

# Allied Relations and Negotiations With Turkey

## A. Turkey's Neutrality in World War II<sup>1</sup>

At the start of World War II, Turkey was bound to Britain and France by the Tripartite Alliance of October 1939, but declared itself a non-belligerent on June 26, 1940, shortly after the French surrender to Germany.<sup>2</sup> Adolf Hitler established the terms of Germany's observance of Turkish neutrality in a letter to President Inonu in March 1941, at the time the Nazi forces invaded Yugoslavia and moved through Bulgaria to crush Greece. The inviolability of Turkey's frontier would be guaranteed and German troops would be allowed no closer than 20 miles from the Bulgarian-Turkish border. The German-Turkish Treaty of Friendship of June 18, 1941, confirmed these guarantees of the integrity of the Turkish borders and added the mutual undertaking to make no hostile action, directly or indirectly, against each other.<sup>3</sup>

Britain and the United States accepted Turkey's neutrality early in the War in view of its military weakness, and they undertook to explore the possibility of rendering economic and military assistance to keep Turkey neutral until it could join the Allies. In light of traditional British interests in the eastern Mediterranean and, more specifically, the Anglo-Turkish Alliance of June 1939, Britain took the lead throughout World War II in relations with Turkey. U.S. military assistance to Turkey began in 1941 as part of the British effort to ensure that Turkey resisted Germany. On March 31, 1941, President Roosevelt implemented the Lend-Lease Act by declaring that the defense of Britain and Greece (then under attack by

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<sup>1</sup> In preparing this report, the terms "neutral" and "neutrality" have been used as convenient identifications of those few nations that were not actual belligerents in the War and the policies they followed with respect to the belligerents. The Note on Neutrality printed at the front of this report seeks to provide readers with a broader context of the use of the terms "neutral" and "non-belligerent."

Turkey's wartime diplomatic status in international law arose from its history and geography as well as its special strategic and economic positions. It is neither possible nor appropriate to use this Supplementary Report as the vehicle for a thorough analysis of the nature and evolution of "neutrality" in wartime Turkish foreign policy. It is clear from the published scholarship on Turkey's foreign policy and from official U.S. documentation that Turkey sought to ensure its territorial integrity and economic well-being. Terms such as "active neutrality" were for a time favored by some Turkish leaders as better describing Turkey's wartime efforts to achieve a balance between the two belligerent groups: maintaining both an alliance with Britain and friendship and mutual trade with Germany and her satellites. It is the intention of this chapter to describe how Allied leaders perceived Turkey's policy of neutrality and sought to bring about Turkish engagement in the War. The broader, objective understanding of Turkey's wartime policies and their interaction with those of Britain and the United States deserves and may be best achieved by international scholarly cooperation based on the opening of the full documentary record.

<sup>2</sup> According to J.R.M. Butler, *The History of the Second World War*, United Kingdom Military Series, *Grand Strategy*, vol. II, September 1939-June 1941 (London, 1958), p. 301, and Sir Llewellyn Woodward, *British Foreign Policy in the Second World War* (London, 1962), pp. 13-14, 127, and 129, Turkey invoked the clause of the October 1939 treaty under which Turkey was not required to take action that could involve it in war with Russia. Turkey also claimed that the treaty was no longer valid because France could not fulfill its obligations to the other members.

<sup>3</sup> The negotiation of the agreement is described in Franz von Papen, *Memoirs* (London, 1952), pp. 471-473. According to messages from the Japanese Ambassador in Ankara to the Japanese Foreign Ministry in Tokyo in early July 1942, intercepted and decrypted by U.S. authorities and available to U.S. leaders, German Ambassador to Turkey von Papen described Germany as avoiding any interference in Turkish affairs but rather patiently waiting for Turkey to decide when it would abandon its neutrality. Von Papen told the Japanese Ambassador, "So far I have taken a mild attitude and tried to use what I might call 'gentle persuasion' on them. Now, even though the situation is rapidly changing [after Axis military successes in Egypt against the Allies], I intend to continue acting the same way." The Japanese Ambassador speculated that behind von Papen's quiet analysis lay some assurance or pledge from Turkey to intervene on the side of Germany. (Telegrams Nos. 23, July 1, 1942 and 236, July 3, 1942, from Ankara to Tokyo, RG 457, Historic Cryptographic Collection, Pre-World War I through World War II, Box 314, Diplomatic Message Translations) A few months earlier, the Japanese Minister in Bulgaria was told by the Turkish Minister that "Turkey was determined to maintain her neutrality to the end." ("Magic" Diplomatic Summary, April 20, 1942, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 2)

Italy and Germany) was in the national interest of the United States, beginning the allocation of Lend-Lease military assistance to those countries. In February 1941 U.S. Army Chief of Staff George C. Marshall had approved a list of surplus artillery that could be allocated to Britain. Because of President Roosevelt's desire that some aid be provided to Greece in the last moments of its unsuccessful resistance to Italo-German invasion, it was agreed to divide the initial assistance among Britain, Greece, and Turkey. Turkey's share would be administered by Britain, which wished to continue its influence in Turkey as well as the spirit of the Anglo-Turkish Alliance.<sup>4</sup>

British Prime Minister Churchill hoped in 1941 and 1942 to maintain Turkey as a friendly neutral prepared to defend itself against Germany, but he also wanted Turkey to enter the War as a prelude to Allied action in liberating Southeast Europe. Churchill sought to regulate military assistance to Turkey so that Turkey received, in the early stages of the War, only those supplies needed to defend itself and to maintain its favorable disposition toward the Allies. The British envisaged expanding the scope of aid to Turkey at some later stage of the War as an inducement to Turkish belligerency.<sup>5</sup>

The U.S. Joint Chiefs of Staff concluded in May 1942 that it was in the "military, political, and economic interest of the United Nations to maintain Turkish goodwill and confidence by granting reasonable requests for moderate amounts of material needed to support the Turkish domestic economy."<sup>6</sup> The U.S.-U.K. Combined Chiefs of Staff agreed in document C.C.S. 50/2 that "limited amounts of supplies should be allocated to [Turkey] as a means of influencing her to oppose Germany." In June 1942 the Allied Munitions Assignment Board determined that the Anglo-American Coordination Committee in Ankara would decide what aid Turkey received, but ad hoc decisions were made on whether the aid came directly from the United States or via Britain.<sup>7</sup>

### **B. High-Level Allied Discussion of Turkish Neutrality**

After the tide of war turned in favor of the Allies, with major victories in North Africa and at Stalingrad, the issue of aiding Turkey and inducing it to enter the War became ever more important to the Allied leaders. At the Casablanca Conference in January 1943, President Roosevelt and Prime Minister Churchill and their political and military leaders considered the question of bringing Turkey into the War so that the country could be used as an Allied base to conduct military operations against the Axis in the Balkans and so that chromite could be denied to Germany. President Roosevelt took the position that the problem of bringing Turkey into the War on the Allied side should be accomplished by diplomacy, but he was concerned that the Allies not be put in the position of over-promising anything to Turkey. The Casablanca military conferees agreed that efforts should be made to induce Turkey to enlist on the side of the Allies and negotiations involving the provision of arms assistance to Turkey as a persuasion would be left to the British.<sup>8</sup>

Following up on the Casablanca Conference decision to bring Turkey into the War, Prime Minister Churchill and President Inonu and their advisers met at Adana, Turkey on January 30 and 31, 1943, to discuss possible Allied military assistance to Turkey in exchange for Turkey's joining the Allies or, at the least, providing Allied bases in Turkey. Turkish military leaders were not convinced that the danger of a German thrust that the Allies could not ward off was over. Turkey would require large quantities of military equipment before it could consider entering the War. Furthermore, the Turks were even more alarmed by the growing might of their traditional adversary, Russia. Turkish Prime Minister

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<sup>4</sup> Robert W. Coakley and Richard M. Leighton, *United States Army in World War II: The War Department: Global Logistics and Strategy, 1940-1943* (Washington, D.C., 1958), p. 82.

<sup>5</sup> Coakley and Leighton, *Global Logistics and Strategy*, vol. I, pp. 519-520. Churchill's strategy toward Turkey was also spelled out in his message to Roosevelt, December 2, 1942, *Foreign Relations, The Conferences at Washington, 1941-1942, and Casablanca, 1943*, pp. 491-493.

<sup>6</sup> Joint Chiefs of Staff to Economic Defense Board, May 2, 1942, RG 169, Records of the Administrator, Geographic Files, 1942-44, Box 13.

<sup>7</sup> Coakley and Leighton, *Global Logistics and Strategy*, vol. I, p. 520.

<sup>8</sup> *Foreign Relations, The Conferences at Washington, 1941-1942, and Casablanca, 1943*, pp. 541-542, 560, 643, 651, 659, 749-751, and 764-763. President Roosevelt's decision at Casablanca to allow Britain to "play the cards" in Turkey was consistent with American policy about Turkey even before Pearl Harbor. In October 1941 Secretary of State Hull assured British Ambassador Lord Halifax that the U.S. policy would be to take such steps as would give the British the maximum weight in Turkey. (Hull, *Memoirs*, vol. II, pp. 1365-1366)

Saracoglu warned the British Ambassador that a Soviet victory would bring chaos to Europe, which would be confronted by Slavs and Communists. In succeeding months British military and diplomatic officials developed an ambitious list of equipment that the Turkish authorities wished to receive from Britain (apart from considerable economic assistance such as coal, locomotives, and rolling stock), including naval vessels, 2,300 tanks, 2,600 guns and howitzers, 1,200 aircraft, and 120,000 tons of aviation fuel. The British would also be expected to provide Turkey with 25 RAF squadrons, attendant anti-aircraft guns, and several anti-tank and armored divisions.<sup>9</sup>

Roosevelt and Churchill and their military advisers met again in Washington in June 1943 and confirmed the British role in framing and presenting all bids for military equipment to be delivered to Turkey. They also agreed to assign some priority to Turkey and ensure that deliveries "be made with the least practicable delay."<sup>10</sup> American skepticism about Turkey's willingness to participate in the War began to grow, however, and in advance of the Roosevelt-Churchill meeting at Quebec in August 1943, the JCS took the view that:

"Although well disposed toward Great Britain and the United States, Turkey is not apt to make an early departure from her position of neutrality. Her fear of Soviet domination of the Balkans, however, will probably lead her to active participation in the war, when it can be done at minimum cost, in order to obtain a voice in the peace settlement."<sup>11</sup>

