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MEMORANDUM

4 June 1945

TO: The Director, OSS

VIA: Mr. John A. Mowinkel,
ECONIC Unit

FROM: Mr. James R. Murphy, *JRM*
Chief, X-2 Branch

SUBJECT: X-2 Case Materials Illustrating German Safehaven Practices.

1. Pursuant to your request of 30 May, we are forwarding here-with an original and one copy of a report on materials drawn from X-2 files applicable to the above subject.

2. X-2 Branch has in its files many reports on German espionage and other subversive activities which are related more or less to the creation of economic resources beyond the frontiers of Germany. These materials are now being processed within the branch, and integrated with related materials from other branches through Mr. Mowinkel's office.

3. We believe that most successful concealments and transfers of assets to the protection of neutral Governments or Governments friendly to the Germans will involve the use of established undercover and intelligence channels, personnel and instrumentalities. As you know, the GIS organizations, their personnel, communications, and contacts have been the principal routine business of X-2 Branch. We believe that clandestine intelligence operations are and will continue to be absolutely essential to the neutralization of German efforts to build up economic resources for future warfare and subversive activities. Our own experience demonstrates that CI operations, methods, training and penetration techniques are essential and effective in discovering and countering German efforts to conceal and rebuild future war potential.

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OUTSTANDING CASES ILLUSTRATING THE PATTERN OF THE
TRANSFER OF FUNDS, VALUABLES, AND SCIENTISTS AND
TECHNICIANS, FROM GERMANY TO SWEDEN

1. View of German capital transfer methods to Sweden by a
highly reliable source.

1.) German exporters hold in free warehouses and free ports in Sweden huge stocks of goods which can thus be kept under international regulations for two years against the payment of a nominal amount. According to well informed sources, the free ports of Stockholm and Malmo alone contained such goods in the amount of 100,000,000 kronor, (Note: about \$25,000,000) chiefly chemicals, drugs and textiles. These goods are not taxable in Germany whilst the exporter does not sell them. With the new import regulations, the values of the goods have risen automatically, so that a chemical which was 400 kronor per 100 kilograms at the time of its shipment from Germany, could be sold for 700 kronor now. Only the original 400 kronor is reported to the Reichsbank, while the remaining 300 are at the disposal in Sweden of the German exporter, the matter being arranged between him and the Swedish importer.

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2.) In the course of the past six months, it has been noted that German export control officers are no longer sending demand notes to Swedish buyers in cases where these buyers do not meet their bills within the prescribed three, six, or nine months.

3.) Cases are known where the German exporter made a personal arrangement with the Swedish importer, providing that the Swedish buyer, in the event he should be officially requested to make payment, should:

- a. Reply that the goods delivered did not come up to the quality of the sample so that he desires to negotiate a settlement directly with the exporting firm.
- b. That he intends to postpone payment because a price discount is being negotiated and that, if such discount is not allowed, he intends to cancel the order and put the goods at the disposal of the exporter again.

As a result, the export control stations no longer bother about securing payment.

4.) In the course of the past year, many cases have been known where the prices of goods were forced down by half or more by special "discounts". But these "discounted"

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sums are being paid by the buyer into the account of the German exporter in Sweden. An investigation to ascertain exactly what Swedish firms are participating in these capital transfers is not easy. Yet these questions could be solved in a short time once the books dealing with these transactions, which are now in the hands of the German Ambassador Herr SCHAPER, are obtained.

(Information dated April 1945)

2. Financing of intelligence activities in Sweden by gold metal

German intelligence Agent B. arrived in Stockholm in the fall of 1944 equipped with several kilograms of gold. His instructions came directly from HIMMLER.

(Information dated April 1945)

3. Clearing and other maneuvers.

The Nazi spy K., who was acquitted, has resumed his private occupation--that of a German textile representative. For the moment, he has control of great stocks of good textiles. These goods supposedly have been in the free port for the last two years, yet retention is apparently still extendable without trouble. The transfer of capital is implemented thus: K. asks exorbitant

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prices; if the transaction comes to a conclusion, the buyer pays the normal purchase price through the Clearing, and the remainder of the price, he credits to K. K offered silk and asked the price of 17 kronor, this same silk having been bought by the manufacturer in question earlier in the year at the price of 5 kronor. The Clearing purchase price is set at 6½ kronor and the rest, with a discount of 10%, is credited to K. One of K.'s main agents is the former German textile manufacturer B.

