

# The OSS and Project SAFEHAVEN

## *Tracking Nazi "Gold"*

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By the fall of 1944, it was obvious that the war in Europe was in its final year. In France, British and American forces had broken out of Normandy and were driving toward Paris and the Rhein. In the East, the Soviet Army was expanding its control westward across Europe. All over the Continent, Allied domination of the air was complete, and in the North Atlantic the back of the German *U-Bootwaffe* was finally broken. Policymakers had started to think of the peace. Future stability seemed to depend on taking measures to ensure that Germany would not provoke a third world war. Already the "German problem" was dominating Allied political thinking. In the United States, the War Department and the Department of Justice were making plans and drawing up lists for the postwar war crimes trials. At the Department of the Treasury, Secretary Henry Morgenthau had completed his scheme for the wholesale destruction of Germany's military and industrial power and its re-creation as a feudal, agrarian state. More immediately, in the wartime Foreign Economic Administration (FEA), a small group of policymakers were putting the finishing touches on Project SAFEHAVEN, an operation designed to root out and neutralize German industrial and commercial power wherever it might be found.

The origins of SAFEHAVEN are to be found in two memorandums sent from the FEA to the Departments of State and Treasury on 5 and 17 May 1944, proposing an interagency program to track down and block German assets in neutral and nonbelligerent countries throughout Europe and the Americas.<sup>1</sup> The fear was that the German political and economic leadership, sensing defeat, would act to transfer secretly blocs of industrial and fiscal capital to neutral countries, thereby escaping confiscation and the reparations bill. If this happened, German economic and industrial power would be largely intact and would act as a power base from which an unrepentant German leadership could build a resurgent Fourth Reich in 20 years. The military defeat of Germany thus would again be meaningless.

## **An Ambitious Program**

The overriding goal of SAFEHAVEN was to make it impossible for Germany to start another war. Its immediate goals were to force those neutrals trading with Nazi Germany into compliance with the regulations imposed by the Allied economic blockade and to identify the points of clandestine German economic penetration. Implementation of SAFEHAVEN depended on action in four major areas:

- To restrict German economic penetration outside the borders of the Reich.
- To prevent Germany from sequestering assets in neutral countries.
- To ensure that German assets would be available for postwar reparations and the rebuilding of Europe.
- To prevent the escape of those members of the Nazi ruling elite who had already been marked down for war crimes trials.<sup>2</sup>

In August and September 1944, directives were sent out to American legations throughout Europe and the Americas setting forth the goals of SAFEHAVEN and instructing Embassy officials to take steps to implement them.<sup>3</sup>

It is quite clear that SAFEHAVEN planners had a good idea of what they wanted to achieve, but it also is apparent that they did not have the slightest idea of how to do it. Although it was evident from the outset that SAFEHAVEN would be primarily an intelligence-gathering problem, it does not appear to have occurred to anyone to consult the intelligence services, which were excluded from the planning and implementation of SAFEHAVEN until the end of November 1944.<sup>4</sup> Bureaucratic rivalries predominated. Indeed, SAFEHAVEN was nearly destroyed by internecine quarrels among the FEA, State, and Treasury, each of which wanted to control the program and to exclude the other two from any participation.

## **State Versus Treasury**

The antagonism between the State Department and the Treasury was particularly rancorous and derived from deeper, fundamental differences over postwar policy toward Germany. Reflecting the views of Secretary Morgenthau, opinion in the Treasury Department favored a punitive peace that would destroy German military and industrial power once and for all. The State Department was fundamentally opposed to this, arguing that a powerful but pacified Germany was necessary to maintain stability in Europe and to contain the USSR. Because it cut across political as well as economic and fiscal lines of substance, SAFEHAVEN brought out these differences in a forum in which they were incapable of resolution.

Jockeying for position reached a peak in August, when FEA official Samuel Klaus set out on a factfinding tour of Allied and neutral capitals accompanied only by State Department official Herbert J. Cummings, with the Treasury Department deliberately excluded from participation.<sup>5</sup> It found out anyway, and two Treasury officials set out in hot pursuit of the Klaus mission, catching up with it in London. Klaus grudgingly allowed them to accompany him to Stockholm, but he refused to permit them to continue further with his delegation. Undeterred, the two Treasury Department officials followed Klaus to Spain. This was too much for Klaus, who canceled the remainder of his trip and returned to Washington.

In his report, filed on 21 October 1944, Klaus criticized efforts to implement SAFEHAVEN to date and cited his belief that Embassy personnel were not devoting sufficient energy to the project. The situation was worse in Spain, where US Ambassador Carlton J. Hayes was accused of actively blocking implementation of SAFEHAVEN, although Spain was "beyond question the country in which the most damaging SAFEHAVEN activities are going on and may be expected."<sup>6</sup>

Both Treasury and State rejected Klaus's report for their separate reasons, and a flurry of bureaucratic maneuvering dominated SAFEHAVEN for the rest of the year.

## OSS Becomes Involved

Although the end result of the bureaucratic battle was the emergence of the State Department as the organization principally responsible for SAFEHAVEN, from the intelligence standpoint the most important step taken was to centralize intelligence and data collection in the US Embassy in London.<sup>7</sup> As a part of this move, the decision was finally taken to invite the formal participation of the OSS. Once the OSS was brought into the SAFEHAVEN fold, all the advantages of a centralized intelligence organization were brought to bear. Most important, dissemination of intelligence improved, as did evaluation of the sources from which the raw intelligence data was collected.

Within the OSS, SAFEHAVEN fell largely under the aegis of the Secret Intelligence (SI) Branch, responsible for the gathering of intelligence from clandestine sources inside neutral and German-occupied Europe. But the unique character of SAFEHAVEN, which was both an attempt to prevent the postwar German economic penetration of foreign economies and an intelligence-gathering operation, meant that the OSS counterintelligence branch, X-2, also had an important role to play. SAFEHAVEN thus emerged as a joint SI/X-2 operation shortly after its inception, especially in the key OSS outposts in Switzerland, Spain, and Portugal, with X-2 not infrequently playing the dominant role.<sup>8</sup> X-2 was particularly active in reporting on clandestine German projects to acquire important economic and industrial assets in neutral countries. These efforts intensified as Germany's military fortunes waned, especially from September 1944 onward, as the advance of Allied armies threatened to sever Germany's land links with important sources of strategic materials in southeastern Europe and the Iberian Peninsula.

In fact, the inception of SAFEHAVEN meant little more than a redirection of intelligence assets already dedicated to the collection of economic intelligence. The OSS had been collecting economic intelligence similar to that required by SAFEHAVEN since 1942 as a part of the general effort to understand the functioning of the German war economy. Gold transfers in particular were a key part of that economy. Suffering from an acute shortage of certain key strategic resources since the proclamation of the Four-Year Plan and the onset of autarky in 1936, the German armaments industry increasingly had had to resort to specie payments or barter agreements to pay for imports of these materials since before the outbreak of the war. Conquest of Europe had done little to alleviate most of these shortages.

Moreover, due to the inefficiency of the Nazi regime--full mobilization for war production had not been achieved until 1944--the war production index for that year was nearly three times that of 1941, itself a significant increase over 1939-40.<sup>9</sup> Paradoxically, therefore, the German appetite for oil, high-grade iron ore, wolfram (tungsten ore), and other strategic materials grew insatiably, even as German industry reeled under the onslaught of the Allied strategic bombing campaign and the territory under German control shrank.