The JCS concluded that the Allied policy of providing assistance "in the form of very sizable economic assistance [involving] a United Nations military commitment of considerable proportions" had not been fruitful, and therefore recommended that further aid to Turkey on the current scale was not warranted.<sup>12</sup> British Chief of Staff Lord Alanbrooke, who had visited Turkey, agreed with the American view, and felt that the Turks were not absorbing all the equipment already delivered and that further deliveries should be reduced to a "trickle" and to no more than Turkey could absorb. The Combined Chiefs of Staff, with the approval of President Roosevelt and Prime Minister Churchill, accordingly adopted a policy to cut back on assistance to Turkey:

"In view of the apparent inability of Turkish forces to properly assimilate, maintain, and train with such equipment as has been provided to them, it is questionable as to whether the political benefits that would accrue from furnishing any further equipment would outweigh the advisability of retaining such equipment for other purposes."<sup>13</sup>

During the Quebec Conference, the British Chiefs of Staff, in considering Turkey's position in the War, concluded that all available forces be concentrated on Italy, leaving only small units for the Eastern Mediterranean and the Middle East "for improvised operations." The British Chiefs acknowledged that Turkey's entry into the War would impose added burdens on the German, but were concerned that the Turkish forces, in their current state, would be unable to take the offensive and might actually be endangered. It would be preferable for Turkey not to enter the War but to be pressed to make more economic and military concessions, including the completion of airfields and other facilities for the

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<sup>9</sup> Michael Howard, *The History of the Second World War*, The United Kingdom Military Series, *Grand Strategy*, vol. IV, August 1942-September 1943 (London, 1972), pp. 376-389. The author cites the comment of one American official in Ankara that supplying the Turks with this assistance was like "feeding an eight course dinner to an eight-day-old baby."

<sup>10</sup> C.C.S. 242/6, May 25, 1943, *Foreign Relations*, The Conferences at Washington and Quebec, 1943, p. 371.

<sup>11</sup> Enclosure to C.C.S. 300/1, August 7, 1943, *ibid.*, p. 463. U.S. leaders had access in the summer of 1943 to intercepted messages of the Japanese Ambassador in Ankara that commented on Turkey's reluctance to enter the War despite mounting Allied military successes. The Japanese Ambassador reported to his government that Turkey refused to provide bases to the Allies and was unhappy with the prospect of either the Allies or Germany demanding passage for their military units through Turkish territory. ("Magic" Diplomatic Summaries, July 27 and August 2, 1943, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 6)

<sup>12</sup> C.C.S. 303, August 9, 1943, *Foreign Relations*, The Conferences at Washington and Quebec, 1943, p. 480.

<sup>13</sup> C.C.S. 317, "Equipping Allies, Liberated Forces, and Friendly Neutrals," August 18, 1943, *ibid.*, p. 1030.

Allies.<sup>14</sup> By the end of the Quebec Conference, the Combined Chiefs of Staff recommended to the President and the Prime Minister that the time was not ripe for Turkey's entry into the War, but that Allied policy should be to provide Turkey with such equipment as could be spared and to seek Turkish agreement to exclude shipping of military value from the Black Sea and to halt the shipments of chrome to Germany.<sup>15</sup>

By October 1943 at the Tripartite Moscow Conference of Foreign Ministers, U.S. and British thinking and planning regarding Turkey's entry into the War was expanded to include the Soviet Union. At Moscow Soviet Foreign Minister Molotov proposed to Secretary of State Hull and British Foreign Secretary Eden that their three governments should bring united, strong pressure on Turkey to enter the War. Speaking on behalf of the President, Hull informed the conference that the United States did not consider it advisable at that time to induce Turkey to enter the War because the Allies were straining their resources preparing for landings in France and fighting in Italy. The United States was content to ask Turkey for the lease of air bases.<sup>16</sup> Eden also tended to discourage the Soviet proposal because the British were militarily weak in the eastern Mediterranean (an attempt to seize Rhodes from the Germans had just failed), and Istanbul was vulnerable to German attack. But, at Churchill's instructions, Eden left the door open to future action. Stalin explained his insistence on immediate Turkish entry into the War on the grounds that Turkey could currently draw off 10 German divisions and Germany could not retaliate; by 1944, however, Turkish belligerency would be unnecessary and Allied arms support would have been wasted. Eden followed up the October 1943 Moscow Conference by visiting Ankara, where he emphasized the benefits that would derive from Turkey's entry into the War: Germany would have to reposition 10 divisions, Turkish chrome exports to Germany would be cut off, and Turkey would realize the moral advantage of hastening the defeat of Germany.<sup>17</sup>

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<sup>14</sup> Howard, *Grand Strategy*, vol. IV, pp. 492-493. The declining danger of a German attack on Turkey and the possibility of Turkey's becoming a belligerent had already been assayed by Prime Minister Churchill in a February 1, 1943 "Morning Note," in which he wrote that he thought Turkey might be drawn into the War by being attacked "in the despairing convulsions" of declining but still powerful Nazi power. On the other hand, if Turkey entered the War in pursuit of its own interests, Churchill was concerned that "it would be wrong for Turkey to enter the war unless herself attacked if that only led her to a disaster." *Ibid.*, p. 638.

<sup>15</sup> C.C.S. 319/5, "Report to the President and the Prime Minister," August 24, 1943, *Foreign Relations*, The Conferences at Washington and Quebec, 1943, p. 1131. Robin Denniston, *Churchill's Secret War: Diplomatic Decrypts, the Foreign Office and Turkey, 1942-1944* (New York, 1997), reviews and analyzes Prime Minister Churchill's use of decrypted enemy and Turkish diplomatic messages to guide his formulation of policy vis-à-vis Turkey. A few of those messages appear to be the same as those made available to President Roosevelt and included in National Security Agency files permanently retained at NARA, RG 457. Much of Denniston's review focuses on the failed British effort to seize the Dodecanese islands in the Eastern Mediterranean between September and November 1943 in the face of determined German efforts to control them, and the consequence of that military reverse on efforts to persuade Turkey to enter the War against Germany. Denniston (p. 113) concludes that Churchill, on the basis of his extensive reading of intercepted messages, was well aware of the absence of any German offensive threat in the area by late 1943 and that "the von Papen threat to Turkey -- that the Germans would bomb Istanbul if they allowed the Allies to use air bases on Turkish soil -- was no longer a realistic option for Germany, and it was most unlikely that Hitler would have sanctioned such a move anyhow." A main point of Denniston's analysis is that Allied experts knew from decrypted messages that German tenacity in the Dodecanese arose not from offensive capability or intention but from a desperate effort to ward off a phantom British invasion of the Balkans, the product of a very successful British deception effort.

<sup>16</sup> Hull, *Memoirs*, vol. II, pp. 1279-1280, 1301; *Foreign Relations*, 1943, vol. I, pp. 584-586, 634-635, and 659-662.

<sup>17</sup> Sir Llewellyn Woodward, *British Foreign Policy in the Second World War* (London, 1962), pp. 325-326, and Winston Churchill, *The Second World War*, vol. V, *Closing the Ring* (Boston, 1951), pp. 286-288, 334-335. The Allies must have been content with the secrecy that surrounded the discussion of Turkey at the Moscow Conference. A diplomatic intercept available to U.S. leaders summarized reports from the Greek Ambassador in Ankara whose information from the Turkish Foreign Ministry indicated that the Foreign Ministry was concerned over the possibility of concessions to the Soviet Union at Turkey's expense or, on the other hand, the possibility that Turkey was being "crowded still further from the political

Allied military leaders had concluded by the fall of 1943 that German forces were strictly on the defensive in the Balkans and foresaw no German offensive action in the area in 1944 against Turkey.<sup>18</sup> At their meeting at Tehran in November 1943, Roosevelt, Churchill, and Stalin again discussed Turkish entry into the War. Churchill took the lead in urging action: "To get the active, vigorous use of these [Turkish] forces, who otherwise would be mere lookers-on, might inflict grave injury upon the enemy." Roosevelt and his military advisers were reluctant to becoming entangled in the subsidiary issues of the Balkans. Stalin was still in favor of Turkey's belligerency: "We ought to take them by the scruff of the neck if necessary." But Stalin felt that "all neutrals regarded those who were waging war as fools to fight when they might be doing nothing." It was finally agreed at Tehran that President Roosevelt and Prime Minister Churchill should meet with Turkish President Inonu and seek to persuade Turkey to enter the War before the end of 1943.<sup>19</sup>

### **C. Allied Failure To Bring Turkey Into the War in 1944**

In November 1943 Turkish military leaders, unhappy with the level of military assistance extended or promised to Turkey, had refused the Allies' requests to enter the War or even grant air bases to the Allies on the grounds that Germany and Bulgaria would likely retaliate by attacking Turkey's territory in Europe and its coastal cities.<sup>20</sup> When President Roosevelt and Prime Minister Churchill met with President Inonu at Cairo in December 1943 to ask that Turkey enter the War by mid-February 1944, Inonu and his advisers expressed a willingness in principle but asked for Allied air cover and substantial amounts of military assistance, signaling an end to the Turkish belief in a significant German military threat. Churchill's initial inclination was to warn Turkey that its refusal would mean "the virtual end of the alliance" and that "making impossible demands is only another way of saying no." The actual instructions sent to the British Ambassador in Ankara were to inform the Turkish Government that refusal or procrastination would lead to a cut-off of further aid, Turkish isolation for the rest of the War, and the possibility of no British support should the Soviet Union make postwar demands on altering the status of the Dardanelles.<sup>21</sup>

During January 1944 the Turkish Government continued to resist the proposal to enter the War, refused to receive a high-ranking British military delegation, and demanded to know the general Allied plans on attacking Germany elsewhere in 1944. The British authorities feared that Turkey had firmly adopted the view that on balance it had more to gain than to lose by remaining neutral. Britain therefore in February 1944 withdrew its military mission and, without any explanation, halted the further flow of military supplies.<sup>22</sup> At Secretary Hull's recommendation, President Roosevelt agreed to support the British

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stage." ("Magic" Diplomatic Summary, November 8, 1943, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 8)

<sup>18</sup> C.C.S. 300/3, "Estimate of Enemy Situation, 1944 -- Europe (As of 1 November 1943)," November 18, 1943, *Foreign Relations*, Conferences at Cairo and Tehran, 1943, pp. 214-228. U.S. planners gave consideration to the possibility of a German attack only against Spain, and they concluded that was very unlikely.

