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GERMANY-MILITARY GOVT
INVESTIGATIONS

Box

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EXHIBIT "E"

Translation of Report on the Economic Suppression in Bohemia and Moravia.

THE ECONOMIC SUPPRESSION IN BOHEMIA AND MORAVIA
DURING THE TIME OF THE GERMAN OCCUPATION

German suppression during the occupation of the republic of Czecho-Slovakia manifested itself also in the financial affairs of the so-called protectorate of Bohemia and Moravia in that the finances were completely dominated by Germans so that they could use them to finance the war. These actions resulted in lasting economic damages to these finances and the economics of the area in general; especially in the following instances:

1. Two of the Czecho-Slovakian large banks, that is, Czech Bank Union and Czech Discount Bank in Prague, in which there was also invested foreign capital, were completely dominated by the Germans. By means of an artificially created reduction of their capital stocks, for which there was no economic basis and through which the stockholders suffered, and later by the increase of the capital shares of which the new issue was taken over by the German Reich institutions, Deutsche Bank in Berlin and the Dresden Bank in Dresden, these two German banks obtained the greater part of the shares. The German management of the Czech Bank Union and of the Czech Discount Bank primarily financed only institutions which produced for war purposes, and invested their savings surpluses into Reich securities at German institutions, so that even these means were used for financing the war.

2. Other Czecho-Slovakian banks were closed chiefly by liquidation or by consolidation with other institutions. In this manner the following went under:

The Prague Loan Bank, formerly the Anglo Czech and Prague Loan Bank in Prague
 The Bohemia and Moravia Bank, formerly the Czecho-Slovak Legion Bank, Prague
 The Czech Industrial Bank, Prague
 The Bank for Commerce and Industry, called "Landerbank", Prague
 Central Savings Banks, Prague
 Reznicko-uzenarska Bank in Prague (tradesmen's bank)
 The Czech Bank in Prague
 Czech Discount Bank in Prague
 Czech Commercial Bank, Prague
 Central Czech Bank in Pribran
 Moravian Peoples Bank in Brno, and many other smaller financial institutions.

The closing of these banks was carried out so that the majority of their activities were transferred to the Czech Bank Union and the Czech Discount Bank and further to the German institute "Kreditanstalt der Deutschen" in Prague. Czech finances were thereby completely disorganized, and against this there were created in Prague three strongly German financial institutions and an important number of Czech undertakings came under their control or domination.

3. After this drastic measure, there were only three commercial banks whose shares were mostly in Czech hands. These were the "Zivnostenska Bank (also called Zivno Bank), the Bank of Moravia in Brno, and the Bank of Pilsen in Pilsen, which was

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EXHIBIT E

of local importance only. Into the management of these banks there were brought in German sympathizers whose task it was to direct the operations of the banks so that its facilities could be used to finance the war. It should be noted that, as a consequence, a portion of the assets of these banks were invested in German securities.

4. The consolidation of the financial institutes with the smaller peoples financial institutions, such as savings banks, county-founded economic and credit organizations, were reorganized under German pressure so that they could be completely dominated by the German functionaries who were brought in. The supposed reason for this arrangement was to coordinate the finances of the so-called protectorate with those of the Reich; the actual reason was the full domination of finances in the so-called protectorate, the circulation of its means and the utilization thereof for financing the war.

Public financial institutions were obligated to deposit their surpluses at their financial centers, from where the German representatives in these institutions directed them (surpluses) into Reich financial institutions or purchased German security.

The directives for the above policies were issued mainly from the office of the Reich protectorate in Prague, from the former office of the Reich State Minister, K. H. Frank, from the former Minister of Economics and Labor, Dr. Walter Bertsch, and were also transmitted by other German officials who acted in these offices, especially by the Ministerial Advisor, Von Vedelstadt, and the Governmental Advisor, Venzke. In the institutions themselves the instructions were carried out by German exponents who had been brought in.

Proof of the mentioned directives could be obtained from the records of the Ministry of Finance and from the organizational agencies of financial matters, and through the interrogation of clerks and officials of these institutions.

Made at Prague the 29th of September 1946.

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EXHIBIT "F"

Translation of Report on German Activity in Field of Czech Public Financial Institutions.

The suppression of Czech interests during the German occupation also manifested itself expressedly in the field of public financial institutions; that is, institutions directly connected with the state (Czecho-slovakian Rediscount and Commercial Institute), lands or provinces (land banks), counties (county financial institutions) and city institutions (savings banks).

The greatest suppression in this field took place in both the land banks and in the savings banks.

I. After the recall of the existing management of the Land Bank of Prague and the Bohemia Mortgage Bank (consolidated on June 1, 1941 into the "Land Banks for Bohemia"), there was named a six-man board to manage both groups; two members were Germans, one of these became deputy general manager. After the consolidation of the Land Banks for Bohemia with the Central Savings Bank on September 1, 1942, of the six-member board, three were Germans (the third was also the German general manager of the Land Bank for Moravia). Thus the board was half German, presided over by a German who was then also serving as Land Vice President of Bohemia.

To the Land Bank for Moravia there was brought in October, 1940, a German commissioner director together with one additional German (the remaining two members were Czechs of the republic). This director later became general manager. In July, 1941, the board was filled with another German so that this institute with Czech clientele was controlled and run by a German majority.

In both institutions German substitutes were named to important positions. In Moravian institutions this was done in an especially unscrupulous manner with the simultaneous pensioning of those Czech employees who were Legionnaires, of mixed race or married to Jews and "mixed bloods".

The uninvested surplus of the savings banks at the Central Savings Bank (into which, incidentally, a number of German officials and a German managing director were imported) were compelled to be invested in Reich loans, especially the Berlin Girocentral, where they were used for further purchase of Reich loans. This was also true of the surplus of the savings banks in the "Land Bank for Bohemia-Central Savings Bank of Bohemia and Moravia", the result of the combination of the above-mentioned banks.

II. Germans were also brought into the management of the savings banks, and in a number of towns with a German minority the savings banks had complete German managements. Even in places with a hundred per cent Czech population, there were brought in German managing officers. All the savings banks (especially in places where there were government commissioners of German nationality) were forced, under pressure, to turn over from their surplus certain sums for German purposes (German Red Cross, the so-called "Kriegs-winterhilfe", in some places also for the branches of the NSDAP). A number of the smaller savings banks were consolidated under the guise of efficiency, which procedure was often misused for the purpose of affiliating them with savings banks under German management.

In carrying out the union of the savings banks, the imported management of German functionaries and other German managing officers

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received high salaries.

The worst Germanization activity took place in the savings banks in the capital city of Prague where, after fusion with the Bohemian Savings Bank (Germanized immediately after the beginning of the occupation), there was brought in a three-man managing committee; two of whom were Germans, one of whom was made general manager, and the head of the board was a German who was the deputy mayor of Prague.

III. The German occupation powers wanted to combine county mutual savings banks with the savings banks, by which method they intended to include under German management these purely Czech organizations. Due to objections in agricultural circles, this general plan did not materialize. It was partly accomplished through the forced consolidation of the county mutual savings bank in Leany with the local savings bank under German management, and in the area of Prague since January 1, 1943, four county banks were combined with the newly established Savings Bank of Prague, which was under German management, as noted above.

In the union of county mutual savings banks, imported German managements subordinated the Czech managements, although with one exception these were purely Czech institutions.

In closing it is not necessary to especially emphasize that the persecution of the Czech nation also took its toll of sacrifices from the ranks of employees and officials of public financial institutions.

Above reference must be to Bohemia Savings Bank; in translator's note

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P
YHEADQUARTERS
US GROUP CONTROL COUNCILDivision of Investigation of Cartels and External Assets
(Germany)
AFU 742*Germany, Germany*
Cartels
Cartel Law

1 October 1945

SUBJECT: Second Meeting of Working Party on Decentralization and
Decartelization Law, Saturday, 29 September.

TO: Colonel E. Bernstein, Director

1. The meeting of the Working Committee commenced at 3:00 p.m. under the chairmanship of Mr. Seal - British. Other members present were Mr. Bell, Major Petroff - U.S.; Capt. Humbert and Crosil - France; Mr. Surin - Russia.

2. Mr. Seal opened the discussion by pointing out that the Russian proposal was not acceptable since it was entitled "Law for Decartelization and Decentralization." According to him, the Working Party cannot and should not create law. Laws can only be created by the Control Council. He preferred not to call it anything at all - just present it as a product of the working party. Mr. Surin, however, insisted that the Working Party was entitled to write a "law." Mr. Bell at first supported the Russian, but after an exchange of words between Mr. Seal and the Russian, Mr. Bell switched and sided with the Britisher. Thereupon, the undersigned proposed that instead of "law" the Working Party should call it "rules." This was accepted unanimously.

3. The Chairman then proposed that we study at the same time all the three projects presented. This was accepted. Mr. Surin thereupon moved that the Party accept the Russian preamble. A long debate ensued, largely led by Mr. Seal who insisted that he did not know what a "concern" is. He was enlightened by other members and finally he capitulated and accepted the following preamble (reserving the right to come back with his own definition of "concern.") It reads as follows:

"In order to guarantee that Germany will never be able to threaten its neighbors and international peace anew and in order to destroy the German economic potential to wage war and also to assist in the reconstruction of Germany on a peaceful and democratic basis, it is essential that the German economy be decentralized by means of elimination of all excessive concentration of economic power, in particular, cartels, syndicates, trusts, combines and other organizations such as concerns, stock companies of monopolistic and restrictive character, such as could be used by Germany as instruments of political and economic aggression."

4. A debate then began whether there was much difference between the French, Russian and American proposals. It was agreed that there was not much difference except perhaps in the order in which the ideas were expressed. It was finally agreed to rename the Russian Article II, Article I which should read as follows:

Article I (a) German concentration of economic power as determined in paragraph (b) regardless of the form or name under which they exist and whether located within Germany or abroad must be eliminated.

(b) The following must be taken into account in determining which enterprises and activities constitute excessive concentrations of economic power:

1. The value of business controlled directly or indirectly by the enterprise or activity expressed by the annual turnover.
2. The percentage of total German production or other activity which the enterprise under consideration controls in the special field to which it belongs.
3. The number of employees directly or indirectly concerned in the enterprise.

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4. The character of the production and nature of the activities of the enterprise concerned.

5. Any restrictive or monopolistic practices, such as special privileges in purchase of materials, right to exclusive sale, right to allocation of spheres of influence, and right to exchange of patents and technical information.

6. Any other factor bearing on the war potential resulting from the concentration of power.

7. The Working Party also agreed to study the wording of a French proposition which in essence covers prohibition of organizations which group a variety of enterprises and products, of non-related products and in various stages of production.

8. It was agreed to accept the recommendation made by the Directorate that: Size alone is not a proof of excessive concentration of economic power. (Mr. Bell told me that he was happy about this point since it allows German enterprises in which American interests are active to continue to exist.)

9. Mr. Bell also insisted that 9. should read as follows: There must be no denial of advantage naturally accruing from size alone if they do not come in conflict with the principles stated in the preamble.

5. At this point an acrimonious debate developed between the Russian and Britisher as to whether the Directorate should prescribe which enterprises should be allowed to exist. British insisted that Directorate should decide, and Russians claimed that there could be no question of prescription by Directorate since Art. 12 of Potsdam flatly says that cartels should be eliminated. Mr. Bell stated that the Russians were right but he preferred to go with the British idea of allowing the Directorate a free hand. French wanted Directorate to decide which enterprise is cartel-like by analyzing its size. As no agreement was possible, it was decided to re-examine this problem Monday.

6. The real debate began when Mr. Seal could no longer postpone the Russians' insistence on adopting Art. 3 of the Russian project, which he claimed was being consistently ignored by the Chairman. Article 3 deals with international cartels. Mr. Seal refused to accept the article because, according to his views, its adoption would completely strangle German foreign exports. Further, he is against it because he does not know what a cartel is. He invoked Art. 19 of Potsdam agreement to prove that Germany must export in order to pay for imports. He thinks that the test would affect a simple agency contract. Mr. Bell was beginning to be influenced by Mr. Seal's argument and I was forced to ask him whether he ever heard of the US policy toward international cartels. He told me he has never heard of the Ex. Com. on Foreign Policy's paper on international cartels. The Russians, however, insisted on their Article 3 and cited the tremendous business done by the German cartels through neutral Switzerland in 1942 and 1943, at a time when Russia was fighting for her life. Mr. Bell then moved that we adjourn until Monday, Oct. 1 at 3:30. I was asked to prepare the definition of cartels, especially as they affect international legitimate trade. This definition has been prepared.

7. The British consistently bring up the problem of definitions. They claim that it is impossible to know whether (or not) an enterprise would be allowed to function at all under the proposed law. They are afraid that foreign trade would be strangled. The regular arguments seem to consist of how a whiskey exporter would know to whom to sell and how a toy manufacturer would know whether he can sell his Christmas tinsels abroad on an exclusive basis. However, I am not pessimistic.

8. It is interesting to note that the British have already forgotten Article I to which they assented. This Article specifically (states) refers to enterprises located in Germany or abroad.

JEAN PAJUS

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HEADQUARTERS
U. S. GROUP, CONTROL COUNCIL
DIVISION FOR INVESTIGATION OF CARTELS AND EXTERNAL ASSETS
(GERMANY) (MAIN)
APO 742

27 September 1945

SUBJECT: Economic Directorate Meeting 27 September 1945

Memorandum for the Files:

1. I talked with Mr. Bell over the phone this morning with regard to the arrangements he was to have made for me to attend the meeting of the Level of Industry Committee. He said that the understanding was that the LOIC meetings were to be kept small with no more than two people from each nation and that Colonel Scharff was taking Major Demuth, Legal Advisor of the Industry Division, with him. Arrangements could not be made for my attendance at the LOIC meeting, but a meeting of the Economic Directorate was being held at the same time, at which the decentralization law was to be considered. He will arrange for my attendance at this meeting. I attended the Economic Directorate meeting.

2. The Soviet paper was taken as the basis of discussion of the law for decentralization of the German economy, after Sir Percy Mills' request to appoint a working party to discuss the proposal clause by clause was rejected. The understanding was that the Directorate could at least agree on principles and a working party could revise phraseology if that were necessary. In the course of the discussion a number of specific points were raised by Sir Percy before Article II (b), providing for the elimination of companies employing more than 3000 persons, etc., came up for consideration. At this point General Draper offered Article II of the substitute draft, copy of which is enclosed. General Shabalin thought the Soviet draft is clearer, and was agreeable to expanding the exemption provisions, Article II (c) so that large organizations may continue to operate pending determinations that they should be eliminated. The essential difference between a declaration that all organizations of a defined type be declared illegal with a provision for case by case exceptions, and a declaration that all organizations of a defined type be required to register and their legal status then determined, was never brought to a direct issue in these terms. Sir Percy wanted certain principles accepted, namely: that size alone may carry advantages; that no elimination shall be made because of natural advantage of size; and that the term "advantage" must be specifically defined with respect to the practices that are illegal so that organizations will know whether they are or are not complying with the law. The difference with respect to delegating to committees of the Economic Directorate the preparatory work, as proposed in the Soviet draft, and the alternative of creating a special agency under the Economic Directorate, was also discussed without apparent agreement. It was finally decided that the preparation of a draft be assigned to a working party. At General Shabalin's insistence, the working party is directed to use the Soviet draft as a basis. At Sir Percy Mills' insistence a long list of "principles," including those referred to above, are also referred to the working party for consideration. General Draper then threw in the attached compromise draft, and the French threw in a suggestion that percentage control of an industry or product should also be considered as a factor. The working party is directed to meet tomorrow at 11, and to complete a draft three days before the special Directorate meeting which will take place one week from today. Appointees to the working party were announced. Mr. Bell was named from U. S. and one other is to be named. Major Petroff expects to attend. Major Gans has arranged with Mr. Bell for representation of the Division on the working party; Major Gans will attend the working party meetings while he is here.

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3. In the course of the discussion on the decentralization law General Shabalin indicated that he thought the whole matter was being made much too complicated by the other countries and explained how he thought it would work. He said the U. S. has appointed a controller for I. G. Farben and was sorry to say the USSR had not yet gone so far with respect to any monopoly in its zone. He indicated that the large cartels were very few in number — in contrast to the discussion that had been going on with respect to the vast number of cases that would have to be handled by a policing agency — and if everyone adopted the practice of appointing controllers it would be a simple matter for the controller to eliminate the major monopolies. The rest did not matter so much.

4. The paper WECG/P(45)23 on liquidation and control of German war potential was also discussed at this meeting. The U. S. raised the question, in connection with paragraph 3 as to whether a committee of the Economic Directorate could coordinate with the Allied Commission (the Soviets have agreed that the Reparations Commission henceforth sit in Berlin) and the draft will be changed to provide for coordination through the Economic Directorate. It was also noted that at the last meeting there had been an agreement to add to paragraph 3 a reference to other departments concerned. This has been omitted from the minutes but will now be added to the document. Paragraph 3 will accordingly read something like this "The Committee will coordinate its work with the Inter-Allied Reparations Commission through the Directorate of Economics and with War Directorates and other departments concerned." Paragraph 2 (d) was changed to indicate that the list of products that may serve or conceal war potential capacity is a list of peace time products additive to the list which the Military Directorate will compile. With these changes the paper will be submitted to the Coordinating Committee. This is the committee to which two members and two alternates are to be appointed for each nation. (The Military Directorate proposed that all the documents of the Committee be cleared with them in writing, and also that there be only one representative from each nation. I am not clear as to how the draft to be submitted to the Coordinating Committee will read.) I understand from Colonel Sands that there has been no discussion yet with respect to representation.

5. The subject of advance delivery of equipment as reparations was also up for discussion in connection with a report of the Industry Committee which indicated that 10 of the 40 plants requested by the USSR were available for advance reparations, and 20 other plants — not on the list originally submitted by the Soviet delegation to the Control Council — General Shabalin asked for immediate arrangements for an inspection party to see the plants offered; Sir Percy thought that the submission of the report to the coordinating committee should not be held up for the inspection tour; and it was agreed that a report should be forwarded and the inspection arranged simultaneously. When, however, Sir Percy outlined the character of the report he proposed to make, a major point of difference developed because he qualified the submission of a list of plants as plants available for reparations without regard to who is to receive them. In the lengthy discussion which followed the U.S. and the U. K. contended, and the French agreed, that the Directorate was preparing a list of plants available for reparations; a higher body in the Allied Control Authority or the Reparations Commission would have to determine the allocation of the plants to claimants. General Shabalin contended that the question that had been up for consideration had always been the Soviet request for advance deliveries of plants, and no one had heretofore said anything to the contrary or put in any other request for advance deliveries. Text of the minutes was cited by the U.S. and U.K. representatives, General Draper insisting that he had, — as chairman at the first meeting when the suggestion was referred to the Directorate by the Coordinating Committee, — stated availability for reparations was to be considered. General Shabalin insisted that the question was taking a new turn for the first time at the present meeting, that sharp turns sometimes take place under certain circumstances, particularly in political matters, and recalled his statement at the last meeting that either someone does not want to, or someone is interfering with the granting of reparations. In the course of a rather repetitive discussion Sir Percy proposed to submit a report in two parts: One, on the 10 plants of the

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original list submitted by the Soviets, to be presented by reference to the original list and with no comment as to when they are available; another on the additional plants, not in the original Soviet list, which would be presented as available for advance deliveries as general reparations. With this the U. S. and the French agreed; the Soviet representative disagreed. It is understood that Sir Percy would draft a report along these lines and circulate it; and that General Shabalin would draft his own report for the Coordinating Committee and Control Council presenting his view of the historical record.

6. Immediately following this discussion of reparations a paper on procedure in delivering reparations, submitted by the Soviet representative to the Coordinating Committee and forwarded to the Directorate of Economics, was taken up. It proposed that the recipient of reparations shall dismantle the plant and export it from the western zone. Sir Percy contended that the jurisdiction should be under the zone commander; General Draper indicated we had planned to have the Germans dismantle the plant, under supervision, crate it, and ship it to the border; General Shabalin indicated that there would have to be adequate technical inspection in order to assure the knowledge of how to use the plant, and adequate technical supervision to safeguard that the plant is dismantled and shipped in a condition that will make it usable at its destination — with all of which General Draper agreed. General Shabalin agreed that the dismantling and shipping of the plant was under the jurisdiction of the zone commander and indicated that he was talking only of technical representatives of the receiving nation. Sir Percy called attention to the fact that this was directly contrary to the procedure submitted, and General Shabalin readily agreed it is.

IRVING KAPLAN
Consulting Expert

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U. S.

SUGGESTED COMPROMISE ON DECENTRALIZATION LAW

I

International and Foreign Activities

All participation by German persons directly or indirectly in any international cartel or similar organization restraining international trade or industry is forbidden. Present obligations or undertakings by German persons in such organizations or arrangements are hereby terminated.

II

Excessive Concentrations of Economic Power and Domestic Cartels

a. Excessive concentrations of German Economic power in whatever form, foreign or domestic, are contrary to public policy. The Economic Directorate, acting itself or through such agency as it may create for the purpose, is authorized and directed to effect the termination and dissolution of such concentrations by appropriate orders and directives. Any enterprise having more than _____ employees or annual gross transactions in excess of RM _____ shall, before a date to be specified, file with the Economic Directorate, or such agency as the Economic Directorate may create and authorize for the purpose, a report containing such information as to its property, relationships, practices, and other data, as the Economic Directorate or such agency may require; and such enterprises, if found by the Economic Directorate or such agency to constitute excessive concentrations of economic power may be declared illegal and prohibited. In the absence of any affirmative order, directive, or ruling by the Economic Directorate or its agency as above described no enterprise having less than _____ employees or annual gross transactions not in excess of RM _____ shall be deemed an excessive concentration of economic power under the provisions of this law.

b. Every arrangement which limits production, distribution, sales, prices or territories or which provides for exclusive exchange of patent or trade mark rights, information or processes, is illegal and prohibited. In addition, other arrangements declared by the Economic Directorate to be monopolistic or restrictive in character shall be illegal and prohibited.

III

Administration and Exemptions

a. The law will be administered by the Economic Directorate under the Control Council and by such other agencies as that body may authorize or create to act in its behalf, and with such powers as may be delegated to them by the Economic Directorate.

b. The Economic Directorate shall have the power and authority to achieve the objectives of the law by such regulations, definitions, decrees or directions as it may deem advisable.

c. The Economic Directorate or its delegated agencies may in specific cases or by categories exempt any enterprise, contract, agreement or act in whole or in part from the operation of this law when such exemption is deemed desirable in the interest of the Allies and is consistent with the objectives of this law as set forth in the preamble.

IV

Remedial Measures

The Economic Directorate or such agency as it may create or authorize may take such action in regard to the elimination of enterprises or activities forbidden by this law as it finds necessary and consistent with the principles and purposes of this law.

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Box 82*German Investigations U.S. Group CC*

MEMORANDUM FOR THE FILES

20 June 1945

I discussed with Colonel Gerhart, in Mr. McCloy's office, today the procedure for transmitting to the Treasury information coming in through Army channels as a result of the investigations and interrogations now in process in Germany. I referred specifically to GCV 377 and to our exchange of letters with Mr. McCloy in which his letter of June 6 said that he would see that information of this type is made available to the Treasury.

Colonel Gerhart said that the War Department is just now in the process of determining how all this material should be distributed and requested that we give them a little time to work it out. I gathered that there will probably be a unit in the Civil Affairs Division to handle disposition of this material. I asked Colonel Gerhart if he or someone else would advise me informally as soon as a decision had been reached in order that we might work out our own method of handling the material in the Treasury.

S/M.L.H.
M. L. Hoffman

cc: Messrs. Coe, Glasser, J. Friedman, Aarons, O. Nathan, Mrs. Shwartz and Mrs. Gold.

mbw

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Treasury Department
Division of Monetary Research

Date.....1945

To: Mrs. Adler

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UATERS
DUP CC
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29 May 1945

Distributed to the German Committee.

*German Investigations (H. S. Group, ccl)
(left side)*

*I got only 4
copies*

- 1 - JBE*
- 1 - R. Scott*
- 1 - Nathan*

MR. COE
Room 3430 - Branch 305 and 306

of papers just received from Political.
expect to put up a strong battle.
available to make sure I have his
considered it important enough to
art for a trip, and phoned him according-
non concurrence.

advised as matters develop.

MORTON P. FISHER
Lt Col GSC

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ORIGINAL PAGES

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*Germ. Investigations (U. S. Group
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HEADQUARTERS
US GROUP CC
APO 742

29 May 1945

B. Bernstein
Colonel, GSC
Civil Affairs Division
Washington, D.C.

Dear Colonel:

I am enclosing a copy of papers just received from Political. It is clear that the Klaus Group expect to put up a strong battle. I thought it best to have Orvia available to make sure I have his full views as well as my own. I considered it important enough to have him come back from Frankfurt for a trip, and phoned him accordingly. I am of course filing a non concurrence.

I will keep you advised as matters develop.

MORTON P. FISHER
Lt Col GSC

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Tab ACOORDINATION OF INVESTIGATIONS
ON GERMAN EXTERNAL ACTIVITIES

There has recently opened up to American investigators a vast field of information in Germany relating to Germany's political, economic, and cultural penetration abroad. The exploitation of this information is a matter of the greatest interest to the US Group CC because of its responsibilities in Germany for checking and controlling Germany's war-making plans and potential.

At the same time, a number of civilian agencies of the United States Government have an intimate interest in extracting this information. In the control of German external activities, unlike most projects to be served by German intelligence sources, there are important operating responsibilities outside Germany which cannot be discharged by the Control Council itself. These responsibilities must be assumed by the principal Allied Governments, through their civilian agencies, which will take necessary measures to eradicate German external influence in their own countries or - through their respective diplomatic missions - in foreign countries. An illustrative list of the problems with which U. S. civilian agencies operating abroad will be concerned is given in an Appendix. It will be apparent that these agencies will require the most intimate contact with the relevant investigations in Germany and that there must be quick communication of findings, suggestions, questions, etc., between them. Furthermore, the civilian agencies can contribute to the common pool a mass of information on German external activities which they have already collected from foreign sources.

The problem, therefore, is to provide accommodation with the US Group CC machinery for the legitimate interests of the U.S. civilian agencies. At the same time an appropriate balance must be preserved between the interests of different Divisions in the US Group CC as well as between the interests of the various civilian agencies of the U.S. Government.

At the present time there is a serious lack of coordination in the field among investigators representing different elements interested in this problem. The Finance Division of the US Group CC (in collaboration with the Finance Division of SHARP G-5) is actively pursuing

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investigations in Germany of external economic and financial matters, taking as a point of departure that Division's staff responsibility for establishing control over Germany's foreign assets. The personnel for the work has been supplied largely by the U.S. Treasury Department, with assistance from the Department of Justice.

At the same time, a broadly overlapping program has been launched by a group of civilian agencies in Washington through the channels of CIGS and SHARP G-2. This group, headed by the State Department and including the NSA, Commerce Department, Justice Department, Alien Property Custodian, and Treasury Department (the latter playing a rather nominal role because of its other affiliation) has dispatched teams of investigators to study German source material on all the ramifications of German external penetration, economic, political, and cultural. The program for examination of economic targets under these auspices, however, has met obstruction on the part of the Finance Division, which has questioned the propriety of incursions into this field by civilian teams not attached to the Control Council and has asserted its own exclusive jurisdiction for investigations of this general character.

We too believe that it would be more appropriate for civilian agencies to work through the established machinery of military government in Germany. On the other hand, we believe that investigations of German external economic activities are of such far-reaching scope that they greatly surpass the province of the Finance Division alone. This is evident from the list of subjects contained in the Appendix. The Economic and Political Divisions both feel that their great interest in this problem entitles them - and requires them - to share in the responsibility for pursuing these investigations. At the same time, they are prepared to accommodate investigators provided by agencies now participating in the CIGS program, incorporating such personnel in their organizations for working purposes while at the same time safeguarding the interests of the civilian agencies concerned. We believe such arrangements, paralleling those presently established between the Finance Division and the Treasury Department, would be readily accepted by the other civilian agencies.

It is, therefore, proposed that an inter-Divisional committee for the study of German external activities be constituted within the US Group CG consisting of representatives of the Political, Economic, and Finance Divisions. All U.S. investigators operating in Germany in this field should be attached to or sponsored by one of these Divisions, and their activities should be coordinated and integrated through the machinery of this

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committee. Liaison personnel from civilian agencies dispatching these investigators should be attached to the committee. The committee should be kept informed concerning the information needs of the interested civilian agencies, and in the light of these needs as well as of the developing requirements of the Control Council, should determine general priorities for the exploitation of targets.

Investigations at any particular target should be conducted under the supervision of a joint team captain designated by the committee from among the investigators there.

The committee's program, and especially the distribution of the intelligence which its field organization procures, should be closely geared with any procedures which may be adopted by the pending Field Information Agency. In order to assure such coordination, it is proposed that as soon as possible that Agency should designate an officer to serve as permanent administrative secretary of the committee. Consideration may be given at a later date to the transfer of the investigative personnel to the administrative responsibility of that Agency if it assumes positive operating functions in connection with intelligence procurement.

Finally, it is recognized that field operations sponsored by the Control Council should proceed under the authority of appropriate military government authorities in the field, i.e., SHAEP G-5, until the termination of Combined Command. It is, therefore, proposed that concurrence in the present plan be requested from SHAEP G-5.

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C O P Y

C O N F I D E N T I A L

APPENDIX to Tab ACERTAIN INTELLIGENCE REQUIREMENTS IN GERMANY
OF CIVILIAN AGENCIES WITH FOREIGN OPERATIONS

In order to illustrate the broad scope of the interests and responsibilities of U.S. civilian agencies (especially the State Department and FEA) in dealing with German external activities, the following partial list is presented of German intelligence requirements for which they have special need.

1. Full disclosure by legal or best available evidence of the plans of the Hitler Government, the Nazi Party, and each important German economic, political, and industrial organization, and other groups, to utilize the protection of areas outside Germany for activities representing a threat of renewed German aggression. These plans may now be in existence (and there is evidence that there are such plans) or they may develop in the course of time.
2. The current conduct outside Germany of research, industrial and academic, in fields which would be useful for German aggression in the future, such as in fuels, weapons, etc. Such research could be carried on at foreign universities or in connection with friendly industrial establishments in foreign countries.
3. Identification and surveillance of movements abroad of German technical, industrial, and managerial personnel which might be inimical to security.
4. Activities of "cultural" agencies in foreign countries designed to organize persons of German origin in a German cause or to foment racial difficulties or create other divisive propaganda.
5. Identification of establishments in foreign areas where, because of economic controls, ownership, or other forms of affiliation (such as personal relations, past business relations, etc.) Germans may carry on industrial activities such as the building of prototypes or maintaining technological skills (e.g. civil airplane pilots).
6. A full disclosure by legal or best available evidence of the interests, activities, personnel and agent relations, contract relations, patent or other license arrangements, cartel and other trade or industrial understandings, divisions of markets, etc., of the important enterprises of Germany in the international field.

