PREAMBLE

UNFINISHED BUSINESS

In 1995, the fiftieth anniversary of the end of World War II produced a joyous and predictable celebration of the liberation from the heel of Axis repression of Europe and parts of the Far East. The parades, wreath-layings and reunions all seemed designed to bring closure to the agonies of the century's second global conflict. Yet, the year also produced some painful and unpredicted outcomes that stimulated rather than stilled half-century-old injustices and anxieties. While the military, diplomatic, social and economic history of the war has long been accorded extensive treatment, events in 1995 reawakened nagging concerns that the financial and fiscal history of World War II still contained unresolved mysteries and unadjudicated injustices. Much of this moral, political and legal disquiet centred on the financial strategies and procedures of the Axis war machine and some of the neutral powers — principally Switzerland — situated around its periphery.

At the centre of the controversy was what Stuart Eizenstat, the U.S. under secretary of commerce for international trade who has headed that government's massive investigation into the issue, has called "One of the greatest thefts by a government in history" — the looting of an estimated US$580 million of central bank gold from territories conquered by Germany during World War II.[1] Postwar reports indicated that the largest involuntary contributor to this trove was the Belgian central bank with US$223 million, followed by the Netherlands with US$168 million, then US$64 million of Italian gold, US$53 of French gold and a succession of smaller contributions from Austria, Hungary, Yugoslavia, Czechoslovakia, Poland, Luxembourg and Danzig.[2]

Added to this hoard of "monetary gold" — gold held by governments to support the monetary operations of the state — was a smaller, indeterminate amount of "non-monetary" gold, gold looted from individuals trapped in Germany and Axis-occupied lands. This pillaging of personal gold ranged from the casual acquisition of family treasures by the advancing German army to the systematic collection of gold — jewellery and dental gold — from the victims of the Nazi death camps in which so many European Jews perished in the Holocaust. It is important to emphasize, as Stuart Eizenstat has forcefully pointed out, that Germany's acquisition of looted gold was no accidental by-product of war: "the massive and systematic plundering of gold and other assets from conquered nations and Nazi victims was no rogue operation. It was essential to the financing of the German war machine."[3]

Two factors clouded understanding of the ultimate disposition of this so-called "Nazi gold." During the course of the war, Germany used much of this precious loot to finance its war economy. Having quickly drawn down its own store of central bank gold (generally estimated to have been around

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1 Stuart Eizenstat, coordinator, *U.S. and Allied Efforts To Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II*, Washington, May, 1997, p.iii.

2 Adam LeBor, *Hitler's Secret Bankers: The Myth of Swiss Neutrality During the Holocaust*, New York, 1997, pp.237-241. These proportions reflect a 1946 Allied estimate. Throughout the years covered by this report, the price of gold was fixed at US$35 an ounce.

3 Ibid., p.iv.

US$100 million in 1939) in the early stages of the war and unable to finance its international purchases with its shunned currency, the Reich began recycling captured gold into its trade financing. This usually involved the resmelting of looted gold by the Reichsbank to disguise the metal's national origin — gold, for instance, bearing the marks of the Belgian and Dutch central banks — and then passing it off to Axis trade partners as legitimate prewar gold. A second complicating factor was introduced by the deliberate blending of non-monetary gold into this flow of seemingly pure monetary gold thereby creating "tainted" gold. Given the purity and uniformity of refined gold and the ease of imprinting re-refined bars with counterfeit marks, the degree of this tainting in the overall hoard of looted gold by Germany is virtually impossible to determine.

Much of the outflow of Germany's looted gold was directed to and willingly received by neutral Switzerland. The almost exclusive conduit for these transfers was the Swiss central bank, the Banque Nationale Suisse (BNS), which received an estimated US$400 million in German looted gold between 1939 and 1945. Of this transferred gold, US$276 million or about three-quarters was bought directly by the BNS and the rest was simply channelled through the bank to the accounts of other trading partners of the Axis.[4] Portugal was the largest of these recipients, followed by Spain. During the course of the war, the BNS also resold gold it had probably acquired from the Axis to other neutral countries, again principally Portugal. The Banque Nationale Suisse's own records reveal that Germany was the largest supplier of gold to Switzerland with sales of SFr1,210.3 million between 1939 and 1945; Portugal was the largest acquirer of Swiss gold with purchases of SFr451.5 million.[5] During the war, the gold reserves of the Swiss national bank consequently grew dramatically, although much of the growth took place beyond Switzerland's borders in blocked accounts in London, New York and Ottawa and often as the result of direct Swiss purchases of gold from the Allies, notably SFr1,178.2 million worth from the United States. Gold stocks held physically in Switzerland actually declined slightly. These strong gold reserves secured the Swiss franc's value and ensured that when the war ended Switzerland would emerge with a economy well positioned for the opportunities of peace.

