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London, December 1, 1944

No. 19,602

BY AIR POUCH

Economic Warfare (Intelligence) Series No. 1636

Subject: Intelligence Report No. EW-Pa 128,
entitled "Plans of German industrialists
to engage in underground activity after
Germany's defeat; flow of capital to
neutral countries", dated November 7, 1944.

STRICTLY CONFIDENTIAL

The Honorable
The Secretary of State,
Washington, D.C.

Sir:

I have the honor to enclose four copies of a report entitled
"Intelligence Report No. EW-Pa 128: Plans of German industrialists
to engage in underground activity after Germany's defeat; flow of
capital to neutral countries", prepared by G-2 Economic Section,
SHAEP, and dated November 7, 1944, together with four additional
copies, two of which are for forwarding to G-5 U.S. War Department,
and two for forwarding to the Economic Warfare Division of the
Department of Justice.

Respectfully yours,
For the Ambassador:

Irwin Nat Pincus
Economic Intelligence Officer
Economic Warfare Division

DIVISION OF COMMERCIAL POLICY

DEC 28 1944

DEPARTMENT OF STATE

Enclosure:

Intelligence Report No. EW-Pa 128 (4 copies)

Distribution by Embassy, London:

- (1) G-5, U.S. War Department (2 copies enclosed herewith for forwarding)
- (2) Economic Warfare Division, Department of Justice (2 copies enclosed herewith for forwarding)
- (3) Economic Intelligence Division, FEA, Washington (2 copies direct by air pouch)
- (4) Office of Strategic Services, Washington (2 copies direct by air pouch)
- (5) Office of Strategic Services, London
- (6) U.S. Control Commission, U.K. Base
- (7) European Advisory Committee, London

Suggested Distribution by the Department:

- (1) Military Intelligence Service

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of despatch
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Enclosure No. 1 to despatch No. 19602 of 12.1.44
from the Embassy at London, England.

V.A-1

Dept.

Economic Warfare Division
American Embassy
40, Berkeley Square,
London, W. 1.

The attached report, prepared by members of the field staff of the G-2 SHAEF Economic Section (which is jointly staffed by the Economic Warfare Division, American Embassy and the Economic Advisory Branch), has been duplicated and given wider circulation because its contents are believed significant and of general interest to agencies concerned with the post-hostilities situation in Europe.

--S-E-C-R-E-T

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E.O. 11652, Sec. 3(a) and 5(D)

JCS Guidelines 5 July 1972
By CRB NARS Date 27 Dec 1972

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
Office of Assistant Chief of Staff, G-2

7 November 1944

INTELLIGENCE REPORT NO. EW-Pa 128

SUBJECT: Plans of German industrialists to engage in underground activity after Germany's defeat; flow of capital to neutral countries.

SOURCE: French governmental employee with close connections with German industry. Believed reliable and experienced.

1. A meeting of the principal German industrialists with interests in France was held on August 10, 1944, in the Hotel Rotes Haus in Strasbourg, France, and attended by the informant indicated above as the source. Among those present were the following:

Dr. Scheid, who presided, holding the rank of S.S. Obergruppenführer and Director of the Hecho (Hermsdorff & Schonburg) Company

Dr. Kaspar, representing Krupp

Dr. Tolle, representing Rochling

Dr. Sinderen, representing Messerschmitt

Drs. Kopp, Vier and Beerwanger, representing Rheinmetall

Captain Haberkorn and Dr. Dr. Ruhe, representing Bussing

Drs. Ellenmayer and Kardos, representing Volkswagenwerk

Engineers Drose, Yanchew and Koppchen, representing various factories in Posen, Poland (Drose, Yanchew and Co.,

Brown-Boveri, Herkuleswerke, Buschwerke, and Stadtwerke)