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28 May 1945

SUBJECT: Coordination of Investigations in Germany.

TO: Lieutenant General Lucius D. Clay

I. PROBLEM

There is need to establish machinery for the coordination of activities of the many investigators who are exploiting information in Germany relating to Germany's economic penetration abroad since this information is required by SHAEF, US Group CC, and a number of civilian agencies in Washington to discharge their respective operating responsibilities.

II. DISCUSSION

1. Finance Division (US Group CC), through G-5 SHAEF, is conducting field investigations in Germany concerning German foreign assets. A group of civilian agencies in Washington (notably State Department and FEA), through CIOB teams operating under G-2 SHAEF, is seeking to investigate the same and additional targets to procure information of a much broader character concerning German economic (and political) penetration abroad.

2. Political and Economic Divisions feel that within US Group CC they have an interest at least equal to that of Finance Division in the investigation of German external activities, and they are prepared to sponsor the personnel now operating through CIOB channels.

3. Finance Division, however, asserts exclusive jurisdiction over the files, records, personnel, etc. constituting the economic targets in this field, and maintains that all personnel investigating these targets should be attached to Finance Division.

4. The Field Information Agency, when established, will have over-all responsibility for coordination of intelligence procurement in Germany.

5. A more complete statement of the present problem as seen by the Political and Economic Divisions is attached as Tab A.

III. RECOMMENDATIONS

1. Political, Economic and Finance Divisions, US Group CC, form an inter-Divisional committee for the coordination and integration of

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investigations of German external activities, this committee to operate in the field during the period of Combined Command under authority of G-5 SHAEP.

2. A permanent administrative secretary for this committee be assigned from G-2 SHAEP (Field Information Agency, Technical) to assure appropriate distribution of intelligence obtained, and consideration be given at a later date to transfer of investigative personnel to administrative responsibility of this Agency.

IV. CONCURRENCES

G-5 SHAEP

G-2 SHAEP

Economic Division, US Group CC

Finance Division, US Group CC

Robert Murphy
U.S. Political Adviser

Note: General Milburn has advised that General Clay considers that the issue raised in this paper is not prejudiced by his recent exchange of cables with the War Department on the subject.

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5669A4707GERMANY-MILITARY GOVT.
INVESTIGATIONS82*John M. ...*

London, May 19, 1945

Personal and Confidential

No. 348

Dear Mr. White:

Following my return here in mid-April it was not until the closing days of the month that I was able to get in touch with Col. Bernstein. Up to that date he and his associates had been chasing Reichsbank and other German financial officials throughout the area occupied during the course of battle by American troops. Out of this chase came a haul of probably \$300,000,000 in gold, the latest addition to which was tentatively identified as Hungarian. Also growing out of this quest came a rounding up of a miscellany of German financial people and the placing under guard of important papers of a number of banks and corporations. When we did get together Col. Bernstein was brought up to date on German planning as of my last visit to Washington.

Since that time members of the Treasury team have arrived in Paris, have been processed and have been sent forward into Germany on designated tasks mapped out by Col. Bernstein. A large group has been sent to Frankfurt where intensive investigation is being carried through of the I.G. Farbenindustrie. It is also in Frankfurt that the gold and other valuables that have been uncovered to date in the American areas have been stored. Col. Bernstein is again in Germany but is expected to return within a day or two to Versailles. We have received a cable from the Colonel requesting that I come forward to SHAETF for a series of conferences and for a visit to Frankfurt. I expect to leave here about May 23 and will return about a week later.

You are probably fully aware of the interchange of cables that has gone on between the War Department and General Lucius Clay in respect to the return of Col. Bernstein to Washington for consultation on military financial affairs.

We

Mr. Harry D. White
Assistant Secretary
Treasury Department
Washington, D.C.

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We are sure that you are doing everything in your power to obtain a reconsideration of the theater's reply in respect to this matter and hope that you will be able to insure Col. Bernstein's return to Washington for a brief period of time. In our view it is essential that the Colonel should return to advise the War and Treasury Departments at this crucial period in respect to attitudes in the field and also to ascertain for himself developments at home and the progress of planning in respect to German affairs.

A few days ago we had a very pleasant conversation with Ambassador Winant. The Ambassador was delighted over the re-union with his son which had occurred on VE-Day. He was very pleased at having received from the Secretary a message of congratulation in this regard. The only non-personal comment that the Ambassador made at this time was that the surrender terms imposed upon the Germans by the Allied High Commands had not followed the 14 paragraph document agreed upon in the EAC. The surrender terms imposed were in fact much shorter and gave the Allied even greater freedom. The substance of the 14 paragraph EAC document would still be utilized by being issued in proclamation form to the German people.

The EAC is still grinding out documents and acting as a conveyor whereby the Americans, the British and the French may transmit papers on various aspects on German affairs to one another and the Russians. The main interest of EAC at the present moment seems to be in developing a program for restitution. This program is being worked out as far as we can judge without any coordination with the program of the American delegation to the Moscow Reparations Commission and in fact seems to cut across the work of the Moscow Reparations Commission. So far, however, EAC has gotten exactly nowhere with the Russians on this question of restitution. The Russians continue to adhere to their policy of viewing restitution as limited to things that were forcibly seized by the Nazis in the occupied areas and for which no payment of any kind was made. Under separate cover we have forwarded a draft memorandum prepared by Bill Stone and his staff on the establishment of an Inter-Allied Restitution Commission.

Eddie Playfair of the British Treasury tells us that it is still not settled whether he or Sir David Waley will be the Treasury representative on the British delegation to the Moscow Reparations Commission. The make-up of

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the British team has not yet been finally decided upon although the British are not quite as casual about this matter as they were prior to the official announcement from Washington as to the members of the American delegation.

The British press in recent days has been raising hell about Herr Willie Messerschmidt. It appears that Herr Messerschmidt is living in excellent quarters in the ritzy residential district of St. Johns Wood, London, where he has virtually all of the services of a swank club. The British press is also playing up every evidence of inconsistencies and soft treatment on the part of the U.S. military authorities. The press has further given much publicity to the Russian demands for quick trial and effective punishment of war criminals.

London since VE-Day has not undergone any noticeable change. The official black-out is a thing of the past but when the black-out was lifted the British decided to extinguish the few remaining street lights in order to conserve coal. Presumably this was done on the assumption that lights from buildings and apartments would provide sufficient and adequate lighting for people on the streets. This assumption has not proved to be true in actuality and in some respects London at night time is darker than ever. There is a great deal of talk about rehousing, about easing on consumption restrictions, about motorcar production, etc., but very little of this has gotten beyond the stage of talk. There is also a great deal of talk about the coming general elections although Mr. Churchill to date has refused to state exactly when such elections will be held. The parties are all busy developing their platforms. No party has made clear to date what it stands for; specifically, and how specifically, it will implement its program if successful in the elections. As far as we can ascertain from the glittering generalities that are being bruted about they are all opposed to sin and in favor of full employment and prosperity. The tempo of campaigning will undoubtedly quicken as the probability of summer election increases. The only effective alternative to the Churchill Government would be a Government led by such people as Alexander, Bevin, Cripps, Dalton, Morrison, Sinclair, etc. These people are all ministers of the present nationalist cabinet. One should not forget to mention in this connection such luminaries of the Labor Party as Clement Atles and Walter Citrine. Citrine is the individual who in 1939 wrote a book on Russia after having

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been there a matter of a few weeks in which he proved to his own satisfaction that the Russians were barbarians and scarcely distinguishable from the German Fascists. More recently Mr. Citrine has been used to uncover alleged ELAS atrocities said to have been perpetrated in Athens.

Sincerely,

Bill

Bill Taylor

P.S. There is enclosed a note to you from Col. Bernstein to which is attached a memorandum regarding Dr. George N. Shuster.

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100 - Appendix 10-a

German Investigation; Source; U.S. Group C.C.

Property Stored in Other Mines

The reconnaissance through the other mines in the Merkers area revealed huge quantities of property stored by the Germans in the area. It was found that these stores included Luftwaffe material, ammunition, contents of libraries, art collections, files and records of such companies as the Henschel company of Berlin and Krupp works. It was decided to take to Frankfurt the forty boxes belonging to the Krupp Works and Krupp family, as well as two large boxes and several files of the Henschel Trust. These files and boxes appear to be excellent sources of information on certain German programs for secretizing of foreign exchange assets abroad. They will be thoroughly analyzed in Frankfurt and a full report of their contents will be furnished when the analysis is complete.

For Information: Moskowitz; Robinson; Leonard; Gowitz for Scullen; Henderson

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German Investigation; Source: U. S. Group, C.G.

Banque Internationale Arbed Steel Cartel.

1. At Luxembourg, searches were conducted in the files of the Banque Internationale at Luxembourg and the steel firm, AARON (Asieries Reunies de Burbach Sisch Dudelange), in both of which Aloys Meyer is a dominant figure as director and officer. Meyer is also head of the International Stahlwerksgemeinschaft (International Steel Cartel) which during the period between wars is supposed to have served as an instrument for carrying out dominant German policies. Later research in the files of the Otto Wolff Steel export firm at Cologne showed deposits as late as January 1945, to the account of M. Aloys Meyer of AARON, while he was supposedly being held in Germany as a hostage. Meyer returned to Luxembourg on 4 April 1945, stating that he had been carried off against his will but had later been released by the retreating Germans.

2. A search of the files of the Steel Cartel indicated some of the plans of German steel firms for resumption of their international activities at the conclusion of the war. These were later given further substantiation in documents discovered in the files of Otto Wolff & Co. at Cologne, which showed German plans for reviving the dominant position of the German Stahlwerke Verband. These documents are now being studied in connection with a list of agencies of the Wolff firm in other parts of the world. It should be noted that while the Wolff firm is less well known than some others in the industry, it has a long record in the successful use of its foreign exchange to finance German espionage, propaganda and economic penetration, especially in Latin America. Copies of international agreements indicating the nature of existing financial and economic controls in the steel industry were secured, and photographic copies were made of some 1,400 documents for further study by analysts.

J. H. Stein

At Bonn, a search was made of the house formerly occupied by Baron Kurt von Schroder, eminent Nazi party leader and member of the private banking firm of J. H. STEIN. Some remaining records were removed under receipt given to the Chief Financial Officer of the Military Government of Bonn. It was ascertained, however, that the Stein firm's bookkeeper had previously been able to visit the house and remove an undetermined number of records and that a considerable number had been removed to Elberfeld. Some records remained, however, indicating that von Schroder had been in touch with the German foreign espionage service as late as August 1944, for undetermined purposes.

3. A search was made of the files of the Bankhaus J. H. Stein at Cologne, located in a vault of the Commerzbank which had not previously been opened. The team sent a man across the Rhine to secure the keys and combination of the vault and had the vault opened and inventoried in the presence of J. H. Stein. A copy of the inventory was turned over to the local Military Government Financial Officer. In the course of the search of the Stein files, leads were found to the foreign connections of the large cable works, Felten & Guilleaume Carlswerk, A.G. in Kohn-Altheim. Searches also found documents showing relations between the Stein

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firm and two subsidiaries of prominent American companies. Preliminary examination also indicated that another firm had a large account with the Stein bank, to which credits had been entered in recent months. These are being checked in the light of German legal procedures with respect to alien accounts. The team pursued leads to further files supposed to be located in von Schroder's summer home at Rollenbeck, near Cologne, but found nothing there. The home was being used as a billet for a U.S. Army unit. The officer in charge stated that the house had been "knee deep" in records in some of the rooms, but that all these had been swept out and burned when the house was being prepared for occupancy.

Otto Wolff

The files of Otto Wolff, A.G., were located in three sub-basements at Zeughausstrasse 2, Cologne. The files were largely intact and in comparatively good order, although some records had previously been removed. Large security holdings of the company, represented by bearer shares, were located and turned over to the Military Government Financial Officer. Records examined indicated the close relation of the firm to the Nazi party and to the Stein bank, as well as the extensive use made of the firm's funds to finance Nazi activities in Latin America. On the basis of leads found in the Stein and Wolff files the team interviewed Baron von Copenhagen of Pfordingen & Co., who spoke highly of Baron von Schroder. No attempt was made to explore the Pfordingen files, since the bank had already been cleared by Military Government and permitted to reopen. It was felt that the members of the firm had been in possession for a sufficient time to have stripped their files of any open irregularities, if any, and that an extensive investigation would be justified only if other evidence appeared later.

For Action: Gewirtz; Henderson ✓
For Information: Maskowitz; Robinson; Leonard

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100 - 15

German Investigation: Source; U. S. Group C.C.

A. BACKGROUND OF SAFE HAVEN WORK

1. In the early part of March, several meetings were held with representatives of Economic Warfare Division, US Embassy and the U.S. Treasury to consider the handling of Safehaven matters in London. These meetings covered the background of the Safehaven project, the flow of Safehaven information, and the functions of London vis-a-vis U.S. Group C.C. E.W.D. prepared two draft memoranda on the subject, one dated March 5, on "Operational Methods, Safehaven Unit E.W.D.", the other dated March 13, on "Analysis of Safehaven Work at London." These memoranda were submitted to U.S. Group C.C. and were commented upon and evaluated.

2. As a result of these meetings and memoranda, agreement was reached on the mechanics of handling Safehaven material and the type of servicing of U.S. Group C.C. to be expected of E.W.D. It was agreed that E.W.D. should be prepared:

- a. To submit to U.S. Group C.C. schedules of names of persons known or suspected of possessing assets outside of Germany, with a very brief summary of pertinent information.
- b. To check names referred to E.W.D. by U.S. Group C.C. for further investigation.
- c. To process Foreign Exchange Declarations if U.S. Group C.C. requests this service.
- d. To prepare analytical studies.

The above are listed in order of priority, and it was repeatedly stressed that, according to our present thinking, the first service in the list is the primary function E.W.D. should perform.

3. The actual processing of Safehaven material in accordance with the agreed procedure was started by E.W.D. on March 13, 1945. Three full time girls were assigned to this task. Since the staff should be at least doubled if the backing is to be processed properly and the files are to be in condition to service our requests at short notice, steps were taken to recruit additional clerical personnel from civilians released as additional Divisions of U.S. Group C.C. moved to the Continent.

4. Two meetings were held with O.S.S. representatives on March 13 with Mr. Robert B. MacLeod and on March 20 with Mr. Theodore Acheson. The meeting with Mr. MacLeod was devoted to a consideration of how O.S.S. could assist in the Safehaven project. It resulted in a commitment to obtain for the safehaven unit in the Embassy centralization of reports coming through O.S.S. outposts in the Balkans and elsewhere, to obtain more full reports on Safehaven, and an offer to assist in investigative and intelligence work, provided U.S. Group C.C. spells out rather particularly what is wanted of them. Mr. Acheson outlined the status of Safehaven work in France, Belgium and Holland.

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5. While U.S. Group C.O. has not participated directly in negotiations with the neutrals concerning Safehaven objectives, the Finance Division has been kept informed of developments. The most important development of the month in this sphere was the signing of an agreement with Switzerland calling for a census of German-owned property and other Safehaven objectives.

6. On March 29, an office was established at 40 Berkeley Square, for the use of the Finance Division representative. The representative was given access to all Safehaven files, all incoming and outgoing Safehaven participants in all meetings dealing with Safehaven problems.

Activities in April

1. During April a review was made of the files of the Enemy Assets Branch of E.W.D. for the purpose of ascertaining what material would be of immediate use to U.S. Group C.O. Basic lists for each of the European neutrals were obtained, based upon reports from E.W.D. and American Missions, as well as various supplements thereto. Some 200 pages of this material, which provides names and leads which can be used without further processing, were forwarded to Finance Division (Main). Other pertinent material, such as reports on Safehaven activities in various areas, has been forwarded, and current material is being checked with the same objective in view.

2. During the month efforts were continued to build up an adequate clerical staff at 40 Berkeley Square to process Safehaven material. As a result of these efforts the staff was increased from three to seven with two of the latter spending only part time on this work, so in effect the staff has been doubled. The present strength is the very minimum which could handle this work and it is estimated that it will take at least two months to catch up with the back-log, assuming there is no increase in the current flow of material.

3. Two analysts from Washington have arrived and a third one is expected shortly. These persons have not been here long enough to participate fully in the work but it would appear that sufficient staff will be available to handle the analytical work desired from E.W.D. in London.

4. During April a number of meetings were held with the Ministry of Economic Warfare, Trading with the Enemy Department, and members of the British Element, C.O. The following chief points were brought out in the course of the several meetings.

a. It appears that MEW has been given the responsibility for Safehaven work on the British side and will act as the coordinating agency for the British in London.

b. Trading with the Enemy Department (TED) has prepared 28 studies of corporations domiciled in Britain, but in which there is a German interest. Some additional studies are contemplated, making a total of approximately 100.

c. Neither MEW nor TED has expressed any interest in persons as contrasted with assets. Presumably this information would be available only through the Foreign Office which would receive passport control reports and other data.

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- d. The Economic Advisory Board, composed of MEW and the Foreign Office, has prepared certain studies of German industrial complexes which primarily deal with technical and industrial information but also include information on subsidiaries and affiliates, foreign as well as domestic, with some indication of investments and foreign assets. These studies are still in draft form and have not yet been circulated.
- e. Since FED is under British Treasury and the Board of Trade, pertinent material in the possession of the British Treasury has presumably gone to FED and will thus be made available to us through MEW.
- f. The British are concerned about the question of channels of communication between the Allied Control Groups and London and Washington. They are in favour of full interchange of information, both between the British and American Control Groups and between the respective agencies in London but they would like to see London made the coordinating center for all Safehaven information, whether it pertains to the Eastern or the Western Hemisphere. They are also concerned about the possible overlapping of investigative teams, i.e., GC teams, SHANF teams and CIOG teams, in the field.
5. We have been informed, that at least two lists of Safehaven targets for CIOG use have been prepared. In one instance Washington forwarded five targets, to which MEW added 19, making a total of 24. FEA has prepared a separate list of 11 targets.
6. A meeting was attended to discuss the targets and activities of teams functioning under CIOG (Grey List Panel), particularly with reference to Business Institutions. The discussion was of an exploratory character which resulted in no final conclusions or agreements. Much of the time was devoted to discussions of desirability of including financial institutions in the broad definition of "Business Institutions". It was agreed to postpone until a later meeting the final agreement on this point.
7. We have been kept informed of the progress of Safehaven negotiations, with the main neutrals. Current negotiations are going on with Sweden and with Spain with the understanding that the Swiss agreement will constitute the minimum objective of such negotiations.
8. In the latter part of the month the question was raised as to how Safehaven material might be made available to all interested Divisions of U.S. Group C.C. A memorandum dated April 26, signed by Colonel Marsh, recommended that all current material and if possible the back-log be transcribed and forwarded for such distribution and that additional staff be provided for this purpose. Through the Intelligence Section arrangements are being made for two typists to work under Colonel MacIntosh (Army Ground Division) on this phase of the work.

For Information: Moskowitz; Robinson; Leonard; Gewirtz for Schlen; Henderson

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100-21

German Investigation: Source; U.S. Group C.C.

Degussa (Deutsche Gold-und Silber - Scheideanstalt)

a. Degussa's Berlin premises were destroyed by bombing late in 1944. Thoms believes the vaults were not destroyed and important records would have been kept there. The Berlin transactions were recorded there and not at the headquarters in Frankfurt.

b. Normally, Degussa was allotted 500 kilograms of gold a month by the Reichsbank for industrial uses. In addition, the firm allowed to maintain a large stock of gold--Thoms first said it might have been as high as 2,000 kilograms (6,000,000 RM), later said it was less. Any surplus over anticipated needs was to be returned to the Reichsbank. The stock was for dental, chemical, photographic uses, etc. Since August 1944 no gold had been allotted for industrial purposes, so that Degussa's stock may be low.

c. Degussa figures prominently in Metallgesellschaft records seized at the castle of the Duchess of Hesse. This firm was not only largest in precious metals but also had agreements with Farben and Metallgesellschaft for producing gas masks and other items. After the German attack on Russia, Degussa helped transmit German mail to Japan and USA; mail was flown in Italian planes to Rio de Janeiro for stamping and postmarking and thence dispatched. Degussa has an office in Shanghai which handles affairs of the German "East Asia Consortium".

For information: Moakowitz; Robinson; Leonard; Henderson; Gervitz

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5669A4707GERMANY-MILITARY GOVT
INVESTIGATIONS82**SECRET**U. S. GROUP C. C.
FINANCE DIVISION
APO 742

28 December 1944

US/CC/FD/

SUBJECT: Report on Trip to Strassburg to Secure Financial Information.

TO : Chief, Financial Division, U. S. Group C. C.

1. In accordance with orders from SHAEF dated 3 Dec. 1944, Major R. L. Mott and Captain K. L. Walitschek proceeded to 6th Army Group and from there to Strassburg in order to secure information concerning German finances. Stops were made at 6th Army Group on both the going and the return trip, at which times the officers in the Finance Section of G-5, as well as other officers attached to Army Group Hqs. were consulted. Lt. Gelles of 6th Army Group accompanied the officers to Strassburg and was with them there from Dec. 7 to Dec. 10. Major P. K. Debenham of the Financial Division, British Element CC joined the officers in Strassburg on Dec. 9, and remained with them until the end of the trip.

2. Strassburg had been captured intact. There had been no heavy fighting in the city, and the Germans had no time to destroy or to remove the records and documents of their offices. As a result, the important financial offices were largely undamaged, their contents were intact, and a number of important German financial officers were interned. These factors opened opportunities for financial information which had not been available in other places.

3. When the party arrived the attitude of the population was rapidly undergoing a shift from one of caution to one of friendliness. When it drove into the city at 1100 hours on Thursday, Dec. 7, the streets were nearly deserted and only a moderate number of French flags were displayed. By the end of the week many more flags were displayed and there were a large number of natives on the streets. This change was due largely to the improved military situation, although the return of certain French elements, including a popular bishop, and the general satisfaction with Allied policies were contributing factors. The friendly and cooperative attitude of the natives was of material assistance to the financial officers in securing information. A list of the persons interviewed and other sources of information will be found in appendix A.

4. Certain difficulties were encountered which might have been avoided had the party arrived in the city earlier. The offices visited had all been searched by two or more other information parties (such as the French Army, the F. F. I., a "T" force, and representatives of the Baden regional CA team). Each of these parties removed certain material, but fortunately none of them were interested especially in financial information so many documents and files we needed were still there. The German officials who were captured were at first held in the city, where they could easily have been interviewed, but shortly before we arrived they had been removed to an internment camp. Furthermore, as the situation clarified, it became increasingly obvious to the Alsatian civil servants that the French were going to be in control of the city. This made them somewhat reluctant to furnish information without the approval of their new French directors, many of whom had not yet arrived. These difficulties were not especially serious for our work, but they emphasize the desirability of sending information teams into areas at the earliest possible opportunity.

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U. S. C. 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

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PROCES-VERBAL DE SAISIE DE L'ENCAISSE
DE LA REICHSBANK DE STRASBOURG EFFECTUEE LE 4, 12, 1944.

Par MM. CLEMENT Georges, Directeur de la Banque de France de Strasbourg & STOCKREISSER Robert, Inspecteur de la Banque de France agissant au nom de la Banque de France comme sequestre de la Reichsbank et MM. PEICHER Paul, Reichsbankdirektor, Dr. PARCHEMANN Alwin, Direktor de la Reichsbank, TEUTSCH Curt, Inspecteur de la Reichsbank representant la Reichsbank a Strasbourg.

L'encaisse de la Reichsbank a Strasbourg telle que representee et conforme aux ecritures de comptabilite, comprenait:

<u>R.M.</u>	
200,000	-- (billets de 1,000)
1,430,000	-- " 100
1,796,000	-- " 50
120,000	-- " 20
2,791,500	-- " 10 (791,500--dont 500 sacs plombs de Berlin et 2 millions sacs plombs)
1,723,500	-- " 5 (1,500,000--en boites fermees et non plombees)
<u>8,061,000</u>	--
1,500	-- " 5 a annuler
460,300	-- " 2
398,400	-- " 1 (dont 340,000--en boites fermees et non scellees)
<u>850,200</u>	--
31,000	-- en diverses coupures de la Reichskreditkasse
8,500	-- en 50 Pf. (5,000 -- non reconnus)
4,300	-- en 10 "
1,100	-- en 5 "
680	-- en 1 " (en ecriture 765.--dans la livraison de la poste du 23, 4 sacs au lieu de 5)

Après reconnaissance sommaire par les soussignes:

<u>RM</u>	
186,142	-- caisse courante, dont:
	1 de 1,000 = 1,000) en billets et monnaies non reconnus ou par-
	250 de 100 = 25,000) tiellement reconnus
	et
12,722	-- dans un coffret d'un agent de comptoir de la Caisse somme non reconnue. Soit au total:
<u>208,864</u>	--

En outre:

<u>RM</u>	
9,685,66	
3,369,37	en deux caisses particulieres, reconnues grosse modo.--l'une de elle contenant quelques billets etrangere (recapitules plus bas). Les doubles des oles de la serre (tresor), scellees des coffres et de la conservation sont conservees a Selestat. En outre,
<u>Frs.</u>	
30,690,000	--en billets francais en quatre sacs scelles prets a etre expadies a Berlin - dont Decomposition est donnee ainsi, reconnue et acceptee sans verification d'etaillee.
<u>Frs.</u>	
2,754,000	--) 3,893,725 en billets francais de diverses coupures--monnaie en
1,139,725	--) diverses enveloppes
194	-- monnaie en diverses enveloppes
	et
<u>RM</u>	
20,000.00	-- en 40 sacs (monnaies de 0.10 et 0.05 Pf.)
426,000.	-- en billets de diverses coupures de la Reichskredit-kasse (4 sacs)

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APPENDIX B (CONTINUED)

Devises étrangères

1,810	—	francs suisses	en billets
11,259	—	Belges	"
1,360	—	Lires	"
430	—	Zlotys	"
925	—	Karbowanez ukrainiens	"
20	—	Dinars serbes	"
538.50	—	florins hollandais plus 3 florins en monnaie.	
50	—	couronnes slovaques	en billets
210	—	Pengoes hongrois	
20	—	francs français en or	

D'epots volontaires

6	depots divers (colis ou enveloppes scellees)	
	coupons pour Reichsmark	114.25
2	effets pour RM.	8,479.52
31	dozziers de garanties d'avance.	

Les diverses valeurs ont ete saisies et le present proces-verbal etabli en huit exemplaires dont un remis aux representants de la Reichsbank pour decharger leur responsabilite.

Fait a Strasbourg, le 4.12.1944. et signe par les soussignes:

Pour la Reichsbank: PEICHER, Direktor - PARCHEMAN, Direktor,
TEUTSCH, Inspecteur - Pour la Banque de France: STOCKREISSER, Inspecteur,
CLEMENT, Directeur.

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 APPENDIX C
 SOCIAL GIRO ACCOUNTS WITH THE REICHSBANK HAUPTSTELLE, STRASSBURG

Acct. No.	Title	Movement in week 16-22 November in 000 RM			Whether given in Published Verzeichnis der Girokonten
		Debits	Credits	Credit Balances	
111	Finanzamt Stadt Strassburg	3518	3586	374	Yes
113	" Land "	17	21	39	Yes
114	" Molsheim "	19	21	2	Yes
121	Hauptzollamt Strassburg	1054	1051	-	Yes
122	Zollamt Güterbahnhof	-	-	-	Yes
123	Zollfahndungsstelle	-	-	-	Yes
124	Zollamt Rheinhafen	-	-	-	Yes
131	Gerichtskasse	11	10	-	Yes
144	Staatliche Polizeikasse, Strassburg	65	220	186	Yes
145	Heeresstandortkasse, Strassburg	1177	1128	42	Yes
1462	Reichsschule, Verwaltung	-	-	-	No
1467	Verwaltung der Luftwaffe, Strassburg	259	260	3	No
1468	NSFK Gruppe 16	24	130	125	No
1469	Konzentrationslager Umtziweiler Verw.	Nil	304	535	No
1471	Dienststelle Feldpost	6	6	-	No
1481	Pflegeoffizier der Waffen SS	-	-	-	No
1483	Kriegsmarine Aussenstelle	-	-	-	No
1485	Heeresbezirksabnahmestelle	-	-	-	No
1486	Dienststelle, Feldpost	-	-	-	No
1487	" "	-	-	-	No
1488	" "	-	-	-	No
1489	Amtskasse der Truppendienststelle	6	5	-	No
1491	Dienststelle Feldpost	-	-	-	No
1492	" "	1	Nil	17	No
1493	" "	-	-	-	No
1494	" "	-	-	-	No
1495	" "	44	50	32	No
1496	Amtskasse Luftgaukommando W. Frankreich	-	-	-	No
1497	Dienststelle, Feldpost	-	-	-	No
1498	" "	-	-	-	No
1499	Amtskasse, Feldpost	-	-	-	No
151	Arbeitsamt, Strassburg	61	61	-	Yes
155	Kasse der Chefs der Zivilverw. Strassburg	3247	4006	1031	Yes
156	Reichsarbeitsdienst Arbeitgau 27	42	254	404	Yes
157	Reichsarbeitsdienst für Weibl. Jugend	15	6	2	Yes
158	" "	-	-	-	Yes
159	Reichsarbeitsdienst Meldeamt	-	-	-	Yes
1511	Reichsarbeitsdienst Hauptmeldeamt	-	-	-	Yes
1517	Reichsarbeitsdienst	-	-	-	Yes
1523	Genarbeitsamt, Baden	1651	1651	Nil	Yes
1525	Reichsarbeitsdienst Arbeitgau xxvii	2	6	5	No
161	Bezirkshauptkasse	-	-	-	Yes
163	Stadtkasse Strassburg	10	3	16	Yes
167	Bezirkshauptkasse Kolmar	-	-	-	Yes
170	Lotteriekonto	-	-	-	Yes
172	Bahnhofskasse Strassburg	Nil	49	50	Yes
182	Werkkasse des Eisenbahn-Ausbesserungswerks	8	1	4	Yes
183	Kasse der Bauleitung der Reichsamtbahnen	-	-	-	Yes
184	Hauptkasse des Hauptverkehrsleiters Paris	-	-	-	No
191	Postamt	1487	1487	1	Yes
1912	Theaterhauptkasse Strassburg	5	Nil	3	Yes
1913	Universitätskasse Strassburg	67	65	5	Yes
1914	Forschungsstelle für Badenhygiene	-	-	-	Yes
1915	Amtskasse für Universitäts-Kliniken	Nil	4	26	No
1916	O.T. Einsatz Gruppe Rhein V	-	-	-	No

Note: Accounts appearing in Verzeichnis der Girokonten, which are not now in the Giro Tagebuch.