<sup>19</sup> The complete record of the extensive discussions at Tehran among the Big Three and their military advisers is presented in *Foreign Relations*, The Conferences at Cairo and Tehran, 1943. The highlights of the British side of the conference are in Churchill, *Closing the Ring*, pp. 346, 352, 355, 357-358, 366-373.

<sup>20</sup> Telegram from Hull at Cairo to Roosevelt, November 22, 1943, *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, pp. 374-376.

<sup>21</sup> Woodward, *British Foreign Policy in the Second World War*, pp. 327-328. Woodward adds that the Foreign Office learned that a German spy (Cicero) had succeeded in gaining copies of the documents on the Tehran and Cairo Conferences regarding Turkish entry into the War. The complete U.S. records of the Cairo Conference are in *Foreign Relations*, The Conferences at Cairo and Tehran, 1943. U.S. leaders had access to the intercepted telegraphic reports of Turkish Foreign Minister Menemencioglu to his Ambassadors in London, Washington, and Moscow on the Eden visit to Ankara in November after the Moscow Foreign Ministers Conference and to his report to his Ambassador in Berlin after the Roosevelt-Churchill-Inonu meeting at Cairo in December. ("Magic" Diplomatic Summaries, November 19 and December 15, 1943, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 8)

<sup>22</sup> Woodward, *British Foreign Policy in the Second World War*, p. 328-329. Woodward notes that Churchill summed up this policy as "just silence and fade away."

policy, and U.S. (and of course British) arms shipments to Turkey ceased in February 1944.<sup>23</sup> By that time the United States had provided Turkey military equipment and goods worth approximately \$43 million.<sup>24</sup>

Turkey made no effort, privately or in public, to decry the end of Lend-Lease military assistance in early 1944. It broke off commercial and diplomatic relations with Germany in August 1944 and eventually declared war on Germany on February 23, 1945. Turkey, which had resisted signing a formal Lend-Lease agreement with the United States since a proposed text was first presented by the U.S. Ambassador in January 1943, only consented to such an agreement on the day it finally joined the War on the Allied side. As in the case of other nations that received U.S. aid during the War, Turkey was asked to conclude a postwar agreement to settle on the value of the remaining Lend-Lease materials that had not been lost, consumed, or destroyed. U.S. officials working on a proposed settlement with Turkey in early 1946 learned from the Treasury Department that Turkey's very favorable financial position made it quite feasible to make a cash payment for left-over Lend-Lease: Turkey's foreign exchange holdings had risen during the War from \$37 million to \$292 million, Turkey's industrial employment had risen over 40 percent, and the Turkish Central Bank had 77,664 kilograms of gold in Turkey and 136,277 kilograms of gold in the United States and Canada. A U.S.-Turkish agreement on Lend-Lease claims, under which Turkey transferred \$4.5 million for remaining Lend-Lease materials, was signed on May 8, 1946.<sup>25</sup>

#### ***D. The Economic Side of Turkish Neutrality***

Hitler planned to invade Turkey after a German defeat of the Soviet Union,<sup>26</sup> but in the meantime he sought a Turkish neutrality that ensured a peaceful eastern Mediterranean region and such trade, particularly in chromite ore, that would aid the German war economy. Without abandoning its existing ties with Britain (and the important new connections with the United States from 1941), neutral Turkey accommodated Germany from 1941 through much of 1944 in the economic field as much as seemed necessary and expedient. In October 1941 Germany and Turkey concluded an important trade agreement that, combined with several supplementary agreements, defined Turkish economic relations with Germany during 1942-1944. The so-called Clodius agreement (German trade expert Dr. Karl Clodius was the German negotiator) provided for an exchange of Turkish raw materials for German war matériel, together with iron and steel products and other manufactured goods. In supplementary agreements, Turkey agreed to allow exports to Germany of 45,000 tons of chromite ore in 1941-1942, and 90,000 tons of chromite in both 1943 and 1944. Actual export of the Turkish materials depended on Germany's ability to deliver the promised military equipment.<sup>27</sup>

Turkish officials sought to minimize to British and U.S. representatives the effects of trade with the Axis by stressing the likelihood that Germany and its satellites would not be able to fulfill their commitments and no Turkish deliveries would be necessary. They also claimed that Turkey was artificially delaying its deliveries to Germany by prolonged negotiations and the plea of a shortage of transportation

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<sup>23</sup> Hull, *Memoirs*, vol. II, p. 1371.

<sup>24</sup> Department of State, *Twenty-Third Report to Congress on Lend-Lease Operations*, Publication No. 2707 (Washington, D.C., 1945), pp. 15-16.

<sup>25</sup> "Lend Lease to Turkey," July 19, 1946, pp. 12-23, RG 169, Records of the Administrator, Records Analysis Division, Research Reports and Studies. According to the "Gold Report" and attached documents presented to Under Secretary of State Eizenstat under cover of a January 13, 1948, letter from Turkish Ambassador Nuzhet Kandemir, the gold assets of the Central Bank of Turkey increased from 27.4 tons (about \$30.8 million) in 1939 to 216.2 metric tons (about \$243.2 million) by the end of 1945. The main reasons for this increase in gold assets were to meet demands for foreign currency and to protect Turkey's foreign holdings against wartime depreciation.

<sup>26</sup> Weinberg, *A World At Arms: A Global History of World War II*, p. 219.

<sup>27</sup> "Preclusive Operations in the Neutral Countries in World War II," March 20, 1947, pp. 206-208, RG 169, Records of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside the Division, Box 5. Turkey also concluded trade agreements with German satellite states: Romania in 1941, Hungary in 1941-1943, and Finland in 1943. Apart from what U.S. representatives in Turkey learned about the German-Turkish commercial agreements, U.S. leaders had access to rather detailed information derived from intercepted diplomatic messages from the Japanese Ambassador in Ankara to his government; see, for example, "Magic" Diplomatic Summaries, June 29, 1942, and May 23, 1943, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Boxes 4 and 5, respectively.

facilities.<sup>28</sup> Nonetheless, the Germans made every effort to hasten the delivery of the urgently needed chromite by making available as many as 117 locomotives and 1,250 freight cars.<sup>29</sup> German merchant ships gained access to the Black Sea as a result of Turkey's liberal interpretation of its responsibilities to monitor the straits under the terms of the 1936 Montreux Convention.<sup>30</sup>

### ***E. Allied Economic Policies Toward Neutral Turkey; Preclusive Trade and Military Assistance***

The basic objectives of joint U.S.-British wartime economic operations and policies toward neutral Turkey were to minimize Turkey's contribution to the German war economy and to supply civilian and military equipment in order to enable Turkey to become an active participant with the Allies in the War. In order to prevent Germany from acquiring strategic raw materials from Turkey, Britain and the United States adopted a program of preclusive purchases of Turkish chromite and other minerals and withholding certain supplies from Turkey in return for Turkey's ban on exports of similar items to Germany.<sup>31</sup> Britain, which had a continuing stake in the Turkish economy, began in 1940 its program of preclusive buying of Turkish strategic materials. Chromite ore was the most significant commodity in the program (copper and some other minerals were also acquired), but foodstuffs were purchased to supply the British population, and the British were obliged to purchase other goods, such as dried fruits and tobacco, as a condition of obtaining access to Turkish chromite. Preclusive buying from Turkey became far more important after Germany concluded the "Clodius agreement" with Turkey in October 1941, under which Turkey would provide Germany with a variety of raw materials, most importantly chromite, in exchange for German military equipment.

Chromite ore (from which is derived chromium, an element essential for the manufacture of stainless steel and refractory brick) was evaluated by American experts as one of the few raw materials that were essential for the German war industry and for which there were no fully adequate sources within German territory.<sup>32</sup> At the beginning of the war Germany had an estimated stockpile of about 250,000 tons of chromite, which had been accumulated by heavy purchases in Africa, Turkey, and the Balkans in the late 1930s. By 1941 the only European source within the German orbit available for new deliveries of ore was the Balkans, and the only accessible source outside occupied Europe was Turkey. In mid-1944 the United States judged that Germany's loss of its remaining chromite supplies would be disastrous: total German steel production would decline from the estimated 35 million tons in 1943 to 2 millions tons per quarter by the end of 1944, and Germany would have to abandon the production of high alloy steels; the output of engineering steels would decline by two-thirds, and the special steel available for military ordnance would decline from nearly 2.5 million tons to less than 900,000 tons.<sup>33</sup>

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<sup>28</sup> "Preclusive Operations in the Neutral Countries in World War II," March 20, 1947, p. 59, RG 169, Records of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside the Division, Box 5. The report concludes: "The cold truth is that Turkey, like Spain and Portugal, was primarily interested in the preservation of neutrality and in imports to supplement its depleted economy."

<sup>29</sup> Telegram 1716 from Ankara, October 18, 1943, and telegram 1216 from Ankara, November 22, 1943, *Foreign Relations*, 1943, vol. IV, pp. 1164 and 1167.

<sup>30</sup> U.S. and British diplomatic representations to Turkey regarding the transit of the Dardanelles by German vessels are documented *ibid.*, 1942, vol. IV, pp. 805-811 and *ibid.*, 1943, vol. IV, pp. 806-807.

<sup>31</sup> "Support Purchase Program in Turkey," May 28, 1945, RG 169, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside the Division, Box 5.

