

14 Feb '50

THE REPLY OF NICOLAE MALAXA
TO THE REPORT OF THE CIA
WHICH WAS SENT TO THE FBI ON
MAY 11, 1948 AND WHICH WAS
MADE PUBLIC IN COURT ON THE
OCCASION OF THE COPLON TRIAL

All of the statements in this report are false and a
flagrant distortion of the truth and is based on unconditional
acceptance by the Intelligence Agency, without having checked
and double-checked and without having documentary evidence whatever
for verification, of information deliberately planted with the
Intelligence Agency by personal and business enemies of Malaxa,
who, taking cowardly advantage of the immunity offered informers,
make irresponsible statements in a campaign instituted to defame
and blacken his name.

ALLEGATIONS BY CIA

2. Malaxa began his career in
Rumania, following graduation
from the School for Civil Eng-
ineers in Bucharest,

by opening a small workshop for
repairing railroad cars.

By means of bribery of railroad
officials he was able to build
up a sizeable fortune,

after which he undertook the
manufacture of arms and
amunition.

FACTS

Malaxa pursued his studies
toward his engineer's degree in
Germany (Ecole Polytechnique of
Karlsruhe) and NOT in Bucharest.

He laid the foundation of his
business by the repair of
locomotives and NOT of freight cars.

In 1927, public competition was
authorized by law and instituted
for the erection in Rumania of two
locomotive plants and three car
founderies. This competition was
open not only to Rumanian indus-
trialists but foreign industrial-
ists were also invited to submit
bids. Malaxa was adjudged the
winner in this competition and
was awarded a twenty year contract
for the manufacture of locomotives.
Therefore, his business and
fortune was founded, not on bribery
as alleged, but in competition for
government contracts open not
only to Rumanians but to foreigners
as well.

In the period immediately preced-
ing the Second World War, all of
Europe proceeded to rearm.
Rumania was compelled to do the
same thing. Malaxa recognized as
the leading industrialist and the
creator of a metalurgical industry
in Rumania, was solicited by the
Rumanian Government to give his
assistance in the realization of a
rearmament program as envisaged
by the exigencies of the time.
Malaxa accepted and proposed that
the creation of the various plants

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ENCL #2

In 1933 he began a campaign against the import of war materials into Rumania, demanding the cancellation of contracts that had been entered into with the Skoda plant in Czechoslovakia.

At this time he utilized the services of Puiu Dumitrescu, then private secretary to King Carol. Through bribery of Dumitrescu he was able to establish relations with Carol and Madame Elena Lupescu. After the dismissal of Dumitrescu, Malaxa established similar relations with his successor, Ernest Urdarianu. During the period 1933-1940, Malaxa used his influence in Palace circles to secure the appointment of his own men to such offices as Manager of the State Railroads and Minister of Communications.

be confided to Rumanian industrialists, other than Malaxa, for the manufacture of those defense products which they felt they could produce. Malaxa himself took the responsibility of producing the highly technical and difficult products of this program which others refused.

The Skoda works of Czechoslovakia had a representative in Rumania whose name was Seletzki. Upon searching Seletzki's home, documents were found which irrefutably proved that Skoda, by means of bribery, had procured contracts for armament which contracts rightfully should have been given to the British armament firm of Vickers, which firm was operating a plant in Rumania in conjunction with the Rumanian Government. Seletzki was tried and condemned to prison. As one of the results, the Rumanian press carried a series of articles exposing the scandal and corruption, the sordid tale of which became known throughout Europe.

Malaxa demanded that in the interest of national defense, Rumanian industry should be given the opportunity to provide at least part of the needs of Rumanian armament which had traditionally been dependent almost entirely on foreign sources. He pointed out that a continuation of Rumania's dependence on foreign sources for its armament placed in jeopardy the national defense.

King Carol, taking into consideration the role of Malaxa in the economic life of Rumania accorded him the attention which was due him. Malaxa was consulted from time to time on industrial questions. There was never at any time anything unusual in Malaxa's relations with the aides of King Carol - Dumitrescu and Urdarianu. The metalurgical industries as created by Malaxa during the reign of King Ferdinand were flourishing even before King Carol succeeded King Michael to the throne of Rumania. Malaxa received no

favors from the King as regards his industrial activities. He had therefore no need of the support of the collaborators of the King. King Carol and the country needed the activity and the ~~production~~ ^{power} of the metalurgical works created by Malaxa.