- 1512: Chef der Zivilverwaltung im Elsass
- Der Beauftragte für das deutsche Vermögen
- 1518: Reichsarbeitsdienst Arbeitsdienst-Abteilung
- 1519: Reichs-Arbeitsdienst-Anführer der Gruppe 273
- 154: Reichskommissar für die Festigung deutschen Volkstums

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5. The Strassburg Hauptstelle of the Reichsbank was captured intact before the Germans had removed any of the personnel, records, or cash. A statement of the cash found in the bank, as prepared by the French, is given in appendix B. An inspection was made of the bank premises, interviews were held with the French officials from the Bank of France and former officials of the Reichsbank, and some information was taken from the books of the bank and other documents which were found.

6. The Hauptstelle kept five kinds of books, The ledger of Giro accounts, the Ledger of Lombard Loans, the Cash Account book and the Record of Foreign Exchange Transactions. Most of the accounts in the Giro Ledger were for public offices and banks, although some private firms and a few individuals maintained Reichsbank accounts. The largest accounts were those of the banks, the public accounts generally maintaining only small balances. There was indication that some public offices (especially military agencies) had secret accounts, for there were discrepancies between the published list of accounts and those found in the ledger. (See appendix C.) The NSDAP and its affiliates did not maintain Reichsbank Giro accounts at the Strassburg Hauptstelle. The vouchers covering the Giro transactions for each day were filed in a separate envelope without any segregation by account or type of transaction.

7. The chief function of the Reichsbank was to provide a clearing system for other banks and government agencies through the Giro accounts. Through it Reich funds were readily made available to the local offices of the Reich and to the local government authorities, as they might be needed. This was done by drawing checks on the Berlin account of the appropriate Reich office. For convenience, checks of different color were used for different offices; Finance using green, Labor using brown, Justice using purple, etc. Except for the Luftwaffe, no limitations were placed on the amount of funds which the Reichsbank branch could pay out for any public agency, and any control in this respect evidently rested with other administrative authorities. The Hauptstelle sent collateral received against Lombard loans to Berlin. The amount of these loans although not large was nevertheless significant. It sold foreign exchange when the proper license from the competent authorities was presented. The amount sold was entered on the license and in the Hauptstelle's record of foreign exchange, but no vouchers covering such transactions were retained by the bank. Incidental functions of the Reichsbank included the collection of coin metal (gold and silver) for forwarding to Berlin and the exchange of worn currency.

8. There are numerous functions which are common in Anglo-American banking institutions which the Strassburg Hauptstelle did not perform. It did not act as a cash depository (except to cover Giro transactions) for banks, firms, or individuals, and it did not provide safe-keeping for valuable papers or metals. Its own surplus cash, bills of exchange, Lombard collateral, bonds, etc. were all sent to Berlin for deposit, and no "unissued" currency was kept in its vaults. While it had authority to rediscount commercial papers, in practice this function was atrophied. The condition of other banks and most of the private firms has been so liquid in the past three or four years that they have not found it necessary to borrow. In the period of German occupation of Strassburg, only one banker had asked to have paper rediscounted and he had only rediscounted three or four bills. No credit files were found in the Hauptstelle. The branches of the Reichsbank do not push the sale of government securities, this being done through the Reichsgruppe Banken. The Strassburg Hauptstelle issued no foreign exchange licenses. Finally, it had no administrative control over either the private banks or other Reichsbank branches (other than Nebenstellen) in its area and it provided no examination, auditing, or advisory services to them.

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9. The banking system of Germany has become more centralized during the war. This was reported as being the case both with respect to the Reichsbank and also those private banks which have numerous branches. Supervisory offices of the Lander (Staatsaufsicht) and the supervisory office for mortgage banks (Hypotheken-Aufsicht) have been dissolved recently and their functions transferred to the Reich Ministry of Economics and the Reichsbank. Audits of Reichsbank branch accounts are made by the central organization. There was no evidence of a greater branch autonomy as the result of the war although no branches have been closed recently, as far as the Strassburg officers knew. No duplicate set of records of the Strassburg Hauptstelle or other banks had been made for deposit elsewhere. No subordinate center for postal savings administration had been established, and each post office continued to deal directly with Vienna.

10. There was no shortage of currency in Strassburg when the Allied armed forces took it over. In addition to the cash in the Reichsbank, the private banks (both branches of the German banking chains and Alsatian banks) had considerable cash on hand. Representatives from these institutions estimate that there was cash available to cover the payrolls of the city for at least 30 days. In addition to cash in the banks, most of the larger industries had substantial cash reserves. Indeed, the industries of the area had been so liquid that most of them had found it unnecessary to borrow to finance their war production.

11. The foreign exchange office (Devisenstelle) in Strassburg occupied two large floors each of which had about 15 offices. From it the foreign exchange regulations for both Alsace and Baden were administered, the files and documents having been brought to Strassburg from Karlsruhe following the severe bombing of the latter city. The files of the Foreign Exchange Office were organized by name of the firm or individual applying for exchange, and were arranged in alphabetical order. Copies of the laws, forms used by the office, and sample files were obtained for further study.

12. There were four public finance offices in Strassburg: The Reichs-Finanzamt for the city area, the Finanz-und Wirtschaftsamt for the Strassburg district, a Hauptzollamt with several subsidiary customs offices, and a Steueramt for the city government. Visits were paid to each of these offices with the exception of the Steueramt. In each case Alsatian officers were in control, since the German officers had fled or had been interned, and the French replacements had not yet arrived. These offices were organized somewhat differently in detail but each had its personnel and administrative division, its cashier's office, and one or more divisions devoted to the assessment of taxes. These latter divisions were sometimes organized by type of tax (in the Finanzamt) or by type of taxpayer (in the Zollamt). The Zollamter are under the administrative control of the Hauptzollamt. The Strassburg Finanzamt assessed the Trade Tax (Gewerbesteuer) and the Real Estate Tax (Grund-und Gebaudesteuer) for the city government.

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April 2, 1945

Mrs. Gold

Mr. Taylor

I am enclosing for your confidential use and information the following papers received through the courtesy of Col. Bernstein. If you are having extra runs of these papers, it would be appreciated if you could make a copy available to me.

- (1) Cable #11-11511 of March 26, from Sixth Army Group to SHARP Main re: technical team to investigate selected targets in Ludwigshafen.
- (2) Cable #6-83005 from SHARP Main to Sixth Army Group re: desirability of sending a team to investigate certain targets in Ludwigshafen and other places in Germany.
- (3) Memo from Lt. Jennings to Col. Bernstein of March 27 re: censorship in Germany
- (4) Memo re: "Prospectus and Guide for Investigation of Assets of J. H. Stein and Co., Cologne".
- (5) Monthly report of the Finance Division, US. Group CG. February 1945. This is the first monthly report compiled by Col. Bernstein and it is anticipated that the monthly will appear at regular intervals hereafter. Copies will be made available to us.

Germany: Investigations

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APPENDIX AANALYSIS OF US, UK, AND USSR FINANCE VIEWSA. KNOWN POINTS OF AGREEMENT BETWEEN THE THREE POWERS1. Russian Views

No Russian views on finance matters are known to this Division, except that the USSR has printed Allied Military Marks for use in Russian-occupied Germany and that these Marks appear in every way identical with the Allied Military Marks to be used in the British and U. S. Zones. It is also learned informally that the Russians will not declare any general rate of exchange but, for purposes of pay for troops and military accounting purposes, will use a rate of exchange of two Marks equals one ruble. This is comparable to what will be done by US/UK.

2. U. K. Views

a. All policies and actions covered in the Handbook for Military Government, the Technical Manual on Finance and Property Control, and SHAEP Directives to, Army Groups, as well as all Military Government Laws, Orders and Instructions issued on the authority of SCARF are assumed to be agreed as between US and UK.

b. The plan for the Advance Ministerial Control Party has been coordinated by this Division with the Finance Division of the British Element of the Control Commission. This Division is studying this plan further and is also working on more specific instructions to be given to teams; such instructions will be coordinated with the British.

c. All accounts and records required to reflect the financial operations of Military Government will be maintained in the respective Zones. The Control Council will be currently provided with full information regarding (a) the use of currency by the Armed Forces in the respective Zones, (b) occupation costs in the respective Zones.

B. KNOWN POINTS OF DISAGREEMENT BETWEEN THE THREE POWERS.1. Russian Views.

Since, as indicated above, there is virtually no information as to the Russian financial policy, it is not known if Russian views in any way disagree with US views on financial matters.

2. U. K. Views (based on our best knowledge and belief)

UK views on financial matters as well as on other matters affecting Germany tend to be framed in terms of long range policy. US views as reflected in the directive for Control Council period apply only to the interim post defeat period. It is, therefore, difficult to find an applicable basis for comparison and an accurate analysis of existing differences. However, to the extent that British views and our directive are comparable, there is a profound and fundamental difference between the views of the two countries.

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a. Over-all Economic and Financial Policy

British financial and economic policy envisages control of the German economy so as to destroy certain war potential but to preserve and sustain the remaining industrial power of Germany; to preserve a stable economy to prevent inflation; in this connection, to control budgets with a view to preventing expenditures which may have an inflationary effect and to control bank credit so that it may not stimulate inflationary trends nor result in the production of goods which the British consider unnecessary or undesirable for Germany.

American financial policy, as embodied in our directive focuses on the control of German foreign exchange assets, the freezing and blocking of certain categories of property, the elimination of Nazis and other undesirable elements, the elimination of discriminatory practices and laws and the observation and acquisition of intelligence as to what is happening in the financial field. The American policy envisages only such control of German economic activities as will (a) serve military operations; (b) eliminate production of implements of war; (c) produce goods and services considered essential for Allied needs; and (d) produce the goods and services necessary to prevent such epidemics or serious diseases and disorder as would endanger the military occupation and for certain other military ends. American policy expressly envisages that except for these purposes no steps be taken toward the economic rehabilitation of Germany or the maintenance or strengthening of the German economy. Under this finance program, Military Government is not to undertake to prevent inflation or to maintain stability of prices and wages not to attempt to review the budgets of the public authorities or the extension of credit by financial institutions with a view to preventing inflation. The American program, to a much larger extent than the British program, is concerned with the application of comprehensive freezing control measures covering property and transactions of undesirable elements in Germany.

b. Decentralization

There has been some British disagreement with the American program for administrative decentralization and with decentralization of policy-making agencies in the field of finance and economics. To some extent these views stem from the British preference for more direct control over the German economic system than is called for under U. S. directives.

c. Denazification

Although Chapter IX of the Finance Technical Manual which deals with denazification has been approved by the UK authorities as an interim measure, the UK view does not envisage as broad an application of the denazification program in the financial and economic fields as is provided for in our program. The British view on denazification in part stems from the greater desire to maintain a stable economic and financial situation in Germany.

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SECRETAPPENDIX F

14 November 1944

AGREEMENT ON CONTROL MACHINERY IN GERMANY

The Governments of the United Kingdom of Great Britain and Northern Ireland, the United States of America and the Union of Soviet Socialist Republics have reached the following Agreement with regard to the organization of the Allied control machinery in Germany in the period during which Germany will be carrying out the basic requirements of unconditional surrender:-

ARTICLE 1.

Supreme authority in Germany will be exercised, on instructions from their respective Governments, by the Commanders-in-Chief of the armed forces of the United Kingdom, the United States of America and the Union of Soviet Socialist Republics, each in his own zone of occupation, and also jointly, in matters affecting Germany as a whole, in their capacity as members of the Supreme organ of control constituted under the present Agreement.

ARTICLE 2.

Each Commander-in-Chief in his zone of occupation will have attached to him military, naval and air representatives of the other two Commanders-in-Chief for liaison duties.

ARTICLE 3.

(a) The three Commanders-in-Chief, acting together as a body, will constitute a supreme organ of control called the Control Council.

(b) The functions of the Control Council will be:-

- (i) to ensure appropriate uniformity of action by the commanders-in-Chief in their respective zones of occupation;
- (ii) to initiate plans and reach agreed decisions on the chief military, political, economic and other questions affecting Germany as a whole, on the basis of instructions received by each Commander-in-Chief from his Government;
- (iii) to control the German central administration, which will operate under the direction of the Control Council and will be responsible to it for ensuring compliance with its demands.
- (iv) to direct the administration of "Greater Berlin" through appropriate organs.

(c) The Control Council will meet at least once in ten days, and it will meet at any time upon request of any one of its members. Decisions of the Control Council shall be unanimous. The chairmanship of the Control Council will be held in rotation by each of its three members.

(d) Each member of the Control Council will be assisted by a political adviser, who will, when necessary, attend meetings of the Control Council. Each member of the Control Council may also, when necessary, be assisted at meetings of the Council by naval or air advisers.

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ARTICLE 4

A permanent Co-ordinating Committee will be established under the Control Council, composed of one representative of each of the three Commanders-in-Chief, not below the rank of General Officer or the equivalent rank in the naval or air forces. Members of the Co-ordinating Committee will, when necessary, attend meetings of the Control Council.

ARTICLE 5.

The duties of the Co-ordinating Committee, acting on behalf of the Control Council and through the Control Staff, will include:-

- (a) the carrying out of the decisions of the Control Council;
- (b) the day-to-day supervision and control of the activities of the German central administration and institutions;
- (c) the co-ordination of current problems which call for uniform measures in all three zones;
- (d) the preliminary examination and preparation for the Control Council of all questions submitted by individual Commanders-in-Chief.

ARTICLE 6.

(a) The members of the Control Staff, appointed by their respective national authorities, will be organized in the following Divisions:-

Military; Air; Transport; Political; Economic; Finance;
Reparation; Deliveries and Restitution; Internal Affairs and Communications;
Legal; Prisoners of War and Displaced Persons; Man-power.

Adjustments of the number and functions of the Divisions may be made in the light of experience.

(b) At the head of each Division there will be three high-ranking officials one from each Power. The duties of the three heads of each Division, acting jointly, will include:-

- (1) exercising control over the corresponding German Ministries and German central institutions:
 - (i) acting as advisers to the Control Council and, when necessary, attending meetings thereof;
 - (ii) transmitting to the German central administration the decisions of the Control Council, communicated through the Co-ordinating Committee.

(c) The three heads of a Division will take part in meetings of the co-ordinating Committee at which matters affecting the work of their Division are on agenda.

(d) The staffs of the Divisions may include civilian as well as military personnel. They may also, in special cases, include nationals of other United Nations, appointed in their personal capacity.

212313

DECLASSIFIED
Authority NND 775013
By SC - NARA Date 1-22-00

RG 84
Entry 3162
File 851.2-851.51, 1944
Box 49

Paraphrase for CONFIDENTIAL FILES

ans. by No. 5/17/44 RHA

TELEGRAM RECEIVED

AMS
WVB
Reelected
Flexer
Haering
Willis
Baldwin
Good
Burns

From: Secretary of State
WASHINGTON

Date: May 10, 4 p.m. 1944

No.: 1313

Code: Confidential

Received: May 11, 11 p.m.

RH
JE
40

Press
Van Hornes
Consul
Accounts
Smyser
MA
NA
Gil

For your information and similar action following is paraphrase of telegram sent to Bern:

"Events like the German military occupation of Hungary which took place recently, has raised the question whether, in the light of previous blocking of Italy by the Swiss, steps will be taken by the Swiss Govt. to block assets of Hungary, Rumania or Bulgaria. The Swiss should indicate whether steps of this sort have been or are proposed to be taken. The United States would, of course, consider such action desirable."

HULL

85151 Switzerland

Dec-Typ-Para:ef

True Reading in Confidential Book

DECLASSIFIED
Authority NND 775013
By SC NARA Date 1-22-00

RG 84
Entry 3167
File 851.2-851.51,1944
Box 49

PARAPHRASE FOR CONF FILES
TELEGRAM RECEIVED

ARR...
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From: Secstate Date: Jan. 29, 7 pm, 1944
No.: CIRCULAR
Code: Confidential Received: Jan. 31, 1 am

Following repeated to Algiers, Madrid, London.

The Department and Treasury have studied the recommendation contained in your Despatch 1852 of Dec. 18 and telegram 1383 of Dec. 21. The purchase of Moroccan francs in Tangier against dollar credits or drafts is opposed by the Treasury, although we recognize that the plan recommended by you would have certain advantages. The Treasury gives following reasons for its opposition:

1. It is possible that an attempted support of that market, rather than lessen the illegal traffic, might encourage it, since you describe the situation as being caused by the fact that Moroccan francs reach the Tangier market so freely, either legally or otherwise.
2. Considering that the French do not adequately control the inflow of Moroccan francs into Tangier from French Morocco; and the fact that this market would attract the French North African francs now held outside Tangier and North Africa; and because the French North African authorities are not able to control the flow to Tangier of small denominations to Metropolitan France, which in French North Africa are legal tender, it is impossible to assure that a channel might be created through which enemy or collaborationist funds might, through actual dollars or dollars in other world currencies, find security and safety.
3. It is felt to be far more desirable by the Treasury that the French in North Africa be urged to adopt control measures that will enable them to manage the flows of currencies between Spanish and French zones, thus getting at the source of the leak.
4. Neither is it considered wise to initiate measures which would result in increased Spanish dollar assets in the United States, because such an increase would impede the acquisition of pesetas against dollars with which this Government finances the supply purchase and preclusive program in the Iberian Peninsula.

851.51 / Morocco

We appreciate the political value of this proposal but concur with the Treasury for reason of the practical considerations. The British, with whom we have discussed the above are in accord.
Dec:DH/JC Par:EMR, True rang. Conf Book

HULL

DECLASSIFIED
Authority NND 775013
By SC NARA Date 1-22-00

RG 84
Entry 3162
File 851.2-851.51,1944
Box 49

PARAPHRASE: Confidential Files

TELEGRAM RECEIVED

Ans. by telegram 9/8/44

From: Secstate, Washington - Date: August 17, 3 p.m., 1944

No.: 2281

Code: Confidential

Received: August 19, 9 a.m., 1944

REW (9/5/uv)

Y-1
WFB
Hamer
Holla
1944
Haring
Baldwin
S. A.
JEH
MA
MA
Paces

A confidential source informs us of the following: Credits Suisse Zurich has offered to the Institute de Moneda Extranjera gold which is worth up to 20 million Swiss francs and which is located in Buenos Aires, against payment in Swiss francs. (This is from the Treasury FEA and the Department). In connection with this matter we would appreciate in particular information concerning to what extent German interests have been or may be employing such arrangements for the transfer of their looted gold into gold which is now on deposit in the Western Hemisphere. Information would also be appreciated on any similar transactions of gold.

Sent to Madrid and repeated to Bern, London, and Buenos Aires.

HULL

851.51 - Credits Suisse - (page)

Dec/typed/ist
True Reading in Cont. Books.
Paraphrases to Chron. Book, Confidential Files,
and Economic Book/ist

DECLASSIFIED
Authority NND 775013
By SC NARA Date 1-22-00

RG 84
Entry 3162
File 851.2-851.51,1944
Box 49

PARAPHRASE Files

TELEGRAM SENT

To: SECSTATE
Washington
Code: Confidential

Date: September 8, 8 p.m., 1944
No. 3089
Charged to: Official

NOT TO BE TAKEN FROM THE EMBASSY

Sent to Department as 3089. Repeated to Bern,
to London as 756, to Buenos Aires.

When negotiating with Swiss last year the Institute discussed feasibility Switzerland making available gold it had on deposit in Argentina as Spain was short pesos for wheat purchases. Due to Swiss objections, no agreement was reached. No transaction similar to that in Department's 2281, August 17, 3 p.m., now contemplated. No evidence Germany now channelling through Spain transfers of gold or credits to Western Hemisphere countries, but will continue investigation. We have informal assurance that any imports of U.S. currency into Spain from enemy will be brought to our attention.

Credit Suisse -

HAYES

REW:AMB:aah
Enc: jc
Para:aje
True reading in Confidential Books
Paraphrase to Chron. Book, Files, Economic Book.
Dummies to Chron. Book, Files for repeats to
Bern, London, Buenos Aires.

851.51 - Credit Suisse

DECLASSIFIED
 Authority NND 775013
 By SC NARA Date 1-22-00

RG 84
 Entry 3167
 File 851-51-1944
 Box 49

EMBAJADA DE ALEMANIA
 MADRID

INFORMACIÓN ECONÓMICA

Madrid,
 21 de julio de 1944

Número 209

EL PLAN MONETARIO UNIVERSAL

¿Por qué son antagónicos los intereses de Inglaterra y Estados Unidos?

Los Estados Unidos han venido a ser antes y también durante la guerra el más importante poseedor de oro del mundo, puesto que cuentan con unos 22.000 millones de dólares oro y, consiguientemente, con más del 80 % de las existencias mundiales de oro. Si el oro solamente halla utilización como mercancía (industria, adorno, etc.), lo cual es de esperar al renunciar grandes países al patrón oro, se desvalorizará éste, dado que la nueva producción de oro ha sido hasta ahora siempre mayor que el consumo industrial.

Si el oro, sin embargo, recupera su antigua función de medio internacional de pago y de norma para el intercambio de divisas, no sólo ganará en valor como consecuencia de la mayor área de utilización, sino que precisa también permanecer estable en su valor si ha de cumplir su misión normativa.

De ahí que tanto los países poseedores de oro (Estados Unidos) como también los productores de este metal (Sudáfrica, Rusia) estén interesados en que el oro vuelva a emplearse como oro y no como mercancía. Inglaterra ha tenido ya que gastar todo su oro al iniciarse la guerra para pagar con él los suministros bélicos norteamericanos, y a esto hay que atribuir el que actualmente no le interese ya la reimplantación del patrón oro.

Al mismo tiempo que al restablecimiento del patrón internacional oro aspiran los Estados Unidos a que la relación de las distintas divisas con respecto al oro y, con ello, los cambios de las divisas, permanezcan estables recíprocamente. Como en los Estados Unidos prevalece el criterio de que en el futuro, una vez terminada la guerra, sólo podrá mantenerse la jornada completa si se dispone de los mercados extranjeros, están grandemente interesados los Estados Unidos en el comercio exterior.

851-51-1944-209
 Subvención al Montón de Oro

DECLASSIFIED
Authority NND 775013
By SC NARA Date 1-22-00

RG 84
Entry 3167
File 851511A14
Box 49

Dear EF

DRAFT

THE INTERNATIONAL MONETARY PLAN

Why Are The Interests of United States and England Antagonistic?

The United States has become, before and during the war, the most important holder of gold in the world, now having some \$22,000,000 in gold, and accordingly ~~with~~ more than 80% of the *world's*

stocks. If ~~the~~ gold only were utilized as *commodity*

(industry, adornment, etc.), which is to hope that the great nations would renounce the gold standard, it would be devalued because the new production of gold has been up to the present time always greater than industry consumption.

If ~~the~~ gold, *however*, regains its former function of an international medium of payment and a measure for ~~the~~ *determining exchange rates,* ~~financial obligations,~~

gold would ~~rise~~ *not only* in value because of ~~the~~ increased area of utilization, but also because it

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 By SC NARA Date 1-22-00

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 File 85151 7944
 Box 49

would be necessary to stabilize its value if it were
 to fulfill its ^{regulatory} function as ~~a measure of international~~
~~value.~~

Accordingly the possessors of gold (United States)
 as well as the producers of this metal (South Africa,
 Russia), are interested that gold should return to
 being employed as gold and not *as a commodity*. England
 has already had to spend all her gold at the beginning
 of the war in order to pay for the military assistance
 of North America, and to this one may attribute the
 fact that at present England is not interested in
 reestablishing the gold standard.

At the same time ~~that the reestablishment of the~~
~~international gold standard is desired by the~~ ^{the} United
 States, ^{desires to reestablish the international gold standard, it also desires}
^{to clarify} the relation of the different exchanges
 with respect to gold and, ^{concomitantly} ~~in~~ the ^{exchange}
^{of funds,} ~~the financial obligations may remain~~

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Authority NND 775013
By SC NARA Date 1-22-00

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File 851511944
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Dear EF

reciprocally stable. ^{In} the United States there prevails
the opinion that in the future, as soon as the war is
over there will only be maintained complete

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Authority NND 765006
By KG NARA Date 1/22/10

RG 84
Entry 3208
File CONFIDENTIAL 1941
Box 41

CR

reference to

Pilet-Golaz
C.I.

Swiss Gold

December 10, 1941

STRICTLY CONFIDENTIAL MEMORANDUM OF CONVERSATION WITH M. PILET-GOLAZ, FEDERAL COUNCILLOR, IN CHARGE OF THE POLITICAL DEPARTMENT

Federal Councillor Pilet-Golaz, in charge of the Federal Political Department, summoned me to a conversation with him Wednesday morning at 10:30 to discuss further the request of the Department as embodied in the Legation's note No. 1086 of December 8, 1941, indicating the desire of the American Government that the Swiss Government undertake representation in Japan of American interests; and also the provisional inquiry made by me on December 9, 1941, in connection with the situation which would result in the event that diplomatic relations between the Government of the United States on the one hand and of Germany and Italy and other Continental European States on the other hand were to be severed, the substance of which inquiry is embodied in my side-memoire dated December 9, 1941. M. Pilet-Golaz confirmed the statement previously made to me, and repeated in the note of December 8, 1941, from the Federal Political Department, that the Swiss Government was favorably disposed to accept the representation of American interests in Japan with the reservation that the assent of the Japanese Government be given. He stated in extreme confidence that the Swiss have received a like request from the Japanese Government and that an inquiry has been addressed to Washington whether the Washington Government would interpose any objection to Swiss representation of Japanese interests in the United States. On the question of representation by one government of opposing powers, he remarked that such action had many advantages and illustrated how the views between two conflicting powers could be much more readily harmonized if these views can be balanced one against another by one government handling the interests of both belligerents. He stated that the Swiss, by actual experience in representation of interests of minor powers, first in the first world war, and also more recently, have learned that this is actually the case.

With reference to the general question of possible future assumption by the Swiss of representation of American interests in the case of a break between the United States on the one hand and Germany and Italy on the other hand, M. Pilet-Golaz stated that he agrees in principle with the proposal

U.S. - GENERAL

DECLASSIFIED
 AUTHORITY NND 765006
 By KG NARA Date 1/22/10

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 File 100-7117-194
 CONFIDENTIAL
 Box 41

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proposal, but he pointed out that this question is as yet in entirely a provisional state, that he is personally treating it with the strictest secrecy, and that he would expect it to be so treated.

In connection with the proposal of my Government, the Federal Councillor stressed the size of the task which the Swiss Government would thus assume, and he stated that there were two important factors in the situation which impelled him to make preliminary reservations in his provisional decision on this subject. These factors are as follows:

First, He referred to the question of the transfer of Swiss gold which is now under distraint by action of the United States Treasury Department and emphasized that the Swiss Government must have some sort of a general authority of release in order that it could successfully make the necessary money manipulations which representation of American interests might require.

Second, He raised the question of means of communication which are becoming more and more restricted with the wider progress of the war throughout the world and made particular reference to the use of cipher which has been prohibited in certain cases, usually by military decree, in the transmission of telegrams. He emphasized the necessity that, in the event of representation of American interests by Switzerland, there would need to be freedom on the part of the Swiss in the use of their cipher codes.

M. Pilet-Golaz renewed his assurance to me of the position of the Swiss Government as one of the strictest neutrality and stated emphatically that in no event would there be any occasion on the part of the Government of the United States or any other to suspect the Swiss Government of a violation of its neutral status.

M. Pilet-Golaz, during the course of the interview, informed me that the British Government has also addressed to the Swiss Government a request that it take over the interests of the British Government in the event of a break between Great Britain on the one hand and Germany
 and

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DECLASSIFIED
Authority NND 765006
By KG NARA Date 1/22/00

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File 100-7112-1941
Box #1

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and Italy on the other hand and advised me in this connection that this subject is also under the same confidential consideration as is the American request, and that the Swiss have adopted toward it a similar attitude which they are taking toward the American inquiry.

In connection with the second reservation mentioned above, I inquired from M. Pilet-Golaz whether the Swiss Government had encountered any difficulties as yet in the United States. He said that it had not.

M. Pilet-Golaz advised me of the existence of the section of the Foreign Office which is charged with the handling of Foreign Interests and is under the direction of M. de Pury, as chief of the division, and is located at Effingerstrasse 14. M. de Pury was formerly Swiss Minister to the Netherlands and is now in Bern during the vacancy of the Netherlands post.

J.K.H.

JKH/mk

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Authority AND 765006
By KG NARA Date 1/22/00

RG 84
Entry 3208
File 000-7112-194
Box #1

Paraphrased: HSB

C. File

Stets

TELEGRAM SENT

To: SecState, Washington. Date: December 11, midnight, 1941.
No.: 308
Code: Charged to:
670 1-1142

Strictly Confidential

With reference to telegram No. 266 of December 8, 3 p.m., from the Department.

During the course of a conversation on December 10th with Federal Councillor M. Pilet-Golaz, Chief of the Swiss Government's Political Department, on the subject of the representation of United States interests by Switzerland, I was asked to transmit the substance of certain of his observations as follows to the Department:

He emphasized the enormity of the undertaking which would thus be assumed by the Swiss Government and, although his provisional acceptance of the American proposals were given me orally, reference was made to the matter of the transfer of Swiss gold now in the United States, stressing that some sort of a general release order should be given the Swiss Government in order to manipulate the necessary fiscal matters which might be required by representation of American (and other close) interests in a successful manner.

Occasion was taken by M. Pilet-Golaz to assure me that the Swiss Government's position was that of strictest neutrality, and he underlined that, under no circumstances, would occasion arise for suspicion of the Swiss Government's violation of its neutral status on the part of the Government of the United States.

HUDDLE

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By KG NARA Date 1/22/00

RG 84
Entry 3208
File CONF 800 GENERAL 1941
Box # 1

STRICTLY CONFIDENTIAL

WMC
MAL
File
1941

Voluntary (Political) Report

LEGATION OF THE UNITED STATES
OF AMERICA
Rec'd DEC 9 1941
BERN

POLITICAL NOTES

From *Paul C. Squire*
Paul C. Squire, American Consul
American Consulate, Geneva, Switzerland

Date of completion: December 8, 1941
Date of mailing: December 8, 1941

DECLASSIFIED
 Authority NND 765006
 By KG NARA Date 1/22/00

RG 84
 Entry 320X
 File CONFIDENTIAL 800 GENERAL 1941
 Box # 1

-1-

Situation on Eastern Front

Because the following observations come from a member of a certain Swiss unit of the International Red Cross serving in Russia, most of whom have now returned to Switzerland as a result of a dispute with the Germans, his comment may be regarded as reasonably trustworthy. It is stated that some 350,000 Germans, including dead, wounded and those whom it is necessary to remove to Germany, are being eliminated every month from the Russian campaign. The condition of Germans behind the lines is described as appalling, especially with reference to lice and the presence of typhus. The German authorities are reported to be particularly alarmed, and the informant observes signs that the present situation is leading to an eventual collapse and breakdown in Germany unparalleled in history.