<sup>32</sup> The U.S. Army and Navy Munitions Board listed chromium as one of seven strategic metals needed for the war effort. The others were antimony, manganese, mercury, nickel, tin, and tungsten. (Arthur Kemp, "Chromium: A Strategic Metal," *Harvard Business Review* (Winter 1942), pp. 199-212) At the outbreak of the war, Turkey mined approximately 190,000 tons of chromite, or about a fifth of the world's total output, cited in Edward Weisband, *Turkish Foreign Policy 1943-1945: Small State Diplomacy and Great Power Politics* (Princeton, N.J., 1973), p. 110)

<sup>33</sup> "Ferro-Alloys and Their Effect on Steel in the German War Industry, 1943 and 1944," June 1944, RG 169, Office of the Administrator, Records Analysis Division, Research Reports and Studies, Box 13. A report entitled "Raw Materials Position of Enemy Europe," February 14, 1944, estimated German chromite supplies in 1943 at 232,000 tons, of which 166,000 tons were produced in occupied Balkans and 46,000 tons were imported from Turkey. The report concluded that the loss of the Balkans and stoppage of

As the War proceeded and the German chromite stockpile dwindled, competition for Turkey's production became a major economic warfare front for the Allies and Germany from Turkey. The preclusive purchase program of chromite was deemed by Allied experts as the most vital part of Anglo-American economic policy toward Turkey.<sup>34</sup> Turkey ranked fourth among producers of chromite, after Africa, the Philippines, and Cuba. Until January 1943 no chromite reached Germany. Britain and France had concluded an agreement with Turkey in January 1940 that guaranteed their sole purchase of all Turkish chromite for 1940 and 1941. Britain, joined by the United States, extended this arrangement with Turkey through 1942. In October 1941, however, the Clodius agreement between Turkey and Germany was concluded, providing for chromite sales to Germany of up to 45,000 tons by March 1943 and an additional 90,000 tons in 1943 and 1944. Turkish chromite shipments to Germany began in January 1943. In that year, Turkey exported more than 45,700 tons of chromite ore to Germany. Since the Allies estimated the German annual requirement for chromite ore to be between 40,000 and 45,000 tons, Turkey was supplying most of and possibly more than what Germany required.<sup>35</sup>

During 1943 and 1944 British and U.S. representatives in Turkey sought to thwart the increasing commerce between Germany and Turkey by urging Turkey not to negotiate agreements for additional deliveries of chromite, to delay exports of chromite until Germany fully met its obligations to deliver military equipment and other items under the Clodius agreement, to throw every possible obstacle in the way of transporting ore from the mines, and to encourage reductions in mining operations. The Allies even considered finding a way to dump the ore into the sea to prevent its delivery to Germany, and U.S. Ambassador Laurence Steinhardt and the British Ambassador noted that 85 percent of the chromite ore deliveries to Germany could be halted if the railroad bridges over the Martiza River dividing Turkey and Bulgaria were destroyed by bombing or sabotage. The Soviet Union joined the British and U.S. Governments in January 1943 in urging Turkey to halt its chromite exports to Germany.<sup>36</sup>

### ***F. U.S. Participation in the Preclusive Purchasing Program of Turkish Chromite and Other Commodities***

To supplement the Allied efforts to persuade Turkey to curtail or halt its trade with Germany, Britain and the United States undertook a preclusive buying program. The chromite preclusive purchasing program for Turkey was a British undertaking begun in 1940. The United States entered it in April 1941 when the U.S. Treasury Department's Procurement Division agreed to purchase 100,000 tons of chromite from the U.K. Commercial Corporation, the British preclusive purchasing authority. In March 1942 the United States agreed to purchase another 292,000 tons. Of the projected 803,000 tons of chromite to be

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chromite supplies from Turkey would result in the complete collapse of the German steel alloy economy within 6 to 9 months. The report is *ibid.*

<sup>34</sup> "Production and Preemption of Chrome in Turkey," September 16, 1943, p. 13, RG 169, Office of the Administrator, Records Analysis Division, Research Reports and Studies.

<sup>35</sup> Report prepared by the U.S. Embassy in Ankara, "Summary of Goods Exported From Turkey to Europe in 1943," March 6, 1944, RG 59, Lot 55 D 643, Office of Near Eastern Affairs, Subject Files Relating to Economic Affairs, 1947-51, Box 4; "Ferro-Alloys and Their Effect on Steel in the German War Industry, 1943 and 1944," June 1944, RG 169, Office of the Administrator, Records Analysis Division, Research Reports and Studies, Box 13. Intercepted messages from the Portuguese Ambassador in Turkey to his Foreign Ministry in May 1943, copies of which were available to U.S. leaders, reported that the German-Turkish commercial agreement of 1941 provided for the delivery of 180,000 tons of chromite ore to Germany in 1943, but that only 20,000 tons had thus far been delivered because Britain had gained "some additional advantage" and not because Turkish production had declined, as the Turkish authorities claimed to Germany. (Telegrams 62 and 66, May 24 and May 27, 1943, from Ankara to Lisbon, RG 457, Historic Cryptographic Collection, Pre-World War I Through World War II, Diplomatic Message Translations, Box 369)

<sup>36</sup> "Production and Preemption of Chrome in Turkey," pp. 13-17, RG 169, Office of the Administrator, Records Analysis Division, Research Reports and Studies; "Preclusive Operations in the Neutral Countries in World War II," March 20, 1947, *ibid.*, Historical Monographs Prepared Outside the Division, Box 5; Hull, *Memoirs*, vol. II, pp. 1371-1372.

imported by the United States (the United States was expected to consume 996,000 tons of chromite in 1943), 109,000 tons was to come from Turkey.<sup>37</sup>

The United States joined Britain in the wider preclusive buying program in Turkey early in 1942. The two Allies began purchasing the strategic commodities that Turkey had promised Germany in the trade agreements with Germany and its satellites. These included, at various times, mohair, antimony, copper, flax, hemp, textile fibers, and molybdenum. Total U.S. preclusive purchases in Turkey from 1942 through 1944, including chromite, totaled \$125 million. A staff of 100 at the U.K. Commercial Corporation managed the British side of buying operations, while the U.S. Embassy dealt with the American side of the program. Differences in approach sometimes caused problems between the two Allies, especially insofar as the U.S. agents tended to undertake unofficial purchases (done without prior consultation with either the Turkish or the British Government) in order to prevent export of commodities in desperately short supply in Germany.<sup>38</sup>

### **G. Turkish Cessation of Trade With Germany, April 1944**

In October 1943 the Turkish Government concluded another agreement with Germany under which Turkey would provide up to 135,000 tons of chromite in 1944. Allied observers estimated deliveries to Germany of Turkish chromite amounted to nearly 44,000 tons in 1943 and more than 8,000 tons in January 1944 alone, despite the Allied preclusive buying program. Allied diplomatic representatives protested to the Turkish Government.<sup>39</sup> After Acting Secretary of State Edward Stettinius reported to President Roosevelt the difficulties encountered in denying Turkish chromite to Germany, the President on March 10, 1944, authorized the transmission of a severe letter to the Turkish President:

"As you know, the Russians by the capture of Nikopol have succeeded in denying an important source of manganese to the Germans. This, therefore, multiplies the importance to the German war machine of Turkish chrome ore, which for many purposes can be substituted for manganese.

"You will readily see that the continuation of large supplies of chrome ore from Turkey to Germany has now become a matter of grave concern to the United Nations.

"You will know best how the Germans can be denied further access to Turkish chrome ore. You have inventive genius and I hope you will find some method!

"I am confident that you will recognize this opportunity for Turkey to make a unique contribution to what really is the welfare of the world."<sup>40</sup>

Although the Allies were unaware of it, President Roosevelt's analysis of the importance of chrome to the German war effort was not nearly as devastating as that of German Minister for Armaments and Munitions Albert Speer, who reported on the current German inventory of alloy metals in a memorandum to Hitler on November 10, 1943, and concluded:

"Hence the element in shortest supply is chromium. This is especially grave since chromium is indispensable to a highly developed armaments industry. Should supplies from Turkey be cut off, the stockpile of chromium is sufficient only for 5.6 months. The manufacture of planes, tanks, motor vehicles, tank shells, U-boats, and 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 distributions channels would be used up."

In his memoirs, Speer explained further that the conclusion in his memorandum "meant no more or less than that the war would be over approximately ten months after the loss of the Balkans."<sup>41</sup>

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<sup>37</sup> "Production and Preemption of Chrome in Turkey," September 16, 1943, pp. 11-12, RG 169, Office of the Administrator, Records Analysis Division, Research Reports and Studies.

<sup>38</sup> "Preclusive Operations in the Neutral Countries in World War II," March 20, 1947, pp. 208-221, *ibid.*, Historical Monographs Prepared Outside the Division, Box 5; Stettinius to Franklin Roosevelt, February 19, 1944, and Stone to Cox, February 24, 1944, both *ibid.*, Records of the Administrator, Geographic Files, 1942-44, Box 13.

<sup>39</sup> "Preclusive Operations in the Neutral Countries in World War II," March 20, 1947, pp. 241-244, *ibid.*, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside the Division, Box 5.

<sup>40</sup> A copy of the letter, March 10, is *ibid.*, Office of the Administrator, Geographic File 1942-44, Box 13. The letter, which was also sent to Churchill and Stalin, is also described in Secretary Hull's message 280 to Ankara, March 20, 1944, *Foreign Relations*, 1944, vol. V, pp. 820-821.

President Roosevelt's message was never in fact delivered to President Inonu. Roosevelt asked Secretary Hull not to deliver the letter, which Churchill and Eden regarded as too friendly a message and which might be misconstrued by the Turks as a weakening of the Allied position.<sup>42</sup> Instead Allied economic policy toward Turkey grew more severe, especially after German negotiators arrived in Ankara in early April 1944 intending to renew the German-Turkish trade agreement, which was to expire at the end of the month. U.S. Ambassador Steinhardt and his British colleague sent a stern note to the Turkish Foreign Minister on April 14:

"The Government of the United States and the Government of Great Britain have been seriously perturbed by the economic assistance which Turkish trade relations with Europe have given to the enemy. Hitherto however they have acquiesced in this situation on the informal understanding that Turkish exports were limited to what was required to purchase essential Turkish requirements which could not be obtained from the United Nations. The rapidly approaching crisis in the war situation, when it is essential that the enemy should be deprived of all means of resistance, compels the two Governments to revise their attitude even though they realize that this may cause some temporary inconvenience to Turkish economy. Accordingly they feel bound to warn the Turkish Government that the Government of the United States and the Government of Britain view with serious disfavor as prejudicial to their vital interests the Turkish agreements with Germany and her satellites whereby Turkey undertakes to supply commodities to those countries which are essential to the conduct of the war. Any renewal of agreements or the conclusion of fresh agreements on the same lines will entail the application to Turkey of blockade measures such as the two Governments have throughout the war applied to neutral countries."<sup>43</sup>

Within six days of the joint U.S.-British note, the Turkish Government announced the cessation of chromite trade to Germany, and by mid-June Turkey agreed to reduce by 50 percent the export to Germany of other commodities.<sup>44</sup> Germany did not react angrily to the Turkish action.<sup>45</sup> Wartime German Armaments Minister Speer commented in his memoirs upon the conflict in the late summer of 1944 between Hitler and his military advisers over planned German withdrawals from Finland, northern Norway, upper Italy, and the Balkans and whether such withdrawals would deprive Germany of such important raw materials that the conduct of the War would be fundamentally undermined. In a memorandum of September 2, 1944, Speer informed Hitler and his military advisers that the ending of chromite shipments from Turkey would be the decisive step in the "war of materials." Speer predicted that without additional

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<sup>41</sup> Albert Speer, *Inside the Third Reich: Memoirs*, translated by Richard and Clara Winston (New York and Toronto, 1970), pp. 316-317.

