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Lisbon, May 20, 1948

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Subject: Presentation of Note on Looted Gold to  
Portuguese Government.

THE SECRETARY OF STATE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to the Department's  
various telegraphic instructions regarding the presentation  
of an "idle" note on looted gold to the Portuguese Govern-  
ment set forth in the Embassy's telegram No. 282 of May 20,  
1947 in this connection. I am presenting

herewith a memorandum regarding the  
proposal concerning the note in question.

Herewith I am attaching a copy of the  
memorandum of understanding on gold agreement which was left  
in Lisbon by Mr. G. T. Clattenburg, Jr., and also attach  
hereto a copy of the note as actually  
presented to the Portuguese Government and a  
copy of a memorandum by Mr. Gauthary  
of the Embassy which took place the same day.

It is the hope of the Department that the  
development of this matter will be made to the Department as  
developments occur.

Respectfully yours,

Albert E. Clattenburg, Jr.  
Charge d'Affaires ad interim

Enclosures:

1. Memorandum re presentation.
2. Memorandum for gold agreement.
3. Copy of note presented.
4. Copy of memorandum of understanding, dated May 20, 1947, Gauthary.

84-1082 NARA Date 2/14/71

Authority A/N 076050

DECLASSIFIED

Reference (1) to Dispatch No. 399, May 20, 1948, from  
the Embassy, Lisbon, Portugal.

VIB-5/2

SECRET

Visit to the Foreign Office, May 19, 1948

Mr. the British Ambassador and the French Minister,  
Lisbon, were seen by the Portuguese Foreign Minister at  
4:30 P.M. today.

The Ambassador presented the Foreign Minister with identical  
notes on the gold question in accordance with the draft  
agreement at Paris.

The British Ambassador made introductory comments  
stating that we had come to see the Foreign Minister on  
this very painful and long-pending question of gold.

The Foreign Minister interrupted to say that it was  
not only painful but delicate.

The British Ambassador went on to state that the  
three governments had come to the conclusion that it was  
necessary now that Accords on gold had been reached with  
Spain with the Bank of International Settlements at  
Basle and with all the other European neutrals, to come  
to final trips with the question in Portugal. The three  
governments were negotiating on behalf of all gold members  
of IABA. The protocols they had so far received from  
the Spanish Government were not protocols which they  
would like to IABA and recommend for adoption on the  
basis of which the negotiating governments were satisfied.  
It was felt that undoubtedly Spain could  
conclude with IABA without the three governments to go  
along and subsequently recommend adoption of the protocols  
which would meet the needs of all members.  
A date could not be found very soon but a date would  
be agreed to IABA.

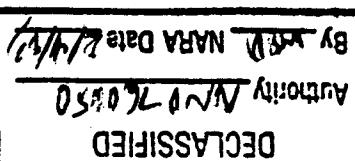
The Ambassador further went into the  
need of a prompt settlement, including  
the financial situation in the United States, the  
gold movements and the improvement  
in the economic situation of the European countries.

The presentation by the British Ambassador was  
very briefly made.

The French Minister made supporting remarks and  
requested the Foreign Minister to read the French version  
of the note.

The Foreign Minister read the French version of the  
note very attentively and then proceeded to make quite  
extensive remarks upon the entire matter.

The first point made by the Foreign Minister was  
that the circumstances affecting Portugal were very  
different from those affecting the other governments or  
agencies which had arrived at gold accords. In respect  
to Spain, the Spanish Government had received 25% of all  
liquidated/



losses of the Allies, and that a very considerable amount of gold had been turned over relatively little in return. This situation would probably go far towards explaining the attitude of the U.S. and Great Britain towards the Gold Agreement. In the opinion of the Foreign Minister there was considerable very considerable reason to complain to begin with the settlement, the favorable balance by which it had received and the cash benefit the Germans. Inasmuch as appears to expect, the accord was actually a diplomatic triumph.

