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STAFF

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TOT: 292213Z APR 98 DIRECTOR 791715  
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STAFF 292213Z DIRECTOR 791715

TO: IMMEDIATE [ ]

DECLASSIFIED AND RELEASED BY  
CENTRAL INTELLIGENCE AGENCY  
SOURCE METHODS EXEMPTION 3B2B  
NAZI WAR CRIMES DISCLOSURE ACT  
DATE 2001 2008

FROM: LIMITED DISSEM EUR/EXO INFO DDO, ADDO, EXDIR, D/EXDIR,  
CHIEF/EUR, DC/EUR, EUR/COPS, EUR/DCCI, EUR/CGG, EUR/CGA, EUR/SGS,  
EUR/SGSW, EUR/SGI, EUR/SGSP, EUR/NGB, DO/IRO, EUR/RR

SLUGS: WNINTEL RYBAT

SUBJECT: PENDING RELEASE OF AMBASSADOR EIZENSTAT'S VOL. II REPORT  
ON WW II VICTIM GOLD

REF: NONE

TEXT:

1. ACTION REQUIRED: PLEASE ADVISE ANY REACTION BY LIAISON  
COUNTERPARTS. SEE PARA 4.

2. HQS ANTICIPATES THAT CIRCA 11-12 MAY AMBASSADOR  
EIZENSTAT WILL RELEASE HIS SUPPLEMENT TO LAST YEAR'S STUDY ON WW  
II-ERA VICTIM GOLD. THE NEW REPORT, "US AND ALLIED WARTIME AND  
POSTWAR NEGOTIATIONS WITH ARGENTINA, PORTUGAL, SPAIN, SWEDEN, AND  
TURKEY ON LOOTED GOLD AND GERMAN EXTERNAL ASSETS," INCLUDES A  
CHAPTER ON WARTIME AND POST WW II ACTIVITIES OF THE USTASHIS  
(CROATIAN FASCISTS) AND POSSIBLE MONEY LAUNDERING THROUGH ALLIED  
AND NEUTRAL GOVERNMENTS. THE USTASHA GOLD CHAPTER CONTAINS  
REFERENCES TO CIRCA 13 DECLASSIFIED CIA DOCUMENTS FROM THE 1940'S  
AND 1950'S, IN ADDITION TO INFORMATION PROVIDED BY THE BRITISH  
FOREIGN OFFICE, STATE DEPARTMENT, THE DEPARTMENT OF JUSTICE'S  
OFFICE OF SPECIAL INVESTIGATIONS, DOD, TREASURY,  
AND OPEN SOURCE REPORTING. THE UNITED KINGDOM HOLOCAUST  
EDUCATIONAL TRUST AND THE CROATIAN DELEGATION TO THE DECEMBER 1994  
LONDON CONFERENCE ON NAZI GOLD ALSO PROVIDED INFORMATION.

3. SHORTLY AFTER THE PUBLIC RELEASE OF HIS REPORT,  
AMBASSADOR EIZENSTAT WILL APPEAR BEFORE THE HOUSE AND SENATE  
BANKING COMMITTEES AND THE HOUSE INTERNATIONAL RELATIONS  
COMMITTEE. BECAUSE OF ONGOING INTEREST IN THE NAZI GOLD ISSUE,  
WE EXPECT MEDIA INTEREST AND PRESS PLAY. MOREOVER, THE OVERALL  
REPORT, AND THE USTASHA GOLD CHAPTER IN PARTICULAR, MAY RAISE  
SUSPICIONS AND CHARGES THAT A NUMBER OF GOVERNMENTS HAVE FAILED TO  
ADHERE TO INTERNATIONAL LAW AND TREATY OBLIGATIONS REGARDING  
RESTORATION OF VICTIM ASSETS AND INDEED MAY HAVE SOME COMPLICITY

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IN DEPRIVING VICTIMS OF THEIR ASSETS.