In their search for war materials, Nazi leaders extended their net throughout Europe. High-grade iron ore and copper was imported from Sweden; iron ore from Poland, Austria, and Spain; wolfram from Portugal and Spain; and chromium from Turkey. Voluntarily or involuntarily, every nation in Europe fed the German war machine with the raw materials it needed to function.

Switzerland, however, was the central connecting link.

## The Importance of Switzerland

In Nazi Europe, neutral Switzerland carried out business as usual, providing the international banking channels that facilitated the transfer of gold, currencies, and commodities between nations. Always heavily dependent on Swiss cooperation to pay for imports, the Reich became even more so as the ultimate defeat of the National Socialist regime became obvious and neutrals grew more wary of cooperating with the Axis belligerents. Since early 1943, Swiss cooperation had become essential as other neutrals responded to Allied pressure and refused to exchange war materials for specie. As defeat loomed, neutrals also became increasingly reluctant to accept payment in Reichsmarks. This left payment in foreign currency, of which Nazi Germany had precious little after nearly a decade of autarky and war.

In this critical situation, the Swiss banks acted as clearinghouses whereby German gold--much of which was looted from occupied countries--could be converted to a more suitable medium of exchange. An intercepted Swiss diplomatic cable shows how, allegedly without inquiring as to its origin, the Swiss National Bank helped the German Reichsbank convert some \$15 million in (probably) looted Dutch gold into liquid assets:

*In May 1943 (the Swiss National Bank) sold to the Turkish CENTRAL BANK 256 bars (of gold) amounting to 14.8 million francs, which were taken over previously from the German REICHSBANK. This gold was sold back to the German REICHSBANK by the Turkish CENTRAL BANK. Later the German REICHSBANK sold 13.8 million francs of this gold to the BANCO DE PORTUGAL in Lisbon, and one million to the BANK FOR INTERNATIONAL SETTLEMENTS.<sup>10</sup>*

Initially carried out through more or less routine channels of exchange, German efforts to acquire foreign currency and convert it to war materials became increasingly covert as Allied victory approached. Long-term exchange agreements became impossible, with neutrals willing to trade only on a "cash-and-carry" basis and frequently seeking a means of distancing themselves from their Nazi trading partners. To Allied observers, these covert German activities looked like a conspiracy to build an underground economy--an activity that would have profound implications for SAFEHAVEN. In fact, such efforts represented little more than the desperate attempts of the Nazi leadership to preserve access to vital sources of raw materials and had little to do with visions of a resurgent Fourth Reich. Then, too, individual Germans and German corporations were taking steps to conceal assets in foreign countries to protect them against destruction or seizure by the victorious Allied armies.<sup>11</sup> Although, from the perspective of 50 years, the real motivations behind such efforts seem obvious, to SAFEHAVEN planners they were evidence of a grand conspiracy, one that encompassed the transfer of millions of Reichsmarks' worth of gold as well as the purchase of individual automobiles in Stockholm and hotels and bank accounts in Portugal.<sup>12</sup> In the end, of course, these fears were groundless. The intelligence collected for SAFEHAVEN, however, proved to be of enormous value in the postwar settling of accounts at Nurnberg and elsewhere and later provided basic building blocks for a historical understanding of the Nazi war economy.

Because the August and September directives implementing SAFEHAVEN treated it as a departmental program--and, to some degree, an intergovernment matter--cooperation on the part of the OSS at first was on an informal basis. Not until 30 November 1944 were instructions sent out to OSS stations alerting them to the intelligence requirements expected to be generated by SAFEHAVEN.<sup>13</sup> To a large extent, therefore, the collection of SAFEHAVEN material simply piggybacked onto other programs for the collection and processing of raw economic intelligence from sources already in place.

## **Allen Dulles in Bern**

Under these circumstances, it is scarcely surprising that implementation of SAFEHAVEN measures depended largely upon the personalities of the OSS chiefs of mission and the conditions under which they operated. In Bern, the heart of the Swiss banking and German gold transfer activity, the OSS chief was Allen W. Dulles, later (1953 to 1962) Director of Central Intelligence. An East Coast brahmin with extensive prewar ties to European banking circles, Dulles spent his tenure in Bern constructing an "old-boy" network of sources that extended throughout neutral and Axis-occupied Europe. It was an astonishingly successful system, ideally suited to his situation in neutral Switzerland and well conceived to gain access to European government and business circles. For example, Dulles counted among his close personal friends no less a personage than Thomas B. McKittrick, President of the Bank for International Settlements (BIS), in Basel. A multinational corporation created to manage international currency and gold exchanges, BIS was the single-largest channel for gold transfers in prewar and wartime Europe. McKittrick also was an OSS source who provided Dulles with "comfortable access" to thinking of the bankers most responsible for moving German assets throughout Europe.<sup>14</sup> Among other kinds of information, McKittrick kept Dulles informed of the comings and goings of *Reichsbankvizepräsident* Emil Puhl, the architect of the German gold transfer arrangements.<sup>15</sup>

Other well-placed sources available to Dulles in high European financial circles included Dr. Eduard Waetjen, Abwehr agent, member of the German resistance, and commercial adviser to the German Consul General from 15 February 1945;<sup>16</sup> Maurice Villars, General Director of the Zurich Electro-Bank; and Swedish economist and Economic Adviser to the BIS, Dr. Per Jacobsson, who was close to (the surprisingly extensive) Japanese diplomatic and business circles in Switzerland. In 1945, Jacobsson provided information that helped to scuttle a Japanese attempt to buy vitally needed ball bearings in Sweden and later served with Maurice Villars as a mediator for Japanese peace feelers put forward in Switzerland.<sup>17</sup>

Such contacts were clearly important, but it also seems clear that the high value Dulles attributed to them--whether because of his social prejudices or his concern for the intelligence they provided--made him wary of intelligence activities such as SAFEHAVEN. Moreover, Dulles looked forward to a postwar settlement that envisioned the United States working closely with European business and banking circles to reshape Western and Central Europe according to American interests. Finally, Dulles could legitimately claim that his staff was already overburdened by the collection of strategic and military intelligence. On 28 December 1944, following receipt of the OSS memorandum regarding cooperation with State's SAFEHAVEN project, he cabled Washington:

*Work on this project required careful planning as it might defeat direct intelligence activities and close important channels for German SI.... Today we must fish in troubled waters and maintain contacts with persons suspected of working with Nazis on such matters. For example,...both 496<sup>18</sup> and X-2 here can be useful under cover but believe idea of working practically as agents of Commercial Attache and Consul General Zurich, on this project would be unwise. Further, to deal effectively with matter, it would require special staff with new cover.... At present we do not have adequate personnel to do effective job in this field and meet other demands.<sup>19</sup>*

## **Strategic Intelligence**

In part because Dulles was already fully occupied with his existing requirements for strategic intelligence reporting, in part, no doubt, because of his unwillingness to give SAFEHAVEN material the attention Washington believed it deserved, responsibility for this task in Bern was delegated to X-2.<sup>20</sup> Fortuitously, the restoration of access to Switzerland through France in November 1944 made it possible for the first X-2 operative in Switzerland to enter the country by the end of the year.<sup>21</sup> By January 1945, X-2 was up and running in Switzerland, and by April it was able to provide OSS Washington with an extensive summary of Nazi gold and currency transfers arranged via Switzerland through most of the war.<sup>22</sup> According to X-2, these included:

- Gold and bonds looted by the Nazis from all over Europe and received by certain Swiss banks.
- Funds sent by the Deutsche Verkehrs-Kreditbank of Karlsruhe to Basel.
- Securities held in Zurich by private firms for the Nazi Party.
- Large quantities of Swiss francs credited to private accounts in various Swiss banks.
- Money and property held in Liechtenstein.
- More than 2 million francs held by the Reichsbank in Switzerland.
- Forty-five million Reichsmarks held in covert Swiss bank accounts.