If one is truly interested in finding out who was interested in obtaining the good graces of King Carol and Madame Helene Lupescu, let him examine a deposition from the Ausnit-Herascu trial in the courts of New York, copies of which are attached to this document. Herascu was the proprietor of an estate in Bucharest which he sold to Max Ausnit for twenty thousand pounds sterling or eighty thousand dollars and which Ausnit presented as a gift to Madame Helen Lupescu. ^(SEE ANNEX 1) Ausnit had to resort to these methods to cover up frauds committed by him as administrator of the Resita Company, the largest steel mills in Rumania, and of which King Carol was one of the principal stockholders. It was for this consideration that Ausnit tried to embroil Urdarianu by proposing Urdarianu's name as chairman of the board of Resita hoping that in this way he would be shielded from retribution for his frauds. Urdarianu, however, refused to lend himself to this plan and brought Ausnit to the courts of justice which condemned Ausnit to six years in jail plus the payment of the equivalent of two million dollars to be restituted to Resita. The charges upon which he was condemned were based on financial fraud committed in time of peace in the years running from 1930 to 1939. The court decision was registered in 1940, before Antonescu came into power or before September 6, 1940. It was not political persecution that put Ausnit in jail but fraudulent misuse of funds.

When Antonescu with his Nazi government came into power, Ausnit offered them fifty-one (51%) percent of his factories in Rumania to review this judgment. Strong pressure was exercised by the Antonescu government on the courts to review the case but in

spite of this pressure the courts again condemned Ausnit. He appealed the new sentence and decision on this appeal was postponed until November, 1944 when through his intimate friend, Patrascanu (the leading Communist in the coalition government which succeeded Antonescu) who was Minister of Justice, he was acquitted.

3. During 1937 Malaxa began his collaboration with the Nazi regime in Germany. He established close relations with German industrialists, including Albert Goering, the brother of Herman Goering.

The alleged collaboration of Malaxa with the Nazi regime and his relations with German industrialists in its final analysis turns out to be the usual relationship between supplier and buyer, that is to say, procurement of machines and installations for his factories in Rumania. Long before the Nazi's dreams were realized, as far back as 1927, Malaxa bought his machinery in Germany, the reasons being financial as Rumania did not have all the foreign exchange which it needed to buy in other countries.

When the Nazis occupied Czechoslovakia and obtained possession of the company and factories grouped under the name ZBROJOVKA, they came into possession also of two blocks of shares of Resita which Vickers and the Cepi Company of Monaco belonging to Mr. Ausnit, had previously sold to Zbrojovka. As a result of their holding this stock, the Germans, through Albert Goering, in 1940, demanded that they be given places on the Board of Directors of Resita. At this time, Mr. Malaxa was a managing director of the company. It was in this manner that Malaxa made the acquaintance of Albert Goering.

In 1941, Malaxa had been removed by the Antonescu Nazi government from his association with Resita and Mircea Djuvara was named Chairman of the Board of Resita in spite of the fact that Mircea Djuvara had been the personal attorney of Ausnit and had defended Ausnit in Resita's trial against him and which resulted in his being condemned to six years in jail for fraud. After the trial and after the appeal from the sentence had been lost, Djuvara continued to look after Ausnit's interests. Then ensued the close

(cc) collaboration between Djuvara and Albert Goering in all questions concerning Resita and from there ~~since their coming to the~~ on all questions pertaining to Rumanian industry. All this happened at the same time that by Rumanian Nazi government decree all property belonging to the Jews was confiscated and the Jews deported to Russia. Max Ausnit, through Albert Goering, succeeded in keeping intact his fortune, the Germans taking nothing of his factories nor was he deported to Russia. During the German domination of Rumania, Malaxa, although a non-Jew, was placed in prison and his factories were taken by force and exploited by the Germans. In the meantime, Ausnit, although a Jew, was permitted to leave prison to enter a nursing home, then to his own home and finally freed. His factories were not touched by the Germans.

