998 legislation was introduced in Congress to create a Presidential Commission to examine the fate of Holocaust assets in the United States. The bill was introduced by Senator Alfonse D'Amato and Congressman Jim Leach, two leaders from the outset in raising the consciousness of America and the world on Holocaust assets issues, with bipartisan support and the strong backing of the Clinton Administration. The substantive mandate of the Commission will focus on two key areas: first, to conduct original research on the collection and disposition of Holocaust-era assets that came under the control of the U.S. Government after Hitler came to power in 1933 (assets such as gold, gems, bank accounts, financial instruments, and art works); and second, to review research being conducted more broadly in the public and private sectors. The Commission will be charged with issuing a final report to the President summarizing its findings and making recommendations no later than December 31, 1999. Establishing a strong Commission that can meet its mandate by this deadline will send a message that the United States Government is determined to address the fate of Holocaust assets here at home.

Last December, the British Government brought together 41 countries and the Vatican at the London Conference on Nazi Gold. The London Conference was a landmark in the international community's effort to illuminate long-obscured facts from that dark chapter in history. Significant progress was made in coordinating research, addressing methodological issues, and encouraging governments to open their archives and to make their records fully accessible. The London Conference highlighted as never before the international dimensions of the issue of looted gold, and catalyzed the work of the national commissions and others working to complete the historical record on this complex subject.

In order to sustain this positive momentum of the London Conference, the Department of State and the U.S. Holocaust Memorial Museum will co-host the Washington Conference on Holocaust-Era Assets late this year. The objective of the Washington Conference will be to focus attention on assets other than gold, especially on art works and insurance. Like the London Conference, the Washington Conference will not be a forum for governmental decision-making. But it may help develop principles and processes to deal with these categories of assets. We hope that the Conference can give fresh impetus to the encouraging initiatives already underway in many countries.

Archival research and international conferences have provided the framework for achieving a greater understanding of the fate of Holocaust assets. But these issues have had a vast public and political impact beyond the academic and diplomatic arenas. It is remarkable that only now, more than half a century after the end of the Second World War, have such long-neglected issues come to command the attention of the world and touch the conscience of humanity.

It is painful for any country to confront periods or issues in its recent history that reopen old wounds or raise new questions that affect its identity or international reputation. It is inescapably true that the Holocaust is such a period, and the fate of its victims' assets such an issue. Yet such a cathartic process can strengthen the nations undertaking it.

There is no doubt that Switzerland is conducting the most searching national debate. This is a debate that should gain the world's full respect as the Swiss people and their institutions examine their country's past in their own way.

Switzerland is not alone. France has been absorbed by the trial of Maurice Papon. The French Catholic Church took the extraordinary step of apologizing for its conduct during the War, especially in failing to save more French Jews from the Holocaust. Germany's Catholic bishops did likewise.

Other countries, too, are strengthening themselves for the future by addressing the past. Perhaps no country is now conducting a more open and constructive debate, with less rancor and recrimination, than Sweden. Certainly no country has recently made a more significant investment in encouraging its people to learn the lessons of history, than Sweden. In January 1998, Prime Minister Persson launched a comprehensive Holocaust education initiative, with its centerpiece a new booklet on Holocaust history. Already over half a million booklets have been distributed to Swedish households which have indicated an interest. Sweden is working with the United States and the United Kingdom to develop ways in which this initiative might be adapted by other countries.

The most dramatic recent reckoning with the Holocaust was the Vatican's release in March of its long-awaited document *We Remember; A Reflection on the Shoah*. Characterized by the Vatican as "an act of repentance," this landmark statement, its limitations notwithstanding, is the most comprehensive and forthcoming ever on this painful subject by the Catholic Church. It also marks the latest positive step taken by the Holy See during John Paul's papacy to reconcile Catholics and Jews.

From History to Justice

We continue to believe, in the words of the Foreword to the preliminary report, that "ultimately, the United States, our Allies, and the neutral nations alike should be judged not so much by the actions or inactions of a previous generation, but by our generation's willingness to face the past honestly, to help right the wrongs, and to deal with the injustices suffered by the victims of Nazi aggression."

Since those words were written one year ago, the international community has begun to demonstrate a willingness both to examine the past, to act in the present, and to give promise for a brighter future. A consensus is crystallizing among nations: that this tragic history must galvanize us to do justice in ways that provide both material and moral justice to the victims and survivors of the Holocaust.