<sup>42</sup> Hull, *Memoirs*, vol. II, p. 1371.

<sup>43</sup> Telegram 689 from Ankara, April 15, 1944, *Foreign Relations*, 1944, vol. V, pp. 827-828.

<sup>44</sup> Hull, *Memoirs*, vol. II, p. 1372. An intercepted message of April 22, 1944, from the Chinese Legation in Ankara to the Chinese Embassy in Moscow, a copy of which was available to U.S. leaders, quoted from Foreign Minister Saracoglu's statement to the Turkish National Assembly the previous day that, "Turkey is an ally of Britain: she is not a neutral; she is accordingly duty bound to give her ally as much assistance as lies in her power. The export of chrome to Germany has been stopped." The telegram concluded that Turkey had yielded because of the far-reaching victories of the Red Army, the imminent Second Front in Europe, and the months-long economic pressure of Britain and the United States. (RG 457, Historic Cryptographic Collection, Pre World War I Through World War II, Diplomatic Message Translations, Box 413) The "Magic" diplomatic summary available to U.S. leaders on April 29, 1944, included an account of several German messages to the German Legation in Sofia on April 21, the last day on which chromite ore could be exported from Turkey, asking for assistance in arranging for 200 railway freight cars loaded with more than 3,400 tons of chromite ore, and stuck at the Bulgarian frontier, to be gotten across the frontier. (Ibid., "Magic" Diplomatic Summaries, 1942-1945, Box 1)

<sup>45</sup> Intercepted Japanese, Iranian, and Portuguese diplomatic messages from Ankara in early May 1944, available to U.S. leaders, reported that Germany had accepted the embargo of chromite ore exports without a protest or angry action against Turkey, but that Turkey found the action insufficient to improve relations with Britain and the United States "who demand still further economic and other concessions." Message from the Iranian Embassy in Ankara to Tehran, May 2, 1944, message from the Japanese Ambassador in Ankara to Tokyo, May 4, 1944, and message from the Portuguese Ambassador in Ankara to Lisbon, May 9, 1944, all in RG 457, Historic Cryptographic Collection, Pre-World War I Through World War II, Diplomatic Message Translations, Box 412.

Turkish chromite, the last distribution of chromium to the German war industry would be on June 1, 1945. "Considering the time needed by the processing industries, the production dependent on chromium, which means the entire production of armaments, will cease on January 1, 1946."<sup>46</sup>

### **H. Turkish Severance of Relations With Germany and Declaration of War, 1944-1945**

Following the opening of the Second Front in Western Europe in June 1944, U.S. and British diplomatic efforts, abetted by the Soviet Union, to end Turkish trade and diplomatic relations with Germany soon resulted in the decision of the Turkish Government on July 25, 1944, to ask the Turkish Grand National Assembly to sever all economic and diplomatic relations with Germany on August 2, 1944, a request which the Assembly approved. The British and U.S. Governments acknowledged the action of the Grand National Assembly to sever Turkey's relations with Germany as but the first step in the move by Turkey toward full belligerency on the side of the Allies. In fact, the U.S. Joint Chiefs of Staff made clear at the time, and Turkey was informed, that its severance of relations by no means implied a promise of military assistance or support to operations in the Balkans. The Soviet Government, which found the Turkish action against Germany too late and unsatisfactory, made clear its disappointment that Britain and the United States had acquiesced to a multi-step process for Turkey's shift from neutrality to belligerency.<sup>47</sup> The next Soviet *démarche* regarding Turkey was to come in 1945 in the form of a demand at Potsdam for a revision of the Dardanelles regime.

By the summer of 1944 Allied military successes made the preclusive purchasing program in Turkey increasingly unnecessary. Some purchases continued into late 1944 in order to avoid any economic disruption from the withdrawal of large Allied purchases of Turkish goods. The United States and Britain also felt bound to seek to make up for any serious impact on the Turkish economy resulting from the loss of trade with Germany and her satellites. On July 21, 1944, Secretary of State Stettinius proposed that the Foreign Economic Administration make available a fund of \$25 million to buy Turkish products, provided the British did as well. In fact, the end of the preclusive purchasing program in Turkey had no ill effect as Turkey found new European customers, and the Allied fund was never used.<sup>48</sup>

Turkey was among a number of nations that had broken relations with Germany but not declared war to be invited, at the agreement of the United States, Britain, and the Soviet Union, to join the founding conference of the United Nations at San Francisco in March 1945 if they declared war on Germany by March 1.<sup>49</sup> Turkey declared war on the Axis on February 23, 1945.

### **I. Turkey's Wartime Trade in German Looted Gold**

Near the close of the War, U.S. officials paid increasing attention to German gold in Turkey. Although the Allies explored the possibility, Allied intelligence never found that Turkey received gold from Germany in exchange for chromite.<sup>50</sup> The gold Turkey received from Germany fell into two categories: gold that the government purchased and stored in its financial institutions and gold that was exchanged through private transactions on Turkey's thriving gold market. State Department expert Otto Fletcher estimated that Germany had sold up to \$10 million in gold in the Balkans, mostly to Turkey, during the War.<sup>51</sup> The only "official" looted gold transaction ever traced to the Turkish Government was

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<sup>46</sup> Speer, *Inside the Third Reich: Memoirs*, pp. 405-406.

<sup>47</sup> The negotiations among the United States, Britain, and the Soviet Union to end Turkish commercial and diplomatic relations with Germany are reported in detail in *Foreign Relations*, 1944, vol. V, pp. 860-890.

<sup>48</sup> "Preclusive Operations in the Neutral Countries in World War II," March 20, 1947, pp. 226-227, RG 169, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside the Division, Box 5; *Foreign Relations*, 1944, vol. V, pp. 1146 ff.

<sup>49</sup> Woodward, *British Foreign Policy in the Second World War*, p. 492, footnote 2.

<sup>50</sup> Steinhardt to the Secretary of State, August 2, 1943, NARA, RG 319, Records of the Army Staff, ACS G-2, Incoming and Outgoing Messages, 1942-45, Box 641.

<sup>51</sup> "German Gold Movements (Estimate)," by Otto Fletcher, February 5, 1946, RG 59, Decimal Files 1945-49, 800.515/5-646. According to SICE, "Gold Transactions," pp. 14, 16, and 17, the Swiss National Bank sold Turkey \$3.4 million in gold, and the Reichsbank sold to the Turkish Central Bank through the SNB \$3.5 million in gold and the Reichsbank transferred directly to the Turkish Central Bank

the purchase of \$3.4 million of Belgian monetary gold in March 1943.<sup>52</sup> Although rumors circulated about looted gold in Turkey around the time of the purchase, they were not confirmed until May 1947 when captured records from the Reichsbank and the Prussian Mint demonstrated that 249 bars of Belgian monetary gold seized by Germany were re-smelted and sent to the Turkish Central Bank in March 1943.<sup>53</sup>

Turkey is also believed to have received German looted gold immediately following the War. In September 1945 the Swiss Legation in Ankara assumed responsibility for German interests in Turkey and delivered to Turkish authorities 12,800 assorted gold coins, 140 kilograms of gold ingots, and 250,000 Turkish pounds. The Swiss also turned over 20,000 assorted gold coins and 100 kilograms of gold ingots that belonged to the Dresdner Bank, making the total delivery worth over \$400,000.<sup>54</sup> U.S. officials later established that the source of the gold was the separate account of German Foreign Minister Joachim Ribbentrop at the Reichsbank, which had been stocked with gold looted from the occupied countries during the War.<sup>55</sup>

Although there were few documented cases of the Turkish Government or Central Bank acquiring looted gold from Germany, Allied diplomatic and intelligence reports described a lively traffic in such gold on Turkey's free gold market in 1943 and 1944. According to these reports, the two principal German banks in Turkey, the Deutsche Bank and the Dresdner Bank, were acquiring looted gold from the

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\$5.7 million in gold. According to a paper submitted to State Department Historian William Slany by the Swiss National Bank on January 5, 1998, "Some Detailed Facts Relating to the Swiss National Bank's (SNB) Gold Operations During the Second World War," Turkey purchased 3 tons of gold (\$3.4 million) from the Swiss National Bank.

<sup>52</sup> Schwartz to Bitterman, January 29, 1952, RG 56, Office of International Finance.

<sup>53</sup> OMGUS to AGWAR, May 26, 1947, NARA, RG 260, Records of U.S. Occupation Headquarters, WWII, OMGUS, Property Division, Box 654. An undated "Gold Report" provided to Under Secretary of State Eizenstat on December 1, 1997, by Turkish Minister of State Sukru S. Gurel, provides a summary account of official gold transfers during and after World War II. According to this "Gold Report," in May 1943 the Swiss National Bank (SNB), acting in response to a decision of the Central Bank of the Republic of Turkey (CBRT), purchased on behalf of the CBRT 3,048 kilograms of gold for 15 million Swiss francs (\$3.4 million). Because of the wartime difficulties in transporting gold, the CBRT accepted the offer of the Reichsbank to supply Turkey with 249 gold bars weighing 3,047 kilograms in exchange for which the SNB transferred 3,048 kilograms of its gold to the Reichsbank. The 249 Reichsbank bars were received by Turkey on June 3, 1943. The "Gold Report" reports two other instances of Turkish purchases of German gold. On July 6, 1942, the CBRT bought 2,017 kilograms of gold (about \$2.3 million) from the Reichsbank and ordered the Sveriges Riksbank and the SNB to credit their Reichsbank accounts with 4.5 million kroner and 5.18 million Swiss francs, respectively. The Report also describes how 223 kilograms of gold bars and 32,799 gold coins handed over by the German Embassy in Ankara to the CBRT via the Swiss Embassy at the end of the War were eventually all returned to the Deutsche Bank and the Dresdner Bank (100 kilograms of gold bars and 20,000 gold coins) and the Federal German Government (123 kilograms of gold bars and 12,799 gold coins) pursuant to a German-Turkish protocol signed in Bonn on November 3, 1960. In a report of March 5, 1998, Dr. D. Bourgeois of the Swiss Federal Archives transmitted a copy of the 9-page July 1, 1946, accounting of the gold, coins, and other valuables received from the German Embassy on April 16, 1945, and subsequently handed over to the Turkish authorities on February 28, 1946. A copy of this report was shared with William Slany by the Swiss Embassy in Washington.