High German diplomat in Sweden buys gold. This former little officer who has to thank National Socialism for his career has bought during the past few weeks 64,000 kronor's worth of gold articles from the firm of X. in Stockholm--heavy cigarette cases, cuff links, and rings, as well as a Longine double case watch.

Drugs and Chemicals. In the free port of Stockholm there are at this time wares of this kind in quantities exceeding Sweden's requirements for a year. The Germans zealously try to sell them to pharmaceutical and chemical factories.

4. High German Intelligence officer prepares German Legation members for the collapse

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This German agent in Sweden has a sum of 2,000,000 kronor, which was intended for the purchase of measuring and navigation instruments for the German Navy. Goods purchased with the money were to have been shipped through Norway. As that is no longer possible, von S., in conjunction with Y., is attempting to deposit the sum with sympathetic Swedes through D., the Swedish banker.

Four motor cars belonging to the German Legation, with 16,000 liters of gasoline, have been sold to four Swedish cover men without any entry of the transaction having been made. This is another Nazi means of depositing capital surreptitiously.

In April 1945, a meeting of German air transport men was held in Stockholm. The speaker was a high German intelligence officer.

After a discussion of the current situation, in which he made it apparent that the war was lost in spite of all possible efforts, made clear to those present the nature of their position in Sweden. He pointed out, among other things, that the future possibilities for all of them were probably three:

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- a. If no government exists in Germany and the Swedes take no steps, which would be improbable, the most advantageous thing for all concerned would be to liquidate all holdings and prepare for the surrender of everything to the new authorities.
- b. In case the Swedes freeze all holdings and prohibit access to them, and the local Germans are interned, the Germans can still be satisfied.
- c. In case the Swedes turn German holdings over to the Allies and set the Germans free, the situation would be most unfortunate for the Germans.

No matter what turn events might take, those present need not worry about means of livelihood in Sweden, because he had deposited sums in such a way that access to them is possible. Each man will receive enough so that he will have no financial worries for the next few months, at least, until he finds a new place for himself in some way. In closing he stipulated only that the group should remain together.

This man is believed to have almost 1,000,000 kronor stored away in his safe.

On 19 April the same agent handed out some 100,000 kronor to his most trusted lieutenants for safekeeping

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after the collapse. It is believed that this money was to be used by them according to directions to be issued subsequently.

5. Financing of pro-Nazi magazine as cover for further transfer

The first (and believedly the last) issue of TELE appeared in Sweden in October 1944. According to Atlantic Radio, 600,000 kronor were moved to Sweden on the pretext of financing this magazine. Probably only a few thousand kronor were actually used for the cover purpose. (According to a very reliable source, the Swedes in 1945 still had some thirty million kronor of German clearing balance money.)

6. Case of H.

This manager of a great engineering plant in Sweden, a naturalized German, reportedly purchased property in Sweden in his own name on behalf of GOERING. It is further reported that GOERING had taken out enormous life insurance in Sweden through this man, who is also closely connected with a comparatively poor physician in Sweden possessing a considerable collection of jewels. He contributed large sums to the Swedish Nazi newspaper, Tidsposten. Looted works of art were reported consigned to him in the free port of Stockholm.

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7. Case of E.

E., in 1943, and by order of the Japanese in Berlin brought a parcel of industrial diamonds worth 200,000 kronor to Sweden for safe keeping. E. was reportedly in touch with the Gestapo.

8. Case of L.

This Baltic suspect was arrested in Sweden recently after contacting the German Legation and £6,000 were taken from him. This was believed part of £100,000 received from a Baltic country.

9. Cartel transfer activities; female hormones as a transfer method

R., Swedish representative of a German cartel, has tried to sell German patents to a Swedish firm. It was also reported that the Swedish police arrested a seaman carrying 150,000 kronor's worth of German-manufactured female hormones destined for South America, through which to finance German organizations there. R. was suspected in this deal. The Germans, according to a Swedish press report in February 1943, formed two aluminum companies, in Scandinavia, presumably with the backing of the German Air Ministry.

10. Swedish tankers for German owners

Information received in July 1944 disclosed that T., a Swede, had a controlling interest in five Swedish tankers

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which in reality he was holding for delivery to N. of Hamburg after the war.