Consensus has also emerged that the survivor population in greatest need of assistance are the "double victims" in Central and Eastern Europe who survived the twin tragedies of Nazism and Communism, suffering both six years of genocide and over four decades of repression and deprivation. Unlike Jewish and other victims of Nazi persecution in the West, they have received little or no compensation from Germany; most of them are elderly and many are impoverished. It is very encouraging that many of the restitution efforts underway are focused on helping them.

Attention to the fate of Holocaust assets over the last two years in particular has led to a number of positive initiatives aimed at providing material and moral restitution. These initiatives include:

The Tripartite Gold Commission and Nazi Persecutee Relief Fund. Beginning last summer, the United States launched an intensive diplomatic effort with our British and French partners in the TGC to close out the work of the Commission (created in 1946 as a mechanism to redistribute gold looted by the Nazis that had come into the possession of the Allies at the end of the War.) Drawing directly on the findings in our report that some portion of the gold transferred to the TGC gold pool after the war was victim-origin gold (as distinct from the gold looted from central banks that the gold pool was created to hold and return), we recognized the evidence that

gold returned over the years to TGC claimant countries was thus tainted. On this factual and moral basis, the United States, the United Kingdom and France forged a consensus to appeal to the TGC claimant countries to use the \$60 million in gold remaining in the pool in a way which would extend both a moral gesture and a material contribution to justice, however little and late, for Holocaust survivors. We urged the countries with outstanding claims with the TGC to contribute an amount equivalent to all or a substantial portion of their final share in the gold pool to the new Fund.

At the opening of the London Conference, the United Kingdom and the United States announced the establishment of the Nazi Persecutee Relief Fund. The Fund will be used largely to assist the "double victims" in Central and Eastern Europe, as well as other survivors who have received little or nothing. So far, some nine countries -- including Sweden and Argentina among the wartime neutrals and other nations which are not TGC claimants -- have made commitments to contribute. The U.S. Government has decided to contribute as well, even though we have no claim on the gold in the TGC gold pool. In February, President Clinton signed the Nazi Persecutees Relief Act into law; it provides for a \$25 million U.S. contribution to the Fund over three years.

The U.S. Government expects soon to deposit an initial \$4 million in the account established by the British Government for the Fund. The British Government has already deposited a contribution of \$1.6 million. We also hope to gain the commitments of additional countries to contribute to the Fund, including from the other wartime neutral countries (apart from Switzerland, which is already making contributions to Holocaust survivors through other mechanisms). In the second half of 1998, we hope to see the fund make its first contributions to survivors, the TGC closed down after more than fifty years, and agreement reached to open its archives.

Switzerland's efforts. Switzerland continues to take the lead among the wartime neutral nations in the commitment it has made to provide justice in concrete ways. It is important to recognize, amidst all the criticism and controversy, the breadth and depth of the Swiss effort.

Progress is now being made, with the oversight of the Committee of Eminent Persons headed by Paul Volcker and the support of the Independent Claims Resolution Foundation, to locate and return dormant accounts of Holocaust victims and survivors to their rightful owners or heirs. Direct payments are being made to survivors from a nearly \$200 million Special Holocaust Fund supported by the major commercial Swiss banks and other private sector companies, along with the Swiss National Bank. Thousands of Swiss citizens have come forward to contribute to several other funds benefiting Holocaust survivors. A \$4.7 billion Solidarity Foundation proposed by the Swiss government would generate about \$200 million a year to support humanitarian causes around the world, including assistance to victims of genocide such as the Holocaust.

Expansion of Dutch assistance. In early 1998 the Government of the Netherlands began intensive discussions with countries in Central and Eastern Europe to share its experience in administering long-standing Dutch programs for assisting victims of war and persecution by providing guaranteed incomes as well as medical and psychological care. The Netherlands has budgeted \$400 million for these programs this year. Recipients include individuals persecuted during the German occupation of the Netherlands from 1940 to 1945, and their next of kin, who were or have become disabled as a result. During 1998 the Dutch Government will pay out benefits and grants to some 50,000 Holocaust victims and other victims of war around the world.

British Government initiative on lost assets of Holocaust victims. In conjunction with the release of a government report in early April 1998, the British Government apologized to Holocaust victims who lost assets deposited in the country during the War and it established a special process for them to claim compensation. It will publish the names of the approximately 25,000 victims whose assets were seized under a "trading with the enemy" law which applied to

assets of the citizens of nations occupied by Nazi Germany. Britain will also fund payments with an initial contribution of \$3.2 million.