Malaxa gave Albert Goering an interest in all his companies, including the Resita Iron and Steel Works

This statement is completely false. Not a single share of the Malaxa companies nor that of any companies belonging to Malaxa from the moment of their creation to the present, was ever given to anyone, least of all to Albert Goering. The shares of the Malaxa companies are here in the United States and are available for inspection at any time. As far as Resita shares are concerned, it has already been explained how the Germans obtained possession of these shares and how in the final analysis, it was Ausnit's transactions with the Czechs that resulted in these shares falling into the hands of the Germans.

- 4. At about the same time subject began to subsidize the Rumanian Iron Guard, a Fascist organization. Following the abdication of Carol in September, 1940, Malaxa established still closer relations with the Guard, which had entered the government of General Ion Antonescu. When the Guard unsuccessfully rebelled against Antonescu in January, 1941, it was discovered that Malaxa had procured arms from

Photostats of official documents from the Ministry of the Interior herewith annexed, and signed by General Aldea (today condemned to life imprisonment by the Communists) and also from the Attorney General Pais, prove the contrary. In other words, Malaxa never participated in any shape or manner in the Iron Guard movement and never at any time financed it. (SEE ANNEXES 12, 13, and 14)
The truth is the following:

them; the Guard had so strongly fortified his residence that an artillery bombardment was required to reduce it. Following the collapse of the rebellion subject was arrested; he was imprisoned for a short period and his factories were confiscated.

The Germans wanted at all costs to put their hands on the Malaxa Works in order to destroy their competition in Rumania.

Having failed to persuade Mr. Malaxa to collaborate with them, they put strong pressure on the Antonescu government to turn the Malaxa Works over to them, the Germans, for exploitation, WITH
(10) THE RIGHT OF PURCHASE.

But the Malaxa Works did not belong to the government. General Antonescu needed a pretext to gain possession of these Works. It was therefore necessary to arrest Malaxa in order that, under pressure he would cede his Works. This moment was found in the confusion attending the rebellion of the Iron Guard. On the fallacious pretext that Mr. Malaxa's activities had been prejudicial to the state, he was arrested. But even in prison he resisted and refused to cede his Works to the Germans. Several days later, by a decree signed by Antonescu, the Malaxa Works were confiscated.

While Mr. Malaxa was under arrest, the Rumanian Government concluded an agreement with the Herman Goering Werke, a German company belonging to the German Government, whereby the Malaxa Works would be exploited by a joint company known as ROGIFER, of which half belonged to the Rumanian Government and half to the German company.

Mr. Malaxa was kept in prison and in house arrest altogether around ten months and he was only freed on the same day on which the last act accompanying the cession of his Works was accomplished.

The coincidence of these dates - the beginning which marked both his arrest and the conclusion of the agreement between the Rumanian Government and the Germans, and the last date which marked both his release from arrest and the last formality turning the Malaxa Works over to the joint Rumanian-German company, shows in a most eloquent manner the flimsy pretext used to arrest Mr. Malaxa.

Furthermore, Antonescu named the members of three commissions of inquiry to examine the accusations against Mr. Malaxa.

One of these accusations, the one concerning the alleged collaboration of Malaxa with the Iron Guard, was looked into by a Commission headed by General Aldea (today condemned to life imprisonment by the Communists). This Commission, as we have noted, established definitely that Mr. Malaxa never participated in any manner, shape or form, in the Iron Guard movement.

of

(SEE ANNEXE 12)

As regards Mr. Malaxa's home, this was occupied by the rebels along with other houses surrounding this one. They occupied his home but one night. How is it possible for any house in the space of a single night to be so fortified that its capitulation necessitated an artillery bombardment? Furthermore, the house is still standing at this day without a single mark on it as can be affirmed by anyone going out to look at it. This statement in the report makes no sense at all.

As the rebels were found to have entered Mr. Malaxa's house by force, a court martial in Bucarest condemned them to three years in prison for entry by force. This is another proof that his house was not placed at the disposition of the rebels by its proprietor but to the contrary was seized by force proving again that the alleged relations of Mr. Malaxa with the Iron Guard were absolutely non-existent.

of

(SEE ANNEXE 13)

It is to be noted that his arrest and the subsequent confiscation of his Works were not based on charges that he had collaborated with the Iron Guard, but that he had harmed the interests of the government through the activities of his Works. These charges were investigated by another commission, consisting of three members of the Supreme Court and three generals of the Army. This commission, after studying the evidence over a period of two years, found that the accusations were completely baseless and Mr. Malaxa was exonerated by this commission also.

of

(SEE ANNEXE 14)

By means of bribery he secured the assistance of Mihai Antonescu, Vice Premier and Foreign Minister, through whose good offices he was freed from house arrest. A few of his factories were returned and negotiations for the restoration of others were nearly completed when the Antonescu regime was overthrown.