Apart from the obvious official transactions, these sums were brought in by German and Swiss banks and business organizations. X-2 reported only a few cases where private individuals, some of whom were believed to be with German intelligence organizations, participated. Methods used included smuggling, diplomatic pouches, undercover exchange of foreign currencies, Swiss bank accounts and trusts, sales of paintings and other valuables, and the black market.<sup>23</sup>

From the end of 1944, SAFEHAVEN reporting originated by X-2 appeared alongside other reporting provided by Dulles's SI operation in Bern. Although Dulles's SI organization provided substantial SAFEHAVEN intelligence material,<sup>24</sup> it was swamped in a sea of other reporting on strategic and military topics: war damage to German industry; the status of German synthetic oil refining operations; how the German Reichsbahn was maintaining rail services despite extensive bomb damage; order-of-battle and operational intelligence on German forces in Italy and on the Western Front (for which Bern was the principal source); political intelligence on the Fascist Italian Social Republic (the puppet regime founded in 1944 after Mussolini's fall from power and subsequent rescue by German commandos); contacts with the German resistance; and--not least--from March 1945, the negotiations leading to the surrender of Axis forces in

## Lieutenant Casey's Activities

By the end of 1944, reporting on the Reich from OSS Bern was being augmented by material from the SI mission in London. Dependent on agent reporting from within Germany itself, the intelligence collection by the sources available to SI London of necessity was somewhat problematic until mid-September 1944, when the liberation of Paris and much of France provided new avenues for attacking the German target. SI London moved to Paris, where it was designated SI European Theater of Operations (ETO). Its chief was then-Navy Lt. William J. Casey. The son of a Tammany Hall politician, Casey was a feisty Irishman who lacked the family connections of his counterpart in Bern.

Casey's vision of the postwar world saw the United States playing business interests in Germany against each other and against Communist and Socialist-led labor unions.<sup>26</sup> He welcomed an opportunity to collect intelligence showing Nazi connections to supposedly neutral business circles as a means of influencing these same circles in the postwar world. As a result, Casey launched into SAFEHAVEN with such enthusiasm that he had to be restrained by Washington, in a cable dispatched on 18 January 1945:

*...(W)hile SAFEHAVEN Project has certain present and potentially greater future value, no SI personnel which can possibly be used in connection agent penetration Germany...should be used for any SAFEHAVEN purpose. For this project we can be one of many supporting agencies Department State which has assumed control and direction. For agent penetration Germany for strategic information and for proper briefing such agents US Government can look to OSS SI only to accomplish its characteristic mission.<sup>27</sup>*

This meant that SI ETO would largely confine its SAFEHAVEN activities to the areas already under Allied control. This was already the most fruitful area because, by definition, SAFEHAVEN involved assets outside Germany. By the end of the month, Casey was able to report that the "gold project" was under way in Paris, with other plans for SAFEHAVEN work in France, Belgium, and Holland. Because these areas were already occupied by Allied forces, however, the special intelligence techniques that distinguished OSS operations proved unnecessary. Casey did not give up, though; two months later, he reported that "SAFEHAVEN work with State has shown area to be a valuable field of endeavor, especially because of the potential for leverage with German financial circles, etc., in the future," and "Fagan SAFEHAVEN man for Embassy...feels us absolutely necessary to his work."<sup>28</sup> Nevertheless, SI activity in this area remained a footnote to the efforts of State Department and other personnel already on the ground. An X-2 "Art Looting Investigation Unit" produced similar results.<sup>29</sup>

## The Iberian Peninsula

Switzerland remained the financial heart of German gold and currency transactions, but without question, for OSS the most productive areas of SAFEHAVEN activity were the other neutral centers of German commercial activity, Sweden and the Iberian Peninsula. The OSS mission in Madrid in particular had had economic intelligence as a principal function since its creation in April 1942, despite being "very considerably hampered" until shortly after VE Day by an Ambassador and diplomatic staff hostile to OSS activities.<sup>30</sup> Most OSS operatives in Spain were handled out of Lisbon under nonofficial cover because the diplomatic staff in Madrid made a practice of identifying intelligence agents to the Spanish police.<sup>31</sup> Considering espionage against a "friendly" [sic] country<sup>32</sup> to be "un-American," Ambassador Carlton J. Hayes resented the OSS presence in Spain and insisted on censoring all incoming and outgoing OSS message traffic to Washington. "For a good many months," the Embassy would not allow OSS Madrid to pass on SAFEHAVEN material, or even economic reporting, to Washington.<sup>33</sup>

OSS Madrid nonetheless managed to provide extensive documentation of German commercial transactions throughout the war.<sup>34</sup> Bills of lading or manifests covering all merchandise shipped to France (and thence to Germany) were provided weekly, including everything from orange juice to wolfram and steel rails.<sup>35</sup> Equally important was documentation of the flagrant cooperation given the German war effort by the Spanish authorities, including the use of Spanish airfields by German aircraft, the covert supply of German submarines in Spanish harbors (Operation MORO), and in matters of espionage and counterespionage by all grades of Spanish officials.<sup>36</sup> From 1945, X-2 Madrid was able to document German economic penetration in Spain, illegal currency transfers, smuggled works of art, and plans by French collaborators, pro-Nazi individuals, and covert organizations to use Spain as a postwar hideout—as well as integration of German technicians into the Spanish military. Nearly 50 Spanish firms were identified by X-2 as having been used by Germany for espionage purposes. By VE Day, X-2 had identified some 3,000 agents in Spain and more than 400 members of enemy clandestine services.<sup>37</sup>

Operations in Portugal were made easier by that country's traditionally pro-British stance (despite having an authoritarian regime on good terms with Franco). The local authorities provided OSS Lisbon with access to enemy safe-deposit boxes held in every bank in Portugal except four (which were covered by the British).<sup>38</sup> In January 1945, the Research and Analysis Branch (R&A) of the OSS used this material to document German gold and foreign currency transactions from January 1943 to December 1944.<sup>39</sup> The Portuguese authorities were willing to extend cooperation to direct action as well. Acting on information largely provided by X-2, at the end of the war the Portuguese Government sealed up the German Embassy and withdrew recognition from German diplomatic and consular representation.<sup>40</sup> By war's end, X-2 files in Lisbon listed 1,900 enemy agents and 200 enemy officials.<sup>41</sup>

## Sweden

Much as in Spain and Portugal, economic reporting was a staple of intelligence activities in Sweden from the outset of American involvement in the war. Despite its liberal democratic traditions, Sweden was Nazi Germany's largest trading partner during the war and almost the sole source of high-grade iron ore and precision ball bearings for the German war machine.