11. Neutral Armament Factory

The Germans allegedly have an interest in Z., a neutral arms plant. Before the war KRUPP held 25% of the shares, which however was acquired before 1939 by a neutral group. It is reported that some of these shares were reacquired by KRUPP since; that this firm used patents belonging to KRUPP; and that a relative of GOERING holds about 12% of its shares.

12. Case of M. Company, Stockholm

This company received goods from Denmark, reportedly intended to facilitate the flight of German capital to Sweden. This flight of capital was difficult to control as the Germans exported the goods to trusted friends abroad, invoicing them at very low prices, the difference in price becoming available to the German owner in cash, investments, or in re-exports. As a reward for this, the M. Company were appointed agents for the German O. Syndicate.

13. Press Report

According to the NEUE ZUERCHER ZEITUNG of 2 March 1945, German goods are accumulating in Swedish free ports, and life insurance policies by Germans concluded in Sweden; also, German patent applications in Sweden increased from 1560 in 1938 to 3300 in 1943.

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FIVE EXAMPLES OF GERMAN SCIENTISTS AND
TECHNICIANS TRANSFERRED TO SWEDEN

1. A. Engineer; in Sweden since 1944 to supervise building of ships for Germany. Member of NSDAP.
2. B. Engineer; in Sweden since 1944 to supervise building of ships for Germany; member of NSDAP.
3. C. Specialist in production of electric goods; German birth; Swedish citizen; Stockholm; in charge of firm which has branches in England and Norway; previous experience in almost every country in Europe, including Russia; reported interested in Swedish politics and trade generally; keen Nazi; believed to have visited Norway before the war, taking money and instructions to German 5th column.
4. D. Probably an Engineer; working for G. Company; German by birth; Swedish citizen; Stockholm; traveled to Berlin every month; on orders from Berlin attended all directors' meetings of above firm although not a member of the Board.
5. E. Engineer; Director of Swedish firm; German; specialized in mining and later on in ball-bearings work.

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The following is a summary of reports we have received concerning the building up of German assets in Switzerland and Liechtenstein. Our information is based on a great variety of sources, not all of which are verifiable. However, it is possible to say that we have some evidence concerning the various types of assets held in these countries; the methods of transferring them from Germany; a few of the firms and individuals who are holding them; and a very small number of cases where there is enough accumulated evidence to make it seem probable that the individuals or firms are engaged in Safehaven activity on an extensive scale.

I. The types of assets:

- A. Money. This is, of course, the principal asset received from Germany; gold, in a number of instances, otherwise cash, in unspecified form.
- B. Securities. These have been transferred to Switzerland or else bought there, in a number of instances. However in no case are we able to specify them any more definitely.
- C. Real Property. This occurs in the form of art objects, real estate and industrial property, and comprises a fairly substantial proportion of these assets.

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II. The following are some of the most important examples of such German holdings:

- A. The gold and bonds, stolen by the Nazis from all over Europe and received by certain Swiss banks.
- B. The deposits made by representatives of GOERING in two Swiss banks.
- C. The money sent by the DEUTSCHE VERKEHRS-KREDITBANK of Karlsruhe to the Exchange Office of one of the two Basle railroad stations.
- D. The securities brought to Zurich by T. P., managing director of an Hungarian small arms and ammunition factory, from Vienna. T. P. is closely associated with SS Obergruppenfuehrer BECHER of Vienna, who is one of the biggest "fixers" in the Nazi Party, suspected of being charged with providing a Safehaven for Nazi funds.
- E. The large quantities of Swiss francs credited to the accounts of K. P. G. in various Swiss banks (for further details cf. Special Cases).
- F. The money and securities held by J. C., a notorious German agent (cf. Special Cases).
- G. The money and other property held by R. R., a well-known financier, in Liechtenstein (cf. Special Cases).

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H. The sum of more than 2,000,000 francs reportedly being transferred to Switzerland from the REICHS-BANK, Berlin.

I. The forty-five millions of money which the Nazi leaders drained from the German people, which are reported to be deposited in a western Swiss bank in the name of M. O. M. O. was said to be a German agent in December 1941, interested in smuggling currency. He was also described as a specialist in foreign exchange transactions and unfreezing of frozen assets in the United States.

III. General methods of transference and holding of German assets:

A. For the most part banks and business organizations and their personnel seem to be the custodians of, as well as the intermediaries in getting German resources into Switzerland. There are a few cases where private individuals, some of them reported to be connected with the German Intelligence System, are apparently acting in both capacities.

