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14 Feb 1950

24 October 1949

TO: ADSO
 VIA: STD
 FROM: Chief, FDP []
 SUBJECT: Activities of Nicolae MALAXA, Rumanian Industrialist

NPK

1. Reference is made to the memorandum relative to the activities of Nicolae MALAXA with attachments, dated 30 April 1949, which was submitted to this Division for review. The material contained in this document and the photostatted translated attachments constitute a most useful addition to this organization's dossier on subject.

2. This MALAXA memorandum is an excellent example of adroit special pleading. Written for American eyes, it presents MALAXA as an industrialist in the American sense of that term and avoids those aspects of Rumanian business in general and MALAXA's activities in particular that would in this country throw an unfavorable light on his career. It would be necessary to study Rumanian political and economic life in detail from the end of the first world war to the seizure of power by the Soviet and Rumanian Communists in order to uncover the true extent of his influence and the character of his political and business activities. MALAXA was the most conspicuously successful businessman in his country during this period. In Rumania, business and politics have always been closely intertwined; it was impossible to achieve success in business without effecting the necessary political arrangements and bribing the appropriate politicians. These methods of doing business have continued under the Communist regime, to the profit of the Communist politicians.

3. There are presented below, in parallel columns, several interpretations of MALAXA's activities as given in his Memorandum and information on these same activities from several sources in our files. These show that the document under review cannot be considered, in the light of our present knowledge, as an accurate exposition of MALAXA's career and his underlying motivation. The comparisons follow.

MALAXA Memorandum

OSO Files

a. "Mr. Malaxa was not a politician and did not engage in politics."
 (Page 5)

"The channel through which loot flowed into the coffers of the political authorities also carried back a sufficient quid pro quo. In all matters where Government favors were required, the big industrialists obtained their money's worth."

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SECRET

MALAXA Memorandum

OSO Files

Protective tariffs were granted with no economic justification. The Malaxa Tube Factory is an example of the application of the tariff for the enrichment of the King's (Carol) clique rather than for the protection of a home industry. A tariff and quota system had been arranged several years before Malaxa completed his plans for the plant. The plans never provided for a self-sustained industry. The billets, the basic semi-manufactured products out of which the tubes were made, had to be imported from Germany. The effect of the protective tariff was not to make Rumania independent of foreign sources, but only to raise tube prices far higher than import prices."

Extract from report prepared by Economic Warfare Section, War Division, Dept. of Justice, dated 21 March 1944, quoted in memorandum from Director, FBI, to DGI, file no. 100-344498, dated 21 May 1948.

"During the Tatarescu Government (1933-1937) and during King Carol's personal dictatorship (1938-1940), Malaxa was able to use his influence at the Palace, so as to have his men appointed in offices such as that of General Manager of State Railways and even that of Minister for Communications -- offices which were of special interest to him, as he could place his contracts on the terms which suited him best."

H 19-226, Source: []
Evaluation: B-2

"Nicolae Malaxa, pro-German friend of Hermann Goering and high-pressure financial operator, was the individual toward whom Rumanian business and industry looked if political dealings were needed....He had long established

- 2 - SECRET

SECRET

MALAXA Memorandum

OSO FILES

close relations with the ministers handling government purchases. He generally had advance information of prospective appointments and would openly support the candidate in question. The appointee, aware of his obligation, always cooperated with Malaxa in matters involving contracts for the firms in which Malaxa was interested."

Extract from report prepared by Economic Warfare Section, War Division, Dept. of Justice, dated 21 March 1944, quoted in memorandum from Director, FBI, to DCI, file no. 100-344488, dated 21 May 1948.

- b. "Mr. Malaxa has always worked for the creation, improvement, and enlargement of Rumanian industry, believing that Rumania can be and should be largely self-sufficient industrially and that such self-sufficiency was of primary importance in achieving the Rumanian ambition of becoming and remaining a free and democratic country." (Pages 4-5)

"He (Malaxa) is considered entirely unscrupulous, turning with the wind and like a cat has developed to a high art the knack of landing on his feet. He is considered to be essentially a dangerous type of man from the standpoint of being an opponent of a truly democratic regime in the country (Rumania)."

(Review) Extract from a memorandum prepared by the Division of Economic and Security Control, State Dept., quoting from a report of the American Consul General at Istanbul, Turkey, (presumably in 1946); quoted in memorandum from Director, FBI, to DCI, file no. 100-344488, dated 21 May 1948.

"(Malaxa) became an engineer in the Railways Administration; in 1919 organized locomotive and freight car repair shop; realized such profits a Parliamentary investigation was ordered of charges of enormous sums paid for repairs never made to rolling stock already in good condition; bribes reportedly hushed the investigation....."