Imports of the latter from Sweden were especially important following the destruction of the VKF ball bearing plant (itself Swedish-owned) at Schweinfurt by the US Eighth Air Force in August and October 1943.<sup>42</sup> OSS operatives in Swedish southern and east coast ports monitored the ore traffic and were able to provide extensive reporting on the rate and size of Swedish shipments to Germany.<sup>43</sup>

From December 1943 until his arrest in May 1944, an OSS agent working in the shipping office of the SKF ball bearing plant in Goteborg supplied reports on ball bearing shipments to Germany, including serial numbers and quantities. Using this information, the Klaus Mission was able to extract an agreement from the Swedish Government to stop all future shipments of ball bearings to Germany. Intelligence data collected on iron ore shipments and exports of ball bearings were not, of course, directly related to SAFEHAVEN, but, because they accounted for much of Germany's foreign trade with Sweden, they provided important indices that could be used to calculate specie and currency transfers.

By late 1944, German economic planners were desperate enough to try exporting crude petroleum (itself in short supply) to Sweden as a substitute for the specie payments that had funded the iron ore and ball bearing transactions.<sup>44</sup> Eric Erickson, an American-born Swede working for the OSS, penetrated the German synthetic oil industry and, in addition to reporting extensively on that industry, was able to provide information on German gold and currency transactions--perhaps the best example of how it was possible to derive SAFEHAVEN material from existing OSS sources of economic and industrial intelligence.<sup>45</sup>

By April 1945, X-2, using SI sources as well as its own, was able to document German transactions converting Swedish Kronar 100,000,000 (about \$25 million) in gold and currency into German goods (chiefly chemicals, drugs, and textiles) stored in Swedish warehouses. From at least August 1944, low-grade reporting depicted the German legation in Stockholm selling diamonds looted from the Dutch State Bank on orders from the German Reichsbank.<sup>46</sup> Additional activity, probably involving individuals and private firms, was documented whereby German gold was either smuggled into Sweden or converted to gasoline or salable goods.<sup>47</sup> This latter activity was discounted--probably correctly--in a postwar message that documented German wartime gold transfers to Sweden with official data from the Swedish *Riksbank*.<sup>48</sup> More difficult to document was the role of *Stockholms Enskilda Bank*, owned by the powerful Wallenberg family, which received more than \$4.5 million from the Reichsbank between May 1940 and June 1941 and was suspected of having acted as a purchasing agent (through intermediaries) for the German Government in buying up German bonds and securities held in New York.<sup>49</sup>

## More OSS Participation

By the spring of 1945, OSS collection on the SAFEHAVEN project was extensive enough to warrant more formal treatment in the OSS hierarchy. The 30 March 1945 State Department circular warning neutral governments not to trade with Nazi Germany prompted a resurgence of effort on the part of the OSS in the collection of SAFEHAVEN material. A circular memorandum from the acting Director of Strategic Services, Edward Buxton, called on OSS to "make a substantial contribution to this program," albeit with the caveat that "the collection of military,

political, and other types of intelligence will continue to be an important function of this agency." In fulfillment of this goal, OSS chiefs of mission were instructed to report on the status of SAFEHAVEN operations in their area. To better direct OSS participation in the program, an Economic Intelligence Collection Unit (Econic) was created under John A. Mowinckel, reporting directly to the Director's office.<sup>50</sup> This unit monitored and, on occasion, synthesized SAFEHAVEN reporting into detailed reports on specific topics--for example, a massive report prepared at the request of the State Department on the activities of the Swiss firm Johann Wehrli & Co., A. G. (Wehrlibank), a private Swiss banking house with global interests then under investigation by the Justice Department for its role in transferring private German assets overseas.<sup>51</sup>

## **Donovan's Objective**

This move by OSS Washington probably did not have much impact on the SAFEHAVEN intelligence effort in the field, which had been operating for more than three months. Rather, it should be seen as a part of the effort by OSS Director Brig. Gen. William J. Donovan, to carve out a place for his organization in the postwar world. Two reports were filed in the Director's office at this time that were relevant to SAFEHAVEN, both of which were critical (at least by implication) of the State Department's efforts in this area. One, written by R&A, correctly placed German import and transfer activity in context with the development of the German war economy since 1933, in effect discrediting the whole notion of a concerted program to fund a resurgent Fourth Reich using assets concealed in neutral countries.<sup>52</sup> The other, prepared by X-2, launched a direct attack on SAFEHAVEN. Noting that "There are many problems in the SAFEHAVEN program, mainly due to the inexperience and general lack of comprehension on the part of State Department personnel," the X-2 report argued that the project consumed personnel and resources that might better be used elsewhere. The basic flaw in the program was that it failed to distinguish between transactions that were part of "German power politics" and those that occurred in another, albeit related context--that is, the actions of individuals and individual corporations. Asserting that "the defeat of the Axis will not end the game of power politics between nations," the report projected that "SAFEHAVEN may turn out to be less important than the collection of economic, political, and social intelligence in connection with other problems and other foreign countries.... SAFEHAVEN should be the starting point for large-scale and permanent economic intelligence for the protection and promotion of our economic and political interests abroad."<sup>53</sup>

In the intelligence requirements generated by SAFEHAVEN, Donovan clearly saw an argument for the existence of a central intelligence organization like the OSS after the end of the war. With this in mind, he passed the reports along to Senator Harley Kilgore, then heading a Senatorial investigation of the elimination of German war resources. Nonetheless, such action could hardly overcome the opposition that had been building to Donovan's idea of a postwar central intelligence organization since his first proposal was ventilated in September 1943.

## **Postwar Restructuring**

Thus it was that on 20 September 1945 the OSS was abolished by Executive Order and its component parts absorbed by various agencies in the Washington bureaucracy. R&A was absorbed by the State Department's Interim Research and Intelligence Service, while SI and X-2 were moved into the War Department as the Strategic Services Unit (SSU). On 22 January 1946, President Truman created a temporary Central Intelligence Group (CIG) as a body for the coordination of intelligence activities on the national level. Clandestine human-source collection remained in the War Department until the creation of the CIA in 1947.

With the end of the war in Europe, first the OSS and then the SSU began to shift resources away from support of the SAFEHAVEN program into other areas, especially collection against the Soviet Union.<sup>54</sup> Efforts by FEA and State Department representatives in Europe to revitalize SAFEHAVEN ran up against the stone wall of budgetary limitations. On 20 July 1945, SI Paris cabled OSS Washington:

*Original definition of Safe Haven, namely tracking down German capital and assets abroad, has been very substantially broadened by **(Klaus)** of FEA now in Washington and Fagen of Embassy, they claim under instructions of Washington. They have asked that under Safe Haven we should now gather intelligence on "external security" namely, all German activities abroad, cultural and political as well as economic and financial, in short, the entire non-military SI field of activity.... We pointed out that we were presently contracting, not expanding, our activities and that his wishes and the particular targets he was suggesting required substantial additional personnel.<sup>55</sup>*

Noting that "We would be happy to undertake intelligence operation (of this kind) and are physically equipped to do so," Washington replied that "...no funds (are) available," and recommended that State "officially urge OSS to procure additional funds for such purposes..."<sup>56</sup> No such pressure was forthcoming; to the contrary, although SAFEHAVEN remained important, with the end of the war in Europe the role of intelligence reporting in the project began to diminish. That same month, lack of Treasury and State interest prompted OSS to begin rolling up economic reporting networks in the Iberian Peninsula.<sup>57</sup> OSS and SSU reporting on sequestered German assets continued under the rubric of Project JETSAM, but at a much lower level of effort.