4. HQS REQUESTS THAT STATIONS PROVIDE AN ORAL BRIEFING OF THE CHAPTER TO OUR LIAISON PARTNERS WITH THE CAVEAT THAT THE INFORMATION SHOULD BE CLOSELY-HELD. REQUEST STATIONS ADVISE HQS OF SUBSTANCE AND TENOR OF LIAISON RESPONSE, IF ANY. PLEASE NOTE TO LIAISON THAT THIS CHAPTER IS NOT, REPEAT NOT, A PRODUCT OF [ ] BUT RATHER AN INDEPENDENT PRESIDENTIAL COMMISSION. YOU MAY ALSO NOTE TO LIAISON THAT PORTIONS OF THE REPORT, AS EVIDENCED BY FOOTNOTES, ARE BASED ON WARTIME AND POST WW II OSS AND CIG REPORTING RETRIEVED FROM OUR FILES. THESE DOCUMENTS, WHICH MAY BE RELEASED IN THEIR ENTIRETY BY EIZENSTAT, WILL BE AVAILABLE CIRCA 11-12 MAY UNDER THE US FREEDOM OF INFORMATION ACT TO ANY REQUESTER (INCLUDING THE FOREIGN MEDIA).

5. A SUMMARY OF THE USTASHA GOLD CHAPTER FOLLOWS PARAS 6-13.

6. A GOVERNMENT COMPOSED OF MEMBERS OF THE FASCIST CROAT USTASHE POLITICAL MOVEMENT, HEADED BY ANTE PAVELIC, WAS PROCLAIMED A PROTECTORATE OF ITALY IN MAY 1941, AND WAS IN FACT SUPPORTED THROUGHOUT WORLD WAR II BY BOTH ITALIAN AND GERMAN OCCUPATION FORCES. BRITISH INTELLIGENCE SOUGHT FOR A TIME TO MAINTAIN CONTACT WITH HIGH-RANKING OFFICIALS OF THE PUPPET CROATIAN GOVERNMENT, BUT THE CONTACT ENDED AFTER USTASHA LEADER ANTE PAVELIC RECOGNIZED THAT THE ALLIES INTENDED TO SUPPORT THE PARTISANS. U.S. AND BRITISH LEADERS WERE NOT UNAWARE OF THE MURDEROUS EFFORTS OF THE USTASHA REGIME AGAINST THE SERBS, JEWS, AND SINTI-ROMANI PEOPLES LIVING IN CROAT-CONTROLLED TERRITORY. THE VATICAN, WHICH MAINTAINED AN "APOSTOLIC VISITATION" IN ZAGREB FROM 1941 UNTIL THE END OF THE WAR, WAS AWARE OF THE KILLING CAMPAIGN, WHICH STARTED WITH THE INTERNMENT OF MOST OF THE 35,000 TO 45,000 CROATIAN JEWS IN THE SPRING AND SUMMER OF 1941.

7. U.S. INTELLIGENCE EXPERTS CONCLUDED AFTER THE WAR THAT USTASHA LEADERS AT ONE TIME HAD AT THEIR DISPOSAL MORE THAN \$80 MILLION (350 MILLION SWISS FRANCS), MOSTLY COMPOSED OF GOLD COINS, SOME OF WHICH WERE PLUNDERED FROM THE VICTIMS OF THE CROATIAN HOLOCAUST. IN 1944 THE USTASHA REGIME BEGAN TO MOVE ASSETS INTO SWISS BANK ACCOUNTS FOR SAFEKEEPING. U.S. INTELLIGENCE REPORTS NOTED THAT THE SWISS GOVERNMENT FROZE CROATIAN GOVERNMENT ACCOUNTS IN SWISS BANKS AT THE END OF THE WAR WORTH A TOTAL OF 15-16 MILLION SWISS FRANCS (\$3.5-3.7 MILLION) IN PART AS COMPENSATION FOR OUTSTANDING CROATIAN DEBTS. THE FINAL MILITARY COLLAPSE OF THE GERMAN ARMY IN CROATIA AND ITS PUPPET USTASHA FORCES BEGAN IN APRIL 1945. U.S. INTELLIGENCE REPORTS INDICATE THAT THE FLEEING USTASHA LEADERS CARRIED AT LEAST PART OF THE CROATIAN TREASURY WITH THEM INTO THE BRITISH ZONE OF OCCUPATION IN AUSTRIA WHERE IT WAS SEIZED BY THE BRITISH AUTHORITIES. THE BRITISH OCCUPATION AUTHORITIES IN AUSTRIA ACKNOWLEDGED NO RECOVERY OF ANY MONETARY GOLD OR NON-MONETARY GOLD ORIGINATING WITH THE PUPPET CROATIAN USTASHI REGIME, AND NO GOLD ATTRIBUTED TO THE CROATIAN REGIME WAS TRANSFERRED TO THE TRIPARTITE GOLD COMMISSION.