SECRET

SECRET

MALAXA Memorandum

OSO Files

"1928, N. Malaxa Locomotive Works formally organized; through extensive gifts to friend of Mms. Lupescu gained access to Lupescu-King Carol inner circle; secured Rumanian state contract to build locomotives, and through state money paid in advance built the factory as his own; the state paid several times more for his rolling stock than that produced elsewhere in Europe. (Malaxa) organized important branches of Rumanian economy with Carol's assistance so that each received their commissions."

Confidential biographic data, U.S. --
Representative in Rumania, 11 May 1946.

c. "As a result of a coup d'etat inspired by the Nazis, King Carol was deposed and Ion Antonescu came to power in Rumania late in 1940. Efforts were made to induce Mr. Malaxa to sell his works to the Germans. He refused, and was imprisoned on January 23, 1941, the occupation and barricading of his home (and other neighboring houses) by the Iron Guard during the insurrection of January, 1941, being seized upon as a pretext for his imprisonment. (To becloud the real issue and in typical Nazi fashion, the Antonescu government set loose a barrage of charges, subsequently investigated and found without basis, that Mr. Malaxa was aiding the rebellious members of the Iron Guard.)"

(Page 5)

(Comment: The Memorandum has nothing to say regarding financing of the Iron Guard by Malaxa).

"In January 1941, the extremist Iron Guard (which had theretofore participated in a coalition with Antonescu) attempted an armed insurrection to seize complete

"Beginning in 1937, Malaxa started to play the Hitler game and, aided and abetted by Urdareanu (King Carol's Chamberlain), he became one of the chief pro-Nazis in the King's entourage. At the same time, he began giving financial support to the Iron Guard, Hitler's fifth column in Rumania... Gaining Nazi confidence, Malaxa succeeded in entering into intimate relations with high German industrialists to whom he offered his collaboration and gave advice about the best means of ensuring close cooperation with Rumanian industry. He established close connections with Marshal Goering's brother Albert, whom he invited to participate in all Rumanian companies in which he had a financial interest -- outstanding amongst them being the big "Resitza" iron and steel works.....

"Malaxa's collaboration with the Iron Guard became so close that, when the Iron Guard unsuccessfully rebelled against Antonescu in January 1941, it was discovered that not only had Malaxa given them large financial aid but he had also procured arms for them. His house in Alea Alexandru in Bucharest had been turned into an Iron Guard fortress which had to be conquered by artillery bombardment.

SECRET

SECRET

MALAXA Memorandum

OSO Files

power; Antonescu, however, with Army support, succeeded in suppressing the rebellion after considerable street fighting in Bucharest. During the fighting certain Iron Guardists occupied Mr. Malaxa's home in Bucharest, as well as other houses in the neighborhood, and used them for cover during the fighting with the Army. The Antonescu government seized this incident as a pretext, arrested Mr. Malaxa on January 23, 1941, and placed him in military prison. He was charged with aiding the rebellious members of the Iron Guard during the uprising. The charge was not only wholly trumped up and entirely false but on its face ridiculous to those who knew of Mr. Malaxa's political and business interests and friendships. While subsequently fully exonerated, as noted below, the pretext served the purpose of putting pressure upon Mr. Malaxa to "cooperate".

"While in prison Mr. Malaxa received various suggestions and requests for his cooperation with the German-Antonescu economic program, among others being a message from Baron von Killinger, the German Minister to Rumania, threatening Mr. Malaxa with deportation and eventual execution unless he consented to the transfer of his plants to the Hermann Goering Werke. His answer was a flat "no". He was taken under military guard to Antonescu and there "ordered" to sign. He refused; and the process was repeated with variations several times, and with the same result."

(Page 15)

"For this reason, Malaxa was arrested by Antonescu after the rebellion had been crushed. He was in prison for a few days, then kept under house arrest for several months. His factories were confiscated.

"Again, using to good effect his amazing power of corruption, Malaxa succeeded in coming to terms with Mihai Antonescu, General Antonescu's closest collaborator. He was liberated and some of his factories were returned to him. Negotiations for the return of the other factories were almost completed when the Antonescu regime was overthrown."

CH 19-226, Source: []
Evaluation: B-2

"When the Iron Guard staged its open revolt on January 21, 1941, Malaxa was arrested, inasmuch as he had supplied the Iron Guard with weapons and had turned over to them his town mansion in Bucharest for use as a fortress. When the revolt seemed doomed to failure, Malaxa tried to disguise his participation in it by leaving his house by the back door and by telephoning Premier Antonescu that his home had been seized by the Iron Guard... Malaxa was tried on charges of complicity in the revolution and of defrauding the government. He sought to extricate himself by donating half of the shares of his companies to the Rumanian Government. However, this act of appeasement was of no avail and in February, 1941, the Government seized the other half of Malaxa's holdings as well."