In the case of Sweden, the Foreign Minister cited a Swedish informant who had told him that the Swedish Government had agreed to turn over between 7 and 8 tons of gold in return for which they would receive 25% of German assets liquidated. The Swedish informant appeared to believe that in effect Sweden would receive full compensation for the gold so surrendered.

The Foreign Minister was less well informed with respect to Switzerland. He had received some information from State Wicker which led him to believe that the large volume of German assets to be liquidated in Switzerland together with the 50% basis of division would certainly leave Switzerland in not too unfavorable a position when the effect of its gold settlement was finally reckoned.

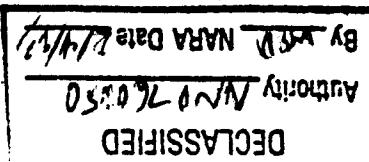
The Foreign Minister made the point that Spain, Sweden and Switzerland are larger countries with much more highly developed industry and a greater variety of products than Portugal.

Portugal, he thought, is a very poor country which subsists on a very narrow margin. It is true that during the war it had a very large war-time profits from exports of wolfram and other commodities. Now that peace has come the country is still finding and the windfall is vanishing.

He referred once more to the text of the note and said that he had remarked particularly that the note did not raise legal or juridical arguments but rather concerned international relations and morality. As a member of the old Hague Court, he could testify that the jurisdiction of Portugal with respect to this gold was impeccable. He asserted that the legal systems of France, upon which that of Portugal is based, Great Britain and U.S. all protect the purchaser in good faith even if property is afterwards found to be stolen. The Foreign Minister then went on to point out that the gold in question was received by Portugal in return for transactions with Germany which had the consent of the U.S. and Great Britain in that it was agreed that Germany might purchase 25% of the wolfram available in Portugal, etc.

In view of the fact that the allied note did not refer to juridical questions, the Foreign Minister remarked that the matters just discussed might be laid aside from discussion since the practical fact was that we must reach an agreement.

The Foreign/



*Sixty*

ATB-54

The French Minister had asked to discuss the possibility of Portugal obtaining some compensation for gold which had been turned over to the Allies. He stated that the amount had been agreed upon and received in Lisbon when he was there and the allied representatives in their previous up and down discussions had largely overestimated the amount of gold assets in the colonies--Alvares, Angola, and Mozambique--which might be liquidated. As a matter of fact, those best German holdings in those colonies belonged to German residents there before 1939 and still resident there, thus not falling within the scope of the accord, it would be surprising if liquidated assets available from this source would exceed more than 25% of the estimated 200 million escudos. Thus, even if the Allies should give Portugal all these proceeds, the increment to Portugal would be far from meeting the cost to the country of 14.6 tons of gold which is about 100 million escudos. According to his computation, liquidation based upon a figure of 14.6 tons of gold would mean a net loss, even if the accord were re-written to give Portugal all the German assets in the colonies, of 300 million escudos. The Foreign Minister also underlined another difference between the case of Portugal and the case of other countries which had negotiated with the Allies. In the other countries, there is a State Bank and if the State stood a loss on the gold settlement that went directly out of the State's accounts. In Portugal, however, the national bank is a private enterprise which the State would necessarily have to recompense. This would mean a special budgetary provision and probably the imposition of some new tax specifically designed to raise this amount of money.

The French Minister drew from all the information given above the conclusion that the return of the gold required by the allied side in the accord would be necessary for him to feel satisfied. His colleagues particularly the MM. de Gaulle and Laval who were out of town and Belarier who was present at the meeting after consultation with them could not say something further.

The French Minister proceeded to question the Foreign Minister regarding various figures which he had cited and noted them in a small notebook which he carried. He knew and was somewhat about the fact that the gold which Portugal had acquired during the war was not all leaving Portugal as in the case of the other neutrals but that at least 2/3 of it was remaining in the country.

