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REPRODUCED AT THE NATIONAL ARCHIVES: **Memorandum of Conversation**

DATE: March 8, 1946

SUBJECT: Estimated German and Swiss Gold Movements During World War II

PARTICIPANTS: Mr. H. W. Clarkson, British Embassy; Messrs. Bernard Peyrot des Gachons and Andre Nespoulous, French Embassy; Messrs. D. J. McGrew and D. W. Curtis, Treasury Department; and Mr. Otto F. Fletcher, Division of Economic Security Controls, Department of State.

COPIES TO:

- Mr. Randolph Paul
- Mr. H. W. Clarkson
- Messrs. Peyrot des Gachons and Nespoulous
- Messrs. Orvis Schmidt, McGrew, and Curtis
- Messrs. Rubin, Surrey, and Kahn

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In a few opening sentences Mr. Clarkson remarked that the purpose of the meeting was to ask Mr. Fletcher to explain to the representatives of the British and French Embassies the details of his statement on estimated German and Swiss gold movements during the war, which he had submitted to Mr. Paul, and to enlighten them as to how he arrived at his conclusions. The statement had been presented at a previous meeting which was attended by Mr. Clarkson.

The British and French representatives expressed their amazement at finding such completeness with respect to the breakdown of the material.

Mr. Fletcher remarked that he understood that there was full agreement that the conclusions outlined in the estimate under discussion were of extreme importance to the negotiations because the gold issue represented (a) a case of breach of their neutrality by the Swiss; (b) acceptance of looted gold by the Swiss could be proved to a far-reaching degree; (c) if proven, it has already been conceded by the Swiss (even before the beginning of the negotiations) that the looted gold will be returned, because they have said that they are willing to restore loot, and they can be caught with their own words.

There was full agreement that the looted gold question is a good weapon for use in the negotiations, in fact the only one, and that it should be very carefully exploited.

Mr. Fletcher explained that his estimate was set up by comparing statistics on gold reserves of foreign central banks and by using certain partly secret information

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information about Germany's acquisitions of monetary gold in occupied countries and international gold transactions. He remarked that he thought that the estimate spoke in clear language and that there was not much which could be added to it.

Mr. Clarkson asked Mr. Fletcher to discuss the phrase "from early 1943 on", and Mr. Fletcher said that the argumentation ran as follows--Germany had at the moment when she made the first acquisition of gold by taking over the Austrian Central Bank gold, published gold reserves amounting to \$29,000,000-worth of gold. Usually central banks hold so-called hidden gold reserves which customarily amount to anything between 20% and 40% of their published gold reserves. In the case of Germany it was assumed by monetary experts in and outside of Europe that Germany held \$100,000,000-worth of gold: Mr. Fletcher said that the British monetary experts figured on a rather lower basis, but that he held to the figure of \$100,000,000-worth of gold. Mr. Fletcher said that the Treasury assumed that the amount was higher, but that his own assumption of \$100,000,000 worked pretty well. He continued the argumentation by saying that we assumed in the beginning of the war that Germany was not compelled to sell gold or to acquire foreign currency--that comes to the same thing--to a large degree, and she might have her own gold reserves.

Mr. Fletcher continued by saying that part of the figures on the left side of the ledger are confirmed by claims already filed with us--partly officially, partly unofficially, given to our representatives at the Allied Commission. He mentioned the gold pot agreement provided for by the Final Act of the Paris Reparations Conference.

There was agreement that the left side of the estimate was fairly undebatable.

At this point in the discussion the Treasury representatives said that they agreed offhand with the figures on the left side of the estimate, and that at least they could see no apparent grave error.

Mr. Fletcher said that, as to the item on the first line of the right-hand side of the estimate (Sold to Swiss National Bank, 275-282), he had used the Treasury's own figures.

Mr. Fletcher remarked that if his findings were compared with the Swiss official report on Swiss gold movements during the war, it would be discovered that, whereas the Swiss officially stated to us that they had purchased \$278,000,000 from the German Reichsbank, we knew that they had accepted for deposit \$378,000,000, and that therefore, according to the Swiss' own official statement, they subsequently acquired or purchased from the Swiss Reichsbank out of this deposit \$278,000,000-worth of gold. The conclusion to be drawn from these facts is that there remains, consequently, \$100,000,000-worth of gold on deposit.

Mr. Clarkson inquired whether that meant that \$378,000,000 was shipped after March 1940.