With reference to the 3,000,000 Russian prisoners said to be in German hands, it is reported that they are dying at the rate of 10,000 every day from starvation, exposure, disease and ill-treatment.

Some Reported Refusals of Dismissal by Marshall Pétain

From a source described as "excellent", Mr. Royall Tyler, expert attached to the League of Nations, reports that the Germans desired the dismissal of both Monsieur Rochat, Secretary General of the Foreign Office at Vichy and of Monsieur Du Moulin de la Barthète, the Marshall's Chef du Cabinet. In each

instance

*Very interesting
 Pass supplementing
 P perhaps adding to
 previous report*

212327

DECLASSIFIED	RG <u>84</u>
Authority <u>NND 765006</u>	Entry <u>320X</u>
By <u>KG</u> NARA Date <u>1/22/10</u>	File <u>CONF. GENERAL 1941</u>
	Box <u># 1</u>

-2-

instance Pétain refused.

It is stated that had General Huntziger not been killed the Germans wished him removed since it was believed that the former's idea was to prepare France for an active alliance with Great Britain after the war.

With reference to the offer some months ago of the French Ambassadorship at Washington to Weygand, it is stated that the General definitely refused such an appointment at the actual time of his dismissal.

Darlan vs. Pucheu

The continued rivalry and individual ambitions of Admiral Darlan and Minister of Interior Pucheu are repeatedly confirmed, the two remaining at complete loggerheads. It is said that Pucheu is even more pro-Nazi than Darlan and that he even entertains an ambition to succeed Marshall Pétain.

Project for Swiss Supply Line via Port of Monte Carlo

A member of a renowned shipping family at Havre known to the writer reports excellent progress made in developing a line of supply through the port of Monte Carlo. When questioned as to the advantages of such a routing, he replied that in lieu of a monthly insurance rate of three per-cent levied on a Swiss vessel and its cargo while remaining in the port of Genoa, the charge at Monte Carlo, free of all bombing risks, would amount to only half of one per-cent. He stated that overland transport was assured

since

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By KG NARA Date 1/22/00

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Entry 3208
File CONF. 800 GENERAL (14)
Box # 1

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since Switzerland was in a position to provide its own cars.

Copies to

American Legation, Bern
American Consulate General, Zurich
American Embassy, Vichy
Department of State, Washington

File No. 800

PCS/dh

212329

DECLASSIFIED
Authority MND 775085
By AT NARA Date 1-14-00

RG 84
Entry 2792
File 711-411
Box 1

Secret

file

Caserta, Italy, November 30, 1946

No. 1531

Subject: Interrogation of Dr. Hermann Schmid-Krutina

TOP SECRET

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

With reference to my telegram No. 837, dated November 26, 1946, to the Department, repeated to Rome as 587 and to Berlin as 16, I have the honor to transmit herewith a copy of the complete report of the recent CIC interrogation of Dr. Hermann Schmid-Krutina.

Respectfully yours,

Homer W. Byington, Jr.
Deputy U. S. Political Adviser

Enclosure:

- 1. Copy of report

To Department in triplicate
cc to American Embassy, Rome
AMPOLAD, Berlin

File No. 711.4

HMBjr:kms

DECLASSIFIED
Authority <u>NND 775085</u>
By <u>AT</u> NARA Date <u>1-14-00</u>

RG	<u>84</u>
Entry	<u>2790</u>
File	<u>711-41187-1000</u>
Box	<u>1</u>

Enclosure No. 1 to Despatch No. 1531, dated November 30, 1946, from ANPOLAD, Caserta, Italy, entitled "Interrogation of Dr. Hermann Schmid-Krutina."

C O P Y

TOP SECRET

Counter Intelligence Corps

NAPLES DETACHMENT

ZONE SIX

APO 512

25 November 1946

SUBJECT: Von Papen's Valise.

TO : Assistant Chief of Staff, G-2, MTOUSA,
APO 512, U. S. Army

1. In compliance with instructions from the Assistant Chief of Staff, G-2 (CI), MTOUSA, this officer interrogated Dr. Hermann Schmid-Krutina at the 9304 General Hospital (GSU) at Pisa on 21 November 1946. The purpose of this interrogation was to determine, if possible, what knowledge Krutina possessed of the valise containing personal papers and valuables which Von Papen is reported to have left with "a trusted friend" at Ankara on 3 August 1944.

2. Krutina denied having any knowledge of Von Papen's valise. He stated that he left Ankara for the last time on 2 January 1943 and went to his home at Istanbul, where he remained, engaged in the tobacco business, until the end of July 1944, when he entered the German hospital at Istanbul with his present heart illness. He was confined to the hospital at Istanbul from the end of July 1944 until July 1946, when he was transported to Leghorn, enroute to Germany.

3. Krutina stated that he knew Von Papen casually but did not feel they could be considered good friends. In an effort to substantiate this statement, Krutina advised that, in early August of 1944, on his return trip from Ankara to Germany, Von Papen stopped at the German hospital at Istanbul and made a farewell speech to the German personnel there but did not visit Krutina, who was a patient in the hospital at the time. Krutina stated that he and Weidmann were quite good friends and that he, Krutina, and Dr. Quinke had become good friends during his stay at the German hospital at Istanbul, where Dr. Quinke was Krutina's physician and saw him nearly every day. He further stated that he thought Von Papen and Quinke were close friends; however, Krutina was unable to make a decision as to whom he thought was Von Papen's closest personal friend in Turkey, explaining that his limited association with Von Papen's group at Ankara, particularly from January 1943 until he entered the hospital in July of 1944, during which time he was at Istanbul, did not leave him in a position to acquire such knowledge. He did mention that Von Papen was considered a very charming person and

that

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DECLASSIFIED
 Authority MND 775085
 By AT NARA Date 1-14-00

RG 84
 Entry 2792
 File SP-11-4119
 Box 1

-3-

his sister or regarding the disposition of the furnishings, which latter he intimated Tueten was holding for him or for word from him.

Krutina denied that he had deposited any of the ₺T. 10,000 or ₺T. 6,000 withdrawals with Dr. Quincke and indicated that he did not think the records of the Deutsche Bank at Istanbul reflected any such action.

c. Further funds for the purchase of tobacco, etc.

Krutina stated that, when H.F. and PH.F. Koentsma closed operations at Istanbul in 1944, he decided to give all of the employees being released six months extra pay. He said the company did not possess sufficient funds at Istanbul to cover these payments and he therefore asked Sabri Tueten, the Turkish tobacco merchant, to borrow ₺T. 100,000 from the Deutsche Bank to be used by Krutina for this purpose. Krutina gave Tueten a letter requesting this money and Tueten took the letter to the Deutsche Bank at Istanbul and was given the money, apparently on his, Tueten's, note. Krutina said that about ₺T. 60,000 of this money was used to pay the employees and indicated that the balance remained in the hands of Tueten. Krutina became somewhat difficult to question on the matter of this balance of approximately ₺T. 40,000. He responded to firmness with an apparent attempt at evasion and, as this particular subject was discussed before the matter of Von Papen's valise was broached to Krutina, this officer decided not risk the possible success of the entire interrogation by pressing the point too far. In any event, Krutina did state that he thought the ₺T. 40,000 remained with Tueten.

Krutina stated that he had no other funds for the purchase of tobacco. He further said that Dr. Quincke had nothing to do with any of his transactions with Tueten and was not associated with him in the affairs of the tobacco company.

d. Dr. Quincke holding assets for Von Papen.

Krutina stated that he knew absolutely nothing about any transfers of assets by Von Papen to Quincke. He stated this subject had never been discussed between him and Quincke nor between him and Weidtmann. He said he did know that Von Papen paid the German hospital at Istanbul regularly out of German Government funds. He did not know at what intervals these payments were made by Von Papen but thought they amounted to ₺T. 25-30,000 yearly. He did not know whether Von Papen made these payments by transferring assets from his personal account to that of Dr. Quincke, who was chief surgeon at the hospital, or not, but stated it was generally understood that Von Papen's payments to the hospital were made from German Government funds. When asked how he knew about these payments to the hospital, Krutina replied that it was fairly general knowledge among the Germans at Istanbul that the German Government was contributing to the support of the hospital. In response

to another

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DECLASSIFIED
Authority <u>MND 775085</u>
By <u>AT</u> NARA Date <u>1-14-00</u>

RG	<u>84</u>
Entry	<u>2792</u>
File	<u>7211-4119</u>
Box	<u>1</u>

-3-

his sister or regarding the disposition of the furnishings, which latter he intimated Tueten was holding for him or for word from him.

Krutina denied that he had deposited any of the ₺. 10,000 or ₺. 6,000 withdrawals with Dr. Quincke and indicated that he did not think the records of the Deutsche Bank at Istanbul reflected any such action.

c. Further funds for the purchase of tobacco, etc.

Krutina stated that, when H.F. and PH.F. Reemtsma closed operations at Istanbul in 1944, he decided to give all of the employees being released six months extra pay. He said the company did not possess sufficient funds at Istanbul to cover these payments and he therefore asked Gabri Tueten, the Turkish tobacco merchant, to borrow ₺. 100,000 from the Deutsche Bank to be used by Krutina for this purpose. Krutina gave Tueten a letter requesting this money and Tueten took the letter to the Deutsche Bank at Istanbul and was given the money, apparently on his, Tueten's, note. Krutina said that about ₺. 60,000 of this money was used to pay the employees and indicated that the balance remained in the hands of Tueten. Krutina became somewhat difficult to question on the matter of this balance of approximately ₺. 40,000. He responded to firmness with an apparent attempt at evasion and, as this particular subject was discussed before the matter of Von Papen's valise was broached to Krutina, this officer decided not risk the possible success of the entire interrogation by pressing the point too far. In any event, Krutina did state that he thought the ₺. 40,000 remained with Tueten.

Krutina stated that he had no other funds for the purchase of tobacco. He further said that Dr. Quincke had nothing to do with any of his transactions with Tueten and was not associated with him in the affairs of the tobacco company.

d. Dr. Quincke holding assets for Von Papen.

Krutina stated that he knew absolutely nothing about any transfers of assets by Von Papen to Quincke. He stated this subject had never been discussed between him and Quincke nor between him and Weidtmann. He said he did know that Von Papen paid the German hospital at Istanbul regularly out of German Government funds. He did not know at what intervals these payments were made by Von Papen but thought they amounted to ₺. 25-30,000 yearly. He did not know whether Von Papen made these payments by transferring assets from his personal account to that of Dr. Quincke, who was chief surgeon at the hospital, or not, but stated it was generally understood that Von Papen's payments to the hospital were made from German Government funds. When asked how he knew about these payments to the hospital, Krutina replied that it was fairly general knowledge among the Germans at Istanbul that the German Government was contributing to the support of the hospital. In response

to another

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to another question, Krutina said that the hospital received no more payments after Von Papen left and was forced to get along on the medical fees received from patients, most of whom were Turks. This latter information Krutina also described as general knowledge.

5. When asked if he had recently been in communication with Weidtmann or any of the others who had been in Turkey with him, Krutina stated that he had written to Weidtmann shortly after the latter left Leghorn, addressing his letter to the home of Weidtmann's sister in Bavaria, but that he had received no reply to his letter. Krutina did admit, however, that about four weeks ago - toward the end of October, 1946 - he had received a letter from a woman at Garmisch who said that Weidtmann's sister had told her that Krutina was at the hospital at Pisa and had given her Krutina's address there. Krutina seemed embarrassed and somewhat nervous when asked about this letter and the woman and acted as though he had slipped when he mentioned it. As the main point of interest in this respect - i.e., that Krutina had received a communication from someone in Germany who apparently had the possibility of at least indirect contact with Weidtmann after Weidtmann's interrogation regarding Von Papen's valise (the file shows the date of Weidtmann's interrogation report as 26 September 1946) and before Krutina's interrogation - was established by Krutina's simple admission that he had received the letter, this officer did not ask further for the name of the woman or to read the letter. Krutina was obviously so upset by this incident that it was considered unwise to jeopardize his health and the opportunity to question him further on other points by insistence on additional details concerning the letter.

6. During a general discussion of his confinement in the hospital at Istanbul, Krutina was asked if he had not been bored by his two years of comparative inactivity and if anything was done or just happened to relieve the usual monotony of hospital life. He replied that the only real excitement occurred in June or July of 1945, when the entire roof of the hospital burned down and the top floor, which he described as a sort of attic, was destroyed. Krutina was kept on this subject for a few minutes and, when asked if any patients had been burned or injured in the fire he replied that none had been because none was bedded on the top floor. He said the top floor, or attic, was used only as a storeroom for patients' belongings and that he believed most or all of the belongings were destroyed by the fire. Krutina did not know what caused the fire. This incident is mentioned herein for the reason that, if Dr. Quinke was the one to whom Von Papen left his valise, it is conceivable that Quinke might have hidden it in the hospital attic, where it would possibly have been more secure from discovery than on the property of any of the German nationals in Turkey or their Turkish friends, who might have been under surveillance. At

least

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least, if the valise were kept in the hospital, Quinke would have known it was near him for most or all of the time, which is the matter of most importance to any caretaker. If the valise was hidden by Quinke in the hospital attic, it might have been destroyed or lost in the fire, unless Quinke or someone else managed to get it out in time. At any rate, if the valise was in the hospital at the time of the fire, it would be interesting to know what Von Papen has been told, if anything, as to whether it was lost or saved. There is, of course, nothing in the file seen by this officer to reflect on the character of Dr. Quinke. Krutina was not asked his opinion of Dr. Quinke's honesty and trustworthiness because it was felt that his admitted close friendship with Quinke obviated the necessity for the question. Insofar as the fire is concerned, it might be mentioned that it is rarely nowadays that unoccupied and seldom-used top floors and roofs catch fire accidentally in the middle of the summer in a hot country. The German reputation for cleanliness and thoroughness would seem to eliminate the possibility that there was any trash or other material in the attic that might have been ignited by spontaneous combustion, although the belongings of the patients might have contained some inflammable items.

7. Most of par. 6, of course, is purely conjecture regarding an incidental item of information brought out in this interrogation; however, as it concerns Dr. Quinke, or at least the hospital where he probably spent most of his time, and as Quinke seems to be the leading candidate for the position of Von Papen's "trusted friend" with the valise, according to the file, it is felt that Par. 6 might be of some assistance in eventually determining on or eliminating Quinke.

CONCLUSIONS:

The results of this interrogation were negative insofar as determining the possessor of Von Papen's valise is concerned. It is the opinion of this officer that Krutina probably told the truth. Although he was an extremely sick man and could have begged off from any part or all of this interrogation because of his sickness, he cooperated to the extent of leaving his bed and submitting to almost three hours of questioning while sitting in a small room. The American medical officer in charge of the German hospital at Pisa was asked about Krutina's condition and advised that Krutina is afflicted not only with angina pectoris but has an advanced cardiac condition which puts him in imminent danger from coronary occlusion. It was always necessary to bear this in mind during the talk with Krutina and the difficulty in reaching satisfactory conclusions on some points is therefore obvious.

Krutina's education and diplomatic training are evident in his bearing and manner. He speaks excellent

English

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English, with no trace of German accent, is personable, and was entirely affable during the interrogation. In normal good health, he would probably be a reasonably pliable subject for interrogation but it is doubtful that any definite information regarding Von Papen's valise could be obtained from him.

Several strong efforts were made to lead Krutina into admissions which would have established him as a confidant of Von Papen, Quinke or Weidtmann in the matter of the valise and the other questions on which information was desired. None of these efforts was of any avail, either because Krutina was too wily or because he actually possessed no information other than that contained in this report. It is the opinion of this officer that, because of the virtually incurable nature of Krutina's illness, which was certainly known to Quinke and Weidtmann, and the consequent uncertainty of Krutina's future, he was probably not taken too deeply into the confidence of Quinke and Weidtmann on matters of tangible importance.

Witnessed at, 1946, by the undersigned, reported to
by (Signed)
BERNARD J. CRENNAN,
Special Agent, CIC.

Special Agent, CIC

Witnessed at
by
Special Agent, CIC

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Authority <u>MND 775085</u>
By <u>AT</u> NARA Date <u>11/1/00</u>

RG	<u>84</u>
Entry	<u>2792</u>
File	<u>7211-4110-1011</u>
Box	<u>1</u>

November 9, 1946

TOP SECRET

MEMORANDUM TO: G-2 Section
Colonel Harvey Smith

SUBJECT: Request for Interrogation Dr. Herman Schmid-Krutina.

(1) Attached is a copy of correspondence which I have received concerning the above-mentioned German citizen.

(2) It will be greatly appreciated if G-2 Section could arrange for a qualified officer to undertake the interrogation of Dr. Herman Schmid-Krutina requested by Ambassador Murphy, United States Political Adviser in Berlin.

(3) There is also attached the G-1 file in this case, which it is requested that you forward to that section after it has served its purpose.

Homer M. Byington, Jr.
Deputy U. S. Political Adviser

HMBjr:rm

Enclosures: Letter dated October 30, 1946
Bucksliip GBI 389.702/2

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Authority MND 775085
By AT NARA Date 1-14-00

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GBI 389.702/2

Request for Repatriation in Italy - Dr. Herman S. Kruttina

7. G-1 563 U.S. 6
Polad Nov.
1946

Attention is invited to Minute 6.

HENRY E. KELLY
Colonel, GSC
Executive, G-1

JOM/se Incl: Ltr PBS, 13 Sept
w/5 Incls

8 USPOLAD 132 G-1 Nov
thru 8
G-2

Request that Schmid Krutina be retained by Military Authorities at hospital pending receipt of instructions from the Department of State as to his disposition.

Homer M. Byington, Jr.
Deputy U.S. Political Adviser

9 US 152 G-2 Nov.
POLAD 30

Please see report of interrogation attached.

Your file returned herewith.

Homer M. Byington, Jr.
Deputy U. S. Political Adviser

DECLASSIFIED
 Authority NND 775085
 By AT NARA Date 11/1/00

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 File 2011-4/11/97
 Box 1

AIR MAIL

UNITED STATES POLITICAL ADVISER
 FOR GERMANY



Berlin, October 4, 1946

*Recd October 22 1946.*TOP SECRET

Dear Dave:

For some months past we have been wrestling off and on with the problem of a small trunk, or valise, belonging to Franz von Papen and left by him with "a trusted friend" in Ankara on August 3, 1944, two days before he left Turkey for Germany. The valise supposedly contained von Papen's personal papers, some 28,000 gold pieces and his wife's jewels: the details are included in enclosures to this letter.

On August 8 we were advised by London that two Germans then being repatriated from Turkey, Hermann Schmidt Krutinar and Hans Weidtmann, might have information regarding the matter. The repatriation group, which left Turkey on the SS Mersim, was detained for over a month in Leghorn before proceeding to Germany; and once it had arrived at the internment camp, on about September 7, it was discovered that Schmidt Krutinar (or Krutinar Schmidt) had been removed from the group en route because of illness. He was sent to a hospital at Pisa-- name unknown-- and as far as we know he is still there.

Since the Department is extremely anxious to exhaust every possible avenue of information in this affair, I wonder if you could ask one of your staff--Homer Byington, for instance-- to detail someone to go to Pisa and have a go at interrogating Schmidt Krutinar. All the information we have is summarized in the enclosures. According to the repatriates they arrived at Leghorn in the first week of August, at which time Schmidt Krutinar must have been removed to the hospital-- I understand this was done on the recommendation of the American medical authorities who boarded the Mersim at Leghorn. I recall that his health was so bad before he left Turkey that the Embassy at Ankara expressed doubts as to whether he would be able to sail. Interrogating people in hospitals is something of a grab-bag: sometimes they are very willing to talk and sometimes it is just the reverse.

David McK. Key, Esquire,
 Charge d'Affaires ad interim,
 American Embassy,
 Rome.

Please accept

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Authority MND775085By AT NARA Date 1-14-00RG 84Entry 2792File 211-411Box 1

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Please accept my apologies for passing this job onto your shoulders, but in view of the necessity of exploring every possibility I do not see how it can be avoided. I am sorry I am unable to give you more details as to the man's whereabouts, but I suppose the military authorities will have that information.

With warmest personal regards, I remain,

Very sincerely yours,

RM

Robert Murphy

Enclosures.

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Authority NND 775085
By AT NARA Date 1-14-00RG 84
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On August 3, 1944, two days before the departure of German Ambassador Franz von PAPAN from Turkey, he arranged for the secret deposit of a valise in Ankara containing von Papen's personal papers, some 28,000 gold pieces and his wife's jewels. On the same day a duplicate inventory was made in the presence of five people.

Several efforts have been made to get von Papen to reveal the hiding place of the valise and to name the custodian or custodians. He has not chosen to cooperate, although he admits that such a valise was hidden in Turkey. He claims it is a matter of honor with him not to compromise his "trusted friend" who took care of the valise for him. He also claims that the valise contains only some personal letters of his mother, her jewels and some gold. Von Papen has, however, attempted to strike a bargain with the United States Government and has said that he would be willing to reveal the name of the "trusted friend" to Ambassador Murphy (U.S. Political Adviser) or to his agent on condition that it not be revealed to anyone else.

The Department of State has adopted the position that in view of von Papen's present status as a war criminal any proposal involving such commitments would be unacceptable.

The American Embassy at London has informed the U.S. Political Adviser that KRUTINER and WEIDTMANN, two Germans at present being repatriated to Germany from Turkey, may be in possession of the desired information. This tip, which came from the British Foreign Office, states that Dr. QUINCKE (or Quinke), formerly chief surgeon of the German hospital in Istanbul, may be the "trusted friend".

This office is in receipt of information that the Germans Krutiner and Weidtmann left Leghorn, Italy, yesterday, presumably for internment at Camp 76 at Hohenasperg. It would be appreciated if special care could be exercised to hold both of them until further briefing on the matter is received from London; this is expected in several days. When the briefing arrives it will be forwarded immediately with a request for interrogation. The matter has now become somewhat urgent.

The Office of the Chief of Counsel (US) at Nurnberg is conducting an interrogation of von Papen in a renewed effort to obtain the desired information.

16 August 1946

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By AT NARA Date 1-14-00

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MEMORANDUM

TO : Mr. Heath

FROM : Mr. Blancke

SUBJECT: Von Papen's Valise

One more step has been taken in the ill-starred quest for information regarding von PAPAN's valise, and once more the step appears to have been taken backwards. Hans WEIDTMANN, the minor of the two repatriates who were singled out by London as possibly in possession of some knowledge, arrived in Germany and was interrogated with negative results. Hermann KRUTINAR SCHMIDT, the other, never arrived at all.

As you will recall, our Embassy at London got a tip from the British Foreign Office that Krutinar Schmidt and Weidtmann, two Germans undergoing repatriation, might be informed as to the identity of the "trusted friend" to whom von Papen entrusted his valise of valuables and/or papers. The Foreign Office felt that the friend might be Dr. Hermann Quincke, former chief surgeon of the German Hospital at Istanbul.

The repatriates from Turkey were due to arrive in Germany over a month ago, but the group was delayed in Livorno and only reached Camp 76 last week while I was there. Krutinar Schmidt, who appeared at least the more promising prospect of the two for the matter under reference, left Turkey in very bad health, and was so ill when he reached Livorno that he was removed from the group and hospitalized in Pisa (with the concurrence of the American medical authorities).

The briefing promised by London arrived in time but was of very little help in the matter at hand. Although there were many leads concerning other assets, the only mention in Weidtmann's brief of von Papen's valise was: "He should be questioned about hidden German assets generally, especially those of von Papen, ex-German Ambassador."

The Interrogation of Weidtmann

Questioning Weidtmann on the various other points outlined in the briefing is a matter for Finance Division (External Assets), which has interrogators working regularly at the camp; they have been furnished copies and asked to take care of it. I did not want to lose any more time in tackling Weidtmann on the valise, however, so we went to work on that at once. We warmed him up with the question of Krutinar Schmidt's and von Papen's transfers of funds to Quincke's name in the Deutsche Bank of Istanbul, of which the prisoner was head. It immediately became evident that Weidtmann was not going to be easy: he did not deny such transfers — he admitted that they were "durchaus moeglich" — but he said that no such transfers had been personally called to his attention. The prisoner then withdrew to the usual defensive position: all such transfers figured on

the bank's

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By <u>AT</u> NARA Date <u>1-14-00</u>

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the bank's books (as in fact these did), and he had given the Allied authorities in Istanbul a sworn affidavit to the effect that all the bank's transactions without exception were included in the bank's records.

I then switched the topic to the friendship between von Papen and Dr. Quincke. Weidtmann averred that they were good friends but not intimate — the really close relationship existed between their two wives, who were inseparable. Krutinar and Quincke were quite close friends, as were Krutinar and Weidtmann, but the prisoner disclaimed a very close acquaintanceship between Quincke and himself. Von Papen's closest personal friend in Turkey, Weidtmann believed, was Baron Kurt von LERSNER, who was repatriated with the recently arrived group.

After some more fencing Weidtmann was asked if his friend Krutinar had ever mentioned the valise which Quincke was keeping for von Papen. Weidtmann replied that he had never heard of such a valise, not until that very moment. When we expressed some astonishment that the matter had never been discussed between him and Krutinar, the prisoner said that he had associated constantly with Krutinar and that the matter had never been mentioned, nor had he heard it mentioned from any other source. I quoted the regulation imposing a 20-year sentence on prisoners who are caught wilfully withholding information under interrogation, and asked if Weidtmann would be willing to back up his assertions with a signed affidavit. He said he would.

The prisoner is a slick banker, but it is my opinion that he was probably telling the truth — of course, one can never be sure. If coercive methods were allowed I might be more satisfied, but I believe that in the end the answer would be more or less the same. In any event, I have asked the Finance interrogators to keep after the point during their future questioning of Weidtmann on the other matters in the brief.

Interrogation of von Lersner

I decided to have a go at Baron von Lersner, since he was in camp, on the off chance that I might learn something. Here again, there was nothing doing. Von Lersner is an elderly aristocrat of failing health who attempted unsuccessfully to get back to Germany in time to testify at Nuernberg on behalf of his friend von Papen. He was connected with I.G. FARBEN in Istanbul, but spent most of his time on his Deutscher Orient Verein, a German-Turkish cultural institute.

Von Lersner recalled the exact dates connected with von Papen's departure; the Ambassador arrived in Istanbul from Ankara on the morning of August 6, 1944, and left that same evening for Europe. During the day von Lersner had about a half-hour's conversation with his friend. The prisoner had not seen the Ambassador for some time before that, as the latter had spent most of his time in Ankara watching the events which led to the breach in relations. (Note: The briefing says that the date of the valise deposit was August 3, in Ankara.)

Von Lersner said he has not seen Dr. Quincke since mid-July 1944, at least several weeks before diplomatic relations were severed. He was blank in the matter of the valise.

The efforts

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By AT NARA Date 1-14-00

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The efforts to get on the trail of von Papen's valise seem to meet with misfortune at every turn. It is doubtful whether very much could be gotten out of Krutinar at the Pisa hospital, but an attempt should be made. Krutinar is apparently quite ill -- I recall that in the original despatch from Ankara it was considered quite possible that he might not be able to leave Turkey at all.

On another hand, there is still the younger von Papen at Nuernberg. When the trial of his father is over, we shall have to study the best manner of reopening that angle.

W. W. Blancke

As you will recall, our Embassy at London got a tip from the British Legation in Berlin, September 26, 1946, that the valise was in the hands of the "Lichtenberg" family. The valise was located in the hands of the "Lichtenberg" family. The valise was located in the hands of the "Lichtenberg" family. The valise was located in the hands of the "Lichtenberg" family.

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Background of the valise

The valise was located in the hands of the "Lichtenberg" family. The valise was located in the hands of the "Lichtenberg" family. The valise was located in the hands of the "Lichtenberg" family. The valise was located in the hands of the "Lichtenberg" family.

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INTERROGATION OF GERMAN REPATRIATES FROM TURKEY

KRUTINER, Hermann Schmidt

Should be questioned regarding:-

- (a) carpets, jewelry and 700 Latin coins valued at £T.80,000, said to be held on his behalf by Necib Ulvi, Ankara (source of info: letter from British Embassy, Ankara, 29.12.44. Source not stated);
- (b) his withdrawals from Deutsche Bank, Istanbul, £T.10,000 in July 1944, and £T.6,000 in August 1944 which sums were deposited with Dr. Quinke, who was formerly the chief surgeon at the German Hospital in Istanbul (source of information: records of Deutsche Bank, Istanbul, 18.1.45);
- (c) further funds he may have had for the purchase of tobacco (probably also with Dr. Quinke) as Manager of H.F. & Ph. F. Reemtsma, Istanbul, (in liquidation). H. F. & Ph. F. Reemtsma, Hamburg, have declared, under Military Government Law No. 53, the latter to be one of their branches. They have also declared stocks of tobacco in Turkey. (Source of Info: letter from American Embassy, Ankara, 23.7.45. Source not stated);
- (d) he should be asked whether he knew Dr. H. Quinke was also holding assets for Von Papen. According to a letter dated 4th August, 1944, from the Deutsche Bank, Istanbul, to Von Papen, Istanbul, the following assets belonging to the latter were transferred to Dr. Quinke:-

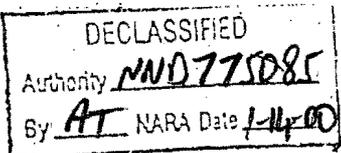
£T. 5647
 4647
 Gold Bars weighing 21 kilos
 Gold florins 1930 and
 39 Latin coins.

If he admits knowledge of these assets he should be asked for full details concerning them.

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IN REPLY REFER TO

FILE NO.

BBS:ldp



DEPARTMENT OF STATE

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

EMBASSY
AMERICAN ~~CONSUL GENERAL~~
(Consular Section)

Rome, October 30, 1946

TOP SECRET

Homer M. Byington, Jr., Esquire,
Deputy U. S. Political Adviser,
Caserta.

Dear Mr. Byington:

I enclose a letter dated October 4th and accompanying papers of a background informational character which have been received from the United States Political Adviser for Germany and which constitute a request that Herman Schmid-Krutina be interrogated concerning Franz Von Papen's valise presumably left in Turkey containing the latter's personal papers, gold and wife's jewels.

You will recall that Schmid-Krutina was one of the group of Germans recently deported from Turkey on the SS' Mersin and that, being sick upon arrival in Italy, was hospitalized by the military authorities at Leghorn instead of being sent forward to Germany with the rest of the group.

As will be noted from Mr. Key's letter of today's date to Mr. Murphy, a copy of which is also enclosed, it would be appreciated if you were to forward the results of Schmid-Krutina's interrogation direct to Uspolad Berlin, keeping this office informed.