The Allies were never oblivious to Germany's disposition of looted gold. As early as 1942, the British government began agitating for a joint Allied injunction that would have proscribed any recognition of transfers of property in Axis-occupied territories. On January 5, 1943, seventeen nations did in fact sign the "Inter-Allied Declaration Against Acts of Dispossession" which contained the threat that legal recognition of transfers of looted goods would be withheld by the victorious Allies when peace returned. The declaration was intended to cool the willingness of neutral powers, like Switzerland, to act as outlets for assets plundered by the Axis. As such, it joined an existing array of "freezing" measures that had been imposed on Axis and neutral countries earlier in the war in an effort to crimp Germany's ability to finance its war economy.

The 1943 declaration did not specifically target looted gold. Conscious that large amounts of German gold were still crossing the Swiss border, U.S. Secretary of the Treasury Henry Morgenthau

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4 Eizenstat, op.cit., pp.iv-v.

5 "The Swiss National Bank's (SNB) gold operations during the Second World War," notes prepared by the Swiss Federal Department of Foreign Affairs, August 1997, http://www.eda-tf.ethz.ch/topics/top33_e.htm.

began to assert American leadership in the campaign to contain the spread of Germany's plundered wealth. In a declaration of February 22, 1944, the American government vowed not to recognize the title or to purchase any gold passed by Germany onto world markets. Rigorous conditions were set out for gold held by countries that had not officially broken relations with the Axis. Britain and the Soviet Union issued similar declarations. American leadership on the question of looted gold became further evident in the spring of 1944 when U.S. Treasury officials hatched a more active program of containing the spread of Germany's ill-gotten wealth. Fears that Germany might be stockpiling looted gold beyond its borders to provide a foundation for the erection of a postwar Fourth Reich explained some of the pressure for this new style of active containment. Postwar restitution of such wealth also now joined containment as an objective of Allied policy. At the heart of Operation Safehaven, as the American initiative became known, was fact-finding by officials despatched to Europe. Facts were not, however, easy to come by as neutral trading partners of the Axis proved uncooperative and jealousies between Allied agencies undermined the effort.

The Safehaven initiative was however reinforced in July 1944 by Resolution VI of the Bretton Woods conference at which the Allies mapped out the contours of the postwar monetary system. The resolution called upon neutral powers to "take immediate measures to prevent any disposition or transfer...of looted gold, currency, art objects, securities and financial or business enterprises [and] to take immediate measures to prevent the concealment by fraudulent means or otherwise" of stolen assets. Safehaven now became an active Anglo-American intelligence program aimed at dissecting the patterns of Axis-neutral trade and financial interaction. Switzerland increasingly became the fulcrum of these investigations. In the wake of the D-Day landings and the imminence of the Axis defeat, increasing diplomatic pressure was placed on Switzerland to reveal the workings of its financial relationship with Germany. At the same time, intense effort was poured into the clandestine collection of evidence of Switzerland's complicity in the movement of Nazi gold from the Reichsbank to the vaults of neutral European banks. Central to this collection was the Office of Strategic Services (OSS), an American intelligence agency formed in 1942 to monitor among other tasks the Axis economy. The OSS station in Berne was run by Allen Dulles, a hard-driving, Wall Street banking lawyer, who soon turned the post into a clearing house for the flood of hard evidence, rumours and speculation that began to emerge from the crumbling Axis and from Swiss sources, now aware that the tide of the conflict had clearly turned in the Allies' favour. Other OSS operations were conducted elsewhere in Europe, especially in neutral centres such as Madrid and Lisbon. It was from this net of intelligence that the first real appreciation of the magnitude of the flow of looted gold out of Germany began to emerge.