According to the Turkish "Gold Report," gold assets at the CBRT rose from 27.4 metric tons in 1939 to more than 216 tons at the end of 1945. The Report points out that Turkey's foreign trade surplus for 1939-1946 totaled \$341.5 million, equivalent to 303.6 metric tons of gold, and explains the increase in Turkey's gold reserve.

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<sup>54</sup> Embassy, Ankara to the Secretary of State, September 7, 1945, RG 84, Embassy Ankara, Safehaven Files, 1945-48, Box 4.

<sup>55</sup> Acheson to the Embassy, Ankara, February 13, 1951, RG 56, Acc. 56-66A-816, Special Subject Files, Box 1.

Reichsbank in exchange for Swiss francs and other valuable foreign currency provided by German and Axis diplomats. In return for their foreign currency, these diplomats received Turkish currency at far better than the official rate (in July 1943, for example, the two German banks were paying 50 Turkish lira for 100 Swiss francs, as opposed to the official exchange rate of 30 lira for 100 francs). After bringing the gold to Turkey by diplomatic pouch and other means, the two banks could sell it on the free market at prices greatly exceeding what the banks had paid for it.<sup>56</sup>

According to a detailed 1943 British study of German gold imports into Turkey, the two German banks had originally entered the gold trade on their own in late 1941 after seeing an opportunity to profit from the difference in official gold rates and the price of gold on the free market. At first, the banks acquired gold in Switzerland to sell in Turkey. After Switzerland cracked down on gold exports in October 1942, the banks acquired gold from Berlin in such quantities that they came to dominate the Turkish free market. Between January and mid-May 1943, the two banks sold approximately \$5 million worth of gold to dealers in Turkey.<sup>57</sup>

The British report on the German gold trade in Turkey stated that the gold being sold by the Deutsche Bank and the Dresdner Bank was "highly suspect as loot."<sup>58</sup> Both British and U.S. reports identified the gold as being in the form of gold coins, primarily Dutch gulden and French Napoleons, and newly smelted ingots weighing one-half and one kilogram. The 1943 British study further reported that some of the ingots had been smelted in Germany from "Fertigwaren" (finished goods) made of gold, and it noted that records of the Istanbul branch of the Deutsche Bank listed among its gold holdings as of April 30, 1943, "Art. Jewelry" (presumably "articles of" jewelry), worth 215,125 Turkish pounds (approximately \$133,000).<sup>59</sup>

Most of the profits from the gold trade in Turkey benefited German officials and operations in Turkey. However, about 16 percent to 20 percent of the gold purchased by the Turkish branches of the two German banks from the Reichsbank was bought with foreign currency supplied to the banks by other Axis or "Axis friendly" diplomats. The profits derived by these diplomats depended upon those German banks, which varied the exchange rates they offered in accordance with German interests or their own whim. In order of volume of gold purchased, the non-German countries whose Legations participated in this trade were: Italy, Spain, Hungary, Romania, Finland, Bulgaria, and Japan, "with isolated deals on behalf of the Swiss and Portuguese Legations."<sup>60</sup> Thus, Germany reaped the following advantages from gold sales by the Deutsche Bank and Dresdner Bank in Turkey: it exchanged looted gold for foreign currency; financed its diplomatic, espionage, and propaganda activities in Turkey; and gained influence over the Turkish operations of certain Axis and neutral countries.

Shortly after Germany's defeat, the United States was able to confirm from Reichsbank records that the gold sold on the Turkish free market by the Deutsche Bank consisted not only of looted central bank gold but also, in all probability, of gold looted from individual victims of Nazi persecution. The Reichsbank's ledgers of gold bars, captured by U.S. forces, made it possible to identify the source of the gold ingots that the Deutsche Bank purchased from the Reichsbank. In 1946 a U.S. study of 1.582 metric tons of gold bars released to the Deutsche Bank by the Reichsbank during the War concluded that 339 kilograms came from "specific conquered areas," primarily Belgium, while another 904 kilograms came from "other questionable sources." The principal source of gold in this latter category was the "Melmer" account in which the SS deposited gold bars, coins, jewelry, and dental fillings that it robbed from its

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<sup>56</sup> Letter from Auburn to Pehle, September 24, 1943; letter from Burton V. Berry, Consul General in Istanbul, to Secretary of State, "German Foreign Exchange Activities in Turkey," July 30, 1943; "Excerpt from MID Report No. 4120 dated September 24, 1943, at Istanbul, Turkey, Re: Gold Exports," both RG 131, Foreign Funds Control, Subject Files, Box 477; Embassy, Ankara, to Secretary of State, July 3, 1943, RG 319, Army Staff, Assistant Chief of Staff, G-2, Incoming and Outgoing 1942-1945, Box 641, Turkey; Embassy, Ankara, to Secretary of State, March 16, 1944, RG 131, Foreign Funds Control, Subject Files, Box 177, Gold; OSS Report No. 12945 on "Free exchange; gold transactions" in Turkey, January 20, 1944, document obtained from NARA by the World Jewish Congress (precise citation being sought).

<sup>57</sup> Letter from Auburn to Pehle, September 24, 1943, RG 131, Foreign Funds Control, Subject Files, Box 477.

<sup>58</sup> Ibid.

<sup>59</sup> Ibid.; "Excerpt from MID Report No. 2120," *ibid.*

<sup>60</sup> Letter from Auburn to Pehle, September 24, 1943, *ibid.*; Embassy, Ankara, to Secretary of State, March 16, 1944, *ibid.*, Box 177, Gold.

Jewish and non-Jewish victims at the killing centers and concentration camps. The 1946 U.S. study determined that 673 kilograms of the gold ingots (\$757,000) that had been released by the Reichsbank to the Deutsche Bank came from the Reichsbank's Melmer account. It further found that 325 kilograms of this gold (\$366,000) had been delivered directly to the Reichsbank by the SS in gold bar form, while the remaining 348 kilograms of ingots (\$391,500) had been re-smelted by the Degussa company from gold items deposited by the SS. Thus, 42.5 percent of the 1.582 metric tons of gold ingots (\$1.8 million) known to have been purchased by the Deutsche Bank from the Reichsbank consisted of gold looted from individual victims of Nazi persecution.<sup>61</sup> Similarly, a postwar study of Reichsbank records conducted by Albert Thoms, wartime head of the Reichsbank's Precious Metals Department, showed that the Reichsbank also sold gold bars from the Melmer account to the Dresdner Bank during the period from May to November 1943.<sup>62</sup> Consequently, the gold from the Dresdner Bank that the Swiss Legation turned over to the Turkish Government in September 1945 may have included gold looted by the SS from its victims. The captured Reichsbank records apparently did not make possible a similar study of the origins of the gold coins that the two banks purchased from the Reichsbank and sold in Turkey.

Estimating Turkey's total gold transactions during World War II was difficult, if not impossible, because the bulk of German gold sold in Turkey was absorbed by Turkish private banks and individual hoarders. Between August and September 1943 alone, over \$800,000 worth of gold was estimated to have entered Turkey's free gold market.<sup>63</sup> Including the \$3.4 million worth of Belgian gold that reached the Turkish Central Bank and the \$400,000 worth of gold delivered by Swiss officials to Turkey, Foreign Economic Administration officials estimated the total amount of looted gold to have reached Turkey at somewhere between \$10 and \$15 million.<sup>64</sup>

## **J. Allied Attempts To Implement a Safehaven Program in Turkey**

Turkey's three months as a belligerent on the Allied side at the close of World War II complicated its inclusion in the Allied Safehaven program. While the United States and its Allies at one time believed that Turkey's status as a belligerent would make it more cooperative with Allied reparation policies, the opposite proved true, as Turkey claimed exemption from policies designed for wartime neutrals.<sup>65</sup> On November 4, 1944, the U.S. Embassy in Ankara encouraged the Turkish Government to agree to the terms of the London Declaration of January 5, 1943, the February 1944 Gold Declaration, and Bretton Woods Resolution VI, collectively the legal basis of the Allied Safehaven program.<sup>66</sup> The Allies received encouraging early signals that Turkey intended to comply with the provisions. By December 1944 the Turkish Government had closed Turkey's six German insurance companies and had begun measures to close its two German banks.<sup>67</sup> Although encouraged by this early progress, the State Department still worried about the fate of the proceeds from these German institutions.<sup>68</sup>

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<sup>61</sup> It should also be noted that, among the sources of the 339 kilograms of "ostensibly legitimate" gold that the Reichsbank released to the Deutsche Bank were the Prussian Mint (240 kilograms) and Degussa (24 kilograms), both of which smelted victim-origin gold for the Reichsbank. Table II: "Miscellaneous Gold Bars Released to Deutsche Bank according to *Kontrollbuch, Verschiedene Goldbarren* of the Reichsbank," RG 260, FED Group Central Files, Box 440, file 940.60. Reprinted as document IX-13 in Documentary Appendix to the May 1997 Eizenstat Report.

<sup>62</sup> Herbert Herzog microfilm, Vienna, Austria.

<sup>63</sup> "Secret Information—Censorship Relations Section," September 24, 1943, RG 260, FED Group Central Files, Box 440, file 940.60.

<sup>64</sup> Fletcher to Baker, March 28, 1947, RG 43, Lot File M-88, Conference on German External Assets and Looted Gold, Box 203.

<sup>65</sup> Minutes of Safehaven Meeting, March 27, 1945, RG 131, Foreign Funds Control, Subject Files, Box 388.

<sup>66</sup> Packer to the Secretary of State, February 19, 1945, RG 59, Decimal Files 1945-49, 800.515/2-1945. Attached is the diplomatic note transmitted from Ambassador Steinhardt to the Turkish Minister of Foreign Affairs on November 4, 1944.

<sup>67</sup> Lawson to the Department of State, November 27, 1944, RG 84, Embassy Ankara, Safehaven Files 1945-48, Box 5; Steinhardt to the Secretary of State, December 18, 1944, *ibid.*, Box 2.

<sup>68</sup> Grew to Embassy, Ankara, January 25, 1945, RG 59, Decimal Files 1945-49, 800.515/2-1945.