Malaxa at no time ever gave anything to Mihai Antonescu. One bribes a person to obtain some favor or other but not to get what legally belongs to him. General Antonescu committed a breach of property rights in confiscating the Malaxa Works. If Antonescu had made restitution of this property, he only would have given back to Malaxa what belonged to him. Why then, would Malaxa have had to resort to bribery?

However, none of the factories was actually restored to Malaxa. When the German forces began to experience serious reverses, because of the imminent day of reckoning facing Antonescu, the latter annulled the act of confiscation and returned the ownership back to Malaxa but not the actual act of possession which continued to remain in the hands of the Government.

5. After the coup d'etat of 25 August, 1944, Malaxa attempted to leave Rumania, but was unable to secure a passport. Within a short time, however, he had established good relations with the Rumanian Communists and the Soviet authorities. He secured the return of three of his factories not previously returned by the Antonescu regime, and was given in addition compensation amounting to approximately a half a million dollars for the profits which he could have made during the preceding three years had these factories been under his control. It has been reported that this indemnity was divided with the Rumanian Communist Party.

None of the factories was actually given back to Malaxa by Antonescu. The act restituting the three factories belonging to the Malaxa Works was initiated by the coalition government of General Radescu. This was confirmed in an interview by General Radescu to the FBI on May 5, 1948 and made public at a hearing during the Coplon trial. This was in line with the policy of the Rumanian Government restoring all property illegally confiscated by the Antonescu and Nazi regimes to their rightful owners. He was never reimbursed by the Government for half million dollars worth of damages suffered by his factories during the period his plants were in the hands of the Antonescu and German regimes. Not even one dollar was ever paid back to him for damages. Therefore, there was nothing that could have been divided with the Communists.

The Soviet authorities claimed as reparations a large pipe mill owned by Malaxa. The Communist-dominated Groza Government thereupon gave the subject an indemnity of \$2,400,000 which it is reliably reported he also shared with the Rumanian Communist Party. Since the Rumanian Government was unable to pay this in dollars, Malaxa was permitted to exchange into dollars the payment received in lei by selling the Rumanian currency to Americans and by exports. He realized two million dollars through sale of lei to the Joint Relief Committee of New York and \$400,000 through exports.

6. According to a reliable source, Malaxa was characterized by Col. Finogenov, Chief of the Soviet Economic Mission in Rumania, as a man who was prepared to sell Rumania to the USSR if he could profit from the transaction. For this reason, Col. Finogenov is reported to have said, Malaxa was to receive the support of Rumanian Communists.

(See Annex marked "A"). The declaration that Malaxa divided anything at all with the Communists is completely without any foundation whatever and is false.

When they penetrated Rumania in 1944, the Russians proposed to Mr. Malaxa that Malaxa sell his plants to them in exchange for dollars to be paid him in Switzerland. This offer was later reiterated by Colonel Finogenov. Malaxa refused in spite of the dangers of such a refusal: Confiscation and deportation. Ausnit, instead, offered of his own volition to turn over to the Russians legal rights to Rumanian industrial property. As a result of the armistice agreement between the Russians and Rumanians, Resita had to return to the Russians certain material taken from the Russians when Rumanian troupes occupied parts of Russian territory. In place of the material demanded, Ausnit proposed to give and actually did give to the Russians; thirty (30%) percent of the shares of Resita, giving them a legal foothold on a property which was the largest and most important steel works in Rumania and upon which the entire industry of Rumania depended. (SEE ANNEXE 20)

Using Ausnit's plan as an example, the Russians demanded and created the so-called Rumanian-Russian companies known as SOVROM by the use of which companies the Russians became the co-proprietors with the Rumanians of Rumanian property. Spreading to other satellite countries, the operation made in connection with Resita and initiated by Ausnit, enabled the Russians to put their hands on the economy of Central

and Eastern Europe. In acknowledgement of his services, none of Ausnit's property was touched by the Russians in spite of the fact that in the same period English and American property in Rumania was confiscated even though the English and Americans at that time were their allies. It is easy to understand that the declaration attributed to Colonel Pinogenov is pure invention. For it is Ausnit, if anyone, who gave to the Russians interests belonging to ~~the~~ Rumania. Here it is to be noted that neither the Russians nor the Germans ever took anything belonging to Ausnit.