The Safehaven investigations set the stage for a period of intensive postwar negotiations between the victorious Allies and neutral countries believed to be in possession of German assets. These long and arduous negotiations stretched into the early 1950s and generally involved two objectives: the restoration of looted monetary gold to its rightful owners — the central banks of now-liberated European countries — and the extraction of non-monetary gold out of the pool of monetary gold and its application to the plight of refugees displaced by the war. The Swiss were to prove wily negotiators, constantly pleading that the preservation of Swiss neutrality governed their ability to satisfy Allied demands. Consequently, the untainting of monetary gold was to prove an aggravating challenge. The intricate details of these postwar negotiations lie beyond the scope of this preamble,[6] except to note that certain acknowledgements and restitutions were achieved. In 1946, a "Gold Pool" was established by the Allies for the restitution of looted monetary gold on a prorated basis to its legitimate national owners. A Tripartite Commission on the Restitution of Monetary Gold (TGC) was established by the United States, Britain and France to administer the pool. In 1947, under the terms of the 1946 Allied-Swiss Accord signed in Washington, Switzerland paid US$58 million — a figure far below the US$185-289 million in looted gold that Safehaven intelligence reports indicated were in BNS coffers at the war's end — into the TGC. This contribution was reciprocated by the Allies' gradual unblocking of Swiss assets held outside the country. At the same time, Switzerland agreed that it would, in cooperation with an Allied joint commission, liquidate German assets still held within its borders. These assets were estimated by the Allies to be worth US$250-$500 million; the Swiss claimed their worth to be US$250 million.

In 1948, Switzerland agreed to pay another US$4.7 million to the International Refugee Organization for the support of refugees displaced by the war. But after this, Swiss intransigence gained an upper hand in the negotiations. Swiss negotiators argued that Switzerland's own debt claims on defeated Germany must first be satisfactorily settled, that the exchange rates embedded in the 1946 accord with the Allies were unfair and that the Allies must recognize certain German assets seized by the Allies in the war as actually Swiss-owned. Through all this, the Swiss acknowledged no moral culpability in the handling of wartime looted assets.

The diminishing returns of Allied-Swiss gold restitution negotiations were generally paralleled by similar negotiations with the other neutral countries — Spain, Portugal, Sweden, Turkey and Argentina — implicated in the wartime dealing in looted gold. As the peace faded into the Cold War, new, unrelated geopolitical considerations (e.g., NATO's desire to build a strategic air base in Portugal's Azores islands) began to colour and debase negotiations over looted gold. Finally in 1952, the frustrated Allies agreed to a compromise with the Swiss by which the Swiss would pay another US$23.6 million towards the relief of war refugees in lieu of any liquidation of German assets held in Switzerland. A parallel agreement between Switzerland and the new West German government allowed the Swiss to recover about half of the outstanding war debt owed it by Germany.

The 1952 agreements effectively brought to an end active Allied efforts to identify and restore the monetary gold that had been devoured by the Axis and pumped abroad to finance its ambitions. The Tripartite Gold Commission would continue its work, fitfully restoring monetary gold to the once-occupied countries of Europe. As late as 1995 monetary gold was returned to Albania by the Bank of England. Despite this, there had been a dreadful slippage from the early postwar determination to track down and restore the estimated US$580 million in looted monetary gold. Despite a mountain of intelligence material gathered both by operations such as Safehaven and during the protracted, postwar negotiations with the Swiss and other neutral powers that had worked with the Axis, there was still no clear understanding of exactly how looted gold found its way into the mainstream of legitimate European finance. Switzerland had effectively warded off such discovery by means of

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6 See: Eizenstat, op.cit., pp. xxxv-xxxix and Chapters 3-6, and *History Notes — Nazi Gold: Information from the British Archives,* Foreign and Commonwealth Office General Services Command, London, Part I, September 1996 and Part II, May 1997.

artful negotiation and dogged insistence on the sanctity of its neutral status.

The troubled search for monetary gold was paralleled by another attempt at postwar restitution of assets dislocated by the war — the so-called question of "heirless assets." Just as the war had divorced national governments from their legitimate gold stocks, so too did it conspire to separate individuals from their personal wealth and make them economic victims of the conflict. After the war, attention focused on two particular types of such victims. First, there was strong evidence that gold and other precious assets of the victims of German death camps had been seized and put to the economic service of the Axis. The gold was then mingled — by resmelting and counterfeit marking — with seized stocks of monetary gold. After the war, the differentiation of legitimate, prewar monetary gold from "tainted" victims' gold proved devilishly difficult. To some degree, this dilemma was addressed by the commitment contained in the Paris Reparations Agreement of January 1946 to establish a US$25 million fund to assist stateless peoples. Into this fund, later administered by the International Refugee Organization, Switzerland, for instance, made its contribution of US$4.7 million in 1948.