Following these early actions, the Safehaven program in Turkey stalled permanently. Initial delays were due to concerns about Turkey's wartime status and possible Soviet involvement in the program. In April 1945 a Safehaven group met to discuss drafting a Safehaven note for Turkey and concluded: "we must anticipate and recognize that the form of the note to be drafted presents greater difficulties with respect to Turkey than have been faced with respect to any other country by virtue of peculiarities of Turkish thinking and Turkey's change of status from a neutral to an ally."<sup>69</sup> Disagreement later arose between State and Treasury Department officials over Turkey's Safehaven program as State favored less severe treatment on grounds that Turkey presented a "very ticklish political problem."<sup>70</sup> Eventually, however, the two issues slowing Safehaven investigations in Turkey were resolved. The Allies decided to treat Turkey in a manner analogous to other neutrals, and, in agreements made at the Potsdam Conference (July 16-August 1, 1945), the Soviet Union waived all claims to German external assets in favor of the Western Allies, removing any Soviet influence from Turkey's Safehaven program.<sup>71</sup>

A more complex problem affecting early proposals for an Allied Safehaven program in Turkey was how to deal with Turkey's holdings of German looted gold, including the Belgian gold. State and Treasury Department officials initially proposed asking Turkey to provide documentation outlining the origins of its entire gold supply,<sup>72</sup> but British officials and U.S. Ambassador Edwin Wilson objected on the grounds that the Turkish Government lacked the administrative capacity necessary to fulfill such a request. Moreover, as Ambassador Wilson noted, the fact that "the British and United States have not made identical demands on the other unoccupied United Nations or even neutrals would undoubtedly be noticed by the Turks. They expect treatment identical to that which has been given to the other United Nations which have not been occupied by the enemy and they do not consider themselves in the same category as neutrals."<sup>73</sup>

This position was persuasive in Washington, and the United States subsequently dropped any plans to request Turkey to provide detailed information about its gold supply.<sup>74</sup>

### ***K. Attempts at a Postwar Allied-Turkish Agreement on Restitution and Reparation of Looted Gold and German External Assets***

On March 28, 1946, the United States, Britain, and France formally presented Turkey with a proposed program for the restitution of looted monetary gold and the application of German external assets to the reconstruction of Europe on the basis of the agreements and policies developed at the Potsdam Conference in July-August 1945 and the Paris Reparations Conference of November 1945-January 1946. The Allies called on Turkey to comply with the principles of the 1943 London Declaration, the February 1944 Gold Declaration, and Bretton Woods Resolution VI, as well as to assume control over all enemy assets and to liquidate all enemy commercial institutions.<sup>75</sup> Although the proposal made no suggestion that Turkey would have to surrender German assets in the country, the Allies maintained that, under Allied Control Council (ACC) Law No. 5 of August 1945, the Allied Control Council could claim these assets as the de facto government of Germany.<sup>76</sup> The U.S. Embassy in Ankara had estimated total German assets in Turkey at \$51.2 million for the purposes of the Allied Reparations Commission. After accounting for the

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<sup>69</sup> Minutes of Safehaven Meeting, April 25, 1945, RG 131, Foreign Funds Control, Subject Files, Box 388.

<sup>70</sup> Feig to Shwartz, May 26, 1945, *ibid.*, Box 383.

<sup>71</sup> Klayman to Martin, March 29, 1946, RG 59, Decimal Files 1945-49, 800.515/3-2946; *Foreign Relations*, 1945, vol. II, p. 896.

<sup>72</sup> Memorandum for the Files, "Safehaven Program in Turkey," September 4, 1945, RG 131, Foreign Funds Control, Subject Files, Box 1.

<sup>73</sup> Wilson to the Secretary of State, November 15, 1945, RG 84, Embassy Ankara, Safehaven Files, 1945-48, Box 4.

<sup>74</sup> Wilson to the Secretary of State, January 14, 1946, RG 59, Decimal Files 1945-49, 800.515/1-1446. Attached are proposed Safehaven demands to be presented to Turkey minus the questions regarding its gold supply.

<sup>75</sup> *IARA Final Report*.

<sup>76</sup> Klayman to Martin, March 29, 1946, RG 59, Decimal Files 1945-49, 800.515/3-2946.

potential variability in private holdings of German looted gold, estimates of Turkey's Nazi assets rose as high as \$71 million.<sup>77</sup>

In August 1946 the Turkish Government set forth its basic position on the restitution of gold and assets in a note that reaffirmed its acceptance in principle of the January 3, 1943, and February 22, 1944, Allied declarations and Bretton Woods Resolution VI, but with important, critical qualifications, all of which focused on Turkey's intention not to give up control over the disposition of German external assets. Turkey insisted that it maintain sole jurisdiction over its program of liquidating enemy property and that the proceeds of the liquidation be used first to satisfy Turkish war claims against Germany.<sup>78</sup> Turkey reaffirmed these reservations in December, adding that it was not bound by international agreements that it had had no part in framing (i.e., the 1946 Paris Reparations Agreement). Turkish officials further claimed that under international law enemy property found in a belligerent state was entirely subject to the authority of that state.<sup>79</sup>

### **L. U.S.-Turkish Relations: From "Live and Let Live" to the Truman Doctrine**

The Allied efforts to obtain agreements with Turkey in 1946 for the restitution of gold and return of German external assets were never pressed with vigor and were, in fact, totally overshadowed by a major change in relations between and among the Allies and with Turkey. The change began in 1945 when the Soviet Union launched its diplomatic campaign to bring about a revision of the international convention regulating the Turkish straits, to establish bases on the straits, and to obtain the cession of territory in eastern Turkey to the Soviet Union. The possible change of the Montreux Convention regarding the straits was discussed at the Potsdam Conference in July 1945. In preparation for the Potsdam Conference, the State Department policy paper on Turkey reflected no perceived U.S. national interest in Turkey:

"Since the time of Admiral Bristol, relations between the United States and Turkey have been friendly and profitable. We have no special objectives with regard to Turkey itself beyond those normal to peaceful intercourse. Our attitude so far as Turkish-American relations are concerned is 'live and let live.'"<sup>80</sup>

Major changes in U.S. policy toward Turkey in 1946 and 1947 had both economic and geopolitical grounds. In the summer of 1946, changes in the world chromite situation prompted the State Department to seek improved U.S.-Turkish relations with the goal of a modernized economic relationship based on a new treaty of friendship and commerce that included a chromite arrangement.<sup>81</sup> After Turkey's requests for major economic loans from private American banks were rejected in the summer of 1946, State Department policy-makers considered a major government-funded economic assistance program in the Middle East, including Turkey. Differences within the State Department pitted the geographic-political experts, led by Assistant Secretary of State Loy Henderson who favored the use of aid to further U.S. foreign policy, against the functional bureaus of the Department, many of them staffed by experts from the wartime agencies who shared the views of the Treasury Department, which urged sound, normal banking and economic practices. No major economic development program came about in 1946, and all that could be managed for Turkey was a \$25 million Export-Import Bank loan for some specific business projects, as

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<sup>77</sup> Wilson to the Secretary of State, November 8, 1945, RG 84, Embassy Ankara, Safehaven Files, 1945-48, Box 4; Fletcher to Birch, February 18, 1946, RG 59, Decimal Files 1945-49, 800.515/1-1846. \$51.2 million was the official figure used in reparations discussions at the Potsdam Conference; see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 959.

<sup>78</sup> *IARA Final Report*; Bursley to the Secretary of State, September 24, 1946, RG 59, Decimal Files 1945-49, 800.515/9-2446. The full text of the Turkish response to Allied Safehaven provisions is in Embassy, Ankara, to the Department of State, September 27, 1946, *ibid.*, 800.515/9-2746.

<sup>79</sup> Wilson to the Secretary of State, January 1, 1948, RG 84, Embassy Ankara, Confidential Files, Safehaven, Box 35. The full text of the Turkish response was transmitted by letter from the Embassy, Ankara, to the Department of State, January 2, 1948, *ibid.*

<sup>80</sup> *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, pp. 1015-1017.

<sup>81</sup> David Alvarez, *Bureaucracy and Cold War Diplomacy: The United States and Turkey, 1943-1946* (Thessaloniki, 1980), p. 87, cites Department of State papers in the James F. Byrnes papers at Clemson University.

well as some aid in the form of \$10 million in liquidated wartime Lend-Lease equipment stored in the Middle East, which began to reach Turkey in 1946.<sup>82</sup>

Additional impetus for the major change in U.S.-Turkish relations came from the Soviet Union. Soviet aggressiveness in Germany, Eastern Europe, and Iran during 1946 culminated in a demand by the Soviet Union in August 1946 that it join Turkey in managing passage through the Turkish straits to the Black Sea. The United States promptly rejected the Soviet request, and by September 1946 Secretary of State James Byrnes gained British and French support for a major military and economic assistance program for Turkey. The British would continue their prewar and wartime lead in providing military assistance while the United States would provide massive economic aid.

The plan to give economic aid to Turkey, endorsed by President Truman in October 1946, was pushed through despite the continuing resistance from economic experts in the State Department. Ultimately, when Britain in February 1947 informed the United States that it could no longer afford the responsibility for maintaining Greece and Turkey, the entire burden of both military and economic assistance and regional development shifted to the United States. The mounting concern over the growing Soviet threat to both Greece and Turkey culminated in President Truman's request to Congress on March 12, 1947, for major economic and military aid to Greece and Turkey to forestall expansionist Communism.<sup>83</sup> In May 1947 President Truman signed a bill granting \$150 million in aid to Turkey to strengthen it against a possible Soviet attack. By July 1947 the United States and Turkey had signed the requisite aid agreements.<sup>84</sup>

### **M. Failure To Reach Agreements With Turkey on Restitution of Gold and German External Assets, 1947-1953**

Negotiations between Turkey and the Allies on the restitution of gold and German external assets resumed in Ankara on June 2, 1947, and lasted until July 9. Turkey restated its now-familiar arguments that it was not bound by the Paris Reparations Agreement and could, as a belligerent, dispose of enemy assets in its territory as it wished.<sup>85</sup> The only new development during these negotiations was the Turkish assertion that the value of Axis assets in Turkey was considerably less than its war claims. U.S. negotiators found the Turkish accounting highly suspicious. First, instead of the customary practice of claiming expenses in periods of belligerency, Turkey listed all its defense expenses between 1939 and 1945.<sup>86</sup> Second, Turkish officials stated that it was their "conviction" that the Turkish Central Bank had made no transactions involving looted gold, and they refused to divulge information on specific gold transactions.<sup>87</sup>

Directly following the conclusion of these talks, the Allies presented the Turkish Government with a proposed settlement. Under the agreement, Turkey would hand over its \$3.4 million worth of Belgian gold and any other looted monetary gold in its possession. In addition, Turkey would return any other property found to have been stolen by the Germans, place controls on its German assets, and begin liquidating those assets. Finally, Turkey would not use German assets to settle its own claims against Germany until the issue could be further negotiated between the Allied governments and Turkey.<sup>88</sup>

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<sup>82</sup> The dispute with the State Department between political and economic experts over aid to Turkey is reviewed in Alvarez, *Bureaucracy and Cold War Diplomacy*, pp. 88-89.