Sincerely yours,

For the Chargé d'Affaires a.i:

J. F. Huddleston
American Consul

Enclosures:

1. Copy of Mr. Key's letter dated October 30, 1946 to Mr. Murphy
2. Original letter dated October 22, 1946 from Uspolad, Berlin.

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Authority MND 775085
By AT NARA Date 1-14-00

RG 84
Entry 2790
File 211-4
Box 1

Rome, Italy

October 30, 1946

TOP SECRET

Dear Bob:

I have your letter dated October 4th relative to the interrogation of Herman Schmid Krutina for the purpose of possibly eliciting information concerning Franz Von Papen's valise containing personal papers, gold and jewels.

I have forwarded your letter with enclosed file to Mr. Homer Byington, Deputy U. S. Political Adviser, AFM, Caserta. He will request American military authorities there to provide for the questioning of Schmid Krutina along the lines indicated and will communicate direct with you as soon as the results of the interrogation are known.

Very sincerely,

David McK. Key

The Honorable
Robert D. Murphy,
U. S. Political Adviser,
Berlin.

BBS:ldp

A true copy of
the signed original
[Signature]

DECLASSIFIED
 Authority MND 775085
 By AT NARA Date 1-11-00

RG 84
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 File 711-411
 Box 1

Lisbon

February 11, 1946 7:00 p.m.

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February 12, 1946 10:15 a.m.

Top Secret.

I feel it desirable to state, in view of Rome's telegram 709, February 8 to Department, 8 to Lisbon, that Prunas' unrealistic attitude has been in no way reflected by Rossi Longhi, whose cooperation and courtesy have been matched only by his apparently genuine interest in scanning the contents of the packages in question.

In fact, Minister agreed at once by telephone from Madrid to make documents available to United States and telephoned us within the hour of his return to say that he was at our service immediately. He was both cordial and helpful.

Sent Department 148, repeated Rome as 6. Rome please repeat Caserta.

BARUCH

mll
 cc:Caserta 1 ✓

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By AT NARA Date 1-14-00

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File 724-711.2-1944
Box 1 1947

711.2 WAR
BOOTH

UNITED STATES POLITICAL ADVISER
ALLIED FORCE HEADQUARTERS

File

October 30, 1945.

TOP SECRET

No. 1356

Subject: War Booty in Trieste

The Honorable,
The Secretary of State,
Washington, D. C.

The Honorable,

The Secretary of State,

Washington, D. C.

Sir:

With reference to my despatch No. 1352, dated October 23, 1945 I have the honor to transmit herewith a copy of the minutes of the fourth meeting of the War Booty Committee which was held in Trieste, on October 17, 1945.

Respectfully yours,

For the
U. S. Political Adviser:

Homer M. Byington, Jr.
Foreign Service Officer.

Enclosure:
Minutes of Meeting

File No. 711.2

HMB:maw

In Triplicate to Department
(Enclosure in single)

711.2 War Booty

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Authority NND 775085
By AT NARA Date 1-14-00

RG 84
Entry 2790
File ~~711.2~~ 711.2
Box 1 1487

WAR BOOTY
711.2

file

January 24, 1946

TOP SECRET

No. 1430

SUBJECT: Minutes of Meeting of War Booty Committee

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

With reference to my despatch No. 1419, dated January 12, 1946, I have the honor to transmit herewith for the Department's information, copy of the Minutes of the Tenth Meeting of the War Booty Committee, held in Trieste on January 12, 1946.

Respectfully yours,

Homer M. Byington, Jr.
Deputy U.S. Political Adviser

Enclosure:
Minutes of Meeting

File No. 711.2

HMBjr:kmg

In Triplicate to Department
(Enclosure in single)

This Copy
of Signed
Original

711.2 War Booty

DECLASSIFIED		84
Authority	MND 775085	Entry 3162
By	AT NARA Date 1-14-00	File 851-6-861-33 1943
		Box 27

(Copy)

Condition of the French Branch of the Chase National Bank, as of January 31, 1943.

Bilan fin Janvier Caisse 4016 Banques Francaises
 2137 Bons Trésor 22000 Effets escomptés 424 Divers 445
 Pertes 1676 Autre actif inchangé Total 125577 Disponible
 28060 Exigible 55850 Dépôts francs 62760 Chase National
 1831 Intérêts réservés 317 Divers 297 Taxes 49 Autre
 Passif inchangé Total 125577 Perte brute 125600 dont
 32175 indemnités 30697 évacuation 44630 taxes Profit
 net 15554 après vente mobilier 141154 Point

Chateaufort Caisse 3441 Banques francaises 635
 Divers 437 Pertes 1579 Autre actif inchangé Total 75634
 Dépôts francs 25492 Chase National 1831 Divers 40 Taxes
 10 Autre Passif inchangé Total 87696 Différence 12062
 Office deux Point Perte nette 77990 dont 32175 indemnités
 30697 évacuation.

212351

DECLASSIFIED	84
Authority <u>MND775085</u>	Entry <u>3162</u>
By <u>AT</u> NARA Date <u>1-11-00</u>	File <u>851-6-861-33</u> 1943
	Box <u>27</u>

(Copy)

Condition of the French Branch of the Chase National Bank,
as of December 31, 1942.

Bilan fin Décembre Caisse 4325 Banques fran-
çaises 2229 Chase National 57279 Bons Trésor 23000 Divers
441 Pertes 1692 Autre actif inchangé Total 126566
Disponible 29037 Exigible 56683 Dépôts francs 63901
Dollars 40436 Autres 16887 Chase National 1828 Nostro
découvert 3000 Intérêts réservés 329 Divers 170 Taxes 15
Total 126566 Perte nette année 1691810 dont indemnités
247212 évacuation 342514 taxes 408252 gérance immeuble
195728 Point

Chateaufort Caisse 3401 Banques Françaises 722 Chase
National 57279 Divers 440 Pertes 1501 Autre actif
inchangé Total 75606 Dépôts francs 25484 Dollars 40436
Autres 16887 Chase National 1828 Nostro découvert 3000
Divers 66 Taxes 15 Total 87716 Différences 12110 Office
deux Point Disponible immédiat 3820 Exigible immédiat
10300 Ratio 37 pourcent Point

Perte annuelle Chase Safe Deposit francs 245327 dont
27170 indemnités 184000 payés Chasebank pour gérance,
loyer et autres frais.

212352

DECLASSIFIED
 Authority MND 775085
 By AT NARA Date 1-14-00
 Entry 3162
 File 851.6-861.33 1943
 Box 27

97

AMERICAN CONSULATE GENERAL

2 Sec. V...
 2 Sec. C...
 3 Sec. Cor...
 ...
 ...
 ...

AIR MAIL

Barcelona, Spain, April 9, 1943

STRICTLY CONFIDENTIAL

SUBJECT: Reports of the Condition of the present
 French Branch of the Chase National Bank,
 as of December 31, 1942 and January 31, 1943.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to report that Sr. Manuel Alegret,
 an employee of the Banco de Bilbao at Barcelona, for 23
 years an employee of the Paris branch of the Chase
 National Bank and known to a member of the staff of this
 Consulate General, brought to this office reports of the
 condition of the present French branch of the Chase
 National Bank as of December 31, 1942 and January 31,
 1943, having been received by him from France, with the
 request that they be transmitted to the head office of
 the bank in New York City.

Copies of these two reports in French are enclosed
 herewith and it is suggested that, after having been
 passed through censorship control, they be forwarded to
 the following address as requested, should the Depart-
 ment deem it advisable:

Mr. S. Stern,
 Vice-President, Chase National Bank,
 Pine Street corner Nassau,
 New York, N. Y.

Respectfully yours,

George A. Makinson
 American Consul General

Enclosures:

Copies of two reports of the condition
 of the French branch of the Chase
 National Bank.

851.6 (300)
 JBS/ac

In triplicate to Department by air mail pouch.
 Two copies to Embassy, Madrid.

@

ST-3-264

851.6 Chase National Bank

DECLASSIFIED	84
Authority <u>MND 775085</u>	Entry <u>3162</u>
By <u>AT</u> NARA Date <u>11/1/00</u>	File <u>851-6-861-33 194B</u>
	Box <u>27</u>

(Copy)

Condition of the French Branch of the Chase National Bank

Milieu Aout situation sans aucune modification importante depuis debut annee poursuivons meme programme que connaissez ne subissons aucune interference ni aucune activite contrariantes

Accroissement progressif depots principalement provenance anciens clients Total actif reel notre bureau 32 Millions dont Deux caisse banques trente bons tresor

Efforcons toujours faire economies arrivons presque couvrir frais courants malgre legeres augmentations legales par contre devons debourser environ 200.000 francs reparations urgentes indispensables building et chauffage

Assemblee Union Provinciaux eut lieu 10 Aout decidames ajourner paiement dividende

Tout decisions prises plein accord avec Bertrand qui fait frequentes visites et Gadd

Personnel reste fidele et complet sauf un auxilaire demissionnaire tous bonne sante

Confiant avoir en tout votre approbation vous adresse sentiments devoues

The "Union Immobiliere" mentioned in the information refers to the Chase National Bank Building in Paris which was placed under the name of the above company (organized by the bank) to prevent confiscation by the Germans.

Mr. Gadd, mentioned in the information, is the American Lawyer (French Naturalized) of the Chase Bank in Paris and who handles all the Bank's affairs.

212354

DECLASSIFIED
 Authority MND 775085
 By AT NARA Date 1-14-00

84
 Entry 3162
 File 851.6-861-33 1943
 Box 27

No. 186

SEP 7 1943
 AMERICAN CONSULATE GENERAL
 MADRID

For Action of
 on Take

Barcelona, Spain, September 3, 1943

SUBJECT Reports present condition of French Branch of Chase National Bank.

STRICTLY CONFIDENTIAL

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON

SIR:

Following previous practice in the matter, I have the honor to transit herewith a statement as to the present condition of the French branch of the Chase National Bank, which has been furnished this office by Sr. Manuel Alegret, a former employee of the Chase National Bank at Paris, and now employed by the Banco de Bilbao at Barcelona. The last previous report of a similar nature was transmitted to the Department by my despatch no. 97 of April 9, 1943. The Department in its acknowledgment of June 19, 1943, stated that while such information was of interest, it had been decided not to forward it to the Chase National Bank, New York, since it concerned material originating in enemy territory.

Respectfully yours,

George A. Makinson
 American Consul General

Enclosures:

Statement as to present condition
 of the French branch of the
 Chase National Bank.

851.6 (300)
 WHMcK/ps

Original to the Department for Ozalid machine
 Two copies to Embassy, Madrid.

851.6 Chase National Bank

37 - 268

DECLASSIFIED
Authority MND 775085
By AT NARA Date 1-11-00

84
Entry 3162
File 851-6-861-33 1943
Box 27

EMBASSY OF THE UNITED STATES
OF AMERICA
TANGIER, MOROCCO
DEC 10 1943

Tangier, Morocco, December 7, 1943

CONFIDENTIAL

No. 1880

Subject: Sanctions against directors of the State Bank of Morocco in connection with gold shipment.

The Honorable,
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to refer to the Legation's despatch No. 1642 of August 24, 1943 concerning the arrest of Messrs. RAPST and DESOUBRY, Directors General of the State Bank of Morocco, in connection with shipment of gold from Tangier to Madrid under orders of the Bank of France in Paris and to report that on November 26 the Tribunal Correctionnel of Rabat gave judgment in this affair.

M. Rapst was condemned to one year in prison and a fine of 10,000 francs and M. Desoubry to a fine of 5,000 francs.

Respectfully yours,

J. Rives Childs,
Charge d'Affaires ad interim

Vll.S

JRC:mon

Original and hectograph to Department

Copy to American Embassy, Madrid
Office of Representative of the United States, Algiers

Handwritten routing slip with names: Baldwin, Horsey, etc.

851-6 Bank of Morocco

A true copy of the signed original. JRC

DECLASSIFIED
Authority NND 775085
By AT NARA Date 1-14-00

84
Entry 3762
File 851-6-861-33 1948
Box 27

PARAPHRASE FOR THE CONFIDENTIAL FILES

TELEGRAM RECEIVED

- Amb.....
- WLB.....
- RHA.....
- JFH.....
- Haering...
- WWB.....
- Willis.....
- Baldwin..
- Horsey...
- Bond.....
- Smyser...
- Burns.....
- Brandin...

From: Amembassy, London

Date: November 23, 5 p.m. (1948)

Code: Confidential

No.: Misc. 4467 #140 from London

Received: November 24, 5 p.m.

Embassy in its 8169 of November 22 transmitted
paraphrase of MEW's telegram November 12 to Algiers, repeated
to your British Colleague concerning Banque d'Etat du Maroc
to the Department.

Reference Tangier's 1328 of November 5 and Algier's
1889 of November 1 to the Department.

WINANT

Dec-typ/dh
Paraphrased for confidential files and chron book/dh
True reading confidential book.

- EC.....
- Consul.....
- M.A.....
- N.A.....
- Oil.....
- Smith.....
- Press.....

8516 Bank of Morocco

DECLASSIFIED
 Authority MND 775085
 By AT NARA Date 11/1/00
 Entry 3762
 File 851.6-861.33 1948
 Box 27

PARAPHRASE: Confidential Files

FOR
 P.H.A.
 Action Taken:
 [Signature]
 1-1143

TELEGRAM RECEIVED

From: AMLEGATION, TANGIER

Date: Nov. 5, 11 a.m., 1943

No.: 1328 to Dept. -- Misc. 4218

Code: Confidential

Received: Nov. 5, 8:30 p.m.

We agree fully with Algiers 1889 of November 1 to the Department that no concessions should be made by Bank of Morocco at Tangier, that they should not even authorize payment. In our opinion if payment is authorized this would constitute a justification of the act of the Bank in February of shipping gold at Paris instruction, thus establishing a precedent which should be avoided.

There need be no concern regarding possibility of suit against the Bank since any such suit, under Article 45 of Act of Algeciras, must be brought before special tribunal, constituted under aegis of this office, together with United Nations representatives in Tangier and Spain Portugal Italy.

For three years the Spaniards have obstructed regular yearly renewal of court by withholding nomination of Spanish magistrate, their recent explanation being unwillingness to accept nomination of a French magistrate by representatives of authorities of French North Africa. In this connection reference is made to our despatch No. 1508 of June 14.

Even though Spanish objection to setting up of court be withdrawn, if we choose we are in a position to delay ~~(omission in original telegram)~~ ^{constitution of} court. (Service)

Upon the return of the French Consul General from Algiers, the situation will again be reviewed. It is understood that he has received appropriate instructions. In the meantime we are keeping in touch with the British and the French preparatory to taking action later should it be necessary.

Sent to Department Madrid Algiers London.

CHILDS

Dec/typ/par: EB

True reading in Confidential Binder
 Paraphrased for Chron Binder, Conf. Files

8516
 Bank of Morocco

DECLASSIFIED

Authority MND 775085
By AT NARA Date 1-14-00NO 84
Entry 3762
File 857-6-861-33 1943
Box 27

-2-

Ministry of Economic Warfare the Tangier Branch of the State Bank of Morocco had merited inclusion on the statutory list and that a recommendation to that effect was only being held back in order to give time for a satisfactory cleanup.

Respectfully yours,

J. Rives Childs,
Charge d'Affaires ad interim

711.5

JRC:mcn

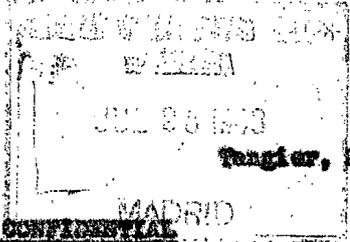
Original and hectograph to Department

In duplicate to American Embassy, London
Copy to American Embassy, Madrid
American Consulate General, Algiers
American Consulate, Rabat

212359

DECLASSIFIED
Authority **NND 775085**
By **AT** NARA Date **1/14/00**
Entry **3162**
File **851-6-861-33 1943**
Box **27**

Madrid



Tangier, Morocco, July 19, 1943

STRICTLY CONFIDENTIAL

- AMB.
- CON.
- C. A.
- 1 Sec. H.
- 2 Sec. M.
- 2 Sec. W.
- 2 Sec. C.
- 3 Sec. GOR.
- Cons.
- M. A.
- N. A.

No. 1573

Subject: Trading with the enemy activities of the State Bank of Morocco.

ED

The Honorable,
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to refer to my despatch No. 1547 of July 2, 1943, in which a summary was given of some of the outstanding conclusions and recommendations made by Mr. Edwin F. RAINS, United States Treasury representative, upon his investigation of a certain gold shipment made from Tangier by the State Bank of Morocco in accordance with orders of the Bank of France in Paris.

My British colleague showed me today a telegram from the British Consul General in Algiers dated July 4 addressed to the Foreign Office setting forth the proposals made in Algiers to the French authorities following Mr. Rains' inspection. From the British summary of those proposals, it appears that they follow those recommended by Mr. Rains. They are stated to be (1) that M. HAPST and M. DESOUBRY, General Managers at Rabat, be dismissed and prosecuted or interned; (2) an effective control should be introduced over the Rabat office; (3) the separation from M. RIZET, Manager of the Tangier Branch, of all power; and (4) transfer of central accounting system from Tangier to Rabat.

The British Consul General in Algiers expresses the opinion that the French authorities in Algiers are likely to object to paragraph (1) and probably also to paragraph (2) claiming that (1) is inexpedient politically and contrary to existing legislation. It was added, however, that the proposals would be pressed.

My British colleague has also shown me the text of a telegram dated July 7 from the Ministry of Economic Warfare approving the proposals described in paragraph (2), (3) and (4) as essential, and while expressing concurrence in (1), adding the opinion that it is not desired to imperil an otherwise satisfactory settlement by pressing (1) too far. It was added that if it would help in putting pressure on the French, the Consul General was authorized to state that in the opinion of the

Ministry

851-6 Bank of Morocco

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Authority <u>NND 775085</u>	Entry <u>3762</u>
By <u>AT</u> NARA Date <u>1-14-00</u>	File <u>85-6-861-33</u> 1943
	Box <u>27</u> 1943

-4-

who is known generally as a supporter of Vichy, would, according to Mr. Rains, have a great psychological effect. Mr. Rains adds that if political or other considerations make it inexpedient to bring these individuals to trial, they should be summarily interned. Mr. Rains feels that as long as they have any place in the bank that institution cannot be trusted.

I consider that Mr. Rains has done an excellent job in carrying out this investigation and feel that he deserves a very great measure of commendation for the thoroughness of his report.

Respectfully yours,

J. Rives Childs
Chargé d'Affaires ad interim

711.3/851.6

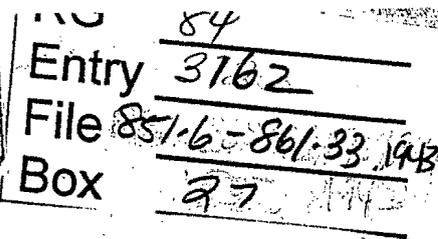
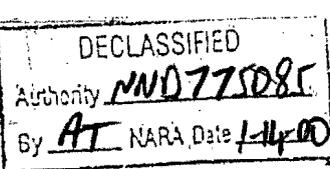
GEE/hu

To Department in original and hectograph

Copies to: American Embassy, Madrid
American Consulate General, Algiers
American Consulate, Rabat

A true copy of
the signed original.
182

212361



-3-

gold was made M. Rizet inquired directly of M. Bapst as to the applicability of the French North African trading with the enemy legislation in connection with his correspondence with the Banque de Paris and des Pays-Bas at Geneva, the Swiss correspondent of the Tangier branch, which appeared in the official French List of Enemies on February 12, 1943. M. Bapst's reply is rather curious in that it completely avoided the question of communication with the enemy and stated that such a delicate subject would have to be discussed between them at some future date. Later M. Bapst visited Tangier in May and apparently gave instructions to M. Rizet that communications with the enemy should cease. Mr. Rains feels that there is nothing to indicate that M. Bapst would have requested the discontinuation of such communications unless he had been forced to do so by reason of the fact that at that time an investigation into the gold shipment was already under way.

The gold is being held at present by the Instituto Espanol de Moneda Extrangera at Madrid which, in a communication dated May 17, 1943 informed the Tangier bank that it would follow any instructions the bank might give regarding its disposition providing the instructions were approved by the High Commissioner in Spanish Morocco. (Apparently the Instituto de Moneda had failed to realize that the gold was destined to the Banco Ultramarino at Lisbon, but was holding it for the account of the State Bank of Morocco and accordingly it had not been forwarded to Lisbon.) Subsequently Mr. Rizet at Bapst's direction asked the Spanish sub-director of the Bank in Tetuan to inquire of the Banco Ultramarino at Lisbon in what way the shipment failed to comply with the conditions under which it had been sent. As Mr. Rains points out this communication is incomprehensible, and seems to have been made only for the purpose of stirring up the affair again. As it is, Mr. Rains indicates that nothing can be done at present to obtain the return of the gold from Madrid, but that, after a suitable period has elapsed the Spanish High Commissioner should be approached with a view to obtaining his approval to a return of the gold to Tangier. Failing any result from this approach Mr. Rains states that an effort might be made through diplomatic channels.

Mr. Rains was in close touch with me while in Tangier and discussed with me the possible political effects of the displacement of M. Rizet as Director of the Branch of the State Bank of Morocco in Tangier. I stated that it was our policy to endeavor to conserve as far as possible Allied interests in Tangier, and I thought it would be on that account regrettable for M. Rizet to be displaced at this time in as much as the Spanish authorities would seize such an occasion to insist upon his replacement by a Spanish Director. Mr. Rains was also in contact with my British colleague, who expressed full agreement with this view.

In his report Mr. Rains stated that, under ordinary circumstances, he would have no hesitancy in the replacement of M. Rizet, but he suggests that for the reasons given, an Assistant Director be named for the Tangier branch and that M. Rizet be instructed at the same time that the only actions he may accomplish on behalf of the bank are those which receive the approval of the Assistant Director. M. Rizet would thus be reduced to no more than a figurehead.

As for Messrs. Bapst and Desoubry, Mr. Rains recommends that a Controller be appointed by the French government in North Africa to exercise the functions now exercised by these two individuals. Mr. Rains points out that they are both guilty of violation of the Trading with the Enemy Decree and emphasizes the desirability of bringing them both to public trial. The imprisonment of M. Bapst,

who

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DECLASSIFIED
Authority <u>MND 775085</u>
By <u>AT</u> NARA Date <u>1-11-00</u>

Entry	<u>84</u> <u>3762</u>
File	<u>8516-861-33</u> <u>1948</u>
Box	<u>27</u> <u>142</u>

-2-

was given by the Bank of France, and was instituted prior to the landings in North Africa, the fact that the General Directorate at Rabat indicated to the Tangier branch in December, 1942, its willingness to continue the transaction, and on several subsequent dates either openly or tacitly approved it, is sufficiently damaging to warrant the drastic remedial action which Mr. Rains recommends. The chief offender in this case appears to have been M. BAPST, General Director of the bank, whose offense was too flagrant to permit its being considered an act of carelessness. M. RIZET, the Director of the Tangier branch, is also directly involved in this matter, but it cannot justly be said that his was the primary responsibility. M. Rizet apparently was motivated chiefly by his fear of losing his position although, according to Mr. Rains, he was perfectly aware that the instructions in regard to this gold shipment had come directly from France and he knew that the General Directorate of the bank at Rabat could not have issued such instructions without interference from the French North African authorities. Furthermore his guilt is emphasized by the fact that he attempted to hide the facts from the French North African authorities in his correspondence with the General Directorate at Rabat, knowing that the French censorship might cause the French authorities to intervene.

Mr. Rains pointed out that the General Directorate of the bank at Rabat could, if it had so desired, have made an effort to stop the gold from leaving Tangier but that, in spite of its complete knowledge of the affair and its direct control over the Tangier branch, it took no positive steps to prevent the shipment. If M. Bapst and his associate in the General Directorate, M. DESOUBRY, had wished to hinder the transaction they could have done so up to the very last moment before the shipment was made by communicating through the Residency at Rabat. In this connection the following quotation from Mr. Rains' report is particularly interesting:

"At no time did either M. Bapst or M. Desoubry indicate to the Tangier branch that the action taken there was undesirable. Indeed, the attitude of both M. Bapst and M. Desoubry throughout the investigation has been one of attempting to justify what was done and to try and uphold it as being proper action. I was left with the feeling, particularly with respect to M. Bapst, that if a different situation arose in which there was a conflict between business as usual and the interest of our mutual war effort, and if at the same time there was no precise legal prohibition against the course of action favoring business as usual, the same thing would happen again as happened in this gold transaction *matatis mutandis*."

An additional point which Mr. Rains brings out, and which serves further to inculcate the Tangier branch as well as the General Directorate of the Bank is the fact that the local branch was in communication with enemy territory and with persons on the United States Proclaimed List and on the French List of Enemies until the end of May this year, that is, two or three days before the arrival of Mr. Rains and M. O'Leary in Tangier. It is a fact that from December 22, 1942, by a decree issued in Morocco which again made effective the original Trading with the Enemy Decree of September 15, 1939, it was a violation of Moroccan law to communicate with persons in territory occupied by the enemy. In spite of this fact valuable information which could have been of great benefit to the enemy was sent by the General Directorate of the Bank to the Administrative Council of the Bank in Paris. Shortly after the shipment of

gold

212363

DECLASSIFIED
Authority MND 775085
By AT NARA Date 11/1/00

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Entry 3762
File 851.6-861.33.1943
Box 27

EMBASSY OF THE UNITED STATES
OF AMERICA
JUL 12 1943
MADRID

Tangier, Morocco, July 2, 1943.

Madrid
AMB. COUN.
C. A.
1 Sec. H.
2 Sec. H.
2 Sec. W.
2 Sec. C.
3 Sec. Cor.
Cons.
M. A.

No. 1547

Subject: Investigation and report by Treasury representative of gold shipment from Tangier by State Bank of Morocco.

Strictly confidential

EO 12812

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Legation's telegram no. 636 of May 1, 1943 and to my Airgram no. A-62 of May 7, 6:00 p.m., regarding a shipment of gold by the State Bank of Morocco from Tangier to Madrid in February of this year, and to my suggestion that a Treasury representative be assigned to the task of investigating this transfer, and to inform the Department that Mr. Edwin F. RAINS, United States Treasury representative in the Office of Civil Affairs in French North Africa, visited Tangier for several days in the early part of June and made a thorough and exhaustive investigation of this matter in the company of a Mr. GREEN, a French Finance Ministry representative from Algiers.

Mr. Rains has forwarded a copy of his report of the investigation to the Legation and I find it not only a most thorough and competent performance but also most enlightening. It is assumed that the final report of Mr. Rains' superiors will be made available in due course to the Department.

I am of the opinion that, if the conclusions drawn by Mr. Rains are given effect, as he suggests, a most unsatisfactory situation which has persisted in the State Bank of Morocco since November, as a result of a lack of direction on the part of the French Protectorate authorities, will have been ended. In the light of the Vichy atmosphere prevailing in the administration of French Morocco for many months after our landing, as brought repeatedly to the Department's attention by this Legation, with concrete examples given, it is hardly to be wondered at that officials of the State Bank were prepared until yesterday to continue monetary transactions with France and to ship substantial quantities of gold on orders of the Bank of France. They may have been actuated by the thought that, Great Britain and the United States having shown no disposition to interfere with the suspicious political activities of former representatives of Vichy, we might be expected to overlook comparable financial transactions.

The most interesting parts of Mr. Rains' report deal with the culpability of certain officials of the central administration of the Bank in Rabat and the Director of the Tangier branch. As Mr. Rains notes, a thorough analysis of the transaction in question shows both the General Directorate of the bank and the Director of the Tangier branch in an extremely unfavorable light. Although the original order for shipment of the gold to the Banco Nacional Ultramarino at Lisbon

851.6 Records of Morocco

was

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 Authority MND775085
 By AT NARA Date 1-14-00

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 Entry 3762
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 Box 27

-2-

analysis all accounts in the names of blocked or enemy nationals could be blocked even for the purpose of internal transfers as of the effective date of the order, notwithstanding General License 50, as amended, and pertinent explanations could be demanded for transfers since that date.

Respectfully yours,

C. Burke Elbrick,
 Charge d'Affaires ad interim

851.8

HHS:man

Original and hectograph to Department

Copy to American Embassy, Madrid

A true copy of
 the signed orig-
 inal. *HEC*

DECLASSIFIED
Authority MND 775085
By AT NARA Date 1-14-00

84
Entry 3762
File 851-6-861-33, 1943
Box 27

LEGATION OF THE UNITED STATES
OF AMERICA
SEP 11 1943
MADRID

Madrid for Action To:
Action Taken:

Tangier, Morocco, August 31, 1943

STRICTLY CONFIDENTIAL

No. 1662

Subject: Possible illegal transfer of dollars from Switzerland to the United States

The Honorable,
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to report that there may be illegal transfers of dollars from Switzerland to the United States under General License No. 50 as amended. The Legation does not know that the necessary steps have not been taken to make such transfers impossible, but considering the reliability of the source who has brought this matter to our attention, it is considered worthwhile to report, for the possible benefit of the Treasury, the means by which such illegal transfers may be or may have been accomplished.

Under General License No. 50, as amended February 18, 1942, it would appear possible that an Axis national having a dollar account in a Swiss bank could transfer all or a part of such account to an accomplice in Switzerland having Swiss nationality who could in turn transfer the dollars to a bank in the United States to the order of any person therein whom he wished to designate. Although Section 1(b) of the license under reference specifically states that such transactions as are licensed should not involve property in which any blocked country or national thereof, other than Switzerland or any national of Switzerland, has at any time on or since the effective date of the order had any interest, the wording of the License seems to indicate that it is left to the Government of Switzerland or the Banque Nationale Suisse to determine in each case whether or not the word and spirit of the regulation has been complied with. Since an account may easily be transferred internally within a Swiss bank, one or a dozen times before transfer to the United States is effected, the point has been made that to rely on the Government of Switzerland or the Banque Nationale Suisse to check all of the internal transfers of an account back to the effective date of Executive Order No. 6389 is not sufficient.

It is suggested that, if it has not already been done, a much more effective control would be obtained if an analytical breakdown by nationalities as of the effective date of the order for all dollar accounts in Swiss banks were demanded. Upon receipt of such an

analysis

851.51 Annual States

DECLASSIFIED	
Authority	NND 775085
By	AT NARA Date 1-14-00

84
 Entry 3762
 File 851-6-861-33, 194B
 Box 27, 194B

wealthy Spanish in Latin America who took up residence there upon the formation of the Republic in Spain and as most of them have both large dollar balances and families in Spain, this particular method has proven very efficacious.

Another means is by the smuggling into the United States of dollar bills which can be found anywhere. Considering that persons intimately connected with this sort of business have assured us that this is not only possible but is being done, and considering also some of the things which the Legation knows have been smuggled into and out of Germany and occupied Europe at the risk of the death penalty, the Legation feels that such a system is not at all improbable.