The haste with which the United States detached itself from its first central intelligence organization at the end of the war thus was replicated in Project SAFEHAVEN. As elsewhere in the government, however, the trend away from a general reliance on intelligence sources almost immediately reversed itself in the postwar follow-on to SAFE-HAVEN, as the Western Allies sought to use the information collected in wartime to seek restoration of those assets looted by Nazi Germany.

## Settling Accounts

Geography and chance had left the Western Allies in control of the Reichsbank archives, as well as the vast bulk of the gold reserves remaining in Germany at the end of the war. With

virtually all of Europe economically devastated and dependent on US aid for the most basic requirements of sustenance, the Western Allies thus were presented with both the opportunity and the means to compel a general settling of accounts. Switzerland was the most obvious target.<sup>58</sup> The Swiss had profited mightily from World War II, having taken in (by Allied estimate) \$781-785 million in Nazi gold, of which \$579 million (or 74 percent) had been looted from the victims of Nazi aggression.<sup>59</sup> Indeed, the postwar prosperity of Switzerland was based largely on the immense profits made from Nazi Germany in the war. On the other hand, for the Swiss, the situation in the immediate postwar period was potentially dire. Having been geographically and economically isolated from non-Nazi Europe for nearly five years, the Swiss desperately need to reconstruct the export-based economy that had existed before World War II. This, in large measure, depended on the willingness of the United States and its Allies to negotiate the trade agreements necessary to sustain a viable export economy. Moreover, Switzerland was unable to feed itself and depended totally on the Allies for the imports of food and fuel it needed to survive. Thus, there was little the Swiss Government could do to prevent the Western Allies from imposing the most punitive settlement necessary to obtain the restoration of looted German gold, should they wish to do so.

In this, the Swiss were indeed fortunate that they were negotiating with the Western Allies and not their wartime trading partners. Although the Swiss Government was haunted by fear of the economic pressure that might be imposed throughout its negotiations with the United States, at no point did the Allies make use of their position to compel an agreement. In the end the settlement negotiated with the Swiss Government fell afoul of the Cold War and the consequent shift in postwar priorities away from the problems created by Nazi Germany. The settlement ultimately reached was essentially unsatisfactory for the Allies: the Swiss agreed to a token payment of \$58 million, and a 50-percent share of the value realized from liquidating German assets in Switzerland.

The negotiations with the Swiss Government were nonetheless noteworthy as this was perhaps the first time that US diplomacy was supported by a system of national intelligence reporting. Although the surviving documentation is fragmentary, it is clear that the Allied negotiators were fully supported by the nascent SSU and possibly also by communications intelligence provided by the Army Security Agency, predecessor of the National Security Agency.<sup>60</sup>

## Complicated Negotiations

Although preliminaries were under way as of the summer of 1945, the negotiations themselves did not begin until early the next year. In addition to the intelligence collected for SAFEHAVEN, the Allies had access to the extensive files of the Reichsbank and the *Auswartiges Amt*, the German Foreign Office. They thus had full documentation of the movement of looted German gold, and especially gold looted from the Belgian National Bank into Switzerland. The Allies were particularly indignant over an exchange of letters between the Swiss National Bank and *Reichsbankvizepräsident* Emil Puhl revealing that the Swiss had been conducting commercial negotiations with the Nazi government at the same time that they were making an agreement with the Allies to block German assets in Switzerland.<sup>61</sup>

As negotiations got under way, the chief of the SSU, Gen. John A. Magruder, finally mobilized the SSU Mission in Bern to obtain reporting on Swiss negotiating goals and tactics. The head of

the Swiss delegation to Washington, Dr. Walter Stucki, was an especially important target. Priority tasking began in March 1946. Two urgent messages were dispatched from SSU Washington that month: on the 14<sup>th</sup>, requesting "...any possible information on instructions particularly general line of defense given Stucki," followed by a "priority" request on the 19<sup>th</sup> for "...instructions to Stucki delegation re willingness Suisse permit Allied seizure German funds for use for reparations.... Was committee allowed latitude for decision here?"<sup>62</sup>

Responding to this task, SSU Bern contacted a "reliable source" close enough to the Swiss Foreign Office to report on the thinking of Max Petitpierre, head of the Political Department and the man ultimately responsible for negotiating an agreement with the Western Allies. The reporting showed Petitpierre and a majority of the Swiss Federal Council to be "convinced" that granting Allied claims to German assets was "indispensable." Petitpierre, a Radical Democrat, was said to be particularly concerned for the coming Swiss elections and apprehensive of a conservative reaction to Swiss resumption of diplomatic relations with the Soviet Union. On 21 March, he told the SSU source that he earnestly desired to settle "the present misunderstanding with the United States to counterbalance this gesture of friendship toward the East."

The Swiss were further prepared to accede to the demand that Allied representatives be admitted to Switzerland to track down concealed German assets, which the socialist segment of the Council admitted considerably exceeded the official estimate. According to this report, the most important Swiss demand was for reimbursement for approximately SFr 500,000,000 in unpaid-for goods shipped to Germany during the war. This they planned to take from the outstanding balance of a prewar German loan for building the Gotthard Tunnel and from German investments in the Swiss railway system.<sup>63</sup>

Although this intelligence was passed to State Department on 22 March, it is far from clear that it had any immediate effect on the progress of the negotiations. For a long time, the two sides were too far apart for any progress to be made. Dr. Stucki, the head of the Swiss delegation, was a hard bargainer whose attitude contrasted sharply with the more conciliatory posture adopted by the Swiss Foreign Office in Bern. He had considerable latitude in negotiating with the Allies, and he was determined to make the best possible deal. Frustrated by the lack of progress, Stucki nevertheless retreated slowly and cautiously to his final negotiating position, apparently adhering strictly to what must have been his instructions before he left Bern.<sup>64</sup> He never once surrendered any moral ground. On the other hand, the intelligence that came out of SSU Bern is strong evidence that Petitpierre and the Federal Council were willing to be more flexible than they appeared in Washington--possibly even to the extent of increasing the sum they were willing to offer as restitution.<sup>65</sup> Moreover, the Swiss were concerned the Allies might exploit their considerable economic leverage to force them into an agreement on unfavorable terms.