8. ACCORDING TO INFORMATION GATHERED AT VARIOUS TIMES BY U.S. INTELLIGENCE, THE COLLEGE OF SAN GIROLAMO DEGLI ILLIRICI IN ROME, WHICH SERVED AS LIVING QUARTERS FOR CROATIAN PRIESTS STUDYING AT THE VATICAN DURING AND AFTER WORLD WAR II, WAS A CENTER OF USTASHA COVERT ACTIVITY AND A CROATIAN "UNDERGROUND" THAT HELPED USTASHA REFUGEES AND WAR CRIMINALS TO ESCAPE EUROPE AFTER THE WAR. THE PRIME MOVER BEHIND THIS USTASHA ACTIVITY IN ROME WAS THE SECRETARY OF THE COLLEGE, FATHER DR. KRUNOSLAV STEFANO DRAGONOVIC, WHO ALSO WAS AN USTASHA COLONEL.

9. IN AUGUST 1943, KRUNOSLAV DRAGONOVICH ARRIVED AT THE VATICAN AS THE REPRESENTATIVE OF THE CROATIAN RED CROSS, OSTENSIBLY TO HELP CROAT AND OTHER YUGOSLAVIAN REFUGEES. ALMOST IMMEDIATELY UPON HIS ARRIVAL, HE WAS ASKED TO TAKE CHARGE OF THE USTASHA'S ROME LEGATION ARCHIVES, WHICH HE SPIRITED AWAY AND HID SOMEWHERE IN THE VATICAN, SUPPOSEDLY ALONG WITH QUANTITIES OF GOLD AND OTHER VALUABLES THE USTASHA HAD SMUGGLED INTO ITALY. A 1947 US INTELLIGENCE DOCUMENT REPORTED NUMEROUS WAR CRIMINALS HIDING OUT IN THE VATICAN, INCLUDING CROAT AND MUSLIM USTASHIS, WHITE

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GUARD SLOVENES, AND MONTENEGRIN SEPARATISTS AS WELL AS ALBANIAN FASCIST COLLABORATORS. SOMETIME IN 1946 DRAGONOVICH ADDED TO HIS CLIENTELE NONE OTHER THAN THE POG LAVNIK HIMSELF, DR. ANTE PAVELICH. ACCOMPANIED ONLY BY AN AIDE, PAVELICH ARRIVED DISGUISED AS A PRIEST TRAVELING UNDER THE NAME "DON PEDRO GONNER," WITH A SPANISH PASSPORT. FROM EARLY 1946 TO LATE 1947, THE USTASHIS IN THE VATICAN HARBORED ANTE PAVELICH, AS WELL AS OTHER USTASHA LEADERS, AND THE SUPPORT OF THE CROAT UNDERGROUND IN THE VATICAN WAS CRITICAL FOR PAVELICH'S ESCAPE FROM EUROPE TO ARGENTINA. FOR DRAGONOVICH, HIS CAREER AS A CONDUIT FOR ESCAPING WAR CRIMINALS PROBABLY PEAKED IN THE LATE 1940S. BY THE END OF THAT PERIOD, MOST OF THE USTASHES HAD BEEN RESETTLED--MAINLY IN ARGENTINA--AND WERE BEGINNING TO ESTABLISH THEMSELVES. IN OCTOBER 1958, BUT A FEW DAYS AFTER THE DEATH OF PIUS XII, DRAGONOVICH WAS ORDERED TO LEAVE THE COLLEGE OF SAN GIROLAMO BY THE VATICAN SECRETARY OF STATE, CARDINAL DOMENICO TARDINI.