Aside from the blocking of Latin American countries, which it is assumed is, for political reasons, practically impossible, the only other way of which the Legation is at present aware of stopping this traffic is the Proclaimed Listing of the individuals concerned. The Legation suggests that it may be possible to discover some of the Latin American transfer agents by the following method. We will demand from those Tangier importers who have during the past year or two received goods from North or South America the following information; the commodity imported, the name and address of the exporter, the date of the exportation, the amount of the payment involved, and the method of payment. If the payment has been made through regular banking channels which would necessitate the obtention of the requisite license (which fact can be checked through the banks in Tangier), the information pertaining to those imports can be disregarded. If, however, the importer either is unable to explain the method of payment or his explanation is not confirmed by the local banks, a check of the exporter's files, either by one of our Embassies, in the case of Latin American exporters, or by the appropriate United States Government authorities in the case of United States exporters, should reveal the names of the persons who actually made the payment to the exporter; and it is believed that in some cases, at any rate, these names will be those of the Latin American transfer agents in whom we are interested. Although this may not reveal persons who have played a part in the transfer of funds to Axis agents in the United States, an examination of the Treasury records should indicate whether or not an appropriate license was granted for the transfer.

Respectfully yours,

C. Burke Elbrick,
 Charge d'Affaires ad interim

851.5

HHS:hu:mcn

Original and hectograph to Department

Copy to American Embassy, Madrid

A true copy of
 the signed original.
 JACM

212367

DECLASSIFIED
Authority MND 775085
By AT NARA Date 1-14-00

84
Entry 3762
File 851-6-861-33 1943
Box 27

EMBASSY OF THE UNITED STATES
OF AMERICA
SEP 11 1943
MADRID

Tangier, Morocco, August 28, 1943

Madrid

For Action To:
CA E/L
Action Taken:

JAN

STRICTLY CONFIDENTIAL

No. 1658

Subject: Illegal transfer of dollars to the United States through Latin America

The Honorable,
The Secretary of State,
Washington, D. C.

Sir:

With reference to the Legation's despatches Nos. 878 of July 3, 1942, 921 of July 24, 1942, and 1097 of October 28, 1942, I have the honor to report further on the subject of the illegal transfer of dollars to the United States through the unblocked countries of Latin America.

As reported in the despatches under reference, persons residing, for instance, in Tangier can and do transfer dollars anywhere in the United States without the requisite Treasury licenses. This is done through exchange dealers or private international bankers who have hommes de confiance in Latin America with whom the necessary pre-arrangements to carry on this sort of business have been made. These transfers, it would appear, can be as easily effected for the payment of an Axis agent in the United States as for the payment of commodities to be shipped to Tangier and for which an export license has been granted. This is reported to be done from Switzerland and Lisbon as much or more than from Tangier.

Given the existence of a group of persons located in Tangier, Latin America and the United States, the actual process is very simple. The purchaser of the dollars pays the Tangier representative in pesetas, escudos, or Swiss or Moroccan francs, and instructs him to deliver dollars, which were obtained at a favorable rate, to such and such person in the United States. The Tangier agent wires or writes his vis-a-vis in Caracas, Buenos Aires or any Latin American capital, and the latter simply instructs his bank in the United States to make the payment. According to the degree of need for secrecy, this latter stage can be accomplished through the intermediary, in the United States, of any number of persons.

The dollar funds in the United States of the Latin American agent can be renewed in several ways. The Legation is aware of two. The Latin American agent can buy dollar balances of Spanish residents of Latin America against black market pesetas which the Spanish Latin American resident wishes to have transmitted at a rate more favorable than the official rate to his family in Spain. As there are quite a few

wealthy

851-51 United States

DECLASSIFIED
 Authority MNO 775085
 By AT NARA Date 1-14-00

84
 Entry 3162
 File 857-6-861-33 1943
 Box 27

PARAPHRASE: Confidential Files

TELEGRAM SENT

To: SECSTATE, WASHINGTON Date: May 25, 10 p.m., 1943
 No.: 1378
 Code: Confidential Charged to: Official

1-1143

This telegram is also being sent to Tangier and Algiers, reference Tangier's despatch of May 8, 1943, No. 1451.

According to Canteloube, who was formerly assistant to Largentaye, Financial Secretary of the French Embassy, a French financial broker, Lagasse, notorious shady dealer, who travels often between Spain and France, negotiated the sale of gold. Bank Ultramarina in Lisbon having refused acceptance, gold was purchased with Swiss franc credit and sold to Instituto de Moneda of Madrid. Ellis-Rees of British Embassy believes credit in Swiss francs was opened in favor of Bank of France; Canteloube thinks it may have been in favor of someone of Vichy regime. Canteloube thinks it impossible for transaction to have been negotiated in Tangier without knowledge of French Resident General at Rabat or assistant. Largentaye departed on Sunday for Algiers and further information may be secured from him.

HAYES

RHA

Enc: DH
 Typ/par: EB

True reading in Confidential Binder; paraphrased for Chronological Binder and Confidential Files .

Repeated to Tangier as Misc. #984 - Tangier #68
 " Algiers " 985 - Algiers 160

857.51 United States

212369

DECLASSIFIED
Authority NND 775085
By AT NARA Date 11/4/00

84
Entry 3762
File 851.6-861.33 1943
Box 27

PARAPHRASE FOR CONF FILES

TELEGRAM RECEIVED

- AMB.
- COUN.
- C. A.
- 1 Sec. H.
- 2 Sec. H.
- 2 Sec. W.
- 2 Sec. C.
- 3 Sec. S.
- Ans.
- U. A.
- N. A.

From: Secstate

Date: May 21, 5 PM

No.: 1156

Code: Confidential

Received May 22, 7 AM

Embassy's 1261 of May 13.

Permission to sell to Spain freely exportable gold is being requested of Treasury Department by BEW, if the success of the preclusive purchase program makes it necessary. You will be informed as soon as they have replied. However, Dept. and BEW feel that before gold shipments to Spain are seriously considered, all other means for relieving peseta shortage should be exhausted.

HULL

Dec-typ-par MER
Par. to Chron Book, Conf Files
True reading in Conf Book

851.51 Quantal States

DECLASSIFIED
 Authority MND 775085
 By AT NARA Date 1/14/00

84
 Entry 3162
 File 851-6-861-33 1943
 Box 27

PARAPHRASE

Conf. files.

TELEGRAM SENT

To: **Secstate**

Date: **May 13, noon, 1943**

No.: **1261**

Code: **Confidential**

Charged to: **Official**

I am informed by Huete that ¹¹⁶the Instituto has been acquiring gold from Portugal and Switzerland, having during the past 18 months accumulated approximately thirty tons. Should the dollar exchange situation become congested, he would be interested in procuring gold from us, provided shipment to Spain would be permitted by us. Gold earmarked in the United States is not desired by Huete. It is his primary desire to convert dollars into goods which are necessary for Spanish economy; he does not desire the building up of large credits, since it is his fear that there will possibly be a readjustment in dollar exchange rates later. If we continue our purchases of wolfram on the present scale and expand our program to embrace considerable purchases of commodities for North Africa or elsewhere it may be necessary to propose a transaction in gold to Huete, even though our present peseta position is satisfactory. Would any objection to its shipment to Spain exist?

This telegram has been repeated to London and Algiers.

HAYES

RHA/eg

Encoded, paraphrased and typed: RLH
 /original in confidential binder

857. 57 United States

ENT

UNITED STATES
OF AMERICA
OCT 19 1944
LISBON

THE PORTUGUESE-AMERICAN TIN COMPANY

Belmonte.

Portugal, October 17, 1944.

A.M.B.
COUNS
ADM
CONS
FILE

ECONOMIC SECTION
ACTION
 CED
 WWB
 JWI
 EH
 WOB
 WGG
 RWL
 RP
 FILE

Mr. J. Winsor Ives
Commercial Attache
Embassy of the United States of America
Lisbon.

Dear Mr. Ives :--

I received your letter of the 16th.

by todays mail referring to the mining property
near Tomar ,belonging to Admiral Ivens Ferraz.

My Company is mostly interested in Placer
mining although any assistance I can be to your
friends would be a great pleasure.

I would suggest that you get in touch with
Mr. E. N. Cooper Jr. who is now at the Hotel Ritz
Madrid. Mr. Cooper intends coming back to Portugal
again and he in my mind would be the best man to
investigate the load mine near Tomar and advise
Admiral Ivens Ferraz.

It would be in order for you to send Mr.
Cooper a copy of your letter to me and ask him
when he will be back in Portugal.

I will be going to Lisbon in the near
future and will be pleased to meet Admiral Ivens
Ferraz.

With my kind regards, I am,

Yours very truly.

R. H. Fisher

863.4 = Gold mine / Ferraz

mailed

212371A

RG 84
Entry 3126
File 852-863.5 1944
BOX 103

DECLASSIFIED
Authority NND77508J
By FT NARA Date 11/14/00

REPRODUCED AT THE NATIONAL ARCHIVES

C. I.

[Handwritten initials]

AMB _____
 COUNS _____
 LETS CV _____
 COME _____
 ADAM _____
 CONA _____
 ACTS _____
 ENBA _____
 WRB _____

THE PORTUGUESE-AMERICAN TIN COMPANY

Belmonte.

Portugal, October 17, 1944.

EMBASSY OF THE UNITED STATES
 OF AMERICA
 BELMONTE
 OCT 19 1944

EMBASSY
XXXXXXXXXX

Lisbon, October 16, 1944.

Dear Ralph:

Today I received a visit from Admiral Ivens Ferraz, President of the Portuguese Red Cross, who is one of a group of prominent Portuguese presently interested in the development of a gold property near Tomar. The Admiral asked me if I knew of any qualified American mining engineers who might be willing to undertake a survey with a view to determining the potentialities of the property.

Having remembered that you are a practical mining man with years of experience in gold mining in California, I took the liberty of suggesting that you might be willing to undertake the job. As I understand it, the mine was an old Roman working which had been well concealed by an overgrowth of trees and other vegetation. It was discovered purely by accident several months ago and quite extensive underground workings were found. The samples taken from the main vein assay 236.2 grams of silver and 23 grams of gold per ton, according to the Instituto Superior Technico.

On the occasion of your next visit to Lisbon, which I trust will not be too long delayed, I would like you to meet Admiral Ferraz and his associates in order to go into this matter further. If you could possibly spare the time it might be a good idea to have a look at the mine. In all events, we here regard the Admiral very highly and would like to accommodate him as much as possible.

I would like to hear from you regarding this matter. With kindest regards to Mrs. Gruber and your good self, I remain

Sincerely,

J. Winsor Ives
 Commercial Attache

Mr. Ralph Gruber,
 Portuguese American Tin Company,
 Belmonte.

JWI/mm

212372

-863.4- Gold mine - to Gruber re Admiral Ferraz who is interested in development of

RG
 Entry 3126
 File 852-863.5 1944
 BOX 103

DECLASSIFIED
 AUTHORITY NND775081
 BY AT NARA Date 1/14/00

REPRODUCED AT THE NATIONAL ARCHIVES

FILE
AIRGRAM

G.

Amb
COUNS
ST SECY
CONCI
ADMVE
CONSUL

FROM

LISBON

Date: September 16, 9:30 a.m., 1944

Rec'd:

SECRETARY OF STATE

WASHINGTON

A-813, September 16, 9:30 a.m.

For the Secretary of the Treasury from Wood:

Through a reliable source I have been informed that local sales of gold bullion have increased greatly during the past month. Formerly, daily sales were averaging 10 - 15 kilos but in the period indicated they have averaged between 40 and 50 kilos a day with sales as high as 70 kilos one day this week.

Gold is sold by the Bank of Portugal to banks and cambistas in 12 kilo bars at 31,993 escudos per gramme. These bars are then melted down to one kilo and half kilo bars and sold for approximately 32,330 escudos per gramme. The principal concern engaged in this business is Banco Borges e Irmao, which has the most sizeable facilities for reducing the large gold bars.

Gold in one and half kilo bars evidently is being purchased because it provides a safeguard against possible exchange depreciation and because such amounts are easily hidden or concealed for carrying in luggage or on the person. As yet we have not learned if enemy interests are purchasers of this gold. It does not seem likely that the Bank of Portugal would long permit a drain on its gold at the rates given in the first paragraph above.

NORWEE

MAILED BY POUCH

SEP 19 1944

JEW/mk

Sincerely,

J. Winsor Ives
Commercial Attache

Mr. Ralph Gruber,
Portuguese American Tin Company,
Belmonte.

JWI/mm

212373

863:4 Gold - Re sales of bullion in Portugal

RG 84
Entry 3126
File 852-863.5 1944
BOX 103

DECLASSIFIED
Authority MND77508J
By AT NARA Date 1/14/00

REPRODUCED AT THE NATIONAL ARCHIVES

FILE
AIRGRAM

G.

AVL
SUNS
ST-SECY
OMCI
ADMIVE
ONRUL

FROM

TELEGRAM SENT

To: DEPARTMENT

Date: June 14, 1944, 11 a.m.

No.: 1828

Code: STRICTLY CONFIDENTIAL

Charged to: Treasury

1-114

Subject:

For Secretary of the Treasury from Wood:

Purchase and sale of gold by Bank of Portugal during May.

NORWEB

JEW/egc

212374

863.4 Gold - Re sales of bullion in Portugal and sold
-863.4- gold purchased by Bank of Portugal during May

NO. 1000
JUN 17 1944
DEPARTMENT OF THE UNITED STATES
ROOM 3000

RG 84
Entry 3126
File 852-863.5 1944
BOX 103

DECLASSIFIED
Authority NND 775085
By AT NARA Date 11/1/00

REPRODUCED AT THE NATIONAL ARCHIVES

TELEGRAM RECEIVED

SECSTATE WASHINGTON

Date: June 10, 11 am, 1944

No.: 1685

Strictly confidential

Received: June 11, 8:45 am, 1944

Subj: For Wood from Trsy.
Gold acquired from U.S. Trsy 1940-43.

STEFANUS ACTING

8934- PORTUGUESE GOLD HOLDINGS

jn

[Handwritten signature]

212375

RG 84
Entry 3126
File 852-8635 1944
Box 103

DECLASSIFIED
Authority NND775085
By: AT NARA Date 1-14-00

REPRODUCED AT THE NATIONAL ARCHIVES

TELEGRAM RECEIVED

From: SECSTATE WASHINGTON Date: June 10, 11 am, 1944

TELEGRAM SENT

To: Department Date: May 30, 3 p.m., 1944.
No.: 1655
Code: Strictly confidential Charged to: Treas.

1-1142

Subject: - Portuguese gold holdings.

NORWEB

JEW/hsb

212376

363.4
1944 - Portugal

RG 84
Entry 3126
File 852-863-5 1944
BOX 103

DECLASSIFIED
Authority NND775085
By AT NARA Date 11/1/00

REPRODUCED AT THE NATIONAL ARCHIVES

CROSS-REFERENCE SHEET

DOCUMENT FILE

NOTE

SEE File No. 863 FOR Letter to Gledhill

FROM _____ (_____) DATED May 17, 1944

TO _____ NAME _____

REGARDING: Gold Bars from Germany

863.4-Gold Bars from Germany

212377

RG 84
Entry 3126
File 863-5194
Box 103

DECLASSIFIED
Authority MND77508J
By AT NARA Date 1-14-00

REPRODUCED AT THE NATIONAL ARCHIVES

CROSS-REFERENCE SHEET

DOCUMENT FILE

NOTE

CROSS-REFERENCE SHEET

DOCUMENT FILE

NOTE

SEE File No. 851.5 FOR Despatch No. 306

FROM () DATED March 20, 1944

TO Dept. NAME

REGARDING: Gold Position of Germany Switzerland and Portugal.

863.4-GOLD Germany Switzerland and Portugal

212378

Box 103
File 852-863.5 1944
Entry 2123

BY NARA Date 1-14-00
Authority NND 775081

212380

TELEGRAM SENT

To: Department Date: March 11, 1944

TELEGRAM RECEIVED

From: Department Date: March 8, 9 p.m., 1944.
No.: 725
Received: March 9, 7:50 a.m.

Re: Strictly confidential

Subject: Portuguese gold in America.

STETIMMENTUS Acting.

863-A-PORTUGUESE GOLD

True reading sent to Mrs. James

May 8, 1944

op/hsb

RG 84
Entry 3126
File 852-863-5 1944
BOX 103

DECLASSIFIED
Authority NND775085
By AT NARA Date 11/10

REPRODUCED AT THE NATIONAL ARCHIVES

AIRGRAM

FILE

CHIEF	
EXEC.	
CONCL.	
CHIEF SEC.	
SEC.	
SECURITY	
ADM. ASST.	
CLERK	
RECORDS	

From

LISBON

Date: Jan. 22, 5:40 p.m., 1944.

Rec'd:

THE SECRETARY OF STATE,
WASHINGTON.

A-45, Jan. 22, 5:40 p.m.

For TREASURY from WOOD:

Sir Stanley Wyatt, Financial Adviser to the British Embassy, Lisbon, has in a personal letter asked an officer of the Legation for the following information:

- (1) - The exact quantity of gold, in grammes, held in the United States for the Bank of Portugal or the Portuguese Government;
- (2) - The month and year when each parcel of that gold arrived in the United States or, being there already, was transferred from another account; and
- (3) - The source from which each parcel came. (this information is not called for in so many words but desire for it is indicated.)

Wyatt suggests that the transfers of gold already in the United States to Portuguese account may have been made from Swiss and Argentine accounts.

No positive commitment has been made to Wyatt and response to his letter depends upon your advice.

Wyatt's request probably is related to the matter presented in the Department's cable No 74, January 10, 1 p.m., and this will be kept in mind in discreet inquiry now in progress.

NORWEB

"MAILED BY POUCH"

JEW/hsb

JAN 24 1944

212381

88614 Portuguese gold in USA

RG 84
Entry 3126
File 852-863-5194
BOX 103

DECLASSIFIED
NOV 27 1985
BY NARA

REPRODUCED AT THE NATIONAL ARCHIVES

AIRGRAM

FILE

CHIEF	_____
EXEC.	_____
COM. CL.	_____
SEC. SEC.	_____
SECURITY	_____
PUBL. MS.	_____
AD. DIV.	_____
AGENTS	_____

From
LISBON

Date: Jan. 22, 5:40 p.m., 1944.

Rec'd:

THE SECRETARY OF STATE,

REGA
JNS
G
MCL
SEC
SS
URITY
LNS
VE
IS

Jan. 22, 1944 p.m.

File

For TRANSMIT from WOOD:

Gold

Mr. Stanley Warr, Legation, Lisbon, has in a personal letter to the Chief of the Legation, Lisbon, dated 21st January, 1944, advised that:

(1) - The amount of gold held in the United States for the Bank of Portugal on the 21st January, 1944, is approximately 100,000,000 grammes.

(2) - Over a month and a half ago, a parcel of gold was transferred from Portugal to the United States, being there held by Mr. Dickerson, Legation, Lisbon.

What I would like to know, if it is possible, is (1) the exact quantity (in grammes) held in the U.S.A. for account of the Bank of Portugal or the Portuguese Government, (2) the months and years when each parcel of that gold arrived in the U.S.A. from Portugal or elsewhere. One informant here says that the bulk of Portugal's gold went to the U.S.A. "about November, 1940", while another thinks it was "about May 1941".

A third point is this - It may be that Portugal's present stock of gold in the United States includes not only that which was despatched for safety from Portugal early in the war but also gold transferred in the U.S.A. from Switzerland's account or from Argentina's account to Portugal's account, but this is only supposition on my part.

With many thanks for anything you can do.

Yours sincerely

Charles E. Dickerson, Jr.,
United States Legation,
Lisbon.

863-4-GOLD

b6

b7c

863-4-Portuguese gold in USA

1-22-44

212382

Box 103
File 882-863-5-1944
Entry 3126
84

DECLASSIFIED
NND 775081
BY: AT NARA DATE 11/14/00

REPRODUCED AT THE NATIONAL ARCHIVES

LEGATION OF THE UNITED STATES
OF AMERICA
JAN 18 1944
LISBON

FIN. _____
COUNS. _____
EXES. _____
COM'EL. _____
CONSEC. _____
PRESS. _____
SECURITY. _____
PUBL'NS. _____
ADM'VE. _____
AGTS. _____

ECONOMIC SECTION
ACTION
 CED
 W.W.
 J.W.
 EN
 W.P.S.
 W.V.
 R.P.
 FILE

KD

No. 6 **AIRGRAM**
Time 2:00 pm
AMERICAN LEGATION,
LISBON.

JAN 4 1944

863-4-GOLD

FROM TREASURY.

Re your A-693, December 20, 1943.

"National City Bank holds no gold for account of either the Bank of Portugal or the Portuguese Government.

"Private banking institutions are not licensed to hold gold on earmark for foreign account."

CORDELL HULL

ACTION TAKEN Cordell Hull
Cordell Hull
1-21-44

may wish to refer to

2. - Your report on lack of enemy interest in Buenos Aires coincides with a recent cable from Lisbon stating platinum offered there at \$5 a gram with no takers and the enemy not now interested. Thus if the enemy no longer is a purchaser, no useful purpose will be served by U.S. purchase at a high premium.

We

212383

RG 84
Entry 3126
File 852-863.5 1944
BOX 103

DECLASSIFIED
Authority NND775088
By AT NARA Date 11/14/00

REPRODUCED AT THE NATIONAL ARCHIVES

CROSS-REFERENCE SHEET

DOCUMENT FILE

NOTE

Portugal

Portugal

GERMAN SHIPMENT OF GOLD TO LISBON.

SEE 184-65-100 May 16 May 17, 1944. 7-234
 See also PSS, 202 - 8/25/44

FROM Dept () DATED 5/18/44
 TO /

REGARDING Reporting Duties of Minerals Attaches

Within the past 48 hours 82 or 86 gold bars with a value of \$20,000,000 arrived at Sacaven airport hidden in gasoline bidones. The gold is supposed to be destined to the German Legation but source says it still is held at the airport.

The Belgians here, it is thought, know about the shipment and have informed the British Intelligence. The British have instructed the Belgians to carry out a plan to prevent the gold from reaching its destination.

212384

RG 84
 Entry 3126
 File 852-863.5.1944
 BOX 103

DECLASSIFIED
 AUTHORITY NND775085
 BY AT NARA Date 11/1/00

REPRODUCED AT THE NATIONAL ARCHIVES

cc Mr. Dickerson.

EMBASSY

~~XXXXXXXXXX~~

EWIC file

CROSS-REFERENCE SHEET

DOCUMENT FILE

Lisbon, May 17, 1944.

Dear Gledhill:

I am enclosing herewith the report to which I made reference over the telephone a little while ago.

The report may be completely wild but I consider it of sufficient interest to pass along. The figure \$20,000,000 is the one submitted by the source, and it is obviously far off the mark. If the bars are of standard size, weighing 12 kilos, the value of each would be approximately \$16,000, and at this rate the total of 86 bars would be approximately \$1,400,000.

Sincerely yours,

Within the past 24 hours 25 or 30 gold bars with a value of \$20,000,000 arrived at Escovado airport hidden in gasoline business. The gold is supposed to be destined to the German Legation but source says it still is held at the airport.

The Belgians have, it is thought, known about the shipment and have informed the British Intelligence. The British have instructed the Belgians to carry out a plan to prevent the gold from reaching its destination.

C. B. J. Gledhill, Esquire,
Financial Attache,
British Embassy,
Lisbon.

863-GOLD Bars from Germany

212385

RG
Entry 3126
84
File 852-863-51944
BOX 103

DECLASSIFIED
Authority NND775081
By AT NARA Date 11/14/00

REPRODUCED AT THE NATIONAL ARCHIVES

MINISTER 7
 V. V. H.
 W. W. H.
 J. E. H.
 J. G. H.
 J. C. H.
 J. O. H.
 J. R. J.

TELEGRAM RECEIVED

From: Secstate, Washington

Date: June 19, 9 pm

No.: 852

Source: Confidential

Received: June 20, 6 pm

863.4-GOLD

SUBJECT : Shipment of gold to Portugal from France.

212386

RG 84
 Entry 3126
 File 861.32-569-7
 Box 02 1942

DECLASSIFIED
 Authority MWD775085
 By AT NARA Date 1-14-00

REPRODUCED AT THE NATIONAL ARCHIVES

CROSS-REFERENCE SHEET

DOCUMENT FILE

NOTE

SEE File No. 863 FOR Letter to Gledhill

FROM _____ (_____) DATED May 17, 1944
TO _____ NAME _____

REGARDING: Gold bars from Germany

624.4-Gold Bars from Germany

cc - Miss Humes.

212387

Box 88
File No. 21-701.1.1944
Entry 3126

DECLASSIFIED
Authority NND775085
BY AT NARA Date 1-14-00

REPRODUCED AT THE NATIONAL ARCHIVES



CROSS-REFERENCE SHEET

DOCUMENT FILE

CROSS-REFERENCE SHEET

DOCUMENT FILE

NOTE

SEE file No. 711.3 FOR tel. No. 2728 from Secstate
Enemy (Axis) property
flight of Axis capital

FROM _____ DATED Oct. 14, '44
TO _____

REGARDING: WIEHL, German, reported in Lisbon to supervise
Argentine-German diplomatic exchange.
Gold smuggling?

~~711.5~~
~~621.4~~
WIEHL, German, reported in Lisbon to supervise
Argentine-German diplomatic exchange
Gold smuggling?

212388

RG
Entry 3126
File No. 21-701.1.1944
88
BOX

DECLASSIFIED
Authority NND775085
By AT NARA Date 11/1/00

REPRODUCED AT THE NATIONAL ARCHIVES

IMPORTS OF GOLD INTO PORTUGAL DURING
THE YEAR 1942.

(expressed in contos)

	<u>Conto</u>
<u>INGOTS:</u> From Switzerland	1,116,072.
" France	26,688.
	<hr/> 1,142,760. <hr/>
 <u>COINS:</u> From Switzerland	 68,249.
" France	56,899.
	<hr/> 125,148. <hr/>
 Total (ingots & coins).....	 <u>1,267,908.</u>

212389

RG 84
Entry 3126
File 861.2-869.5
Box 79 1943

DECLASSIFIED
Authority MWD775081
By AT NARA Date 1-14-00

REPRODUCED AT THE NATIONAL ARCHIVES

1943

File

Rec'd 12-28-43
BRITISH EMBASSY,
LISBON.

Dec. 28th 1943.

SECRET

Dear Dickerson,

When writing to you on the 20th December about gold, I stupidly forgot to ask you a second but important question, namely, during which months and years was the gold despatched to the U.S.A. for safe custody and what was the latest date when any was despatched.

One informant says "November 1940" and another says "about May 1941". This uncertainty is confusing because the important Balance Sheet date of 31st December 1940 comes in between.

If and when you get information as to quantity by way of reply to the telegram you kindly sent, would you mind, when acknowledging it by letter, asking for the supplementary information about the dates?

Yours sincerely, *J. Wynn*

Mr. Charles E. Dickerson Jnr.,
United States Legation.

Code:

To:

863.4-Gold

212390

Box 79 1943
File 861.2-869.5
Entry 3126
RG 84

DECLASSIFIED
Authority NND775081
By AT NARA Date 1/14/00

REPRODUCED AT THE NATIONAL ARCHIVES

AIRGRAM

WTR	_____
COUS.	_____
EXEG.	_____
CON'CL.	_____
CON. SEC.	_____
PRESS.	_____
SECURITY.	_____
PUBL'NS.	_____
ADM'VE.	_____
ASSTS.	_____

From:

LISBON

Date : Dec. 20, 5:15 pm

RECD:

863-A-gold

SECRETARY OF STATE

WASHINGTON

A-693 December 20, 5:15 pm 1943

The Financial Counsellor of the British Embassy is endeavoring to develop exact information with respect to Portugal's gold holdings and the country's gold operations in general. In this connection he asks whether we can obtain and furnish him a statement of the precise quantity in grams of gold held by the National City Bank in New York for account either of the Bank of Portugal or of the Portuguese Government. Provided the Department perceives no objection, it will be appreciated if the desired ~~information~~ data can be furnished for the indicated purpose.

NORWEB

"MAILED BY POUCH"

DEC 21 1943

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RG 84
Entry 3126
File 861.2-864.5
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AIRGRAM

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COUNS.	
EXEC.	<i>210</i>
COM'CL	<i>D</i>
CON. SEC.	
PRES.	
SECURITY	
PUBL'NS	
ADM'VE	
ASSTS.	

From:

LISBON

Date: Oct. 16, 1943

Subject:

lith.
Miss
Gold

AIRGRAM

From

LISBON

Date: Oct. 16, 5:15 p.m., 1943.

Rec'd:

THE SECRETARY OF STATE,

WASHINGTON.

A-568, October 16, 5:15 p.m.

CONFIDENTIAL.

Referring Department's A-576, September 6,

2:40 p.m., penultimate paragraph, page 4, the Secretary-

General of the Bank of Portugal informed the Legation

several days ago that policy of the Bank was against

holding gold in Buenos Aires and for holding in New York,

Although gold account held with Central Bank Argentina

was never completely closed.

Present gold holdings by the Bank of

Portugal in Buenos Aires about 200 kilos which is created

by Escudo payments made by Bank of Portugal to support

Argentine Diplomatic Missions in Portugal and Spain and

by small volume Argentine purchases in this country.

REEMMAN

cc - Miss Humes.

JWI/hab

"MAILED BY POUCH"

OCT 20 1943

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Entry 3126
File 861.2-869.5
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DECLASSIFIED
BY AT NARA Date 11/1/00
Authority NND775081

REPRODUCED AT THE NATIONAL ARCHIVES

Although the quantities are expressed in ounces in the above table, the instructions of the Banco de Portugal were always expressed in round figures of kilograms; in January the bank requested the transfer of "about 250 kilograms" of gold and at the three later dates of "about 500 kilograms" of gold. The fractional difference between the actual withdrawal in Buenos Aires and the actual earmarking in New York was adjusted in the Argentine peso account of the Banco de Portugal in Buenos Aires.

As shown in the foregoing tables, the Banco de Portugal since July 1942 has acquired 2,588,200 dollars worth of gold in Buenos Aires, of which 617,800 dollars worth are still there while the remainder has been transferred to New York.

No figures of the balance of payments between Portugal and Argentina are available at present. It seems, however, that the interchange of commodities has consistently produced a surplus of Argentine pesos for Portugal. The following table illustrates this point:

ARGENTINE TRADE WITH PORTUGAL (In millions of Argentine pesos)			
January-June 1942:	Imports m\$n	3.95	
	Exports "	1.20	
	Net m\$n	2.75	(approx. \$825,000)
July-December 1942:	Imports m\$n	4.36	
	Exports "	1.11	
	Net m\$n	3.25	(approx. \$975,000)
January-May 1943:	Imports m\$n	4.35	
	Exports "	1.23	
	Net m\$n	3.12	(approx. \$936,000)

The total Argentine peso surplus of Portugal from its trade balance with Argentina, January 1942 to May 1943 inclusive, amounted to about 2.7 million dollars. Although other items in the balance of payments may have contributed to or reduced this surplus, it would seem that Portugal's continuous Argentine peso surplus was from time to time converted into gold in Buenos Aires and gradually transferred to New York. We have no reasonable explanation as to why Portugal preferred to transfer gold to New York rather than keep it in Buenos Aires, and thus would like to get your explanation of this shift.