It was difficult for Washington to resolve the contrast between the more flexible posture on the gold issue reportedly adopted by the Swiss Foreign Office in Bern with the firm stance taken by Walther Stucki in Washington. On 27 March, SSU chief General Magruder complained to Bern, "Everything [that the] Swiss delegation has said to date," contradicted the information that had been received from the field, and requested that SSU Bern immediately confirm its previous reporting: "Much depends on it."<sup>66</sup>

At the end of the month, Stucki returned to Switzerland to discuss the progress of the negotiations with the Foreign Office. He spent about a week in Bern. On 10 April 1946, SSU

Washington cabled Bern placing an "urgent" requirement for "Information re Stucki's new instructions and report of his activities during the week he spent in Switzerland...."<sup>67</sup> By this point, however, SSU Bern was reporting all intelligence obtained on German assets in Switzerland directly to the Ambassador and was mute on the subject in its communications with SSU Washington.<sup>68</sup> No reply has been found.<sup>69</sup>

## Reaching Agreement

Over the next two weeks negotiations became acrimonious, with both sides still far apart. On 15 April, Stucki expressed his concern that the United States was obtaining information on his instructions directly from a source in Bern.<sup>70</sup> On 23 April, negotiations collapsed, Stucki having walked out of a session at which the Allies demanded \$130 million for the reconstruction of Europe. Almost immediately, however, Stucki countered with an offer of SFr 200,000,000 (\$46.4 million).<sup>71</sup> The next day he voiced his conviction that the State Department was leaking information from Bern to the American press corps on how far the Swiss were willing to go in making restitution.<sup>72</sup> While each leak is impossible to confirm, the negotiators in Washington probably were receiving further reporting on the Swiss negotiating posture, with information likely being provided directly to the Ambassador as it was received. On 30 April, Magruder cabled the Bern again, "What instructions were given to Stucki on gold? How far can he go and how much has he been authorized to pay?"<sup>73</sup> The following day the Allies rejected the Swiss offer, upon which Stucki made his final proposal: SFr 250,000,000 (\$58.1 million) and half the proceeds from liquidating the German assets in Switzerland.<sup>74</sup> Again, no human source reporting has been found in response to Magruder's cable to Bern, but this time the American head of delegation, Randolph Paul, apparently was persuaded that there was no point to further negotiations.<sup>75</sup> After much discussion, on 21 May 1946 the Allies accepted Stucki's final offer.

## Renewed Interest

With the conclusion of the Allied-Swiss negotiations, the files on Projects SAFEHAVEN and JETSAM were closed, and the operations themselves all but forgotten until, just over half a century later, a new generation of researchers discovered them in a renewed search for "Nazi gold."<sup>76</sup> In an effort prompted by the passing of the generation chiefly victimized by the Holocaust and World War II, a team of government historians revisited the ground covered by the OSS in its efforts to track down underground sources of German industrial and commercial power. Their task was to find out what the US Government knew about Nazi efforts to exploit gold and other valuables looted from conquered countries and stolen from individual victims of the Holocaust to feed the German war effort. What they found in the SAFEHAVEN files was a mother lode of intelligence reporting on German international commercial and fiscal transactions in 1944 and 1945.

Unfortunately, none of the intelligence collected for SAFEHAVEN was useful in identifying assets that had been stolen from Jews and other victims of the Holocaust and Nazi aggression.

Because of the nature of the transactions, because key records remained closed, and because the Nazis went to great lengths to conceal the origins of the gold, currencies, and other valuables transferred into neutral countries, these assets were more or less anonymous by the time they came under the purview of SAFEHAVEN collectors. There was voluminous reporting concerning transfers of gold and currency among Nazi Germany, Switzerland, Spain, Sweden, and other countries; efforts to conceal German-owned assets in neutral and nonbelligerent countries at the end of the war; and attempts to transfer assets through Spain and Portugal to South America. Although it is nearly certain that gold and other valuables stolen from European Jews figured in these transactions, these assets probably could never be separated from the much larger quantity of booty looted from Europe as a whole. Nevertheless, apart from documenting the major channels of German economic activity, these findings were valuable in that they showed US secret intelligence organizations to have been assiduous in their support of US Government policy. In the final analysis, that is what is most important.

## Notes:

1 *Foreign Relations of the United States* (hereafter cited as FRUS), 1944, Vol. II, pp. 215-16.

2 *US and Allied Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II* (hereinafter Eizenstat Report), *Preliminary Study* (May 1997), p. 15.

3 Arthur L. Smith, Jr. *Hitler's Gold: The Story of the Nazi War Loot*, (Oxford: Berg Publishers, 1989, 1996), p. 68.

4 Eizenstat Report, p. 15.

5 Ironically, the FEA was administratively subordinated to the Treasury Department and made up principally of Treasury Department officials. Klaus's formal title was "Special Assistant to the General Counsel of the Treasury Department."

6 Klaus Report to Currie, Coe, and Cox, Franklin D. Roosevelt Library, Franklin D. Roosevelt Papers. Quoted in the Eizenstat report, pp. 16-17. See also Margaret Clarke, *The Safehaven Project*, Foreign Economic Administration Study #5 (Washington, DC, 1945), p. 46.

7 Eizenstat Report, p. 21.

8 In Bern, for example, SAFEHAVEN was almost exclusively the responsibility of X-2, SI being preoccupied with political, economic, and military reporting. In Madrid, the hostility of the US Ambassador to intelligence collection meant that X-2 assumed the task by default. *OSS War Report, Vol. II*, pp. 31-35, 283. All citations to this document refer to the declassified two-volume version in the possession of the CIA History Staff. The entire *War Report* is available in one-volume form in Anthony Cave-Brown, *The Secret War Report of the OSS* (New York: Berkeley, 1976).

9 Alan S. Milward, *The German Economy at War*, London: The Athlone Press, 1965; pp. 192-94. See also, *idem.*, "The Reichsmark Bloc and the International Economy" in H. W. Koch, ed., *Aspects of the Third Reich* (New York: St. Martin's, 1985), pp. 331-59.

10 Bern #246 to Washington, 23 April 1946. Intercepted Swiss diplomatic traffic also shows that

the Swiss knew that they had accepted SFr 378,000,000 in looted Belgian gold. This gold had been deposited with the Bank of France in 1939 and was turned over to the German Government by the puppet Vichy regime. Swiss justification for this was that "the only way in which Belgian gold got into German hands was through the Laval government." Washington #256, to Bern; 25 April 1946.

11 A fundamental error committed by the planners of SAFEHAVEN (as well as X-2) was the assumption that the actions of individual German corporations and Nazi leaders *necessarily* represented the policy of the National Socialist regime. Although there were some attempts by parts of the regime to plan for underground activities after the war (such as the half-mythical *Werwolf* program), they were far less important than ever imagined by the SAFEHAVEN planners. The vast bulk of the attempts to conceal wealth in foreign countries detected by the SAFEHAVEN program were initiated by individuals and individual corporations anticipating the imminent collapse of the Reich. RG 226, Entry 116, Records of the Office of Strategic Services; Office of the Director, Microfilm Publication 1642, Reel 108; Murphy to Mowinckel, 4 June 1945, "X-2 Case Materials Illustrating German SAFEHAVEN Practices."

12 RG 226, Entry 116, Records of the OSS; Office of the Director, Microfilm Publication 1642, Reel 108; Murphy to Mowinckel, 4 June 1945, 66 "X-2 Case Materials Illustrating German SAFEHAVEN Practices."

13 RG 226, Entry 116, Records of the OSS; Office of the Director, Microfilm Publication 1642, Reel 108. Cable: Washington 16234. To 148 from Callisen, 19 December 1945.

14 Peter Grose, *Gentleman Spy. The Life of Allen Dulles*, (Boston: Houghton Mifflin & Co., 1994), pp. 169-70.

15 RG 226, Entry 99, Box 13, Folder 41-1 OSS History Office, Cable Digest; 23 March 1945, #7387 21 March 1945, 110 (Dulles) to Washington.

16 Neal H. Petersen, ed.; *From Hitler's Doorstep: The Wartime Intelligence Reports of Allen Dulles, 1942-1945*, (University Park, PA: Pennsylvania State University Press, 1996, p. 561.)