The remarks of the French Minister afforded the Foreign Minister an opportunity to rehearse the whole story about the action of the Vichy Government in transferring the Belgian gold deposit from Dakar to Ternillo, where it came into the hands of the Germans as a result of the action of the duly recognized French Government. The Foreign Minister did not pay attention to the protest of the French Minister that this occurred because the French Government had a pistol at its head. The French Minister did not attempt to claim that the Vichy Government was a just government.

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8/26/1945 NARA Date 6/14/73

Authority # 100-100000-100

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5/14/73  
6-293

VII B-5/5

Portuguese Foreign Minister, Dr. Pinto da Costa.

The Foreign Minister accepted to be present at the Foreign Minister's table until knowledge of the final size of the German gold reserve should be available. He agreed to come to an award against Germany for payment for exports to Germany. It is to be noted, the Foreign Minister stated that the true figures about the gold reserves of all governments are never fully published, that it was well known that individual Germans had amassed important sums of gold which the government had requisitioned and that he himself had been on the track of further details on this subject when he was recently in Switzerland. He had been forced to cease his investigation to proceed to Paris for one of the international meetings. He seemed to believe that this element in the German gold situation adequately explored would suffice to establish that the Germans could reasonably be expected to have produced "leaf" gold to pay Portugal.

The British Ambassador stated that the allied experts had prepared a few paragraphs in amplification of that part of the allied note which indicated expediency that the Portuguese Government reconstitute its stock of gold, outlining in more clarity the terms of a possible formula. He presented this to the Foreign Minister for the use of the Portuguese technical experts to whom the matter might be referred. The Foreign Minister reiterated that the attempts to be recovered in the Portuguese colonies are less than the formula seems to imply and that the amount of 11.6 tons of gold is too much.

The Foreign Minister then brought to the attention of the British Ambassador Mr. Schwartz of the U.S. Treasury that it was intended to be in Boston and Washington and the American technical experts would be available to assist him in his negotiations with technical experts of the British Government. This being said, the British Ambassador asked to leave the country within a week or ten days, that is Sunday or Monday. The British Ambassador then inquired whether such technical discussions should be held some time prior to any definite decision by the part of the Portuguese Government which he perfectly understood could not be taken before Monday in view of the absence from town of Dr. Imbrantes and Salazar. The Foreign Minister evaded this point twice.

At this point the British Ambassador raised the point that he and I had a special interest in the prompt settlement of the gold question by Portugal, one in which Portugal shared, in that we also represented the de facto authority in Germany. Germany and Portugal had always had important commercial relationships and it was in the national interest to resume them. That resumption would be much facilitated after a gold agreement permitted the account in German assets to go into effect. The Foreign Minister fully agreed on this point and expanded on it somewhat emphasizing budgetary advantages to the United States.

At the

11:00 AM

By ME NARA Date 2/14/71

Authority ANALYST 050

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VII B-5/6

402 GROUP  
ST. LOUIS, MISSOURI

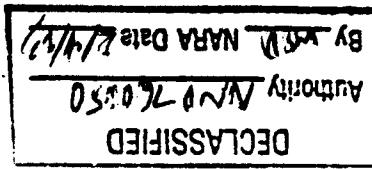
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at the opportunity to make, I promised support of  
Mr. [unclear] of the British Admiralty and the French  
[unclear].

The Foreign Minister promised that he would acquaint  
Belgium officially by telephone with the outline of the  
Allied demands that the master would be given urgent  
attention and that some kind of a statement would be made  
to the Allies as soon as possible.

The meeting ended with the customary friendly greetings. The Foreign Minister did not evince any recognition one way or another over and above that conveyed by his words. I felt that in the oral presentation he probably was addressing himself to me more than my relative personal rank would justify.

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VII B-5/7

To despatch on or before 10. 1946, from  
Lisbon, Portugal.

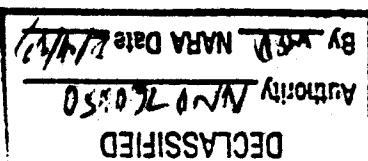
FORMULA FOR REPARATIONS

The allied concept of "reasonable settlement" is  
one which could, with justification, be presented  
to and accepted by I.M.A without criticism or discussion  
on behalf of the 13 member nations. It is considered  
that the quantity should approximate 14.6 tons.