In order to get a clearer picture of Portuguese-Argentine financial relations, the information given in this airgram is being repeated to Buenos Aires with the request for further data.

CORDELL HULL

CC: Miss Humes

cc - Miss Humes.

JWI/hob

"MAILED BY POUCH"

OCT 20 1943

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DECLASSIFIED
AUTHORITY: 5010775085
DATE: 11-10-00

Although the quantities are expressed in ounces in the above table, the instructions of the Banco de Portugal were always expressed in round figures of kilograms; in January the bank requested the transfer of "about 250 kilograms" of gold and at the three later dates of "about 500 kilograms" of gold. The fractional difference between the actual withdrawal in Buenos Aires and the actual earmarking in New York was adjusted in the amount of gold transferred to the Banco de Portugal in Buenos Aires.

*Latin America
Gold Shipments*

AIRGRAM

CONFIDENTIAL
 Dated: September 6, 1943, 2:40 pm
 No.: A-576
 Rec'd: September 18, noon
 AIRGRAM

FROM STONE, OEW, OFFICE OF ECONOMIC WARFARE ANALYSIS
 Your A-366, July 15.

The transaction you reported is not the first of its kind to come to the attention of the OEW. The Banco de Portugal, according to intelligence reports, has bought the following amounts of gold from the Banco Central de la Republica Argentina in Buenos Aires, placing it under earmark at that bank.

DATE	NET QUANTITY IN		APPROXIMATE VALUE IN DOLLARS
	Fine ounces	Grams	
July 16, '42	24,057.8	748,282.9	842,000
November 13, '42	16,128.1	501,640.3	564,500
April 6, '43	12,863.4	400,095.3	450,200
June 28, '43	12,863.4 (a)	400,095.4 (a)	450,200
July 30, '43	8,034.0	249,900.0 (a)	281,300
	<u>73,946.7</u>	<u>2,300,013.9</u>	<u>2,588,200</u>

(a) Exact figure not yet available. In 1943 most of this gold was gradually transferred to New York. The Banco Central de la Republica Argentina withdrew specific quantities of gold from the earmarked account of the Banco de Portugal in Buenos Aires, transferring a similar amount of gold from its earmarked account at the Federal Reserve Bank of New York to the earmarked account of the Banco de Portugal in the same bank in New York. The following transactions actually took place:

App. Date	Withdrawals of gold from Portuguese account in Buenos Aires		Transfers of gold from Argentine account to Portuguese account in New York	
	Net quantity in fine ounces	Appr. value in dollars	Net quantity in fine ounces	Appr. value in dollars
Jan. 27, '43	8,039.7	281,400	8,039.3	281,400
Apr. 21, '43	16,079.5	562,800	16,079.2	562,800
June 16, '43	16,089.6 (a)	563,100	16,089.5	563,100
July 31, '43	16,089.1 (a)	563,100 (a)	16,089.1	563,100
	<u>56,297.8</u>	<u>1,970,400</u>	<u>56,297.1</u>	<u>1,970,400</u>

(a) Exact figure not yet available.

Although.....

RG 84
 Entry 3126
 File 861.2-869.5
 BOX 79 1943

DECLASSIFIED
 AUTHORITY: NND775081
 BY: AT
 DATE: 1-14-00

PARAPHRASE

extra
Miss
Gold

Approved the... the instructions of...
Secretary, Washington June 23, 1943 midnight

Miss
Gold

AIRGRAM

From

LISBON

Date: June 12, 12:30 p.m., 1943.

Rec'd:

THE SECRETARY OF STATE,

WASHINGTON-

A-313, June 12, 12:30 p.m.

Reference Department's Airgram No. A-359 of
May 13, 4:10 p.m., 1943.

The mine is owned by the N-V- MYNBOUWMAATSCHAPPY
VALONGO, of Rotterdam, Holland, and managed by two
Netherlanders both of whom are considered politically
satisfactory.

Gold prospecting operations are under way, but
production is practically nil. If machinery were
supplied and production developed, no benefit would accrue
to the Allied cause.

FISH

"MAILED BY POUCH"

JUN 13 1943

cc - Miss Humes.

HSL/hsb

212396

RG 84
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BOX 79
1943

DECLASSIFIED
Authority NND775081
BY AT NARA Date 11-14-00

*extra
From
Gold*

MEMORANDUM

To: Mr. House

From: E. Humes

Subject: Portuguese gold shipments to the United States.

The Consulate reports that the following shipments of gold were made to the United States from Portugal since

October 9, 1940:

Approximate date of shipment	Name and nationality of carrier	Value of bullion
October 15, 1940	"Exochorda" - American	\$2,683,103.70
" 16, "	"Pero de Alemquer"- Port.	1,113,567.35
" 21, "	"Excalibur" - American	2,713,049.66
" 28, "	"San Miguel"- Portuguese	1,406,411.10
" 28, "	"Excambion" - American	3,169,936.68
November 2, "	"Exeter" - American	3,228,593.16
" 8, "	"Extavia" - American	1,458,176.58
	Total	<u>\$15,772,838.23</u>

June 6 - Oct 9

*58,954,664.40
74,526,902.63*

E.H.

Lisbon, May 31, 1943.

Gold prospecting operations are being carried out in the area of the ... production is practically nil. If conditions were ... supplied and production developed, the benefit would accrue to the allied nations.

JUN 13 1943

cc - Miss Humes:
HSL/hsb

212397

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File 861.2-869.5
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1943

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NND775085
By NARA Date 1-14-00

REPRODUCED AT THE NATIONAL ARCHIVES

active

PORTUGUESE GOLD RESERVES IN U.S.A.

Shipments from June to October, 1940, totalled in value \$58,754,064.40 which accounted for 69% of the value of the Country's total gold reserves (61,495,701 grams valued at \$66,167,120) as of October, 1940. This gold is held by the Federal Reserve Bank for the account of the Bank of Portugal.

JWI/ As far as can be ascertained no gold has been shipped since October 1940. This, however, is subject to confirmation with consular invoice records which are now being checked.

363.4 - Gold

212398

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File	861.2-864.5
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	NARA Date	1-11-80

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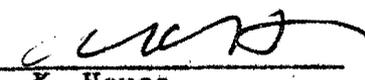
JWT
EH + file

May 26, 1943

MEMORANDUM

To: Sir Stanley Wyatt, H.M. Embassy, Lisbon
From: A. K. House
Subject: Gold

Relative to the minutes of the May 20th meeting of the Anglo-American Economic Committee concerning gold, can you advise whether the Bank of Portugal has on deposit with the Federal Reserve Bank in New York or the Bank of England any quantity of gold coin or gold bullion and, if so, could you give me an idea of the approximate value thereof?


A. K. House

✓ CC - Mr. Ives

AKH/mp

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863.4 - Gold

RG 84
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File 861.2-864.5
Box 79-1943

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NND775085
By AT NARA Date 1/14/00

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Authority NND 765006
By KG NARA Date 1/22/00

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File 800 ~~CONFIDENTIAL~~ 1941 851-
Box #7 851-7

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ack'd by form

Minister
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file
~~9/11~~

~~STRICTLY CONFIDENTIAL~~

To the
American Legation,
B e r n .

LEGATION OF THE UNITED STATES
OF AMERICA
Rec'd DEC 7 - 1942
BERN



GERMAN AGENTS IN SWISS BANKS

From
~~Walter M. Sholes~~ American Consul General
Basel, Switzerland.

Date of completion: December 7, 1942.
Date of mailing: December 7, 1942.

H. A. Dörflinger, a bookkeeper of Swiss nationality, was arrested here last month by the Swiss Political Police on espionage charges. It appears this man who has a German wife, had for some time been furnishing the Reich with the names of German-owned portfolios at the Crédit Suisse, Basel and military information. The case continues shrouded in great mystery and as a result, details have been difficult to obtain.

However, it would seem the sudden withdrawal from the Crédit Suisse at Basel by their owners in Germany of 20 long inactive accounts, presumably at the demand of the Reich's authorities, aroused suspicion at the National Bank of Switzerland and at the Crédit Suisse with the result that the bookkeeping department of the latter bank was kept under close surveillance. Dörflinger's arrest followed shortly after.

Foreign holdings at the Crédit Suisse are said to be well camouflaged and, consequently, Dörflinger's activity, it is said here, will net the Reich less than 200,000 Swiss francs.

851-7
SWITZERLAND

DECLASSIFIED
 Authority NND 765006
 By KG NARA Date 1/22/10

RG 84
 Entry 320K
 File 800 CONF. 1944 851-
 Box #7 851.7

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francs. Efforts to confirm the reports in circulation here at one bank of the execution by the Reich's authorities of 40 of the bank's German depositors because of the information furnished by Dörflinger so far remain unavailing. It may be added that German, French, and Italian holdings are well camouflaged at the Crédit Suisse and other Swiss banks, but such camouflaging is, however, not general throughout the country.

Dörflinger is being held at Basel for the present, but will, it is declared here, be shortly turned over to the Territorial Court at Bern for trial. Grounds have been found, it is asserted, that may well result in this man being tried by a military court.

FOREIGN HOLDINGS IN SWITZERLAND

According to bankers, the value of foreign owned portfolios in Swiss banks is still very large, amounting to several billion Swiss francs in value, although bankers usually refrain from mentioning figures. It is believed French holdings (blocked by Bern since 1940, except for certain payments in Switzerland), are by far the largest. The latter accounts have been accumulating in this country ever since the nationalization of the French railroads at the turn of the century. The French continued making deposits here after the financial measures adopted by Poincaré in 1926 with the result that such accounts in Switzerland are believed to have a value of approximately 2,000,000,000 Swiss francs, equal to about 465,000,000 dollars. (\$1.00 = Swiss Frs. 4.30).

Next in order of importance are the German-owned accounts here, of which there seem to be some 10,000 or more in the various banks, despite the immunity promised under the German amnesty act which, some years ago, sought the repatriation of German capital. (Please see also my report to the Legation dated October 28, 1942, under the caption of German and National-Socialist Holdings abroad, file 851.7). These holdings, including old Austrian accounts, mostly from Vienna, are estimated to have a value of considerably more than 500,000,000 Swiss francs, equal to more than \$116,000,000, exclusive of real estate. This capital is mostly in such banks as the Crédit Suisse, Swiss Bank Corporation and the Banque Fédérale S.A., although many sizable German investments may also be found in the various small private banks which abound in the country.

Third in importance are Italian accounts, many of which may be found at the Banque Fédérale S.A. including those of highranking Fascists, it is said. The Italian holdings are not comparable with those of either France or Germany, but there are still many such accounts here, despite Italian measures to repatriate such capital, according to a Swiss banker thoroughly familiar with the subject.

SOME

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 Authority NND 765006
 By KG NARA Date 1/22/10

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SOME OF THE BANKS INTERESTED

There will be found below a list of 24 banks at Basel, of which 19 are members of the stock exchange, also four others, commercial, savings and mortgage banks which are said to be carrying German accounts:

<u>Estimated Value of German Owned Accounts Swiss francs</u>	<u>Name of Financial Institution</u>
nil	1. American Express Company
10,000,000	2. Basler Handelsbank
2,500,000	3. Basler Kantonalbank
--	4. Cr�dit Industriel d'Alsace et de Lorraine
5,000,000	5. Dreyfus S�hne & Co.
5,000,000	6. Ehinger & Co.
10,000,000	7. Eidgen�ssische Bank A.G.
2,500,000	8. Gutzwiller & Cie., E.
5,000,000	9. La Roche & Co.
10,000,000	10. L�scher & Co.
500,000	11. M�nch, R.
5,000,000	12. National Bank of Switzerland
1,000,000	13. R�chling & Co.
5,000,000	14. Sarasin & Co., A.
10,000,000	15. Schweiz. Bankgesellschaft
10,000,000	16. Schweiz. Bankverein
15,000,000	17. Schweiz. Kreditanstalt
1,000,000	18. Schweiz. Spar- & Kreditbank
5,000,000	19. Schweiz. Volksbank
1,000,000	20. Zahn & Co.
3,000,000	21. Basellandsch�ftliche Hypothekenbank
3,000,000	22. Genossenschaftliche Zentralbank
3,000,000	23. Handwerkerbank
2,000,000	24. Zinstragende Ersparniskasse
TOTAL: 114,500,000	

The number of German-owned accounts in the Basel branch of the National Bank of Switzerland was at one time large, but has been reduced considerably in late years. There are at present "few" of such accounts, it is said.

German deposits in Z rich banks are believed to be nearly three times larger, and when there be added German-owned securities, et cetera in Swiss banks at St. Gall, Winterthur and other small communities it is not unlikely that the Reich's holdings in this country amount to considerably more than the figure originally given, namely \$116,000,000.

It is asserted by those familiar with the subject that foreign owned accounts here are in large part accounts of \$20,000 or more usually representing one-fourth of their owners' wealth.

851.7/820.02

WHS/dh

In extuplicate for eventual
 distribution by Legation.

✓ copy to hand

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Authority AND 765006
By KG NARA Date 1/22/10

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Entry 3208
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Box #7

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Ack'd by form

American Consulate, Basel, Switzerland
October 28, 1942.

Minister

STRICTLY CONFIDENTIAL

TO

file

To the
LEGATION OF THE UNITED STATES
OF AMERICA American Legation,
Bern.
Rec'd OCT 30 1942
BERN

DECLASSIFIED AND RELEASED

Authority 765006
By JTB NARS, Date 4/88

GERMAN AND NATIONAL-SOCIALIST HOLDINGS ABROAD

Prepared by Walter H. Sholes
American Consul General

In connection with the Knickerbocker revelations of 1939-1940 regarding wealth held abroad by Germans and National-Socialist party leaders, there has come to my attention recently the names of a number of private banks, bankers and business institutions in Germany, Holland, Switzerland and Canada which may be of possible interest and usefulness to certain American Government agencies. My informant, a German refugee, has been residing in Switzerland for many years. Although now living in retirement, he is a man of standing in this community. During the World War he was associated with Walter RATHENAU in the Reich's Kriegswirtschaftsamt, which it will be recalled was directed by the latter.

851-9
GERMANY

It is the considered opinion of my informant that much of the German activity mentioned was and continues to be centered in the hands of the men and firms here mentioned. The fact that one of these men is now living in Canada and the other in Brazil and, therefore, are probably available for questioning should be welcome information to American agencies charged with investigations of this kind.

THE BANKS AND BANKERS:

In Germany,

I. I. H. STEIN, Cologne.

a. Kurt Freiherr von SCHROEDER, a former member of the German General Staff during the World War. Member of the Board of the Bank for International Settlements, Basel. Already in 1934 von Schröder, according to my informant, had his doubts about repatriating all his foreign holdings and accepting the provisions of the German Amnesty Act which sought the repatriation of German capital abroad. It seems he freely consulted his intimates on the subject, and the impression left on them was that a part of his foreign holdings would remain undeclared by him.

b. Herr R. von SCHNITZLER, copartner of the above-mentioned bank. It appears that this bank was charged with the administration of the August THYSSEN estate following its seizure by the Berlin regime.

II. RHODIUS

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 Authority NND 765006
 By KG NARA Date 1/22/10

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II. RHODIUS KONIGS HANDELS MAATSCHAPPI, Amsterdam

The above firm, according to my informant, was also used to mask German financial operations. Mr. Rhodius Königs, the head of the Company, was killed in a railroad accident in Holland in 1941, but the firm remains in business at Amsterdam.

III. H. ALBERT DE BARY & CO., private bankers, Amsterdam

According to my sources of information, much of the business of the Deutsche Bank and Disconto-Gesellschaft of Berlin was centered in the hands of this private banking firm.

a. Willy REDELMEYER, now at Toronto, was formerly General Manager for this financial institution until 1938. In 1938, however, he transferred to Canada with his family together with a private fortune estimated at \$4,000,000. Redelmeyer is said to have a son serving with the British aviation forces. This gentleman is believed to possess a large fund of firsthand information on the foreign financial operations of the two Berlin banks already mentioned and of many German nationals. He is known to have had in his personal charge innumerable so-called "black accounts" of German banks and German investors.

In Switzerland

IV. HENKEL & CIE. A. G., Basel.

a. Dr. Hugo Henkel, Düsseldorf, Germany, is the guiding genius of this organization. This firm was organized in 1913 for the sale of German chemical products, but in 1932 a factory to produce the well known Henkel chemical products, especially washing powders, was erected by this company at Pratteln, outside of Basel. The company was created under the name of Henkel's Persil Werke A. G. Both companies have one or more Germans on their board of directors and managers. In the opinion of the initiated here, Henkel & Cie. A. G., Basel, is a trustee for the funds of German party leaders and often used to mask large German financial operations in Switzerland.

It remains for me to mention also in this connection the name of Mr. Ernst A. ELIAT for fourteen years General Manager of the Deutsche Bank, 2 rue Meyerbeer, Paris, who departed from Lyon, France, the end of 1940 en route for Rio de Janeiro, Brazil. Mr. Eliat is a Roman Catholic Jew who was permitted to direct the affairs of the Deutsche Bank at Paris after Herr Hitler came to power. Mr. Eliat had, it seems, made himself invaluable to this German financial institution in Paris. Mr. Eliat, in addition to his large investments in Germany and France, also had considerable holdings in Holland, of which he spoke to me when I last saw him in France. I am persuaded that Mr. Eliat is perhaps no less informed on the subject of German holdings abroad than is Mr. Willy Redelmeyer.

Walter H. Holes
 American Consul General

851.7
 WHS:gc
 2 copies to Department
 Copy to Zürich, to Comm. Att., Fin. Att.

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Authority NND 765006

By KG NARA Date 1/22/10

RG 84

Entry 3208 1942

File 800-600-1941-851
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Box # 7

~~7/17~~
Thanks. Just I had in mind
was possibility we had had requests for
info re. Nazi Party members under
later holding outside Germany.

If FI-CD has seen this report
can now be filed.

JH

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Authority NND 765006

By KG NARA Date 1/22/00

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Thompson

I do not recall anything of the character you suggest. It would be a pretty big order — one that we are very anxious to learn, such as what accounts are the "fences" for the sums supposedly covered up for the Nazi leaders.

Holdings in the USA, which are known to be German owned, are of course sequestered. I have not seen any figures yet but they must be huge. They were large in 1917. We did have recently some correspondence with the Department on exchange of shares in Switzerland with reference to covering here. However, it is hard to find out about it.

3 Nov 42

JCH

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By KG NARA Date 1/22/00

RG 84
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File 800 GENERAL FBI
Box #7

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Oct 30

7KIT

Did we get a
report of German
holdings in U.S.
which was turned over
to FA?

WILLY RECELMEYER - Not Listed

HENKEL & CIE. - Statutory List
(Chemical products, etc.
controlled by Henkel & Co, A.G.
of Dusseldorf. Have financial
control of Henkels Persilwerke,
A.G. of Prattelin, Switzerland.)

Ernst A. ELIAT - Not Listed

F.R.C.

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By KG NARA Date 1/22/00

RG 84
Entry 3208
File 800 GENERAL AFF
Box #7

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~~SECRET~~

MEMORANDUM for the Minister

~~FRH~~
~~FA - to [unclear]~~
Tel

DECLASSIFIED AND RELEASED

Authority 765006
By [signature] NARS, Date 4/18

From a first-class source the following has been learned:

The "DEUTSCHE REICHSBANK" and institutions affiliated with it, are buying up through Brown Brothers of New York, American bonds which can be had at a favorable price. These are being brought to Switzerland by diplomatic pouch, the informer is not certain whether this is our pouch or that of a South American country.

The bonds are delivered to a man by the name of Guildenquart in Bern who is a representative of the former Jewish firm of S. Falk of Dusseldorf. Two Americans, resident in Switzerland, are supposed to help Guildenquart in these transactions which are said to run into millions.

The same source reports that the Germans have bought up a lot of gold coins in Switzerland, to such an extent that the Swiss National Bank prohibited the sale of those coins. The same is true of Dutch and Belgian coins and Swiss paper francs are being bought with freshly printed German marks.

15 September 1942.

[Signature]
B. R. Legge,
Brigadier General, U.S.A.
Military Attache.

~~SECRET~~

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 Authority NND 765006
 By KG NARA Date 1/22/10

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 File CONF. 800-~~CONF. 194~~
 Box 47-17

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 857-7

-2-

Elsewhere the Swiss authorities are being urged to energetic intervention with the United States authorities in the same sense. The Internationale Gesellschaft für Chemische Unternehmungen in Basel, has invested 80 percent of its total book value, i.e. 136 million Swiss francs in shares and credit balances, through its participation in the General Aniline and Film Company. Not only is the trust company deprived of its dividends, and not only were the shares of the American participation placed by the United States Treasury in a "Special Account", but efforts are made by various other means to wear down their owners. It is therefore regrettable to note that Switzerland, in so far as financial matters are concerned, is being treated by the United States in exactly the same manner as enemy States. Another, probably vain, attempt is therefore made to obtain a concession from the United States, by further diplomatic negotiations, and thereby safeguard at least a part of the Swiss interests.

212409

DECLASSIFIED
Authority NND 765006
By KG NARA Date 1/22/00RG 84
Entry 3208
File CONF. GENERAL 1941
Box # 1

"Sudost-Echo", no.15, April 10, 1942.

Translation

FEAR OF DOLLAR INFLATION

(by a Zürich correspondent)

It is very hard for the Swiss to digest the blocking of their assets in the United States. Although on June 20, 1941, the United States authorities empowered the Federal Council and the National Bank to dispose of their funds in America in dealing with countries whose funds are not sequestered, the Swiss continue to meet unsurmountable difficulties, which the Special Envoy of the National Bank, a member of its Board of Directors, is powerless to remove. It is stated here that the National Bank, as a note issuing institution, must be able to use its currency reserves wherever required for provisioning the country, and that it was wholly insufficient to confine the bank to ordinary banking transactions. The National Bank had made an agreement with the remaining Swiss banks whereby the latter utilized exclusively for dollar import payments dollars received for export transactions. The accumulation of the dollar reserve was highly undesirable in view of growing export difficulties.

The dissatisfaction experienced, contrasted with the usual reserve of the Swiss towards the United States, may be gauged from the report of the banking house A. Friedrich, whose owner, Dr. Friedrich, is President of the Zürich Stock Exchange. The report suggests that a committee of initiative be constituted and entrusted with the task of creating means for the investment of the blocked dollars in foreign merchandise, which, after the war, may be available for the country's provisioning. This clearly reflects the dread of a dollar inflation. Expensive commodities which can only be shipped home after a time are preferable to dollars.

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RG 84
 Entry 3208
 File CONF. GENERAL 194
 Box # 1

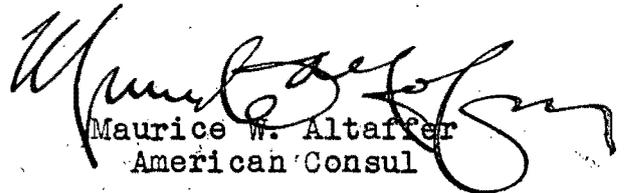
-2-

I may mention that I have obtained a copy of the report of the private banking house of Dr. A. Friedrich and, after examining it, must state that it does not show the unfriendly and tendentious trend that one sees in the enclosed article.

Some time ago this office was informed privately of the investigation of the United States Treasury Department into the affairs of the General Aniline and Film Company, which, as you will recall, was formerly known as the I.G. Farben Industrie, or the German Dye Trust. The German reaction reflected in the enclosed article to the intervention of the United States to "Americanize" the participations in the General Aniline and Film Company because of its connection with the Internationale Gesellschaft für Chemische Unternehmungen A.-G., is of interest. I have been informed that it has been pretty well proven that the Internationale Gesellschaft für Chemische Unternehmungen A.-G. is only a dummy for the German I.G. Farben Industrie. It is possible, therefore, that the reference in this article may be of interest to the Treasury Department in Washington.

This check with information obtained in France. S/B

Sincerely yours,


 Maurice W. Altaffer
 American Consul

Enclosure:

Translation of article.

212411

DECLASSIFIED
 Authority AND 765006
 By KG NARA Date 1/22/10

RG 84
 Entry 320K
 File CONF. 800 GENERAL 1941
 Box # 1

Bern, October 26, 1942. (O.I.)

No. 3655

Subject: Activities of Abbas Hilmi Pasha, Ex-Khedive of Egypt, Now in Switzerland.

Via Air Mail Pouch

Strictly Confidential

The Honorable
 The Secretary of State,
 Washington.

Sir:

I have the honor to enclose herewith a confidential memorandum which has been received from Consul Squire at Geneva, in connection with the above-indicated subject. The reliability of the informant who is the source of the information given is not as yet definitely proved.

However, the information is forwarded, to be made of record regarding Abbas Hilmi Pasha for possible future reference.

Respectfully yours,
 For the Minister:

Enclosure: J. Klahr Huddle,
 Counselor of Legation.

Report dated October 8, 1942.
 Secret 2222 Willy 10/8/42
 File No. 851.51
 JKH/mjb
 In quintuplicate to the Department.

212412

SECRET ABAS HILMI PASHA

B

DECLASSIFIED	RG <u>84</u>
Authority <u>NND 765006</u>	Entry <u>3208</u>
By <u>KG</u> NARA Date <u>1/22/00</u>	File <u>CONF. GENERAL 1941</u> <u>800</u>
	Box <u># 1</u>

number to 200 11/23 18 1941.

-2-

every indication that the gold coin will likewise be returned.

Gold previously smuggled by the ex-Khedive, Willy states, was handed over at Annemasse (Swiss-French frontier near Geneva) to a Frenchman named Buffard, who maintains close relations with Italy.

Willy is considering having Camille Rouge apprehended at the frontier in an endeavor to ascertain through his various connections what sort of material, or documents, perhaps, she is smuggling to France with such regularity.

212413

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By KG NARA Date 1/22/00

RG 84
Entry 3208
File CONF. GENERAL 1941
Box #1

Letter to Tuck 10/26/42 transm.
copy of report
& Desp. No. 3655 to Dept.
S E C R E T 10/26/42 JKH/mjb

Minutes
LMA - To inform
colleague if
desired - This
report needs
checking - The
Source is an occasional
file

REPORT

From: 2222
Source: Willy
Date: October 8, 1942

To Major CRO

Willy has for some time been watching the movements of Abbas Hilmi Pasha, ex-Khedive of Egypt, who, he has reason to believe, has been smuggling gold into France from Switzerland for transportation to Egypt via Italy for the purpose of buying up the Arabs against Great Britain and the United Nations. It is understood that the Arabs will accept only gold.

Today Willy showed me the following translation of an article appearing in the Neue Zürcher Zeitung of October 6, 1942, which establishes that the smuggling feature of the affair has finally got into print:

"Gold Transport Scheme Foiled"

"Cannes, 5th October (United Press). Abbas Hilmi Pasha, ex-Khedive of Egypt, dethroned in December 1914 by the English, who has since been living on the Riviera, decided to move from Cannes to Monte Carlo where he had sent his yacht in order to store thereon his invested fortune in gold bars to the value of twenty million francs. When he wanted to transport by motor-car the gold reserve from Geneva to Monte Carlo, by five Frenchmen attached to his service, the car was stopped at Annemasse by the French frontier guard. The five Frenchmen were arrested and the gold bars confiscated. The ex-Khedive does not enjoy exterritorial rights and is therefore not entitled to transfer gold."

Regarding the news item itself Willy maintains that the ex-Khedive, now believed to be at Vichy, has not the slightest intention of storing his gold (properly described as coins rather than bars) on a yacht at Monte Carlo, but that the gold is destined for the corruption of the Arabs.

Willy appears to be well-informed due to his acquaintance with the ex-Khedive's woman secretary (French), Camille Rouge, who, he maintains, is running contraband two or three times a week into France for her employer's account. Willy has learned from her that Laval had the seized motor-car returned to the ex-Khedive, and there is

every

851.51
ABBAS HILMI PASHA

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By <u>KG</u> NARA Date <u>1/22/00</u>

RG <u>84</u>
Entry <u>3208</u>
File <u>CONF. GENERAL 194</u>
Box <u># 1</u>

-3-

considerable Swiss franc portfolios. To give the Legation an idea of the extent of German holdings it is only necessary to refer to my report dated June 26, 1942, headed "SWITZERLAND, THE REICH'S FOREMOST SUPPLIER OF FOREIGN EXCHANGE"; secondly, to German purchases of Swiss cinema theaters, as first reported by this office on June 4, 1942 (file no. 840.6); thirdly, large sums obtained for facilitating the escape of Jews from occupied countries, particularly Holland and Belgium, which monies are paid out to German agents in Zurich or into Swiss banks, as first reported by this Consulate on August 18, 1942. The fact that the Reich's credit balance at the Bank of International Settlements here to cover its interest account, which has of late never been less than Swiss francs one million, according to a thoroughly reliable source, is further evidence that the Germans are well supplied with foreign exchange.

800-G/851.5
WHS/jp

1 copy to Department
1 copy to Military Attache
1 copy to Commercial Attache
1 copy to Financial Attache
1 copy to Zurich

212415

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 By KG NARA Date 1/22/10

RG 84
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 File 800 GENERAL 1941
 Box #1

-2-

the Reichsbank and the parties to the incident were "the most important man of the Reichsbank and myself", although he refused to identify his opposite as Dr. Funk. It seems their conversation was on financial subjects, when suddenly a messenger announced, without the mention of any name, the visit of a high ranking German army officer. The German banker immediately rose, and, turning to the Spanish visitor, asked him to step into an adjoining room until called again. The connecting door had not yet closed behind his back, said Mr. Benaroya, when the German army officer in the other room was heard greeting his host in an agitated tone of voice, as follows: "Ich sehe alles schwarz" (I see everything in dark colors).

The Spanish banker was subsequently called back into the large office by his host to resume their financial discussions but both he and his German opposite seemed under the spell of the words that had been uttered in that room shortly before, said Mr. Benaroya.

The Spanish visitor's subsequent inquiries into the German political situation while in Berlin convinced him, he said, that the war was lost to the Axis Powers.

Banker Benaroya, according to my informant, declared that the depression encountered by him in Berlin had also extended to the Germans in occupied France where two or three months ago the Nazis were still very cocky but had become most depressed in recent weeks because the German campaign in Russia had not worked out according to plan.

NEW FRENCH FRANC OFFERINGS

The Paris banker above mentioned, for the present at least, is not interested in dollar transactions but in French francs instead.