A second category of victims' assets proved equally awkward to resolve. As the war tensions mounted in the late 1930s, many Europeans sought a measure of security by dispersing their assets to foreign domiciles, where they imagined their wealth would be safe from enemy incursion. This flight of capital largely originated in Germany, where Jews sensed the menace of the anti-Semitism that national socialism nurtured. With its reputation for neutrality and banking integrity, Switzerland became a favourite destination for such assets, but the dispersal reached as far afield as the United States. These arrangements were largely made with commercial banks, where foreign nationals simply opened accounts or rented safety deposit facilities. With the advent of war, Allied governments froze the assets of foreign nationals within their borders and administered them as "alien" or "enemy" property.

With the return of peace, Allied governments loosened these controls and returned the assets to the control of their owners or their heirs. The disposition of assets of those who had died heirless proved more difficult, particularly in light of the decimation of European Jewry by the Germans. Much the same situation pertained in Switzerland. Under the terms of the 1946 Allied-Swiss Washington Accord, Switzerland agreed to examine "sympathetically" the idea of transferring heirless assets found in Swiss banks to postwar Allied efforts at refugee relief. While it seemed likely that these assets were predominantly those of Jewish victims of the Holocaust, there was no accurate way, given Switzerland's insistence on the sanctity of its commercial banking system, of ascertaining the number of these accounts or their magnitude.

In the immediate postwar decade the issue of heirless assets was shunted aside by the Allied-Swiss fixation on the restitution of monetary gold. Even in the United States, action was slow in coming. In 1954, a law was passed designating the Jewish Restitution Successor Organization (JRSO) in New York as the "successors in interest" of heirless Jewish assets held in the United States. By 1957, the JRSO had vetted approximately 11,000 claims on these assets and had approved approximately 2,000 of them as worthy of compensation. In 1962, another American law made US$500,000 available for the settlement of these claims.

In Switzerland, settlement of the heirless assets issue proceeded more slowly. The 1946 Paris Reparations Agreement had placed responsibility for reparations for individual victims of the war with individual national governments and international agencies (such as the International Refugee Organization). Thus, any effort to discover and lay claim to heirless assets depended upon the willingness of individual states, particularly those touched by the postwar diaspora of Jews, to choose to prosecute the issue. In the free world, pressure was applied by the World Jewish Congress, but behind the Iron Curtain there was virtually no willingness to champion an attempt to locate and secure title to heirless assets in the interest of Jewish citizens. In 1949, for instance, the Polish government struck a deal with Switzerland whereby the heirless assets of Polish origin were transferred to the Polish government which then applied them to settling Swiss claims against Poland. Individuals who took it upon themselves to attempt this task of identifying and freeing heirless assets in Switzerland, where most of the accounts were believed to be, were soon confronted by the impenetrable regulations of Swiss commercial banking.

The 1952 German-Swiss agreement on the settlement of German assets held in Switzerland allowed Germans to liquidate their assets in Switzerland. Holocaust victims with Swiss holdings of less than SFr10,000 were exempted from the provisions of the agreement that obliged those claiming their assets to make a compulsory Swiss franc contribution to the German government equal to one-third of the value of their assets. Through all these procedures, the Swiss government insisted that the integrity of its commercial banking system could not be breached by probes designed to connect heirless assets with potential claimants. The onus was placed on the banks themselves to identify and come forward with information on the existence of such accounts, a request that was enshrined in a 1963 law that required Swiss banks to report such accounts and to pay them, if unclaimed, into a federal fund. Under these conditions, and despite Swiss assurances to the contrary, many of the heirless assets lodged in Swiss banks remained dormant, the existence and extent only dimly comprehended by those beyond the halls of Swiss commercial banking.

Thus, despite sporadic diplomatic sallies — principally by the American government — and periodic representations by the World Jewish Congress, the issue of the postwar fate of looted gold and heirless assets slipped into a kind of limbo in the mid-1950s. Allied preoccupation with other issues — notably fighting the Cold War — and Swiss obfuscation combined to stymie any concerted effort to locate and free heirless assets.

