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By ML NARA Date 2/1/77

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: July 3, 1946

TO : ES - Mr. Surrey
FROM : O. F. Fletcher
SUBJECT: Attached memorandum on gold acquisitions
of Portugal during the war

Here is the Portuguese gold memo.
You will receive ^{a Spanish} the memo on Spanish gold
in a few days, although the Spanish situa-
tion is partially covered by the attached
memo.

The reply to my outgoing cable of
today to Bern may yield additional evidence,
particularly regarding Spanish gold
acquisitions.

Handwritten notes:
The...
The...
Post...

Vertical handwritten note:
See 100-76050-344

FROM AREA...
was used by the Portuguese to explain...

to submit

RG59
BOX 2219

DECLASSIFIED
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By WV NARA Date 2/8/77

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MEMORANDUM ON GOLD ACQUISITIONS BY PORTUGAL DURING THE WAR

SUMMARY:

(All Sums in Thousands of U.S. Dollars)

Bank of Portugal acquired
from German Reichsbank's
deposit with the SBB
(This gold was exclusively
looted Belgian gold) 22,632

Portugal acquired from SBB
(This gold probably included
German looted gold) 116,671

Total

139,303
(123,827 Kg.)

*23 100-76050
(SBB)*

In addition, an unknown quantity of gold was brought into Portugal, probably directly from Germany by diplomatic pouch and secret air flights and stored there or sold privately.

RECOMMENDATION:

It is suggested to request from the Portuguese

- (a) the return of the whole amount of \$22,632,000-worth of gold (20117 kg.), since we have evidence that this portion was exclusively Belgian gold looted by the Germans and (or about 84 million dollars)
- (b) the return of an appropriate portion--possibly 75%--of the gold acquired from the SBB which amounted to \$116,671,000 (109,709 kg.), since there is a strict probability that a large portion, if not all, of this gold was looted.

In making this request our position should be strengthened by reminding the Portuguese that they made a false statement when the authorities of the Bank of Portugal advised our Legation that "no gold whatsoever was ever shipped from Germany to Portugal between April 1938 and May 1945". (Telegram 390, May 4, 1946 from American Legation, Lisbon, reported this statement which was used by the Portuguese to explain their delay and reluctance

to submit

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to submit requested complete tabulation of their gold dealings during the war.)

BACKGROUND AND CONCLUSIONS:

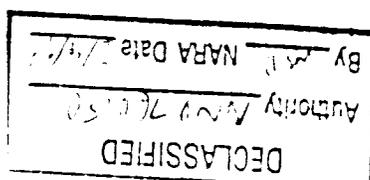
As we know, the Swiss purchased from Germany during the war 265,067 kg. (\$298,200,000-worth) of gold, about 72% of which must be assumed to have been looted gold. It can be assumed that the Swiss naturally tried to sell at the earliest possible opportunity such looted gold and therefore it can be assumed that all the gold sold by the Swiss to the Portuguese was looted gold. But if the average percentage is also applied to the resale to the Portuguese, the Portuguese should return 72% of the 103,709 kg. (\$116,673,000), that is 74,670 kg. (\$84,004,560).

The total gold looted by Germany during the war is calculated at 433 million-dollars-worth of gold, to which are to be added 53 million taken from Austria and 39 million from Czechoslovakia--altogether 500 million.

579
It is also calculated that Germany sold abroad during the war about 445 million-dollars-worth of gold. At the beginning of the war Germany's own legitimate gold stock, (including 23 million purchased from Russia before she went to war with Germany), amounted to about 126 million-dollars-worth of gold. Hence, Germany sold abroad about 319 million-dollars-worth of looted gold. Under the assumption--most favorable to the neutrals--that Germany sold all her legitimate gold abroad and only part of her looted gold, 72% of all gold sold by Germany was looted gold.

Another approach is suggested by the above assumption, namely, that Germany spent about 445 million-dollars during the war: Germany sold during the five-and-a-half years of the war 85 million-dollars-worth of gold on the average per year. At that rate, since it can be assumed that Germany first sold all her legitimate gold, she must have exhausted her legitimate stocks by the spring of 1941. Therefore, if we assume that Germany began spending looted gold by spring of 1942, we have made ample allowance for the consideration that at the beginning of the war the annual rate of spending was lower and probably increased only after the first year of war when Germany began to secure material abroad and otherwise increased her foreign activities. If we follow the latter argumentation, we arrive at the conclusion that all gold that the neutrals acquired after

the sinking



the spring of 1942 was looted gold. The amount of German gold acquired by the Portuguese after that date probably will exceed the 72½ figure arrived at above, since the bulk of transfers took place after that date.

