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DRAFTSECRETPROBLEM:

To determine United States policy regarding claims of Soviet bloc countries for gold now held by the Tripartite Gold Commission.

RECOMMENDATION:

It is recommended that:

- (a) The claims of the three satellite countries be considered in the normal business of the Gold Commission and be adjudicated in accordance with the principles and procedures of the Commission.
- (b) Delivery of any gold awarded Czechoslovakia be held up pending negotiation of U.S. nationalization claims against that country.

BACKGROUND:

I. The following Eastern European countries have submitted claims to the Tripartite Gold Commission (in round figures):

Albania	\$ 2.9 million
Czechoslovakia	49 million
Poland	142 million
(For Danzig in addition)	5 million

a. Albania

The Albanian claim for gold formerly held by the Central Bank of Albania was admitted by the Commission and allocation was made of the corresponding amount (for the time being over 50% of the claim). Transfer however was delayed upon objection by the French, after the Italian Government pressed its competitive claim to the same gold. Upon strong pressure by the French and Italian Governments and in view of new evidence submitted by the Italian Government the Commission has decided to reconsider its previous position in

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one of the early meetings of the Commission.

The controversy regarding ownership of this gold as between Italy and Albania arises out of the fact that the gold was held by the main office of the Central Bank of Albania which was in Italy. The Bank itself was established by convention between Italy and Albania and was owned over 90% by Italian interests, who were later in 1936 bought out by the Italian Government. The question is whether this gold beneficially owned by the Italian Government should be returned to the Albanian Government because the Bank of Albania was its monetary authority. The U.K. would like to secure a portion of the gold in satisfaction of its claim against Albania in connection with a recent World Court decision.

B. Czechoslovakia

Czechoslovakia has presented total claims of \$49 million, \$18 million of which was decided favorably before the Czechs became Soviet-controlled and 50% of the award was transferred to the Czech Government. The balance of the Czech claim is split into three parts amounting to (a) 16 million (cover for retired Sudeten bank notes), (b) 14 million gold (sold to the Reichsbank) (c) one million (Skoda works gold). No decision has been made on these three claims. Claim (a) is legally and economically well founded, claim (b) probably valid but subject to deduction of about 4 million, and (c) debatable (dependent on decision in a Belgian case).

C. Poland

Poland was admitted as a claimant to the pool only recently since the Poles stalled for more than two years on signing the necessary protocol. The bulk of the Polish claim is neither economically nor legally well founded since the Poles claim gold which was taken from concentration camp victims and other private individuals. This gold is not considered as monetary gold

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for claim purposes under the terms of reference of the Gold Commission and the claims cannot be recognized. (Poland's gold reserve was shipped out of the country in the last days before the Nazi invasion).

Relatively small partial claims amounting to not more than 4-5 million dollars might be considered as possibly valid namely, gold collected by Reichsbank branches and other banks in Polish territory.

A Danzig gold claim was admitted fully but no transfer will be made upon our request, until the political fate of Danzig is decided.

DISCUSSION:

Extensive evidence has been collected regarding the above-mentioned claims and it is anticipated that they will be coming before the Gold Commission for adjudication in the near future. Three courses of action appear possible. They are:

(a) To deal with the claims on the same basis as those of Western European countries and deliver any gold awarded to the Soviet bloc countries in the course of the general implementation of the Gold Commission's decisions.

(b) To proceed as in (a) except to object to any transfer of gold to Soviet bloc countries at the present time.

(c) Take the position that the Soviet bloc countries are not rightful claimants to the gold in view of the usurpation of authority by the present communist regimes of those countries.

The last alternative would be the most straightforward approach to the matter and would not involve the Gold Commission in possible controversy since such a decision would probably have to be made at the government level. It may be questioned however whether such a position would be consistent with U.S. recognition of the claimant governments and furthermore it might be challenged by claims brought in the World Court. The second alternative

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would have the advantage of permitting the Gold Commission to adjudicate the claims in accordance with the legal principles and procedures already established and to dispose of the matter in so far as the Commission is concerned. Since the act of distributing the gold awarded to claimants has been treated separately from the work of the Commission itself such procedure would appear technically feasible. Inasmuch as the U.S. has certain claims on Czechoslovakia in connection with the nationalization of U.S. property in that country postponement of delivery might be related to this problem. It is understood however that the British Government has secured compensation for similar claims and might be reluctant to associate itself with the U.S. in such a position. However, the failure of the Commissioner to sign the transfer order means it cannot become effective (as was done by the French in the Czech case). The gold is physically located in part in the Federal Reserve Bank of New York and in part in the Bank of England.

CONCLUSION:

Either alternative (b) or (c) would deny possession of the gold to the satellite countries. They would involve this Government in difficult negotiations with the British and French, the positions of which are unknown. Except in the case of Czechoslovakia the amounts likely to be involved are small and the Albanian claim may not be recognized when reconsidered by the Commission. Withholding delivery to Czechoslovakia might be a useful weapon in our negotiations with that country over the satisfaction of our claims in connection with the nationalization of U.S. property in that country.

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