Extract from report of Economic Warfare Section, War Division, Dept. of Justice, 21 March 1944, quoted in memorandum from Director, FBI, to DCI, file no. 100-87286, dated 9 March 1949

SECRET

SECRET

MALAXA Memorandum

OSO Files

"Because of inadequate personal arrangements (Malaxa) refused to sign the agreement for Hermann Goering Works' control of properties. The State... signed the convention with the Germans, leasing them all plants...Malaxa was then released from mild protective custody....In February 1942, the State by decree formally expropriated Malaxa interests after investigations charging he had made fantastic profits upon state business; in October, 1943, restored half of Malaxa's ownerships and shares."

-Confidential biographic data, U.S.
Representative in Rumania, 11 May 1946.

- d. "On November 10, 1944, a proposal was made, in the name of the Inter-Allied Control Commission, by the Russian General Vinogradov, to the Rumanian Commission for Armistice Enforcement that the Malaxa tube mills be handed over to the Soviet Union under Article 11 (mentioned above) of the Armistice Convention".

(Page 22)

"Mr. Malaxa's tube mill was the only industrial plant taken out of Rumania by the Russians under Article 11 of the Armistice Convention. The Rumanian Government was given a credit in respect of the plant in the amount of \$2,460,000."

(Page 23)

"Mr. Malaxa endeavored in every way available to overcome their (Note: the Rumanian Communists) active or passive resistance to the restitution. An indirect approach was utilized by the retention, for a substantial fee, of one Mircea Solacolu (then Rumanian Foreign Trade Commissioner), who was believed to be persona grata and on good terms with influential

"Following armistice in the fall of 1944, he (Malaxa) failed in offers of controlling interest in enterprises to American capital and in offers to American agents of enormous bribes to effect this; turned to Rumanian Communists and politicians, and on arrangement for large sums to party war chest and personnel, bribes such as houses to Communist Communications Minister Gheorghiu-Dej and Groza, then Vice President of Council of Ministers, secured favorable approval to annul Rogifer setup and restore all properties fully to Malaxa."

-Confidential biographic data,
U. S. Representative in Rumania,
11 May 1946

Lucretziu Patrascanu, a Communist, at that time Minister of Justice, gave the following account of Party discussions relative to Malaxa to Constantin Visoianu, Foreign Minister in the Radescu Government:

"The day before the meeting of the Economic Committee of the Government, we discussed the matter in the Central Committee of the Communist Party. One of the members was against backing Malaxa, but Ana Pauker and Gheorghiu-Dej spoke very strongly in his favor, and it was decided that Malaxa would have our full support."

- SECRET -

SECRET

MALAXA Memorandum

OSO Files

Russian elements and with certain Communist Ministers, to endeavor to expedite the completion of the restitution...Mr. Malaxa did not otherwise retain the services of, or make any payment to, any person who might be considered a Communist collaborator...."

(Page 27)

"Pursuant to the law of April 13, 1945, restoring to Mr. Malaxa his plants, a 'Transaction and Act of Compromise'...was entered into under date of April 17, 1945. The agreement also provided (Article 3) in part that: 'As a counter value to the 14" rolling mill and of the machines in the pipe factory which the State handed over to the Soviet High Command in part payment of its war damage, the Rumanian State acknowledges the debt and lays at the disposal of N. Malaxa Pipe and Steel Works abroad the sum of 2,460,000 USA dollars....'"

(Page 27)

"Ans Pauker has disclosed to some of us that one-half of the indemnity granted to Malaxa would be paid by him to the Communist Party.

"Colonel Finoghenov, head of the Soviet Economic Mission has told one of the most important members of our Party that Malaxa must be backed because he is ready to give the whole of Rumania to Soviet Russia so long as he can make a profit out of it."

-H 19-226, Source: []
Evaluation: B-2
(Page 5)

"Malaxa is lavish in his bribes to the politicians he needs. One gift to Groza (Premier Petre Groza) was the same house Malaxa had once given Mihai Antonescu."

-Confidential biographic data, U.S. Representative in Rumania, 11 May 1946.