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Mr. Fletcher replied in the affirmative. He explained that the Germans had \$100,000,000 gold, and of the first years of the war when there was a German war reserve--we can assume that they first spent all of their own gold; then we must say that after a certain time their own gold was exhausted (by mid-1943), and that from then on the gold that they sold had to be looted gold.

Mr. Fletcher went on to say that, as figured above, we know that there remained about \$100,000,000 gold deposited with the Swiss National Bank for the account of the German Reichsbank. He said that since we know from hundreds and hundreds of intercepts about gold acquisitions and transactions by two leading Portuguese banks for German account, we can easily conclude that the bulk either was sold to the Portuguese (and to a lesser degree to the Spanish) and probably at a certain time physically shipped out of Switzerland to Spain and Portugal. During the war there was a deficit in the trade balance between Portugal and Spain and Switzerland.

Mr. Fletcher said that there are now additional figures--the gold found in Germany amounting to \$293,000,000, including gold earmarked for Italy and Hungary.

Mr. Curtis remarked here that the Italian gold was not only earmarked but held on deposit for the German Foreign Office under the heading "Italian Gold".

Mr. Fletcher went on to say that records found in Germany confirmed the fact that gold was shipped to Rumania by Germany and that it is rather amazing that the Germans shipped gold to a satellite. He said that the explanation was that at that time Germany was in bitter need of petroleum and Rumania was in so strong a position economically that it asked for payment in gold, and that this was an interesting case of the reverse of the usual situation--a satellite received gold from Germany instead of being looted.

Explaining the fifth item, Mr. Fletcher said that the figure of \$18,500,000-worth of gold sold to the Swedes was always assumed by MEW during the war, and he inquired of the Treasury representatives whether they had been able to find records of such sales to Sweden.

Mr. McGrew replied that they had not totaled those records and that the number was small.

Mr. Fletcher stated that that one figure might be too high; that the fact was that the domestic gold reserves of Sweden had increased during the war; and that this was only an indication, not evidence. He said that therefore we must admit that we lack evidence, but that there was a report to the effect that the Germans tried to sell the looted Belgian gold first to the Swedes and that when the Swedes refused the gold was sold to the Swiss.

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Mr. Fletcher said that we know also from numerous intercepts from Germany that black markets dealing in gold were flourishing during the war, particularly in Istanbul and the Near East--and that we also know that the Germans used gold in the Middle East for propaganda purposes.

Mr. Clarkson inquired what the evidence was that all German gold was exhausted by mid-1943.

Mr. Fletcher replied that it was the figure itself. He said that if one deducts from the total of \$380,000,000 which went to Switzerland from Germany, the \$100,000,000 representing Germany's own gold reserve, the additional \$180,000,000 which they purchased, as well as the \$100,000,000 they accepted on deposit must be, of necessity, looted gold. Additional evidence, he said, can be found in a statement made by Mr. Puhl to high officials of the Swiss National Bank (according to Treasury's report of Puhl's testimony to Allied investigators) "...that in getting the Swiss to accept the gold, officials of the Reichsbank orally stated to the Swiss National Bank, that the claims of despoiled owners to gold looted by the Germans did not need to be satisfied by restoration of the actual gold taken from them but only by an equivalent amount of gold. In this connection, the Germans argued that the liability to those owners was adequately covered by the total gold reserves of the Reichsbank."

Mr. Curtis said that he had figures based on Treasury's investigations in Germany (ledger transcription from the books) and that he would have them typed up (by quarters) and furnished to Mr. Fletcher. He gave figures as follows: the known shipments to the Swiss National Bank totaled \$21,200,000 for the first year (March through December, 1940); \$49,700,000 for the entire year 1941; \$34,900,000 for the first quarter of 1942; totaling \$105,000,000 (as of March 1942). Mr. Curtis remarked that these figures made no allowance for dispatch to other places.

Mr. Fletcher said that from this evidence it can be seen that Germany had exhausted her own reserves already in March, 1942, whereas he had assumed cautiously in his own conclusions the date as of mid-1943 at the latest.

The Treasury representatives inquired how much gold the Germans had on deposit in Switzerland at the outbreak of war, and remarked that the obvious "out" for the Swiss is that all the purchases were from pre-war accumulation in the depot. Mr. Curtis said that he didn't see how we could discover the answer to this question.

Mr. Fletcher said that he thought it was safe to assume that the Germans had, if any, a small depot account before the outbreak of war.

Mr. Curtis

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