B. Methods include: smuggling; the use of diplomatic pouches; undercover exchange of foreign, i.e. non-

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Swiss money; the opening of bank accounts in favor of German nationals; the sale of paintings; the establishment of trusts (in Liechtenstein especially) which are known in the name of the trustee, not the owner; the use of apparently innocent firms as covers; the dispatch of money via letters and cables from neutral countries; the use of checks drawn on neutral banks. Also black market operators in countries outside of Switzerland have been reported to handle such transactions as the transference of money from one neutral country to another. In addition, the customary trick of transferring property to the wife's name, with a security clause in case of divorce, is being energetically carried on in Switzerland.

IV. The following comprises a few characteristic examples of such operations:

- A. A member of the German Legation at Berne was reported to have illegally transported pictures into Switzerland by diplomatic pouch.
- B. Two German businessmen, E. and T., were listed as people in private banks who are aiding in sending

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Nazi funds abroad. E. is said to be the owner of a private bank. T. is the owner of a large brewery in Munich.

- C. Among the firms controlled by the Germans and used by them as Safehavens is the T. A. S., a firm formed at St. Gall sometime in January 1945, ostensibly to transport goods from Germany in to and out of Switzerland, but reported to be actually a Nazi front for smuggling valuables out of Germany into Switzerland.
- D. The N. T. S. Company, two of whose directors have been reported to be working for Nazi interests and even as Nazi agents and couriers, may be being used as a cover for Nazi espionage and smuggling activities under Swiss flag protection.
- E. There is considerable evidence that a large number of paintings, which were looted by the Nazis from all over occupied Europe, were brought illegally into Switzerland, to be held there, or sold, for the benefit of Nazi leaders such as GOERING, BALDUR von SCHIRACH, etc. Swiss business organizations and art dealers, as well as private individuals, have been reported to be custodians of these art treasures.

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SPECIAL CASES

1. K. P. G.

G. is a well-known German agent, formerly in Istanbul, most recently, as of January 1945, reported in Switzerland. He is said to have had 200,000,800 Swiss francs accredited to his account in one bank, as well as other money in two others. He is also said to have money in Turkey, about 1,000,000 pounds comprising around 80 kilograms of gold, diamonds, and other jewelry, and stamps worth about 100,000 Turkish pounds. Furthermore 500,000 pounds sterling were left to S. on behalf of G., and other money may have been entrusted by G. to one E. W. on behalf of other Germans.

2. The X Armament Factory

This firm has been manufacturing armaments, working for the Germans and also probably for the Japanese. It is largely owned by B., originally a German citizen, ^{but is} now Swiss by purchase. B. has been suspected of acting as a cloak for German owners, according to an unconfirmed report that unidentified German interests bought X in the early thirties to integrate its production in the German rearmament program. R. R. (cf. Special Case 3) was X's representative in Germany for many years, and one of the employees was said to be an intermediary for traffic in enemy exchange and capital between Swit-

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zerland and Spain, and associated with international businessmen. The intimate connections between B. and R., and R. and the German Government, plus the fact that B. is said to be a multi-millionaire, make it seem very probable that here there is Safehaven activity on a large scale.

3. R. R.

R. is a Sonderfuehrer, a staff member in the Abwehr and was also thought to be an Abwehr agent. He came to Liechtenstein in January 1944. He is thought to be one of the biggest war profiteers and most unscrupulous "fixers" of World War II, and it is strongly suspected that he is one of the key figures in the transfer of German capital to Liechtenstein. According to recent reports he tries to buy anything that might possibly serve as investment: houses, land, etc. He also owns shares of many Swiss concerns which he bought partly four years ago, and partly during the last few months. Sometime late in 1944 he received 17,000,000 Swiss francs, reportedly to carry on German espionage activities in France.

4. J. C.

He is an important German agent and head of an extensive espionage network, using his agents concurrently for business

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and espionage. He worked in Paris in 1944, and when he and his party left Paris in November of that year for Switzerland he took with him 736,000,000 French francs. From Switzerland he was thought to be planning to send Portuguese escudos to Belgium, in order to keep his espionage machine functioning there. He was reported to own the following properties: Villa des Tilleuls, Plombieres (Vosges); Chateau de Tonneaux (Haute Savoie); Villa a Rouge, near Brussels. His agent, S., made frequent trips to Switzerland to deposit huge sums for C. and to buy foreign securities.

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