Mirea SOLACOLU, references to whom in the Malaxa Memorandum are quoted above, was a member of the dissident Liberal Party of Gheorghe TATARESCU. When the Communists led by VYSHIISKY installed Petru GROZA as Prime Minister on 5 March 1945, TATARESCU accepted the post of Foreign Minister, thus avoiding prosecution as a war criminal. Members of his political party, which supported the Communist-dominated coalition government, held important economic posts and were active in sending funds abroad for private individuals. Under Rumanian practice there was nothing unusual in Malaxa retaining SOLACOLU in order to make use of his influence. It is noteworthy, however, that he admits using SOLACOLU after earlier denying that he had involved himself in politics and made use of politicians.

e. "...in April 1945, Mr. Malaxa retained a certain Col. Grady C. MacGlasson, who had been a prominent member of the US Military Mission to Rumania after the war, to return to the United States as his agent to bring about some form of collaboration between the Malaxa industries and a first-rate American industrial concern or banker....Col. MacGlasson was

"The Soviet authorities soon decided to make use of Malaxa abroad. The first indication in that respect was a statement made privately by Gheorghe Tatarescu (then Foreign Minister) to Constantin Viscianu (former Foreign Minister) when returning from an official visit to Moscow:

SECRET

SECRET

MALAXA Memorandum

OSO Files

also to investigate the possibility of creating a Rumanian branch for an American automobile manufacturer."

(Page 32)

"The Russians have authorized Malaxa through me to build an automobile factory in Bucharest with the help of American capital."

-H 19-226, Source: []
Eval: B-2
(Page 7)

f. Comment: Nowhere in the Memorandum is there any detailed discussion of Malaxa's relations with the Rumanian Legation following his arrival in the United States in 1946.

"A reliable, confidential informant of the FBI who is familiar with Rumanian activities advised that both Radu Stoichita, Third Secretary of the Rumanian Mission (in the U.S.) and (Pamfil) Riposanu, former Counselor of the Rumanian Legation, have indicated that a separate sum is available to the Legation for salaries over and above the stated allowance made by the Rumanian Government, and that this fund was maintained by Malaxa....

"Special agents of the Washington Field Division of the FBI interviewed on October 31, 1947, Pamfil Riposanu... who stated at the time of the interview that he had heard from reliable Rumanian sources in New York that Nicolae Malaxa was financing the Communist members of the Rumanian Mission in the United States, and that all financial negotiations between Malaxa and the Communist members of the Rumanian Government in the United States were on a cash basis. Riposanu stated that while he was a member of the Legation in Washington he personally knew of cash gifts made by Malaxa to members of the Rumanian Mission and added that he has since understood that Malaxa contributes in cash sums of money to the Rumanian Minister Mihai Relea (note: Relea has since returned to Rumania). These contributions are amounts which approximate \$4,000 monthly."

-Memorandum from Director, FBI,
to DCI, file no. 100-344488,
dated 21 May 1948. (Page 5)

- 8 -

SECRET

SECRET

MALAXA Memorandum

OSO Files

"During January of 1948, an informant of the FBI, who is reliable and who is considered an excellent source of information with regard to Rumanian activities, particularly concerning the Rumanian Mission in the United States and who is not in sympathy with the present Rumanian Government, advised that he had been placed in a very embarrassing "spot" with the Rumanian Legation by the fact that Nicolae Malaxa, a wealthy Rumanian national in the United States, had reported to the Rumanian Minister Ralea that he, the informant, was an American spy. The informant stated that this charge was made by Malaxa because he, the informant, would not compromise himself in any way in the dealings which Malaxa was engaged in here in the United States...."

-Memorandum from Director, FBI,
to DCI, file no. 100-344488,
dated 21 May 1948.
(Pages 5-6)

4. Malaxa admits by implication that the rivalry between himself and Max AUSNITT, the Rumanian-Jewish industrialist presently in the United States, is sufficiently heated to be termed a "feud" (page 47). In the Memorandum an attempt is made to demonstrate in somewhat oblique fashion that AUSNITT was a collaborator with the Communists and derived financial benefit from them. The MALAXA-AUSNITT quarrel is a well-known fact and apparently has been pursued vigorously by both parties in the United States. Without holding any brief for AUSNITT, who used the same techniques as MALAXA in building up his industrial empire in Rumania, it may be noted in passing that a report of the Economic Warfare Section, War Division, Department of Justice, dated 21 March 1944, states that MALAXA cooperated with the Rumanian and German Governments in forcing AUSNITT out of his Resita company in 1939. A confidential biographical report of the Department of State declares that MALAXA and King Carol II had AUSNITT imprisoned. An FBI report in our files states that the United States Minister to Rumania, Franklin Mott GUNTHER, was of the opinion that MALAXA and Carol II "framed" AUSNITT on a charge of defrauding his own Resita company. AUSNITT participated in the Soviet-Rumanian Lumber Corporation (Sovromlemn) as did Radu KEMOPOL, another Rumanian industrialist, in Sovromtransport, the joint transportation company.

- 9 -

SECRET

SECRET

5. In view of the information in our files relative to MALAXA and his activities, a portion of which has been cited above, it is believed that the Memorandum submitted in behalf of MALAXA should not be accepted as a truthful and accurate account of his career, associations, activities, and motivation.

- 10 -

SECRET