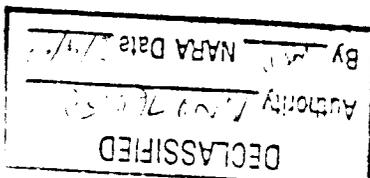
Still another calculation leads us to the following considerations: the total sum of gold looted by Germany was 590 million. Under the assumption (the one most favorable to the neutrals) that Germany had spent all her legitimate gold holdings during the first years of the war, the whole amount of gold found in Germany--namely 199 million-dollars (excluding the Italian and Hungarian earmarked gold) is to be deducted from the above 590 million, leaving 391 million. To be deducted from this 391 million is \$8 million recovered from Switzerland and 8 million we are going to recover from the Swedes. We are still missing about 386 million. Since we know that 32½ million-dollars looted gold went to Rumania and some 15 million-dollars were privately sold in Turkey, we are missing about 280 million-dollars-worth which is roughly the amount of gold reportedly acquired by Portugal and Spain, as the acquisition of German looted gold by Spain and Portugal combined.

Preliminary over-all report dated February 26, 1946 of the Strategic Services Unit, War Department, states that between January 1942 and February 1944 a total of about 610,000 kg. gold was shipped by truck from Switzerland to Spain and Portugal and that two-thirds (about 406,060 kg.) went to the Bank of Portugal and one-third (about 203,030 kg.) went to the Instituto Espanola de Monedas Extranjeras in Madrid. So far as Portugal is concerned this would be far in excess of the figures used in the Summary (page 1 of this memorandum) on the basis of the Swiss official documents, and so far as Spain is concerned, would be in excess of the Madrid Trusteeship's estimate of total shipments of gold to Spain on German order from February 1942 through VE Day, of about 85,000 kg. (An analysis of another SSS report on shipments of gold through Bellegarde, which obviously is included in the over-all summary of SSSU of February 26, 1946, bears out that about 57,000 kg. went to Spain and about 109,000 kg. went to Portugal. (No destination was given or can be established for an additional approximately 5,000 kg.)

DOCUMENTATION:

The figure of 22,632,000 dollars-worth of gold (acquired by Bank of Portugal from German Reichsbank's deposit with the Swiss

National



National Bank) was taken from a letter from the Swiss Delegation to M. Gharqueraud, dated May 25, 1946. (The letter was classified as "very confidential", and therefore cannot be quoted to any foreign government.) It confirmed that this gold was exclusively looted Belgian gold.

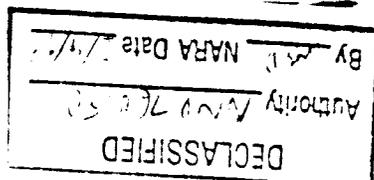
The figure 116,673,000 dollars-worth of gold (Portugal acquired from the Swiss National Bank) was taken also from an official Swiss statement submitted to our Legation in Bern and sent to the Department as an enclosure to Foreign Service Despatch No. 12547, September 19, 1945.

Since we are in possession of official Swiss statements (a) that 20,117 kg. of looted Belgian gold was transferred by the Germany from their account with the Swiss National Bank to Portugal, and (b) that in addition the Swiss National Bank sold (for its own account) 103,709 kg. to the Portuguese--and, on the other hand, since the SSU reports are incomplete, only partially verifiable, and partly inconsistent with verified material--there is no present need to elaborate at length on these reports. One of the reports gives the make and description of truck, and name of driver, and describes the contents of the trucks as to nature, weight, value, shipper and recipient, but does not list the most important item--namely whether bars bore German stamps. As to the total covered by the reports, they arrive at a figure of 108,733 kg. to Portugal, and therefore cover almost 88% of the Swiss figure. The over-all report, quoted on page 3, gives no particulars and arrives at figures not borne out by any other verified document or calculation. As to the time of shipment, both reports cover a period from January 1, 1942 to May 5, 1944.

Other SSU reports mention indirect witnesses accounts to the effect that ingots with German markings were seen at the occasion of the opening of shipments by the customs officials, which took place at the frontier. The SSU memorandum summarizes: "It was estimated that more than half of the gold in transit had German markings of some kind."

The statement (last paragraph of Summary, page 1) regarding an unknown quantity of gold brought to Portugal directly from Germany and occupied countries, is borne out by such statements as the one by Otto Eckert, former German Legation official in Lisbon that during the past two years he had received about seven deliveries of gold, each delivery amounting to about \$20,000-worth of gold, from the Reichsbank in Berlin, which gold

had



had been sold through Portuguese citizens. (FSD No. 735, Lisbon, February 14, 1946.)