The hibernation lasted until 1995, when a fortuitous combination of global events brought the issue of looted gold and dormant heirless assets once again to the fore and supplied it with a dynamic sufficient to ensure some sort of resolution to the unfinished business of the immediate postwar decade. The first factor was the end of the Cold War. The all-consuming East-West tension of the Cold War had powerfully served to suppress Allied willingness to pursue the twin issues of looting and restitution to their full conclusion in the 1950s. The West's eagerness to support the fledgling West German republic in the 1950s tended, for instance, to work against any over-vigorous enforcement of the reparation process. Undue economic strain could not be placed on the "German economic miracle" and West Germany had to be transformed into a pillar of the NATO alliance. Similarly, the Cold War trapped many Jewish victims of the war behind the Iron Curtain, where communist regimes had little interest in supporting their restitution claims. The collapse of the Soviet empire in the early 1990s thus freed the West to turn its attention to some of the unaddressed legacies of World War II. At the same time, the disintegration of authoritarianism in Eastern Europe freed Jews in these countries to engage in the search for restitution of assets stripped from them or their families in the Holocaust or believed to have lain dormant in foreign banks since the conflict.

Two factors in North America added to the forcefulness of events in Europe. While the World Jewish Restitution Organization had long exerted pressure for action on behalf of Holocaust victims and their financial claims, it took the emancipation of Eastern European Jewry and the publicity and research efforts of its sister organization, the World Jewish Congress (WJC), to finally give the campaign sufficient mass to command the attention of the world press and national governments. Led by Canadian-born businessman Edgar Bronfman, the WJC launched a concerted campaign against Eastern European governments for the return of property confiscated by Communist regimes. The WJC soon directed its energies towards Switzerland and the mysteries of dormant bank accounts. Determined to prepare itself as thoroughly as possible for these negotiations, the WJC set to work in the National Archives in Washington to document the wartime looting of gold and the postwar denial of access to unclaimed Jewish assets as fully as possible. In Washington, WJC researchers laboriously worked their way through the trove of Safehaven, OSS and diplomatic files that chronicled the tangled financial history of Nazi Germany and its neutral accomplices. In September 1995, Bronfman met the Swiss Bankers Association in Berne to demand disclosure and restitution of Jewish monies in long-dormant Swiss bank accounts. The bankers first suggested that their research had revealed the presence of US$32 million in these accounts and offered to settle on that basis. Bronfman rebuffed this offer, arguing that it was neither accurate nor did it acknowledge the moral dimensions of the situation. The bankers then agreed to another comprehensive audit of the dormant accounts preparatory to a final, mutually endorsed settlement.

As had been the case in the initial late-war crusade to uncover the secrets of Nazi wartime finance, the last and crucial ingredient in the reawakening of world interest in the fate of looted gold and dormant Jewish bank accounts was supplied by the moral and political fervour of the United States. New York Republican Senator Alfonse D'Amato, chairman of the influential Senate Banking Committee and a politician with a large Jewish American constituency, aligned himself with Bronfman and the WJC. The Banking Committee's power to revoke foreign bankers' licences to operate in the United States meant that D'Amato's interest in revisiting Switzerland's role as a neutral power and banker could not be lightly dismissed. In the spring of 1996, the coalition of D'Amato, Bronfman and the WJC prompted U.S. President Bill Clinton to empower Stuart E. Eizenstat, under secretary of commerce for international trade, to create a presidential task force to conduct a massive archival investigation of the whole wartime and immediate postwar history of Nazi gold. Over the next seven months, a staff of historians drawing on resources from eleven U.S. government agencies pored over 15 million pages of documents in Washington's National Archives. Their report, issued in May 1997, reconstructed in exact detail (as their report's title indicated) *U.S. and Allied Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II.* Under Secretary Eizenstat's conclusion at the end of this huge investigation bears repetition:

> The cumulative facts and conclusions contained in this report should evoke a sense of injustice and a determination to act. Now, half a century later, this government's challenge is to complete the unfinished business of the Second World War to do justice while its surviving victims are still alive. To do justice is in part a financial task. But it is also a moral

> and political task that should compel each nation involved in these tragic events to come to terms with its own history and responsibility.[7]

