

I-18/1

Master Copy with Citations
(Not to be lent outside R's office space)

2/13/46

Robert H. H. H.
Assistant Chief

**CONSULTATION
AMONG THE AMERICAN REPUBLICS
WITH RESPECT TO
THE ARGENTINE SITUATION**

**MEMORANDUM OF THE
UNITED STATES GOVERNMENT**

**WASHINGTON, D.C.
FEBRUARY, 1946**

RG 59 1945-49

ARGENTINE BLUE BOOK, 1946 ENTRY 1023

the return of German merchant ships to Germany at the beginning of the war, acted as an intermediary in the sale of German ships to the Argentine Government, passed information to the German Embassy regarding the movement of shipping during the war, and was especially active in the Graf Spee affair. He was a Party member and had been in the German Navy in the first World War.

The services rendered in the Nazi cause by the other persons mentioned are described elsewhere in this memorandum.

Former Ambassador von Thiermann has stated that the real German leaders in Argentina were usually the leaders of the German Chamber of Commerce which numbered about 500, and that these men were his "best collaborators". A memorandum found in the I. G. Farben files in Germany demonstrates conclusively that the German Chamber of Commerce represented a principal link between the Nazi Party and German economic enterprises abroad. The Nazi Party took an active part in the direction of the Chambers' activities through membership on their Boards of Directors.

Not until after the Argentine declaration of war against Japan and Germany was any step taken by Argentina toward substantial control of German firms: a decree of March 31, 1945 authorized the control and possible liquidation of German enterprises. It was not until May 5, 1945, when German military forces were surrendering unconditionally, that Argentina issued its first decree establishing a "strict control" over one German enterprise - Thyssen-Lametal and two of its subsidiaries.

Argentine Failure to Control Axis Funds

The history of the Argentine regime's controls over Axis firms in Argentina is paralleled by its treatment of Axis funds - their movement between Argentina and Europe and their distribution within Argentina. It

was not until January 27, 1944 that a decree was issued prohibiting the transfer of funds and credits directly to and from Germany and Japan and not until March 28, 1945 that the Argentine Central Bank attempted to regulate the cash and security accounts of some of the persons whose activities were in the enemy interest.

It appears that the German Government's need for cash in Argentina could usually have been raised from German firms and the German community in Argentina. Where, however, the German Government preferred to transfer funds from Europe, it found no serious obstacle in any Argentine exchange control regulations. The availability of these funds made possible the subversive activities in which the German organizations, official and otherwise, are known to have engaged.

Members of the German Embassy staff in Argentina have stated to interrogators that a primary function of the German Commercial Attaché, Richard Burmeister, was the assessment and collection from German firms in Argentina of funds needed for the German Government's operations in that country, and that a similar assessment and collection was conducted by Heinrich Volberg, a principal Nazi leader, for the Nazi activities not conducted by the Embassy.

General Friedrich Wolf under interrogation has stated that as Military Attaché and Abwehr Chief he drew from German Embassy funds. For example he stated that he received 1,000 Reichsmarks monthly to cover military propaganda expenditures. His money for espionage purposes was divided into two funds: (1) a special fund to finance all current expenditures and (2) a reserve fund for emergencies. For the special fund Wolf received in 1943 alone from his predecessor 10-12,000 pesos and from Burmeister 240,000 pesos. According to Wolf, Burmeister obtained these funds from the German firms Roehling, A.E.G., and Siemens. It is Wolf's understanding that these transfers were effected against equivalent credits in Germany.

As indicated below, when Wolf was repatriated, he left the reserve fund with three trusted persons, one of whom was the German agent Ludwig Freude.

Direct financial transactions between Argentina and Axis and Axis-dominated territory were permitted with the consent of the Argentine Central Bank until January 27, 1944. That such consent was given is indicated by figures published by the Argentine Central Bank. During the first five months of 1942, remittances from Germany to Argentina amounted to 1,500,000 Reichsmarks, and from Argentina to Germany to 3,483,000 Reichsmarks. From August 1942 to July 1943, inclusive, a total of 7,307,000 Argentine pesos were remitted directly to Axis and Axis-occupied countries for purposes other than the settling of trade balances.

The German Embassy was permitted to withdraw 200,000 pesos a month from its accounts in the German banks for the usual representational expenses of diplomatic missions. The Argentine Government did not prevent the German Embassy from raising or spending additional large sums for other purposes. On April 9, 1942, for example, the German Embassy submitted to Germany a budget calling for one million dollars in cash. The purposes set forth were the maintenance of (1) a cash balance in the Embassy of around two million pesos, (2) a fund in the press division for current expenses, as well as the assurance of a cash fund to be left behind in the event of a break in diplomatic relations amounting to about 1,500,000 pesos, and (3) lastly for the purchase of a radio station approximately 500,000 pesos.