17 *Ibid.*, pp. 464, 524, 633.

18 Nb., 496 was OSS source Maurice Villars, a General Director of the Zurich Electro-Bank.

19 RG 226, Entry 116, Records of the Office of Strategic Services, Office of the Director, Microfilm Publication 1642, Reel 108. Cable: Bern 2677, 28 December 1944.

20 Because Switzerland was surrounded by Axis territory, it was impossible to provide OSS Bern with personnel to take on additional tasks for most of the war. Until the end of 1944, OSS Bern had a staff of just three intelligence officers, including Dulles. *OSS War Report, Vol. II*, p. 273.

21 *Ibid.*, Vol. II, p. 283

22 In Operation LAURA, under way by February 1946, X-2 was able to document quantities of gold shipped from Switzerland to the Iberian Peninsula. Unfortunately, none of the reporting appears to have been preserved. CIA Job 79-00332A, Box 191, Folder 14, Joyce from Blum "(Bern) X-2 Progress Report," 1 February 1946.

23 RG 226, Entry 116, Records of the OSS; Office of the Director, Microfilm Publication 1642, Reel 108; Murphy to Mowinckel, 4 June 1945, "X-2 Case Materials Illustrating German SAFEHAVEN

Practices."

24 Examples: on 26 February 1945, Bern reported that Nazi funds were being sent abroad, not through ordinary banking channels, but through other banks, to include the Dresdenerbank, the Fromberg Bank in Berlin, and the Wehrlibank in Switzerland (Robert Louis Benson and Michael Warner, ed. *Venona: Soviet Espionage and the American Response* (Washington, DC: National Security Agency & Central Intelligence Agency, 1996), pp. 219-20); Dulles provided photos of clandestinely obtained German reports documenting a December 1944 trip to Bern by Reichsbank Vice President Emil Puhl; plans for the manufacture of *Nebelwerfer* (rocket launchers) in Switzerland (both RG 226, Entry 123, Box 2 Folder 5); similar documents describing how German gold and Reichsmarks might be converted to Portuguese escudos through Switzerland (RG 226, Entry 123, Box 2 Folder 26); on 23 March 1945 a report describing how quantities of German gold were converted into lire by exploiting loopholes in Swiss currency laws (RG 226, Entry 108, Bern B-2118: 23 March 1945); on 16 April 1945, a report documenting German penetration of the Swiss consumer goods industry (RG 226, Entry 108, Report B-2472 16 April 1945).

25 RG 226, Entry 108, boxes 4-10 OSS Bern files, *passim*.

26 William Casey, *The Secret War Against Hitler* (Washington, DC: Regnery Gateway, 1988), pp. 236-37.

27 RG 226, Entry 116, Records of the OSS, Office of the Director, Microfilm Publication 1942, Reel 108. Cable: 4174, to 908 and Casey from 154 (Shepardson) 18 January 1945.

28 RG 226, Entry 116, Records of the OSS, Office of the Director, Microfilm Publication 1642, Reel 108. Cable: Paris 9804, 154 (Shepardson) from Casey, Cassady, Acheson; 8 March 1945.

29 *OSS War Report, Vol. I*, p. 196.

30 RR 226, Entry 116, Records of the OSS, Office of the Director, Microfilm Publication 1542, Reel 108. Cable: Paris 9804, 154 (Shepardson) from Casey, Cassady, Acheson; 8 March 1945.

31 *OSS War Report, Vol. I*, p. 196.

32 Although frequently referred to as such, Spain was not a neutral in World War II, but was a "non-belligerent" power allied with Germany, Italy, and Japan. In November 1940, Franco's Foreign Minister, Ramon Serano Suner, signed a secret protocol by which Spain became an "adherent" of the Tripartite Pact signed on 27 September 1940 by Germany, Italy, and Japan (the so-called Rome-Berlin-Tokyo Axis). Spain also agreed to enter the war at some unspecified future date. *Documents on German Foreign Policy, Series D, volume XI, The War Years: September 1, 1940-January 31, 1941*; pp. 466-67, 479. See also Malcolm Muggeridge, ed.; *Ciano's Diplomatic Papers* (London: Odhams Press, Ltd., 1948), pp. 405-08.

33 RG 226, entry 99, Box 20, Folder 64 Lisbon 329 Elton from 983: "Present Status of Safe Haven in Madrid; and Elaboration of King 58 of May 26, 1945."

34 For Spain's place in the Nazi war economy, see Herbert Feis, *Spanish Story* (New York: Alfred A. Knopf, 1948).

35 *OSS War Report, Vol. II*, p. 32.

36 Charles B. Burdick, "'MORO:' the Resupply of German Submarines in Spain, 1939-1942,"

*Central European History* (1970): *OSS War Report, Vol. II*, p. 32.

37 RG 226, Entry 116, Records of the OSS; Office of the Director, Microfilm Publication 1642, Reel 108; Murphy to Mowinckel, 4 June 1945, "X-2 Case Materials Illustrating German SAFEHAVEN Practices."

38 *OSS War Report, Vol. II*, p. 37.

39 RG 226, Entry 116, Records of the OSS, Office of the Director, Microfilm Publication 1642, Reel 108. Memorandum: Donovan from Despres, 29 November 1944.

40 RG 226, Entry 116, Records of the OSS, Office of the Director, Microfilm Publication 1642, Reel 108. Cable: Lisbon 7247, 6 May 1945.

41 *OSS War Report, Vol. II*, p. 36.

42 The German VKF, *Vereinigte Kugellagerfabriken, A. G.*, was a subsidiary of *Svenska Kullagerfabriken*, (SKF), owned by the Swedish *Stockholms Enskilda Bank*. Although German requirements were met by a combination of domestic production and imports from Sweden, about two-thirds of the ball bearings used in the German war effort were, in effect, produced by the same company. See Martin Fritz, "Swedish Ball Bearings and the German War Economy," *Scandinavian Economic History Review*, (1975).

43 *OSS War Report, Vol. II*, p. 261. For the importance of high-grade Swedish iron ore to the German war economy, see Martin Fritz, *German Steel and Swedish Iron Ore, 1939-1945* (Goteborg: Ekanders Boktryckeri Artiebolag, 1974) and an exchange among Martin Fritz, Jorg-Johannes Jager, Rolf Karlbom, and Alan S. Milward in *Scandinavian Economic History Review* (1965, 1967, 1968, 1973).

44 The Germans also envisaged the plan as a means of avoiding Allied strategic bombing attacks on the German oil industry: refinery production above and beyond Sweden's requirements would be re-exported to Germany. RG 226, Entry 116, Records of the OSS, Office of the Director, Microfilm Publication 1642, Reel 108. Cable: Enclosure No. 1 to Stockholm 4393, 28 October 1944.

45 *OSS War Report, Vol. II*, pp. 262-63. Erickson's career (with many fictional details) is the subject of Alexander Klein's *Counterfeit Traitor* (New York: Henry Holt, 1958).

46 RG 226, Entry 108, Box 316, Folder T-2200, "Germans Selling Diamonds in Stockholm," 11 August 1944. All wartime intelligence reporting was graded according to the reliability of the information and the source from which it was obtained. This report is graded "C-3," almost the lowest possible rating.