Even before the Eizenstat team reported, other nations had responded. British historians and archivists at the Foreign and Commonwealth Office mined the records of the Public Record Office to produce two "History Notes" entitled "Nazi Gold: Information from the British Archives" in September 1996 and May 1997. Similar research was undertaken by the Bank of England. In Switzerland, such investigations quickly assumed the dimensions of an investigation into the soul of the nation itself. While Swiss bankers revisited the files of their dormant accounts in conjunction with the WJC under the chairmanship of former U.S. Federal Reserve Chairman Paul Volcker, the Swiss Parliament established a historians' commission — the Bergier Commission — to unravel the whole Swiss-German interaction in the war. Other commissions were directed to examine other aspects of Switzerland's war — for instance, Switzerland's postwar agreements with Eastern European countries. Elsewhere in Europe, other historians set to work. The German metal refiner Degussa, the alleged converter of looted gold into seemingly legitimate new gold, hired an independent historian to examine its records. Thus, by the spring of 1997, the issue of Nazi gold, Swiss neutrality and the postwar Allied efforts at restitution had become the focus of a nearly global historical effort — an effort with huge moral, financial and political implications.

Amid all this agitation and research, the word "Canada" never emerged. Although a signatory to the various Allied declarations on looted gold signed between 1943 and 1945, Canadian officials had not actively participated in either the investigations or the negotiations that revolved around the looted gold issue down to 1952. Canada is, in fact, not even mentioned in the thick and authoritative Eizenstat report or in its index. The encyclopedic bibliography accompanying the report contains only several innocuous files concerning military operations involving Canada but unrelated to gold. The British "History Notes" reports similarly do not mention Canada. Neither of the two best-selling books on the Nazi gold controversy — Tom Bower's *Nazi Gold: The Full Story of the Fifty-Year Swiss-Nazi Conspiracy to Steal Billions from Europe's Jews and Holocaust Survivors* (1997) and Adam LeBor's *Hitler's Secret Bankers: The Myth of Swiss Neutrality During the Holocaust* (1997) — contain a single mention of Canada in relation to looted gold or in any other context. Perhaps the closest Canadians get to the pain of the issue is the chilling reminder in LeBor's narrative that the group charged with sorting the loot stripped from Holocaust victims at Auschwitz was called the "Canada Kommando"[8] — perhaps an allusion to the belief that Canada was a remote land of plenty. Only by the summer of 1997 did Canada begin to appear in any of the Nazi gold literature and then only innocuously, in tables issued by the Swiss Department of Foreign Affairs showing wartime gold purchases by the country's central bank, the Banque Nationale Suisse.

Canada's quiescent role in the Nazi gold controversy ended abruptly on July 11, 1997, when Gordon Thiessen, the Governor of the Bank of Canada, received a letter co-signed by the president of the Canadian Jewish Congress (CJC), Goldie Hershon, Irving Abella, the CJC's past president and the co-chairs of Canada's National Holocaust Remembrance Committee, Myra Giberovitch and Nathan

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7 Eizenstat, op.cit., p.x.

8 LeBor, op.cit., p.6.

Leipeiger. The letter reported "with dismay" that the CJC had received from the WJC in New York news that documents recently uncovered in the scouring of the National Archives in Washington "indicate that Portugal and Switzerland swapped a significant amount of looted gold for gold held in the Bank of Canada and the Federal Reserve Bank of New York."Attached to the letter was a grainy facsimile of a document — probably generated during the era of Safehaven intelligence gathering — which gave details of the swaps. About six tons of gold appeared to be involved in a series of swaps between Switzerland, Portugal and Sweden in 1942 and 1944. The undated document was said to be "from a very confidential source" and suggested that "measures" had been taken to disguise the origin of the gold bars in Switzerland that were at the heart of the swap. The bars in Switzerland were described as "probably tainted."

In response to the July 11th letter's request that "the Bank of Canada undertake an investigation to ascertain the involvement of the Bank in these transactions," the Bank immediately launched an examination of its archives. On July 28, a press release from the Bank confirmed that the Bank did have a role in the 1942 Swiss-Portuguese transfer of gold held in its vaults for safekeeping, but cautioned that much work remained to be done in the Bank's archives before the full story of the transfers could be known. Virtually nothing was known of the Canadian context in which these gold swaps took place, about the procedures followed by Canadian officials or about whether they were even aware of the implications of trading gold into neutral Europe in time of war. To do this, about "50 cubic feet" of documents would have to be examined at the Bank of Canada. Other departments of the Canadian government would have to be consulted and their documents surveyed.