The Allies agree to a redrafting of the letters  
concerning the accord on German assets so that, for  
example, in respect to the colonies the Portuguese  
Government would receive the entire proceeds resulting  
from the liquidation of German assets in the colonies.  
Although the exact amount to be realized from this  
liquidation cannot at present be determined it is strongly  
believed that the amount will provide substantial  
reparations.

The Allies recognize that the proceeds from  
the colonies in the Portuguese colonies may not be equi-  
valent to 14.6 tons of gold. However, the Allies  
are prepared in addition to the proceeds of this  
liquidation to pay 6 tons of gold which is to be payable  
in full or in part to some part be restituted by the  
Portuguese Government without reimbursement.

The formula outlined above is accepted by the  
Allies in view of the fact that it would permit the putting into  
trust of German assets, and reporting to  
Portugal on located gold by payment



54-11245  
G-3

VIB-5/8

Agreement Reached by the Portuguese Government

1. The Embassy of the United States of America presents  
its cordial regards to the Ministry of Foreign Affairs and  
to the Government, on the instructions of the Government  
of the United Kingdom and of France, to refer once more to the obliga-  
tions of the Portuguese Government deriving from Resolution  
VI of the Conference of Bretton Woods, to the principles  
of which the Portuguese Government has adhered. In  
pursuit of the objectives of this resolution, the four  
Governments, on 21 February, 1947, reached a satisfactory  
accord on the liquidation and the distribution of the  
German assets existing in Portuguese territory.

The present position is recorded in a letter dated  
February 21, 1947, addressed to the Chief of the  
Portuguese delegation by the Chief of the Allied  
delegation as follows:

"In connection with the accord on the liquidation  
of German assets which has been reached today, we  
are the first time to request formal adoption by the  
Government of Portugal of its to come into force  
by in exchange of gold only when the other  
members will have been discussed by the  
negotiations have been definitely disposed of by  
the four governments."

"We would like to add to in that letter concerning  
the first time to request formal adoption by the  
Government of Portugal of its to come into force  
by in exchange of gold only when the other  
members will have been discussed by the  
negotiations have been definitely disposed of by  
the four governments."

"The present must be aware, the  
Government of Portugal mentioned has been agreed  
and would benefit from the  
liquidation of assets in Portugal their own  
of the Portuguese delegation in regard to the Gold Declaration  
of February 1947, themselves in an unresolved position  
as regards the amount of Portuguese gold in the  
world's reserves."

"As a result of the labor of the delegations, it is  
established fact that an amount of 43,829 kilos of  
fine gold was received by Portugal from Germany and, as  
the Allies plan, recovered, bar by bar and number by  
number, to have been saved in gold pillaged by Germany  
from the countries or towns overrun in the course of its  
aggression."

Notwithstanding,

~~CONFIDENTIAL~~

By [unclear] NARA Date [unclear]  
Authority NWD 7/1950  
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EX-424  
R.S.E. 1

ESTATE OF JOSÉ MARIA DE MELO  
Barão de Vila Franca, 1886-1900

VII B-5/9

The three Governments feel that a solution must be  
arrived at by them and the countries which they represent,  
and that a solution can no longer be delayed. The fact  
cannot be ignored that one of the primary and fundamental  
objectives of a settlement on the question of German  
reparations is to obtain recompence from the aggressor  
states whose methods of warfare inflicted unparalleled  
injury. Nor can the fact be ignored that the fundamental  
objective of a settlement of the question of limited gold  
is to restore to the injured countries their portion of  
the resources of which they were deprived and which can  
now be used as a means of payment now  
that the reparations have been reduced in  
amount. Finally, there may be many other requirements.  
At the present moment, the Government of  
Great Britain has undertaken to do the work of the  
negotiations, and it is the opinion of the Foreign  
Ministers that the negotiations must be kept

...principle that  
the Government has been  
endeavoring to establish, nevertheless  
the Colonies will never trust  
any Government but their own. We must accept,  
therefore, the question of quantity of  
old representations as a part of the law so  
determined. which power in their view, seems to exceed their  
power of the kind of their claim.