Norway's establishment of a restitution fund for Holocaust survivors. In late April 1998 Norwegian Prime Minister Bondevik announced that the Government of Norway would propose establishing a \$60 million restitution fund for Norwegian Holocaust survivors due to the fact that restitution for material resources and injustices suffered by Norwegian Jews were never made. The Prime Minister made clear that survivors would be compensated not only for material losses but for moral injustices as well.

The German Government's commitment to extend compensation to Eastern Europe. In January, the German Government and the Conference on Jewish Material Claims Against Germany in Germany (CJMC) announced the outlines of an agreement to establish a fund on the basis of a \$111 million contribution by Germany over a four-year period to assist uncompensated Holocaust survivors in Eastern Europe and the former Soviet Union. This new commitment builds on the \$60 billion reparations effort over the last four decades that the German Government has undertaken to compensate victims of the Holocaust, and benefits for the first time those who were not reached behind the Iron Curtain during the Cold War. The German Government is to be commended for making this historic commitment. The Clinton Administration has directly encouraged this positive action by the German Government for some time. That this is now coming to pass is a tribute to the American-based NGOs -- the CJMC (including the World Jewish Congress) and particularly the American Jewish Committee -- which have worked on behalf of the interests of all Holocaust survivors over the years.

Efforts to provide for restitution of property confiscated by the Nazis and nationalized by Communist governments on the part of Central and Eastern European governments. These efforts are gaining positive momentum, although some serious obstacles remain. The restitution of communal property is now taking place in Poland under comprehensive legislation passed last year. In other countries, persistent efforts under existing or new government decrees, or through voluntary compliance at the municipal or local level, are yielding results. Hungary, the only country in the region which has made a commitment to return property confiscated after World War II, has returned communal properties and provided at least partial compensation for private property. The Czech Republic and Slovakia have resolved many but far from all outstanding communal property claims. Much remains to be done throughout the region to assure that restitution measures are implemented fully and transparently, and to support the restoration and maintenance of returned properties. Our hope is that the restitution of communal properties (such as churches, synagogues, schools, and community centers) can provide the physical infrastructure and income to form the basis for a revival of religious life in general and Jewish life in particular, as well as a measure of dignity and justice. Much less progress is being made on the return of private property confiscated by the Nazis and/or nationalized by former Communist governments of Central Europe and the former Soviet Union. Citizenship and residency requirements, along with bureaucratic delays, impede U.S. citizens from recovering their looted property.

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Apart from processes underway to uncover dormant accounts in Swiss banks, the initiatives highlighted are being undertaken by governments. It is important to recognize at the same time the continuing work of NGOs on these issues, especially the World Jewish Congress, the World Jewish Restitution Organization, the Jewish Agency, the Joint Distribution Committee, the American Gathering of Holocaust Survivors and other survivor groups. It is these organizations, above all, which have kept faith with the imperative of justice over the years and which remain the backbone of efforts to distribute assistance, whether new or continuing, to survivors.

The goal of all this work is to help people while they are still alive. We must recognize and respect the frustration of surviving Holocaust victims, who escaped with little more than their

lives. The fact that they were also stripped of their material possessions and financial resources, whether modest or substantial, amounted to one of the greatest organized thefts in history. But this desecration was also an intrinsic if largely forgotten dimension of history's most terrible genocide, of the physical destruction of nearly a whole people on the European continent and the degradation of all humanity. Now the world is coming to understand that the unfathomable tragedy and trauma of the Holocaust was compounded by half a century of unnecessary indifference and injustice.

It is dispiriting that it has taken the world so long to confront these long-neglected issues. At the same time, it is inspiring that so much progress is now being made to complete the historical record while the past is still a living memory and while the living survivors of the Holocaust can gain some comfort that at last, justice, however imperfect, is being done.

But time is running out for this belated justice to make a difference as aging Holocaust survivors die every week and every month. We must not wait any longer to act.

Toward the New Millennium

The approach of the new millennium offers a clear window of opportunity to act. At the London Conference, the United States called upon participating countries to conclude the work of the historical commissions dedicated to these issues and to disburse a generous portion of the funds that are being established to help survivors by December 31, 1999. By completing the unfinished business of the middle of this century by its end, we can enter the new millennium having attempted a moral accounting of this lingering ledger of grief.

Historical exercises like our two U.S. Government interagency reports will appropriately be measured by their command of the sources and analysis of the facts. But such exercises are also meant to be bridges: between searing history and enduring memory; between brutality and humanity; and between a bitter past and a better future. It is our hope that this study, like its predecessor last year, can contribute to a greater understanding of this terrible period in history as well as to a greater urgency in the quest for justice shared today by so many nations and peoples of good will.

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June 1998