10. IN 1946, THE SSU (POSTWAR SUCCESSOR IN THE WAR DEPARTMENT TO THE SECRET INTELLIGENCE BRANCH OF THE OSS) REPORTED A FIGURE OF 350 MILLION SWISS FRANCS (OVER \$80 MILLION) FOR THE TOTAL FINANCIAL RESOURCES AVAILABLE TO THE USTASHIS AT THE END OF WORLD WAR II. THIS REMAINS THE ONLY ATTEMPT TO ESTIMATE THE TOTAL FINANCIAL RESOURCES AVAILABLE TO THE USTASHIS AT THE END OF WORLD WAR II. IT SEEMS CLEAR FROM THE AVAILABLE INFORMATION THAT THERE WAS SOME QUANTITY OF GOLD AT THEIR DISPOSAL IN ROME, AUSTRIA, AND SWITZERLAND. FROM THE CHARACTER OF THE USTASHA REGIME AND THE NATURE OF ITS WARTIME ACTIVITIES, THIS SUM ALMOST CERTAINLY INCLUDED SOME QUANTITY OF VICTIM GOLD. THE LARGEST ESTIMATE OF CROATIAN STATE TREASURY REACHING THE VATICAN WAS MADE IN THE OCTOBER 1946 U.S. INTELLIGENCE (SSU) REPORT TO THE TREASURY DEPARTMENT, WHICH ESTIMATED THAT 200 MILLION SWISS FRANCS (ABOUT \$47 MILLION) WAS "ORIGINALLY HELD IN THE VATICAN" BEFORE BEING MOVED TO SPAIN AND ARGENTINA.

11. AT THE LONDON CONFERENCE ON NAZI GOLD HELD IN DECEMBER 1997, THE CROATIAN DELEGATION REPORTED THAT THE WORK OF THE SPECIAL COMMISSION WILL BE FACILITATED BY THE FACT THAT "THE 1941-1945 ARCHIVES HAVE BEEN LARGELY PRESERVED" AND THE PRESENT CROATIAN STATE ARCHIVES CONTAINS EXTENSIVE MATERIALS ON THE HOLOCAUST IN CROATIA AND JEWISH PROPERTY IN PARTICULAR. THE DELEGATION CONCLUDED ON THE BASIS OF DOCUMENTS IN THE ARCHIVE OF THE JEWISH COMMUNITY OF ZAGREB, "AS WELL AS THOSE KEPT ELSEWHERE IN CROATIA," THAT THE GOLD AND JEWELRY TAKEN FROM JEWS IN CROATIA UP TO THE END OF OCTOBER 1941 AMOUNTED TO 1,065 KILOGRAMS (WORTH MORE THAN \$1.2 MILLION).

12. THERE ARE OTHER POSSIBLE SOURCES OF HISTORICAL INFORMATION ON THE FATE OF THE CROATIAN STATE TREASURY. MOST, IF NOT ALL, OF THE CROATIAN USTASHA LEADERS AND SOLDIERS WHO FLED THE APPROACHING PARTISAN FORCES IN APRIL AND MAY 1945 ESCAPED THROUGH THE BRITISH ZONE OF OCCUPATION OF AUSTRIA. BRITISH MILITARY AND INTELLIGENCE RECORDS MAY BE ABLE TO DESCRIBE USTASHA ACTIVITIES IN OCCUPIED AUSTRIA, INCLUDING THE TRANSPORT OF ANY OF THE CROATIAN TREASURY. SWISS BANKING RECORDS MAY CONTAIN ADDITIONAL INFORMATION BEYOND WHAT HAS ALREADY BEEN PUBLISHED. PERHAPS THE BEST DOCUMENTATION FOR THE WARTIME ACTIVITIES OF THE USTASHA IS IN THE ARCHIVES OF THE INDEPENDENT STATE OF CROATIA, IF THE RECORDS STILL EXIST. THE BULK OF THE USTASHA CROAT STATE ARCHIVES, HOWEVER, APPARENTLY REMAIN WITHIN THE TERRITORY OF THE FORMER STATE OF YUGOSLAVIA, WHERE THEY ARE PRESENTLY UNAVAILABLE TO WESTERN RESEARCHERS.

13. IN ADDITION TO THE EVIDENCE OF COVERT USTASHA ACTIVITY INSIDE THE VATICAN'S COLLEGE OF SAN GIROLAMO, THERE IS THE QUESTION OF THE ATTITUDE OF THE PAPAL ADMINISTRATION, WHICH ALTHOUGH NOT INVOLVED WITH THE USTASHIS, COULD NOT HAVE BEEN ENTIRELY UNAWARE OF WHAT WAS GOING ON. VATICAN AUTHORITIES HAVE NOT FOUND ANY RECORDS THAT COULD SHED LIGHT ON THE USTASHA GOLD QUESTION. MORE INFORMATION ON THE USTASHIS AND ANY TREASURY THEY MAY HAVE CARRIED WITH THEM INTO EXILE MIGHT EXIST AS WELL IN THE

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ARCHIVES OF THE ARGENTINE SECURITY SERVICES.

14. FILE: NONE: CL BY   CL REASON: 1.5(C), DECL  
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