47 RG 226, Entry 116, Records of the OSS; Office of the Director, Microfilm Publication 1642, Reel 108; Murphy to Mowinckel, 4 June 1945, "X-2 Case Materials Illustrating German SAFEHAVEN Practices." For examples, see RG 226, Entry 108, Box 316, Folder T-2200; "Enemy Capital in Sweden," 14 August 1944--also a low-grade intelligence report, but typical of the kind of information obtained.

48 RG 226, Entry 108, Box 25, Folder 143. Dispatch: Stockholm 7063 Secretary of State from Ravndal, "Transmission of Information Concerning Shipments of Gold Between Sweden and Germany" SAFEHAVEN, 20 May 1946.

49 RG 226, Entry 183, Box 27, Folder 157; London 165: SAFEHAVEN No. 413, "Financial Contraband, Stockholm, Enskilda Bank, Stockholm," 8 May 1946. See also Gerard Aalders and Cees Wiebes, *The Secret Collaboration and Protection of the German War Industry by the Neutrals: The Case of Sweden* (Amsterdam: Amsterdam University Press, 1996).

50 RG 226, Entry 116, Records of the OSS, Office of the Director, Microfilm Publication 1642, Reel 108. Circular Memorandum for All Strategic Services Officers and Chiefs from Acting D/SS (Acting Director of Strategic Services), 16 April 1945.

51 RG 226, Entry 183, Box 21, "Wehrli combine," n.d. The economic report was based on intelligence data to complement an audit of the Wehlibank books by the US firm Price, Waterhouse & Co., conducted under joint British and American auspices.

52 RG 226, Entry 116, Records of the OSS, Office of the Director, Microfilm Publication 1642, Reel 108. Memorandum: Donovan from Neumann via Langer, "German Economic Penetration Abroad," 2 June 1945.

53 RG 226, entry 116, Records of the OSS, Office of the Director, Microfilm Publication 1642, Reel 108. Memorandum: Donovan from George, "RE Rebuilding of German Economic, Political, and Military Power Positions Abroad by the Evasion of Allied Controls over the Exit of German Assets and Personnel from Germany (SAFEHAVEN)," n.d., but context places it in April-June 1945.

54 Topics were sometimes similar: in June 1946, Bern was tasked to report on the Russian interests of the Swiss-owned Oerlikon Company, earlier a target of SAFEHAVEN reporting because of its connections with Germany. SSU Washington #1119, 18 June 1946.

55 RG 226/Entry 134A, Box 9, Folder 26. Paris #22534: Shepardson from Sherman, 20 July 1945.

56 RG 226/Entry 134A, Box 9, Folder 26. OSS Washington #23584: Horton for Sherman from 154, 28 July 1945.

57 RG 226/Entry 134A, Box 9, Folder 26. Lisbon #7687: Patina from Grant and Elton, 19 July 1945; OSS Washington #8817. JETSAM. Grant and Elton from Patina, 23 July 1945.

58 From Sweden, Spain, Portugal, Turkey, and Argentina, the Western Allies sought and obtained the restoration of gold and other assets looted by the Germans. These countries were, however, generally cooperative and the necessary agreements were more easily obtained.

59 Eizenstat Report, pp. xi-xii. To approximate 1997 gold values, multiply these figures by 9.74. But given the devastation of Europe and the wild variations in the standard of living from country to country and from day to day, there is no simple way to quantitatively measure the purchasing power of this amount of gold or its impact on the world economy as a whole.

60 In what apparently was a continuation of collection programs established in wartime, the ASA collected and read all Swiss diplomatic telegrams sent in from the summer of 1945 to the summer of 1946. The Swiss used a variant of the same ENIGMA cipher machine used by the European Axis in World War II. Their diplomatic traffic thus could be read by the means used to read German ENIGMA ciphers. This frequently took time, however, and it is not clear that these messages were read in time to be useful to the Allied negotiators.

61 Eizenstat Report, pp. 68-69.

62 RG 226/Entry 134A, Box 9, Folder 26. SSU Washington #WASH 2083 (Bern) BRUCC from Magruder (14 March 1946); #WASH 2159: (Bern) BRUCC for Joyce from Magruder (19 March 1946).

63 RG 226/Entry 108A, Box 1, Folder 9. Walter S. Surrey, Esq.; Division of Economic Security Controls, Department of State from Chairman, Reporting Board SSU; 22 March 1946.

64 On 26 April, he cabled Bern, "The American methods of carrying on negotiations are strange and hardly comprehensible to us. You should tell the Allies that the Delegation has received final instructions without mentioning a figure or hinting at one in any way." Bern (Politique) from Washington (Swiss legation) #310 (26 April 1946) Army Security Agency Diplomatic Translations #H-23017 (29 March 1946), #H-231119 (25 April 1946), #H-231208 (26 April 1946), #H-231271 (25 April 1946), #H-232235 (12 April 1946), #H-234376 (15 April 1946).

65 Army Security Agency Diplomatic Translation #H-232244 (4 May 1946).

66 SSU Washington #WASH 2434: (Bern) BRUCC from Magruder, 27 March 1946.

67 RG 226/Entry 134A, Box 9, Folder 6. SSU Washington #WASH 2829: (Bern) BRUCC from War Department Strategic Services Unit, 10 April 1946.

68 RG 226/Entry 134A, Box 9, Folder 26. SSU Bern #438: War Department Strategic Services Unit from (Bern) BRUCC, 11 APRIL 1946.

69 On 25 March, SSU Washington cabled Bern, "State considers Bern 337...valuable and timely. Congratulations. Cable any further developments" (RG 226/Entry 134A/Box 9/Folder 26. SSU Washington #WASH 2352: (Bern) BRUCC from Magruder, 26 March 1946). "Bern 337," which apparently was sent between 14 and 21 March must have been the basis for the intelligence report that was provided to Walter Surrey at the State Department (RG 226/Entry 108A, Box 1, Folder 6. Walter S. Surrey, Esq.; Division of Economic Security controls, Department of State from Chairman, Reporting Board SSU; 22 March 1946). The original cable, however, has not yet been found in the Archives. We do not know whether further information was obtained from this source, but SSU Washington cabled Bern on 10 April, "Memo from Walter Surrey of State rates your original material re Stucki of utmost value," suggesting that some additional (as opposed to the "original") intelligence material was obtained later on (RG 226/Entry 134A, Box 9, Folder 26. SSU Washington #WASH 2829: (Bern) BRUCC from Quinn, 10 April 1946).

70 Army Security Agency Diplomatic Translation #H-234376 (15 April 1946).

71 Army Security Agency Diplomatic Translation #H232831 (25 April 1946).

72 Stucki went on to opine that perhaps some diplomatic correspondence "which went by ordinary airmail in spite of warnings, was opened by censorship..." Bern (Politique) from Washington (Swiss legation) #305 Army Security Agency diplomatic Translation #H232831 (25 April 1946).

73 RG 226/Entry 134A/Box 9/Folder 26. SSU Washington #WASH 3427: (Bern) BRUCC from War Department Strategic Services Unit, 30 April 1946.

74 Arthur L. Smith, Jr. *Hitler's Gold: The Story of the Nazi War Loot* (Oxford: Berg, 1996), p. 82.

75 Eizenstat Report, pp. 81-83.

76 The results were published in the Eizenstat Report. See above, fn. 2.

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