Transmission of Funds
For the Nazi Embassy

Using "confidence men" in Argentina and various banks and confidence men in neutral European countries, the German Embassy was provided with a clear channel for the trans-

fer of funds between Germany and Argentina. Among others Benvenuto y Cia. was used in Buenos Aires for this purpose, and Banco Fonsecas Santos y Vianna, of Lisbon, was availed of in Portugal; and an intermediary called Finkler, was the German agent for the same purpose in Switzerland. On December 19, 1942 Meynen stated "as a rough approximation the equivalent of 1,000,000 Reichsmarks must be transferred gradually by means of well-known channels for the planned propaganda purposes and for bribes".

The Embassy was also able through a confidence organization to dispose of dollar notes already in its possession or brought in from Germany.

Evidence is abundant that Germans in Argentina contributed to Nazi Party funds, Nazi-controlled schools, the Nazi Winter Help campaigns, as well as to funds obviously destined for subversive purposes. That all of these funds were subject to the control of the Nazi Party and used for its subversive purposes was notorious.

Charity collections especially constituted a ready source of funds for the German Embassy. Though these collections were established in Argentina ostensibly for the purpose of supplying relief to needy Germans, the "most needy" proved frequently to be the German Government in Berlin and the German Embassy in Buenos Aires. A copy of a telegram found in the files of the German Foreign Office addressed to Ribbentrop and signed Weizsacker, who was in charge of South American affairs under Ribbentrop, indicates that charity money was used for purposes other than charity:

"The reproach against Therman coming from Taborada--that the Embassy has used charity money for other purposes--could become somewhat uncomfortable. Whether such a thing on the part of the Embassy could really be proved cannot, in any case be determined."

I-18/4

-80-

Von Thiermann has confirmed that the Winter Relief Fund was used to finance the subversive activities of the German Embassy. Yet year after year the Argentine Government authorized its collection and sanctioned its distribution. On the other hand, the Argentine Government frequently interfered with the activities of pro-Allied organizations, such as the Junta de la Victoria and the Comite por Ayuda a las Democracias.

With the funds so obtained the German Government was enabled to finance within Argentina its activities in aid of its war effort and of its program in this Hemisphere. These activities included intervention in Argentine elections, press and propaganda subsidization, campaigns to maintain Argentine neutrality, as well as such economic activities as the purchase of commodities for post-war shipment to create a fictitious export trade to Germany, and the purchase for immediate shipment of strategic and critical materials badly needed by the German war machine, such as diamonds, quinine, iodine, oils, mica, platinum, insulin, and vitamins.

That German firms, in Argentina, also made large expenditures for purposes which they preferred to conceal from investigators has been demonstrated in case after case.

The books of Tubos Mannesmann show the payment of 170,000 Argentine pesos whose recipients the firm has been unable or unwilling to identify.

An audit of the books of Thyssen-Lametal, S. A. the Argentine branch of the German steel trust Vereinigte Stahlwerke, A. G., revealed again the payment of substantial sums of money with no other indication of their purpose than "unidentified commissions". Between 1937 and 1943 these "commissions" amounted to 1,046,099.10 Argentine pesos. The firm's manager, Leo Schaeffer, when pressed for an explanation admitted that all identifying vouchers had been destroyed after the consummation of each operation.

-81-

Nazi Economic Power
Under the Present Regime

The assistance of the Argentine Government to Axis firms was brought to the attention of the other American republics by Secretary Hull in his note of July 26, 1944 in the following terms:

"At the very time that the Farrell regime was protesting its intention to collaborate with the United Nations, this Government was receiving reports of actions conclusively establishing that a contrary policy was being pursued. The Department is in possession of irrefutable evidence that as late as the middle of June of this year the Argentine authorities required firms friendly to the United Nations to receive bids as subcontractors from Nazi firms on contracts calling for materials imported from the United Nations. It is definitely established that during the past three months large government contracts for public works were given to firms that were either of enemy origin or actively cooperating with the enemy.... During the past three years representative Axis firms in Argentina have been able to double, and in some cases treble, their normal peacetime profits. The prosperity of these powerful commercial firms, which have been geared according to the well known pattern into the espionage and propaganda machine of the Nazi Party, is the result not merely of a passive failure of the Argentine Government to implement the Rio agreements, but of positive aid from that Government."

I-18/5

-82-

Since the transmission of Secretary Hull's note, the Argentine regime has continued to let large contracts to enemy firms, these firms have continued to maintain large profits, and enemy interests continue to exist today in Argentina in essentially the same strength and form as they did five years ago. Indeed, it can be said that essentially the same Government that refused to attack enemy interests when the enemy was strong is now, when the enemy is defeated, offering him the refuge which may represent his only means of resurgence.

Record of Control

Although the Argentine regime professes under a decree of March 31, 1945 to have completely and strictly fulfilled its obligations under the Mexico City Resolutions, the record is as follows:

1. As of December 31, 1945 sixty-six firms had been placed under government "control and possession", and had had their bank accounts blocked. The title, however, to these firms remains in the enemy. Until this title is transferred, or the concerns are completely liquidated, government control constitutes protection and perpetuation rather than elimination of enemy interests. Six branches or subsidiaries of German insurance companies, two branches of German banks, and two manufacturers' agents are in process of liquidation.