The Bank then outlined the "next steps" in its investigation. It openly acknowledged the need for transparency in its investigations and in making public disclosure of the conclusions of these searches. It committed itself to making all documentation surrounding the transactions "publicly available as soon as possible to facilitate further research in this area." And it would secure the services of an outside historian to prepare an "independent assessment" of the Bank's role in the gold transactions of 1942-44 identified by the WJC document. The historian would be guaranteed "full access" to the Bank's archives and an "external review group" would be appointed to comment on the final draft of the historian's report.

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On July 22, I was contacted by the Bank of Canada and asked to undertake the above investigation. After a brief negotiation in which the Bank's determination to sponsor an absolutely open and independent investigation of its wartime gold operations became abundantly apparent, I agreed to proceed with the investigation. In the subsequent memorandum of agreement, the Bank of Canada stated its "objectives" in undertaking the investigation. These were:

- to respond to public concern about possible Bank of Canada involvement in transactions related to looted Nazi gold during and after the Second World War

- to meet the Bank's requirement for openness and accountability by providing a report of its activities and by making its records readily available to other researchers

- to respect all applicable laws
- to protect the Bank's relationship with its existing central bank clients and
- to act expeditiously on the issue and obtain closure as quickly as possible.

As historical consultant, I agreed to "review all the Bank of Canada's documents related to gold transactions during the relevant period from the founding of the Bank in 1935 to 1950." Review of peripheral federal government documents, particularly in the Department of Finance, was also to be undertaken. A team of Bank employees was to be made available to help me gain access to relevant documentation. My report was to focus on the Canadian aspects of the gold transfers in question; the purpose of the exercise was "not to document the history of international gold movements during the war," although there might be cause to consult the "secondary results" of foreign research on the topic. I was also to advise the Bank "on the appropriate way to make the records accessible to other researchers." Last, I was asked to produce "a formal, annotated paper summarizing the results" of my investigation. I was to have "complete freedom" in drawing my conclusions. The report was to be published.

On August 12, I arrived at the Bank of Canada to begin the research that underlies this report.

Duncan McDowall
Ottawa
November 1997

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בס"ד

July 11, 1997

Mr. Gordon G. Thiessen
Governor
Bank of Canada
234 Wellington Street
Ottawa, Ontario
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Dear Mr. Thiessen:

The accounts of Nazi gold have seen considerable media coverage over the last several months. They have brought into question the issue of neutrality and morality during the Second World War and the role of various countries in Europe who traded with Nazi Germany for gold looted from the victims of war and the Holocaust. It was, therefore, with dismay that we learned that the most recent revelation involves the Bank of Canada.

The declassified documents released yesterday indicate that Portugal and Switzerland swapped a significant amount of looted gold for gold held in the Bank of Canada and the Federal Reserve Bank of New York. Mr. Kalman Sultanik, Vice-President of World Jewish Congress, stated that the documents detail "a classic money-laundering operation." The 1942 document notes the "the gold in Canada was pre-war but that in Switzerland was probably tainted."

Canadian Jewish Congress requests that the Bank of Canada undertake an investigation to ascertain the involvement of the Bank in these transactions. It is important that the historical record be clear and that Canadians know what, if any, connection the Bank of Canada had with this most unfortunate series of events of fifty years ago.

Thank you for your consideration in this important matter.

Sincerely,

Goldie Hershon
Goldie Hershon
National President

Irving Abella
Irving Abella
Immediate Past President

Myra Giberovitch Nathan Leipciger
Myra Giberovitch and Nathan Leipciger
Co-Chairs, National Holocaust Remembrance Committee

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Gordon G. Thiessen
Governor - Gouverneur

11 July 1997

Canadian Jewish Congress
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Attention: Goldie Hershon, National President
Irving Abella, Immediate Past President
Myra Giberovitch and Nathan Leipciger, Co-Chairs,
National Holocaust Remembrance Committee

Ladies and Gentlemen,

The Bank of Canada received notification late yesterday afternoon of the documents mentioned in your letter today. We began this morning to organize a review of the records in our archives to verify the transaction referred to in the documents and find out what we can about the circumstances surrounding such a transaction.

I can assure you that we will be pursuing our review quickly and thoroughly so that the situation can be clarified as soon as possible. We share your concern that the gold of other central banks held for safekeeping in Canada could have been associated in any way, however indirect, with Nazi Germany gold transactions.

I will be in touch with you as soon as I have the results of our review.

Yours sincerely,

Gordon Thiessen

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