Captain Dornbusch, head of the Industrial Inspection Section at Posen

Dr. Meyer, an official of the German Naval Ministry in Paris

Dr. Strossner, of the Ministry of Armament, Paris

2. Dr. Scheid stated that all industrial material in France was to be evacuated to Germany immediately. The battle of France was lost for Germany and now the defense of the Siegfried Line was the main problem. From now on also German industry must realize that the war cannot be won and that it must take steps in preparation for a post-war commercial campaign. Each industrialist must make contacts and alliances with foreign firms, but this must be done individually and without attracting any suspicion. Moreover, the ground would have to be laid on the financial level for borrowing considerable sums from foreign countries after the war. As examples of the kind of penetration which had been most useful in the past, Dr. Scheid cited the fact that patents for stainless steel belonged to the Chemical Foundation, Inc., New York, and the Krupp Company of Germany jointly and that the U.S. Steel Corporation, Carnegie Illinois, American Steel and Wire, and National Tube, etc. were thereby under an obligation to work with the Krupp concern. He also cited the Zeiss Company, the Leica Company and the Hamburg-American Line as firms which had been especially effective in protecting German interests abroad and gave their New York addresses to the industrialists at this meeting.

3. Following this meeting a smaller one was held presided over by Dr. Bosse of the German Armaments Ministry and attended only by representatives of Hecho, Krupp and Rochling. At this second meeting it was stated that the Nazi Party had informed the industrialists that the war was practically lost but that it would continue until a guarantee of the unity of Germany could be obtained. German industrialists must, it

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was said, through their exports increase the strength of Germany. They must also prepare themselves to finance the Nazi Party which would be forced to go underground as Maquis (in Gebirgsverteidigungsstellen gehen). From now on the government would allocate large sums to industrialists so that each could establish a secure post-war foundation in foreign countries. Existing financial reserves in foreign countries must be placed at the disposal of the Party so that a strong German Empire can be created after the defeat. It is also immediately required that the large factories in Germany create small technical offices or research bureaus which would be absolutely independent and have no known connection with the factory. These bureaus will receive plans and drawings of new weapons as well as documents which they need to continue their research and which must not be allowed to fall into the hands of the enemy. These offices are to be established in large cities where they can be most successfully hidden as well as in little villages near sources of hydro-electric power where they can pretend to be studying the development of water resources. The existence of these is to be known only by very few people in each industry and by chiefs of the Nazi Party. Each office will have a liaison agent with the Party. As soon as the Party becomes strong enough to re-establish its control over Germany the industrialists will be paid for their effort and cooperation by concessions and orders.

4. These meetings seem to indicate that the prohibition against the export of capital which was rigorously enforced until now has been completely withdrawn and replaced by a new Nazi policy whereby industrialists with government assistance will export as much of their capital as possible. Previously exports of capital by German industrialists to neutral countries had to be accomplished rather surreptitiously and by means of special influence. Now the Nazi Party stands behind the industrialists and urges them to save themselves by getting funds outside Germany and at the same time to advance the Party's plans for its post-war operation. This freedom given to the industrialists further cements their relations with the Party by giving them a measure of protection.

5. The German industrialists are not only buying agricultural property in Germany but are placing their funds abroad, particularly in neutral countries. Two main banks through which this export of capital operates are the Basler Handelsbank and the Schweizerische Kreditanstalt of Zurich. Also there are a number of agencies in Switzerland which for a five per cent commission buy property in Switzerland, using a Swiss cloak.

6. After the defeat of Germany the Nazi Party recognizes that certain of its best known leaders will be condemned as war criminals. However, in cooperation with the industrialists it is arranging to place its less conspicuous but most important members in positions with various German factories as technical experts or members of its research and designing offices.

For the A.C. of S., G-2

(Signed) WALTER K. SCHWINN
G-2, Economic Section

Prepared by

MELVIN M. FAGAN

Distribution:

Same as EW-Pa 1.

U.S. Political Adviser, SHAEF

British Political Adviser, SHAEF

Copy from the U.S. National Archives
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