2. Not a firm has been sold.

3. Only three insignificant enemy firms have been completely liquidated.

4. Two German banks have been "in the process of liquidation" for more than six months; yet only five officials have been dismissed, some 500 employees continue to be employed by the banks, and German employees remain in key positions.

5. German firms which are notorious for having acted in behalf of the enemy, are under a form of supervision which represents

-83-

neither effective control nor elimination. Among these firms are Anllinas Alemanas, a subsidiary of I. G. Farben; the interests of Thilo Martens, a German agent; Establecimiento Klockner, branch of a German firm of the same name, whose vice president, Carlos Schmits, is president of the German Chamber of Commerce; and the Staudt Interests concealing a considerable amount of enemy ownership and constituting an integral element of enemy penetration and potential revival.

6. Over the concerns Cia. General de Construcciones, which constitutes the economic foundation for the power and much of the influence of Ludwig Freude, and A. M. Delfino y Cia.--a German shipping and transportation interest--the Argentine Government has established no control whatsoever.

7. In case after case, it has been found that while the Argentine Government delayed action, the managers of the firms now under "control and possession" had ample time to do away with vouchers and other documents which would explain large payments to undisclosed persons. When confronted with this fact, the firms' officers asserted that they had destroyed the documents because they might be embarrassing to the German firms and refused to give information as to the purposes to which the funds had been applied. The Argentine regime has made no attempt to recover these missing documents.

8. The Argentine regime so delayed the establishment of its control over German firms that they had ample opportunity to distribute or dissipate their assets. GEOPF, for example, paid out large sums to its managing directors in the form of bonuses, while Maximo Pahlke of Tubos Kannesmann disposed of funds not even entered on the firm's books, cannot satisfactorily explain the alleged "theft" of certain additional funds, and has utilized the facilities of the firm to his own personal advantage and perhaps to that of Tubos Kannesmann.

9. The Government is not presently preventing, indeed in a glaring case actually

I-18/6

authorized, the dissipation of assets in enterprises which it controls as enemy property. In Quimica Schering, Alejandro von der Becke, to whom reference is made elsewhere in this memorandum, is being permitted to copy, for his future personal use, 15,000 medical records which represent an invaluable asset belonging to the firm. He enjoys a close personal friendship with Dr. Luis Prado, who was appointed by the Junta president of the firm's Liquidating Committee. Von der Becke has even been permitted to purchase a pharmaceutical plant where, in the event that he is eventually separated from Quimica Schering, he can help to perpetuate German dominance in the drug and chemical field.

10. There have been serious failures to eliminate Nazi employees, even when specifically identified to the Argentine Government, in firms under "control and possession." Quimica Bayer, GEOPE, and the German banks are glaring examples. In instances where officials and employees have been discharged, sufficient key personnel has been retained to perpetuate the German dominance. In at least one instance the directing head and most objectionable officer of a major firm has been retained: In fact, although the Government had announced his discharge, Alejandro von der Becke signed payroll vouchers in Quimica Schering as late as December 1945. Von der Becke has been an important shareholder of the firm since its inception in the year 1926 and must be held responsible not only for the activities of this firm in behalf of the enemy, which are known by German documents to have included the purchase of critical materials for Germany during the war, but also for having attempted to conceal the German ownership in this spearhead firm. Another example is Dr. Franz Doerfel, vice president of Quimica Bayer, who until a month ago had even retained personal files apart from the files of the firm and not available to the firm's Liquidating Commission. In this firm, except for the General manager, all of the various department heads still remain at their posts.

11. Members of the Liquidating Commissions, such as Dr. Marillo A. Imbert in Quimica Bayer, are known to be opposed to the Commission's work and adopt obstructionist attitudes.

12. The Junta has authorized the concerns under its control to continue to make purchases and sales through the cloaks developed by the former Nazi managements. Thus economic warfare sanctions of the United Nations are circumvented, the firms accumulate additional profits, and the cloaks which during the war served the Nazi cause so well are further rewarded.

Argentine Positive Aid to Nazi Firms

The statement of Secretary Hull, in his note of July 26, 1944, quoted above, that the Argentine Government had positively aided the Nazi firms in attaining prosperity during the war, is demonstrated by the following summary of the contracts received from the Argentine Government by five of the more important Nazi firms for construction alone during the year 1943 and approximately the first half of 1944:

Year 1943

Wayss & Freytag	Argentine Pesos
Gruen & Bilfinger, S.R.L.	6,205,206.86
Siemens Bauunion	759,790.69
General de Construcciones	13,466,040.70
GEOPE	535,536.18
	6,044,215.03
	<u>27,010,789.46</u>

January-July 1944

Siemens Bauunion	Argentine Pesos
General de Construcciones	2,178,966.72
GEOPE	8,498,967.91
Wayss & Freytag	3,237,087.13
Siemens Bauunion	500,000.00
GEOPE	98,820.60
	<u>1,038,584.10</u>
	<u>15,552,426.46</u>