<sup>83</sup> Turkey was not one of the 13 nations invited by the United States, Britain, and France to attend the Paris Reparations Conference in November 1945. Only countries that had a real participation in the War, had a war burden attributed to Germany, or had major damage claims arising from the War were invited. No neutral or former neutral was invited. The official U.S. record of the process for inviting states to join the Reparations Conference is in *Foreign Relations*, 1945, vol. III, pp. 1238 ff.

<sup>84</sup> The debate within the U.S. Government over the changing policy toward Turkey and the Middle East and the search for means to aid Turkey is fully documented *ibid.*, 1946, vol. VII, pp. 1-17 and 801-923. For texts of President Truman's request, P.L. 75, providing for assistance to Greece and Turkey, and the U.S.-Turkish agreement on aid, see *A Decade of American Foreign Policy, 1941-1949: Basic Documents*, pp. 530-546, *passim*.

<sup>85</sup> *IARA Final Report*.

<sup>86</sup> Memorandum for the Files, June 26, 1947, RG 84, Embassy Ankara, Safehaven Files, 1945-48, Box 4.

<sup>87</sup> Memorandum for the Ambassador, July 9, 1947, *ibid.*

<sup>88</sup> Wilson to the Secretary of State, July 12, 1947, RG 59, Decimal Files 1945-49, 800.515/7-1247.

On July 15, 1947, the Turkish Government agreed to return 3,000 kilograms of gold (\$3.4 million) and adhere to the main Safehaven governing decrees. The Treasury Department pledged to accept Turkey's offer if it also furnished detailed information on all of its gold acquisitions since January 1939 from the Axis and countries formerly occupied by the Axis.<sup>89</sup> The Turkish Government refused to comply and never returned to its proposal of July 1947. Moreover, on July 22 it approached the Bank of England about the possibility of re-smelting 8 tons of ingots of varied and relatively low fineness and 3 tons of miscellaneous gold coinage (\$12.4 million altogether). The Bank refused the request as there was a certainty among the Allies that the gold was looted; its description matched reports of some low-grade coins believed to have been looted by Germany.<sup>90</sup> In January 1948, as a result of Turkey's request to the Bank of England to have the gold re-smelted, the United States, Britain, and France approached Turkey to demand 249 bars of looted Belgian gold, 32,000 coins, and 243 kilograms of gold ingots, which had been delivered to Turkish authorities by Swiss officials in charge of German affairs (some of this gold came from the Dresdner Bank and may have included gold looted from victims of Nazi persecution). The Turks failed to respond to the note, but in a meeting at the State Department in March, Turkish officials disavowed any knowledge and suggested that "Germans" may have substituted looted gold for gold that Turkey had bought in Switzerland.<sup>91</sup>

At the Conference on Economic Security held in Paris April 26-May 7, 1948, the United States, Britain, and France sought to develop a new strategy for negotiations with Turkey and other nations that were remiss in meeting postwar restitution and reparations goals. "With regard to Iceland, Turkey, Lebanon, Syria, Iraq, Iran, Saudi Arabia, Ethiopia, Liberia, Siam, and China, the U.S. Delegate [Seymour J. Rubin] emphasized that there is little hope of securing any proceeds for the benefit of IARA and that the three powers are really wasting time in attempting to secure any, and that we should make a final effort to secure liquidation of German assets for security reasons and then terminate our efforts altogether."<sup>92</sup> While Britain and France agreed generally with the U.S. position, they still desired to pursue German assets in Turkey. U.S. officials subsequently revised their position and agreed to accept Turkey's last proposed offer of December 30, 1947, which offered the three Allied governments any balance of sums realized from the liquidation of German assets after all Turkish claims against Germany had been satisfied.<sup>93</sup> On October 20, 1948, the Allies approached the Turkish Government about reopening negotiations, stating that "the three Governments desire to make it clear that while they in no way desire to infringe Turkish sovereignty, they cannot concede either the principle that belligerency of itself offers absolute title to all enemy assets or that the enemy has no rights."<sup>94</sup>

The Turkish Government did not respond to requests to reopen talks. It took the position that it would not have the executive authority to negotiate a settlement until appropriate legislation passed the Grand National Assembly. On March 25, 1950, however, the Turkish National Assembly adjourned without voting on a proposed bill granting the government authority to negotiate and conclude an agreement on German assets and the restoration of looted gold.<sup>95</sup> Privately, Turkish officials admitted that

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<sup>89</sup> Memorandum to the Files, July 15, 1947, RG 56, Acc. 70A-6232, Legal Records, Box 22.

<sup>90</sup> Memorandum for the Files, "Gold Transactions in Turkey," September 3, 1947, RG 59, Decimal Files 1945-49, 800.515/9-347. The memorandum contains numerous documents detailing the controversy surrounding the Bank of England incident as well as the purchase of the Belgian gold in March 1943. The coins had been minted by the Latin Union, a late 19th-century monetary union that attempted to create a uniform gold currency based on the French franc. Its members included France, Belgium, Italy, Switzerland, and Greece.

<sup>91</sup> Tripartite note, January 10, 1948, RG 84, Embassy Ankara, Safehaven Files, 1945-48, Box 4; memorandum of conversation, March 3, 1948, RG 43, Lot File M-88, Council of Foreign Ministers Records, Conference on German External Assets and Looted Gold, Box 203.

<sup>92</sup> *Foreign Relations*, 1948, vol. II, p. 862. See also Schwartz to Bitterman, January 29, 1952, RG 56, Office of International Finance.

<sup>93</sup> *Foreign Relations*, 1948, vol. II, p. 854.

<sup>94</sup> Webb to the U.S. Embassy, Ankara, June 16, 1949, RG 59, Decimal Files 1945-49, 800.515/6-2149. A draft of the note given to the Turkish Government is in U.S. Embassy, Ankara to the Department of State, September 9, 1948, *ibid.*, 800.515/9-948.

<sup>95</sup> Hadraba to the Department of State, April 20, 1950, *ibid.*, Decimal Files 1950-54, 262.0041/4-2050.

Turkey had more German assets than the amount of their claims, but they found no particular advantage in paying war reparations to the Allies.<sup>96</sup>

In their final attempts to reach a settlement with Turkey, the Allies conceded that Turkey, having entered the War in February 1945, was "not technically a neutral" in World War II. Accordingly, the Allies were prepared to relinquish claims to German external assets in Turkey in exchange for a satisfactory settlement on looted monetary gold. The Paris Reparations Agreement of January 1946 provided that all gold found in Germany and all looted gold recovered from "third countries" should be turned over to the gold pool assembled by the Tripartite Gold Commission. Turkey was to be assured that the term "third countries" was intentionally used so as to include countries such as Turkey.<sup>97</sup> U.S. officials specifically sought to receive payment for Turkey's Belgian gold (\$3.4 million) and the gold delivered by the Swiss from the Ribbentrop account (\$400,000). Allied negotiators had long since given up obtaining compensation from Turkey for the estimated \$5-\$10 million worth of gold sold on the Turkish free market by German diplomats and banking officials.<sup>98</sup> Ultimately, the Allies arrived at the "bargain offer" of \$1 million for Turkey to contribute to the international gold pool. The figure was based on the restitution from other neutral countries of looted gold on a percentage basis varying from 25 to 100 percent.<sup>99</sup> Turkey failed to respond to these Allied proposals as it had likewise failed to respond to other proposals after July 1947.<sup>100</sup>

At a meeting held in Washington January 6-21, 1953, U.S., British, and French representatives took the position that their governments had "exhausted all diplomatic means to induce the Turkish Government to conclude the suggested settlement." Under the circumstances, the only course of action left was to notify Turkey that the current offer of \$1 million of gold would remain open until April 1, 1953; if Turkey failed to accept, the Tripartite Gold Commission would highlight its negligence to the IARA as well as to countries whose monetary gold was looted during World War II. Moreover, the United States, Britain, and France would give technical assistance to any country seeking to regain its gold from Turkey. The three governments left to the Turkish Government the responsibility for negotiating directly with Germany on the disposition of German assets in Turkey without reference to Allied legal claims.<sup>101</sup>

In the end, the Allies reached no agreements with Turkey for either the restitution of looted gold or for the application of liquidated German external assets to the assistance of the victims of Nazism. Turkey returned no looted gold to the Tripartite Gold Commission, and turned over no money either to the International Refugee Organization for the support of refugees or to the Inter-Allied Reparations Agency for reparations.

In its Final Report to Member Governments in September 1961, the IARA summarized the failed Allied-Turkish negotiations and concluded as follows:

"The Allied representatives could not recognize the principle of prior discharge in full of Turkish claims from proceeds of liquidations of assets. The discussions at official levels were therefore suspended. For six years after August 1947 the Three Governments made numerous attempts to induce the Turkish Government to recognize the rightful claims of the Governments which had signed the Paris Reparation Agreement. They failed. Finally, when an offer of compromise settlement made on March 22, 1952, remained without response from the Turkish Government, the three Negotiating Powers had no alternative but to notify that Government, on August 11, 1953, that they had decided to inform those whom they represented that their efforts had been to no avail."

No further negotiations were ever undertaken on these matters by the United States or its allies.

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<sup>96</sup> Hadraba to the Department of State, October 26, 1951, RG 43, Lot File M-88, Conference on German External Assets and Looted Gold, Box 203.

<sup>97</sup> Airgram A-180 to Ankara, February 13, 1951, RG 56, Acc. 56-66A-816, Special Subject Files, Box 1.

<sup>98</sup> Fletcher to Goldstein, July 29, 1948, RG 43, Lot File M-88, Conference on German External Assets and Looted Gold, Box 203.

<sup>99</sup> Acheson to the U.S. Embassy, Ankara, February 13, 1951, RG 56, Acc. 56-66A-816, Box 1.

<sup>100</sup> *IARA Final Report*.

<sup>101</sup> Tripartite Meeting on German External Assets and Looted Gold, January 6-21, 1953, RG 43, Lot File M-88, Box 197.