During the war confidential reports were received that gold was coming into Portugal from Stuttgart and Berlin by plane via Barcelona, Spain, to be melted down and remade into Portuguese ingots and to be finally sold to the Portuguese goldsmith guild.

That the Portuguese National Bank considered itself in an equivocal position with regard to its gold acquisitions is indicated by information obtained during the last year of the war that the Portuguese National Bank was anxious to sell portions of the German gold it had acquired. One such indicative transaction was reported when the Bank of Portugal swapped 15,000 kg of gold acquired from the Germans and held in Portugal for the same quantity of gold held in New York for the account of the Portuguese Government.

STATISTICS ON BANK OF PORTUGAL GOLD RESERVES AND THEIR SIGNIFICANCE IN RELATION TO GOLD MOVEMENTS DURING THE WAR:

According to our own statistics the Portuguese gold holdings in the United States show a sharp increase during the latter half of the war, as can be seen from the following comparison:

Marked Gold Held for Portuguese Account in the U.S. (In millions of dollars)		
<u>End of 1942</u>	<u>End of 1943</u>	<u>Feb. 28, 1946</u>
165.0	180.0	305.3

These figures match well with the tables submitted by the Portuguese to our Legation February 8, 1946, listing their gold holdings at the Federal Reserve Bank, New York, and their increases as follows (in millions of dollars):

<u>1-1-1939</u>	<u>22-2-1944</u>	<u>11-10-1945</u>
---	178.3	290.0

According to the Portuguese, they held an additional relatively insignificant amount at the Bank of Canada. More important for our purposes is the fact that they list no gold holdings with the Swiss National Bank as of January, 1939, but some 9,000 kg. as of February 1944 with the Swiss National Bank, which were reduced to about 4,000 kg.

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by the end of October 1945. It can be assumed that the aforementioned 9,000 kg. gold were acquired either by transfer from the German deposit account with the Swiss National Bank or from the Swiss National Bank out of the gold that the latter acquired from the Germans.

The most important item is the domestic gold holdings of the Portuguese, hitherto unpublished and unknown, and given by this report as follows (in millions of dollars):

<u>1-1-1939</u>	<u>22-2-1944</u>	<u>31-10-1945</u>
68.8	135.3	120.3

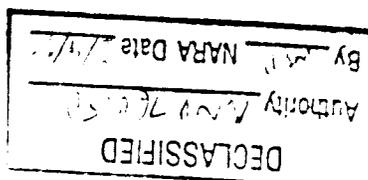
In addition, according to their submission, the Portuguese Government holds at the Bank of Portugal (in millions of dollars):

	<u>1-1-1939</u>	<u>22-2-1944</u>	<u>31-10-1945</u>
In bars:	12.9	17.4	17.4
In coin:	<u>1.6</u>	<u>3.1</u>	<u>3.1</u>
Total Portuguese <u>domestic</u> gold holdings	<u>83.1</u>	<u>154.8</u>	<u>140.8</u>

Since Portugal is not producing any gold and her acquisitions from the Western Allies and Argentina in payment for goods and services during the war accrued to her gold holdings with the Federal Reserve Bank in New York, the confessed increase in the domestic gold holdings of about 60,000 kg. or 67.5 million-dollars-worth of gold from 1939 to 1944 strongly indicates that this gold was acquired directly or indirectly from Germany.

It is indicative that the above table taken from the report presented to our Legation by the Portuguese, omits showing the domestic gold holdings as of the end of the war. It can be assumed that at that time the peak of domestic gold holdings was reached--a figure probably surpassing the February 1944 figure used in the above compilation--and that the Portuguese Central Bank sold, both domestically to private interests and also probably to Spain, some of its recent gold acquisitions between the spring of 1944 and October 1945. This might explain the fact that the above-arrived-at figure of 67.5 million-dollars-worth of acquisitions falls short of the figure for total acquisitions arrived at in the opening Summary (page 1).

Portugal's



Portugal's total gold holdings, which before the outbreak of the war amounted to about 69 million-dollars-worth of gold altogether, have increased to about 440 million-dollars-worth of gold at the end of the war, or by about 690%. This increase can be explained by the fact that Portugal during the war had a favorable balance of payment with both groups of belligerents and with other neutrals, particularly with Switzerland.

Stressing this over-all increase in Portuguese gold (and, for that matter, in foreign exchange holdings) should furnish an additional moral argument to the specific arguments and evidence with respect to the return of that portion of Portugal's gold acquisitions which represent loot.

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