In this connection, the Legation will doubtless be interested in hearing that large parcels of French bank notes were again being offered here and elsewhere in Switzerland since last week, presumably for the account of the Reich and its Balkan associates.

It is not excluded that these large French franc offerings represent in part indemnity funds obtained by the Germans under the German-French armistice agreement, or at least the proceeds of the five hundred million franc Bulgarian tobacco deal mentioned in the Legation's strictly confidential memorandum of September 11, 1942, although Konic Tontcheff appears to be unknown here.

In any event, the Germans are apparently again realizing heavily from the sale of French francs on the Swiss market, thereby augmenting still further their already

considerable

212416

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Authority NND 765006
By KG NARA Date 1/22/10

RG 84
Entry 3208
File CONF. 800 GENERAL 1941
Box 41

LEGATION OF THE UNITED STATES
OF AMERICA
Rec'd OCT 2 1942
BERN

Approved by form

Misfiled

Jett

76-25-20

CA 27R

File

TO

VOLUNTARY

CONFIDENTIAL

To the
American Legation,
B e r n.

"I SEE EVERYTHING IN DARK COLORS"
and
NEW FRENCH FRANC OFFERINGS

From

Walter H. Sholes

American Consul General

Walter H. Sholes

Basel, Switzerland. Date of completion: October 1, 1942

Date of mailing: October 1, 1942

Leon Benaroya, a Spanish banker of Paris who obtained much notoriety in Switzerland last spring for his heavy dollar selling operations for German account when the American dollar on May 6, 1942 was forced down to Frs. 2.00 at Basel and to Frs. 1.95 at Berne (please see this Consulate's telegram No. 39 of May 21, 1942 addressed to the Department and sent through Bern, also a letter dated June 6, 1942 to the Legation), is no longer anticipating an Axis military victory. This operator's conversion and loss of faith in the success of German arms was the result of his recent interesting experience in the Reichsbank, Berlin. Mr. Benaroya was formerly strongly convinced of an Axis victory and played his financial cards accordingly.

According to banker Benaroya's own story, as related to a Basel banker, it appears that the incident took place in

the
212417

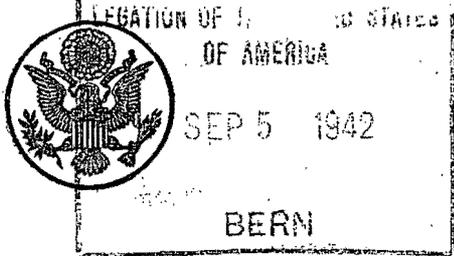
851.5 U.S. DOLLAR TRANSACTIONS - FR. 1942

DECLASSIFIED
Authority NND 765006
By KG NARA Date 1/22/10

RG 84
Entry 320K
File CONF. 800 GENERAL 1941
Box #1

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.

~~LA D J R~~
to move
~~to~~
for action



DEPARTMENT OF STATE
WASHINGTON

August 15, 1942

AIR MAIL

No. 1447

memo to Consuls 9/28
letter to Am. Ex. Co. 9/28
& reported # 3427
9/30/42 J.H. C.R.A. [Signature]

To the American Minister,
Bern.

The Secretary of State refers to a copy of a letter, dated June 6, 1942, from the Consul General at Basel, Switzerland, to the Minister concerning the dealing in dollar notes by the American Express Company in Basel.

The Legation is requested to inform the American Express Company and other United States concerns in Switzerland that dollar currency in Europe is presumed by the Treasury Department to bear Axis taint for the purpose of dealing with applications for the release of dollar currency imported into the United States pursuant to the provisions of General Ruling No. 5, as amended, issued under Executive Order No. 8389; that dealings in dollar currency in Switzerland serve to bolster the free market rate of exchange and to that extent increases the ability of the Axis nations to realize on their dollar holdings; and that consequently this Government looks with disfavor upon the continued consummation of such transactions by United States concerns. The Legation should point out to United States concerns that dollar transactions with or on behalf of or for the benefit of an enemy national constitutes a violation of the Trading with the Enemy Act, unless entered into pursuant to a license from the Treasury Department. In view of the foregoing, United States concerns in Switzerland should be requested to cease dealings in dollar currency.

U.S. CURRENCY - SWITZERLAND

JGA

DECLASSIFIED
 Authority NND 765006
 By KG NARA Date 1/22/00

RG 84
 Entry 3208
 File CONF. 800 GENERAL 1941
 Box # 1

JAL/mhg
 711.2 (851.5)

LEGATION OF THE UNITED STATES
 OF AMERICA
 Rec'd AUG 6 1942
 BERN

copy for legation
filed

Confidential

Basel, Switzerland.
 August 5, 1942.

Phil Hubbard, Esquire,
 American Consul,
 American Consulate General,
 Zurich.

Sir:

Reference is made to the Consulate General's letter dated July 30, 1942 (File No. 851.5), stating that it has been reliably informed that the American Express Company in Basel within the past few days has been purchasing substantial amounts of American dollars from German sources by selling escudos, and requesting that the Consulate investigate this matter.

Mr. Albert Levy, acting manager of the Basel branch of the American Express Company, has been approached in this connection, but denies that his office had bought or sold any appreciable amount of dollar notes in the last two months, or exchanged escudos or any other currency for dollars. He states that the dollar note market is very inactive at present and has been so for the last two months.

Respectfully yours,

Walter H. Sholes
 American Consul General

2 copies to Consulate General
 1 copy to Legation
 1 copy to Department

851.5 U.S. COMPANY

DECLASSIFIED
Authority NND 765006
By KG NARA Date 1/22/00

RG 84
Entry 3208
File CONF. 800 GENERAL 1941
Box # 1

Mindel

REFER TO
NO. 800
PCS/dh

Ack'd by form Minister Hall

CAR

*For Mr. Dyar used
to Dept. July 11 '42*



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

To Dept. desp No. 2824 July 11 mk

DEPARTMENT OF STATE

AMERICAN CONSULATE

Geneva, Switzerland, July 7, 1942

CONFIDENTIAL

Dear Mr. Dyar:

Referring to your letter of June 25, 1942 and to my reply of June 30, 1942, an American woman known to this Consulate and reputed to be wealthy reports that at 11 a.m. on Friday, July 3, a German brought to the exchange counter at the Credit Suisse, Geneva, a large bundle of United States currency and received therefor approximately 200,000 to 300,000 Swiss francs. The informant states that four bills in the packet, which had been marked with a red star, were put aside. She believes that the rate was Swiss francs 2.35.

I am unable actually to verify this alleged transaction and I take no responsibility for its accuracy.

Very truly yours,

Paul C. Squire
Paul C. Squire
American Consul

Charles B. Dyar, Esquire,
Financial Attaché,
American Legation,
Bern.

857.5 O.S. CONFIDENTIAL

DECLASSIFIED
Authority **NND 765006**
By **KG** NARA Date **1/22/10**

RG **84**
Entry **3208**
File **CONF. 800 GENERAL 1941**
Box **# 1**

Minkler
Fi-ES

Fi Mr Dyar

Do you recall that our influential friend in the Credit Suisse jovially informed us that the Credit Suisse was transacting no business whatever of this sort - and that he thought of none going on in Switzerland?

8 July 42

Just

*Please see attached draft of despatch. Our interview at the Credit Suisse was on June 30th so our jovial friend could not have had an "Ah-ha-ha!"
9 July 42 **CBD***

I am unable actually to verify this alleged transaction and I take no responsibility for its accuracy.

by form *Minister*

CAR

IN SERVICE
THE
S OF AMERICA

Fi Mr Dyar **ORSD**
To Dept. July 11 '42

To Dept. desp No. 2824 July 11 mk

AMERICAN CONSULATE

Switzerland; July 7, 1942

...er of June 25, 1942 and to an American woman known to be wealthy reports that 3, a German brought to the Credit Suisse, Geneva, a large sum of money and received therefor 10,000 Swiss francs. The bills in the packet, which she had put aside, were Swiss francs 2.35.

Very truly yours,

Paul C. Squire
Paul C. Squire
American Consul

Charles B. Dyar, Esquire,
Financial Attaché,
American Legation,
Bern.

8571.5 U.S. GOVERNMENT

DECLASSIFIED	RG 84
Authority NND 765006	Entry 320K
By KG NARA Date 1/22/00	File CONF. 800 GENERAL 1941
	Box # 1

TELEGRAM SENT

(C.I.)

To: Department Date: July 6, 6 p.m., 1942.
 No.: 3155
 Code: Secret Charged to:

PARAPHRASE

CONFIDENTIAL.

Following the fall of Tobruk, during the period from June 21st to July 4th the buying rate for Turkish pound banknotes has risen in Basel from 1.25 Swiss Francs to 1.70. The reason for this is believed to be an increased German demand for Turkish currency, possibly with a view to subversive activities in Turkey.

The American Express Company's report to the American Consul at Basel is source of above.

Foregoing repeated to Embassy at Ankara.

HARRISON

851.5 Turkey

JKH/hsb

DECLASSIFIED

Authority NND 765006By KG NARA Date 1/22/10RG 84Entry 3208File CONF. GENERAL 1941
800Box # 1

SWISS GOLD MARKET.

September 2, 1942. JK
Mr. Deane

Mr. Reagan: As of possible interest. The BBZ of August 29 and 30 refers to the recent further upward movement in the market prices for Swiss and foreign gold coins, and points out that following rumors of impending measures by the Swiss authorities against manipulations on the market, prices last Saturday sustained a considerable setback. The Swiss franc 20 coin fell from 39.25 to 37.75, the Napoleon from 40 to 38.75, sovereigns from 49.75 to 48 and American Eagles from 11.60 to 10.30. It is noted from reports of yesterday's market that prices remained around this level.

A.G. AG

As stopping shares will further

while the Spalenberg branch of the Crédit Suisse at Basel is sending each week by parcels post approximately 100,000 Swiss francs in gold (mostly Napoleons) to the Commercial Bank of Budapest. The Turkish buyers are paying in Swiss francs, of which they seem to have considerable quantities, whereas the Hungarians are apparently being forced to sell pengoes, which have greatly weakened of late.

will discuss with Rosary?

The thought has occurred to me that the various branches of the Crédit Suisse and American Express Company in Switzerland may also be making gold shipments abroad, in which event very considerable quantities must be leaving this country at the present time.

It may be added that Swiss francs are at approximately 53 to 55 percent premium at Budapest and Bucharest, according to local bankers.

As regards Lire and Marks, both have considerably weakened on this market during the past month, the former being down to 5.60 francs for 100 Lire, whereas 100 Marks were on September 5, 1942 at francs 23, after having reached

The Honorable francs
Leland Harrison,
American Minister,
Bern.

212423

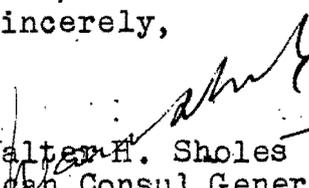
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By KG NARA Date 1/22/10

RG 84
Entry 3208
File CONF. General 1941
Box # 1

-2-

francs 33 some weeks ago. The downward movement of these currencies lately doubtless reflects public opinion in Switzerland as regards the probability of an Axis victory.

Yours sincerely,


Walter H. Sholes
American Consul General

2 copies to Department
Copy to Consulate General,
Zürich.

212424

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Authority **NND 765006**
By **KG** NARA Date **1/22/10**

RG **84**
Entry **320K**
File **CONF. 800 GENERAL 1941**
Box **#1**

IN REPLY REFER TO
FILE NO. **851.5**

Ack'd by form

Minjelas
Fi - M/Spaned
EA
File

WHS/dh

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA



LEGATION OF THE UNITED STATES
OF AMERICA

Rec'd
STATE
OCT 2 1942
BERN

AMERICAN CONSULATE

Basel, Switzerland, October 1, 1942.

CONFIDENTIAL

Dear Mr. Harrison:

In connection with gold shipments from Switzerland to various countries first reported by this Consulate on May 4, 18, 22, and 23, 1942, I may say that renewed activity of this kind has recently come to the Consulate's attention, as will be found noted below.

For hearing purposes in West Coast. Ametic stopped Sept. 26-72. Shales will report further.

The American Express Company here has for some time been sending gold (mostly Napoleons) in amounts of 250,000 to 300,000 Swiss francs each week to buyers in Turkey, while the Spalenberg branch of the Credit Suisse at Basel is sending each week by parcels post approximately 100,000 Swiss francs in gold (mostly Napoleons) to the Commercial Bank of Budapest. The Turkish buyers are paying in Swiss francs, of which they seem to have considerable quantities, whereas the Hungarians are apparently being forced to sell pengoes, which have greatly weakened of late.

The thought has occurred to me that the various branches of the Credit Suisse and American Express Company in Switzerland may also be making gold shipments abroad, in which event very considerable quantities must be leaving this country at the present time.

It may be added that Swiss francs are at approximately 53 to 55 percent premium at Budapest and Bucharest, according to local bankers.

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The Honorable
Leland Harrison,
American Minister,
Bern.

francs

851.5 SWITZERLAND GOLD SHIPMENTS

will discuss with Rosary

DECLASSIFIED
 Authority NND 765006
 By KG NARA Date 1/22/00

RG 84
 Entry 320K
 File CONF. General 1941
 Box #1

Mr. Huddle

File with letter from Basel & cable July 6, 42.

Mr. Huddle

Memorandum for Mr. Dyar:

Our bank informs me that there is no market for Turkish pounds,

The local banks are not buyers. Their latest quotation as sellers
 was ^{1.60} ~~2.00~~ Sw. frcs to 1 Turkish pound. ^{Price} No information available

as to volume, but believed to be negligible.

July 7, 1942.

FG

from Frs. 1.25 to 1.70.

Mr. Levy said that he has had occasion to observe that the invasion by Germany of Czechoslovakia, Poland, Belgium, Holland, Denmark, Norway, Yugoslavia, and other countries has in each case been invariably preceded by a marked upward trend in the rates of the paper money of the respective countries, which ceased and gave place to a downward movement as soon as the occupation was accomplished. His explanation for this phenomenon is that during a certain period preceding a contemplated invasion the German Government endeavors to buy up large amounts of paper money of the country involved for the purpose of financing there the fifth column and other subversive activities. The preference is for paper money rather than for checks in view of the greater secrecy with which purchases of the former can be made. Mr. Levy added that while he did not wish to be regarded as a prophet, the recent rise in Turkish pound banknotes made him fear that Germany may have sinister plans as regards Turkey.

Respectfully yours,

Walter H. Sholes

In duplicate to Legation
 Copy to Department
 Copy to Zurich

212426

DECLASSIFIED
Authority AND 765006
By KG NARA Date 1/22/00

RG 84
Entry 320K
File CONF. 800 GENERAL 1941
Box 41

Tel. to Dept. 3155 July 6

Ack'd by form

Minister
CA-R
Ji

IN REPLY REFER TO JAL/mhg
FILE NO. 851.5 (800)



LEGATION OF THE UNITED STATES
OF AMERICA
JUL 5 1942
DEPARTMENT OF STATE
BERN
Confidential

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

*without predicting (just like the
poor Mr Levy) - the State & Treasury
depts might like a short telegram
summarizing recent exchange rates
on Turkish pound (?)*

AMERICAN CONSULATE

Basel, Switzerland,
July 4, 1942.

The Honorable Leland Harrison,
American Minister,
Bern.

Handwritten notes and signatures:
Will you please...
851.5 TURKEY
file

Sir:

I have the honor to report as of possible interest to the Legation that Mr. Albert N. Levy, acting manager of the Basel branch of the American Express Company, has informed the Consulate that since about the fall of Tobruk on June 21, 1942, there has set in a steady rise in the local rate of exchange of Turkish pound banknotes, which, in his opinion, has been caused by an increased demand on the part of Germany. According to Mr. Levy, in the period stated the buying rate in Basel has risen from Frs. 1.25 to 1.70.

Mr. Levy said that he has had occasion to observe that the invasion by Germany of Czechoslovakia, Poland, Belgium, Holland, Denmark, Norway, Yugoslavia, and other countries has in each case been invariably preceded by a marked upward trend in the rates of the paper money of the respective countries, which ceased and gave place to a downward movement as soon as the occupation was accomplished. His explanation for this phenomenon is that during a certain period preceding a contemplated invasion the German Government endeavors to buy up large amounts of paper money of the country involved for the purpose of financing there the fifth column and other subversive activities. The preference is for paper money rather than for checks in view of the greater secrecy with which purchases of the former can be made. Mr. Levy added that while he did not wish to be regarded as a prophet, the recent rise in Turkish pound banknotes made him fear that Germany may have sinister plans as regards Turkey.

Respectfully yours,

Walter H. Sholes

In duplicate to Legation
Copy to Department
Copy to Zurich

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Entry 3208
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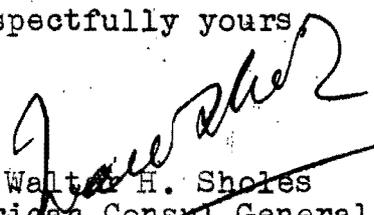
converted into gold dollars and Napoleons for German account.

In this connection, attention is invited to the fact that the price of gold has gone up from 8.40 to 8.75 for the gold dollar during the past two months.

At one bank here the use in gold was attributed to German buying operations.

Mr. Bührle of the Werkzeugmaschinenfabrik Oerlikon Bührle & Company is said to belong to the Fifth Column in this country. The Schweizerische Rationenbuch 1941 shows his wife to be financially interested in the Company which is, of course, on the proclaimed list. A certain Mr. Waldemar von Vethacke, a German national, is one of the managers of this organization and has powers to sign for it, according to the Rationenbuch.

Respectfully yours


Walter H. Sholes
American Consul General

2 copies to Department
Copy to Zürich.

212428

DECLASSIFIED
 Authority NND 765006
 By KG NARA Date 1/22/00

RG 84
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 Box # 1

To Basel July 28 ig
 Ack'd by 10RM

REPLY REFER TO

FILE NO 851.5

WHS/dh



DEPARTMENT OF STATE

THE FOREIGN SERVICE
 OF THE UNITED STATES OF AMERICA

LEGATION OF THE UNITED STATES
 OF AMERICA

Rec'd JUL 25 1942

BERN



AMERICAN CONSULATE

Basel, Switzerland, July 24, 1942.

~~CONFIDENTIAL~~

The Honorable
 Leland Harrison,
 American Minister,
 Bern.

Subject: Eidgenössische Bank A.G.,
Zürich Acting for Bührle-
German Interests

Sir:

I have the honor to report that confirmation has been obtained of the large financial transaction reported in this Consulate's letter dated July 4, 1942 (file 851.5) in connection with internal payments in France now being made through the intermediary of the Reich, acting through Paris and Swiss banks.

According to my informant who was able to confirm the recent operation by no one less than Dr. J. Hotz of the Handelsabteilung of the Eidgenössische Volkswirtschaftsdepartement, Bern, the transaction involved a payment to Mr. Bührle by the French Government for an old French war contract with the Werkzeugmaschinenfabrik Oerlikon, in an amount said to be somewhere between 235,000,000 and 275,000,000 French francs.

From another trustworthy source it was learned that settlement was effected for an amount slightly in excess of Swiss francs 4,000,000 through the Federal Bank, the headquarters of which are in Zürich. Thus, the rate of exchange was approximately 2 Swiss francs for each 100 French francs.

It would seem that the above amount was subsequently

converted.

851.5 BÜHRLE

212429

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Authority NND 765006
By KG NARA Date 1/22/00

RG 84
Entry 320K
File CONF. 800 GENERAL 1941
Box 41

See EC Files for

Department's Instruction 1265,
April 20, 1942

Department's Telegram 2850, December 18,
1942

Legation's Telegram 6030, December 21, 1942

Legation's Telegram 6031, December 21, 1942

Regarding:

Transfer of funds from Locarno to Mexico
involving Wedemeyer; Reuper; Hermkes;
Nicolaus; et al.

(59)
851 WEDEMEYER -

1942

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 Authority NND 765006
 By KG NARA Date 1/22/10

RG 84
 Entry 3208
 File CONF. 800 General 1941
 Box #1

December 9, 1942. ~~DER~~

The gold market in Switzerland.

As of possible interest.

As the result of the increased activity during the past few months in the Swiss gold market, and especially as concerns gold coins, the Swiss Government and the Swiss National Bank have taken steps to regulate and supervise dealings in gold.

La Suisse of December 8, 1942, gives the following account of these measures:

Dealers must obtain a permit to trade in gold. Those who wish to trade in gold (bars or coins) must request permission from the "Bureau central du controle des metaux precieux".

Any sale or purchase of gold must take place through the intermediary of a licenced firm, which must keep a special record of its dealings in gold. In concert with the Swiss National Bank, the Federal Price Control Office has fixed upper limits for prices of gold bullion and bars, applying to the domestic market as well as to imports and exports.

Excluding turnover tax, the upper limit for gold bars has been fixed at 4,970 swiss francs per kilogram fine and for the 20 swiss franc coin at 30.50 swiss francs.

The importation and exportation of gold can only be carried out with the authorisation of the Swiss National Bank.

Trading in Swiss and foreign gold coins will be subject to the business turnover tax (at present 2 percent).

This regulation will not in any way affect payments between Switzerland and abroad, nor the currency.

The instructions sent by the Federal Government to the Swiss National Bank on September 27, 1936, to maintain the gold value of the Swiss franc at a level corresponding to a devaluation of about 30 percent, still holds good.

The above is apparently based on an official communique.

Gazette de Lausanne of December 8 observes that some people consider that "this arbitrary" measure can only favor the "black market", and that while the authorities may decide today to bring the price of bullion back from 5,600 swiss francs to 4,970 swiss francs, this may not suffice to induce people to sell their gold at this price.

A.G. *AR*

212431

551 SWITZERLAND

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 Authority NND 765006
 By KG NARA Date 1/22/10

RG 84
 Entry 3208
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 Box # 1

TELEGRAM SENT

To: Department

Date: Dec. 8, 1942

No.: 5741

Code: Clear

Charged to:



Swiss National Bank fixed ceiling of Swiss twenty franc coins at 30.50 equivalent to official devaluation Swiss franc September 1936. Persons or concerns desiring to deal in gold must obtain special concession from Government. No gold may be imported or exported without special authorization of National Bank.

HARRISON

CD/nrm

851 SWITZERLAND

DECLASSIFIED
Authority NND 765006
By KG NARA Date 1/22/10

RG 84
Entry 320X
File CONF. 800 GENERAL 1941
Box # 1

Minister
Fi - 60
CA - R
FA
August 22, 1942.

Mr. HUDDLE.-

Price GOLD in SWITZERLAND.

Gold continues its increase in price with American ~~dollar~~ *gold coins* now Friday selling at 10. francs *the dollar.*

Financial circles now state that this has already had effect on prices of stocks. Renewed activity on stock exchanges and somewhat general increase in stock prices ascribed to the gold policy.

Circles which have favored inflationary tendency in Switzer-land now active again. ~~Financial~~ Banking circles while recognizing gold as barometer of money values assert condition here purely technical and increase price stocks not justifiable.

ms
Landreth M. En.

571
5-11-42
(100)

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RG 84
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Mindler
~~JE CA CRD~~
~~CA WR R~~
~~WAC~~

August 20, 1942.

~~Mr. LUBBIE~~

You will recall the question of the price of gold coins and bullion in Switzerland, about which we spoke some days ago.

I now hear that

- (1) the "Bourse Nationale" several weeks ago issued directives to all banking enterprises in Switzerland that (a) gold bullion would have a fixed price 4970 francs per kilogram, (b) it could only be sold for purposes advantageous to Swiss national economy - industrial and artisan - (c) Swiss gold coins could not be exported, (d) Swiss gold coins can only be sold to certain specified categories of persons which excludes sales to numerous persons who have heretofore been purchasing them possibly for hoarding, etc. and (e) sale, export, trade in other gold coins - USA, French, British, Russian, - not regulated in any way thus leaving free trade in foreign gold coins as heretofore.
- (2) these directives have caused great increase price both Swiss and foreign gold coins. The latter particularly since they are wanted for export to countries, such as France, where trade in gold is free while price of bullion has remained fixed at 4970.
- (3) So far there has been no order by National Bank, no legal text or decree, no provision of punishment for contravention of policy but simply "directives voluntarily carried out by banks (somewhat similar to original policy Bank of England. However this can change at any time but Swiss financial authorities still hope that policy can be effectuated without legal or penal actions.
- (4) No manipulation Swiss money involved since purely question maintaining free market in gold while at same time reserving for Swiss industry ~~bar~~ bar gold and retaining in ~~Switzerland~~ Switzerland gold coins of Swiss minting,
- (5) Swiss financial and banking circles are concerned at the disparity in price between bar gold and Swiss gold coins and are arguing that government should raise price bar gold to point equivalent to gold value coins. To do so however would apparently affect Swiss currency. Some change in undoubtedly expected in this whole matter in the weeks to come.

65155
SWITZERLAND
GOLD

JMA
Landreth M. HN.

PRICES PAID FOR GOLD CURRENCIES AND BULLION ON AUGUST 10, 1942.

<u>G O L D</u> <u>Kinds of Currency</u>	<u>Fineness</u>	<u>Per 1000</u>	<u>Intrinsic Value</u> Sw. Frs.	<u>Buying and Selling Price of</u> <u>Commercial Banks</u>	<u>Theoretical Parity</u> Middle Price Sw.Frs.4,920.63 per kilo	
American Eagles	\$10.00 \$20.00	15046 30092	900 900	7.28	Sw.Frs.9.40 - 9.70	28.99%
British Sovereigns	£ 10/- £ 1.-	36612 73223	916.66 916.66	35.50	" " 43.75 - 44.75	22.81%
Napoleons	Fr.10.- " 20.-	2.903225 5.80645	900 900	28.10	" " 34.50 - 35.50	22.50%
Sw.Frs.	10.- 20.-	2.903225 5.80645	900 900	28.10	" " 33.85 - 34.75	19.88%
Belg.Frs. & Ital.Lire	10.- 20.-	2.903225 5.80645	900 900	28.10	" " 33.50 - 34.50	19%
German Mk.	10.- 20.-	35842 71684	900 900	34.70	" " 36.20	2.63%
Gold bars	-	12.5	899 - 999	4,869.80	" " 4,965.-	0.90%

Banks: Aktiengesellschaft Leu & Co., Zürich
Schweizerische Kreditanstalt, Basel

2 copies to Legation
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Copy to Zürich

212436

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By KG NARA Date 1/22/00

RG 84
Entry 3208
File CONF. GENERAL 1941
Box # 1

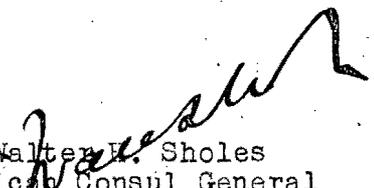
-2-

It is pointed out, for example, that the premium on American gold is approximately 29 percent compared with 20 percent in the case of the Swiss gold franc, and 2.63 percent for the German Mark. The low price for the German Mark is explained by the fact that there has never been a market for the gold mark in the same sense as for American Eagles, British Sovereigns and Napoleons.

The demand for the currencies above-mentioned is not only local but also from abroad, but buying for foreign account has fallen off considerably of late, it is said.

There is enclosed a table giving comparative prices of the principal gold coins here and of bullion.

Respectfully yours,


Walter I. Sholes
American Consul General

Enclosure:

1. Table as stated above.

212437

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By KG NARA Date 1/22/00

RG 84
Entry 320X
File CONF 800 GENERAL 1941
Box #1

IN REPLY REFER TO
FILE NO. 851.6

LEGATION OF THE UNITED STATES
OF AMERICA
Bern
Rec'd APR 17 1942



Ack'd by form

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

The Minister
CA Mr. [unclear]
WMC - Mr. Chase
(Should I think there
has place in the Bi weekly
review)
Jett

Confidential

DEPARTMENT OF STATE

AMERICAN CONSULATE GENERAL

Zürich, Switzerland, April 16, 1942.

Dear Mr. Harrison:

I enclose, in translation, an article entitled "Fear of Dollar Inflation" which appeared in the "Sudost-Echo", Vienna, of April 10, 1942. The article is by the Zürich correspondent of this paper. Of particular interest in this connection is the reference to the report of the private banking house of Dr. A. Friedrich, whose owner, Dr. Friedrich, is the President of the Zürich Stock Exchange, wherein the suggestion is made that a Committee of Initiative be constituted and entrusted with the task of creating the possibility of investing blocked dollars in foreign merchandise, at least until after the war, to make such merchandise available for the country's provisioning.

I am inclined to believe that Mr. Clinton Winant, brother of our Ambassador in London, is largely responsible for the interest of Swiss banking and commercial houses in purchasing goods in the United States and Central and South America and holding them in storage there. At least his activities here have served to bring them to the fore as one means for the alleviation of the problem brought about by the freezing of Swiss assets in the United States. Inquiry here, in this connection, indicates that several of the big banks appear to be receptive to the idea and are awaiting the return of Mr. Winant to discuss the matter with him.

The Honorable
Leland Harrison,
American Minister,
Bern.

851.6
FRIEDRICH

DECLASSIFIED
Authority NND 765006
By KG NARA Date 1/22/10

RG 84
Entry 3208
File CONF. 800 GENERAL 1941
Box #1

IN REPLY REFER TO
FILE NO. 851-5
WHS/ah

Ack'd by Form

Minister
~~*JH-CB*~~ *CB*
~~*CA-JRR*~~
~~*JH-CB*~~ *CB*
File



LEGATION OF THE UNITED STATES
OF AMERICA
THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA
AUG 13 1942
BERN
DEPARTMENT OF STATE

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE

Basel, Switzerland, August 13, 1942.

~~STRICTLY CONFIDENTIAL~~

DECLASSIFIED AND RELEASED

The Honorable
Leland Harrison,
American Minister,
Bern.

Authority 765006
By JB NARS, Date 4/18

Subject: Gold Prices in Switzerland

Sir:

I have the honor to report as follows:

An important development has recently occurred in the Swiss gold market with the result that the Swiss National Bank has suspended the sale of gold to the public for the present. The fact that this bank is no longer selling gold and appears to have forced up the price of American gold dollars, British Sovereigns and Napoleons to a point where premiums have now nearly doubled. The American gold dollar on August 10, 1942, for instance, reached a premium of 28.99 per cent. The fact that the National Bank has now stopped feeding the market with gold coins may well result in forcing up prices to even higher levels, say local bankers.

It will be recalled that at a meeting of Swiss bankers in Zurich last week the National Bank not only decided to stop releasing gold but arranged with Swiss Commercial Banks for a maximum selling price of bullion, namely Swiss francs 4970 per kilo. Earlier in the month bullion prices had reached Swiss francs 5,050 per kilo, with the result that banks stopped sales to the public.

In Swiss banking circles the rise in prices of gold currencies is attributed to hoarders and sentiment.

It

Should not be released

*851-5
SWITZERLAND
- Gold*