It will regard to the general questions which are involved, the Government of the United States of America earnestly requests that the Portuguese Government will favor it with a early reply.

Lisbon, May 29

CH 100 1871

BY ME NARA Date 2/14/13

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Authority AN-076-0150

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VII B-5/10

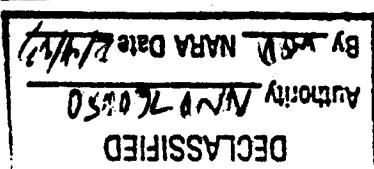
May 19, 1940

MISSION OF GOLD EXCHANGE AT LUNCHEN SILENT BY  
SILVER IN HONOR OF MR. SCHWARTZ.

S. Inger gave a lunch today in honor of Mr. Robert Schwartz of the Treasury Department who is visiting Lisbon in connection with gold sales. The other guests were Dr. Vazia and Colonel Gomes of the Foreign Office, P. Costa, Secretary General of the Bank of Portugal and Mr. Vazquez.

Mr. Inger's words of welcome to Mr. Schwartz mentioned the recent visit of Mr. Vazquez in Lisbon and a lively conversation on the gold exchange question. Mr. Vazquez stated he had been told that the Portuguese Government had no definite stand at the present time on the budget situation in this matter. He expressed his desire to maintain the sentiments of friendship for the two countries and their peoples in the interest of world peace. He mentioned the recent visit of Mr. Vazquez to Brazil and the friendly attitude shown by the Brazilian Government towards our economy and our war effort. He also mentioned the recent visit of Mr. Vazquez to Spain and the friendly attitude shown by the Spanish Government. Mr. Vazquez said that the cause is now in the hands of the Portuguese Government.

Mr. Vazquez said that the British Ambassador had to leave Portugal because of the Portuguese Portuguese collaboration with Germany. He stated that although the British Ambassador had not left Portugal, he did not want a solution of the gold exchange question before these lines could be drawn between the British Ambassador and Mr. Fesson. He stated that the British Ambassador of Portugal was greatly exercised over the British views of the British Embassy had asked his government to make an accord in the Portuguese colonies of the Azores and Madeira. He stated that the great bulk of these areas were in the British sphere of influence and had been actual colonies of the British Empire. Therefore did not fall within the definition of African colonies as provided in the accord. Mr. Vazquez stated it was /



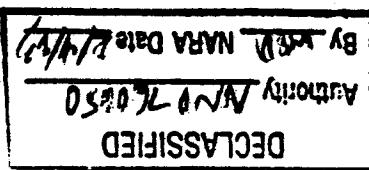
VII B-5/11

On January 20th the French and British had over-all figure of German reparations at \$1,000,000,000 and the colonies had depreciated but he did not believe that it had appreciated to the extent which the British had done, i.e., 400,000 francs or the global amount.

Dr. Farid then inquired of Mr. Schwartz whether he was now representing all of the Allies in any technical question which might arise in so much as the previous French and British negotiators had not come to Lisbon. Mr. Schwartz replied that he was acting only on the part of the United States but since he had recently been in Paris where this matter was thoroughly discussed he was acquainted with the views of both the British and the French.

It is the fact that Mr. Schwartz emphasized that it was not the consensus of the allies that the new proposal would be reasonable and something from which a practical solution could be easily arrived. Dr. Farid did not hide his sentiments and stated "I can only say that from what you have told me you appear to have brought us bad news and I cannot hide my personal disappointment and, I am sure, the disappointment of the Government". He also listed that the offer which he and his British colleagues had brought a practicable basis for settlement of a difficult problem and said "I regard it as a happy opportunity to resume negotiations".

Trans.



EX-4245  
RG 57