(cc)

7. Following his arrival in the United States in October, 1946, subject has worked closely with Mihail Ralea, Rumanian Minister to Washington. They have succeeded in securing a commercial loan of \$13,000,000. Malaxa has also been successful in unblocking his large bank accounts in New York.

Malaxa assisted the then Minister of Rumania to the United States in the floating of the wheat loan, as well as did Mr. Ausnit. (See Annex marked "B").

8. It is reliably reported that all officials in the Rumanian Legation in Washington who can serve his purposes are in Malaxa's pay.

This declaration is completely false, like all the others. Mr. Malaxa does not give any money to the Rumanian Legation in Washington or to any of its members. In the past he has advanced money in the following instances and for the following reasons indicated below:

(1) At the beginning of 1947, when the loan for the purchase of grain was made, the Legation was in urgent need of \$10,000 to be given as a retainer fee to the law firm of Pehle and Lesser of Washington. Having no dollars available, it turned to Mr. Malaxa requesting of him a loan of \$10,000 to be reimbursed at a later date. Under the then existing conditions he could not refuse this request. This sum has not as yet been reimbursed and Mr. Malaxa will be obliged to file suit.

(2) In August, 1947, Mr. Malaxa had signed an agreement with INTERNATIONAL HARVESTER for industrial cooperation. This contract had been approved by the State Department and had to be approved by the Rumanian Government also. This contract was of extreme importance for Mr. Malaxa because:

(a) It contained a clause whereby the Rumanian Government, in approving this contract, undertook not to nationalize his plants for ten years.

(b) It granted to INTERNATIONAL HARVESTER the right to acquire a block of shares in the Malaxa plants and, therefore, as a consequence, to reinforce United States economic penetration into Rumanian industry.

As was only natural, Mr. Malaxa wished to obtain Rumanian approval as soon as possible. The Legation agreed to send this contract by courier to Bucharest, Mr. Malaxa to bear the cost of the trip. Mr. Malaxa remitted \$1,500 toward this end. The courier was Mr. Lazareanu.

The Rumanian Government refused approval.

(3) In 1947, during his journey to Rumania, Mr. P. Riposanu sold an automobile to the Malaxa plants. At the request of the plant managers, Mr. Malaxa paid to Mr. Riposanu, in Washington, the price of \$1,825.

and those refusing to cooperate are threatened with recall or otherwise intimidated. Remus Lula, Commercial Attache, a nephew of Prime Minister Groza, is reported to have been threatened with dismissal at subject's instigation because he sent to Rumania quotations for oil well equipment without having notified Malaxa, who had already sent inflated quotations to Bucharest.

As far as having threatened to have Remus Lula recalled as Commercial Attache at the Rumanian Legation in Washington, this would have been a childish gesture on the part of Mr. Malaxa. After all, Mr. Lula is the nephew of the Rumanian Prime Minister, Mr. Groza, and Groza, who had the power to name his own nephew as Commercial Attache at Washington certainly

could have the same power to protect him from any threats. It is quite probable that Lula sought to transact some business in which there was a possibility of personal profit for him. It is rumored that in fulfilling a mission to buy \$200,000 worth of seeds for vegetables by the Legation to be sent back to Rumania, Mr. Lula succeeded in realizing a certain profit for himself. The huge purchases of wheat which followed were not entrusted to Lula, who, having already tasted of the heady fountain of profits, was naturally displeased as for that matter was his close associate, Mr. Ausnit. Lula used his influence in the granting of a petroleum equipment order to a Swiss Company in which it is reliably reported that Ausnit was interested. This in spite of the fact that the bid of the Bethlehem Steel Corporation for the same equipment as proposed by Malaxa, was lower.

9. In late 1947, subject was informed through his own channels that his enterprises in Rumania might be taken over by the Government. He was in communication with Ralea, who had gone to Rumania in January, 1948, and who had promised to look into the situation. Ralea cabled subject that the situation was serious and advised him to return to Bucharest. Instead, Malaxa got his wife and son out of Rumania (his daughter and son-in-law, Dr. Gheorghe Pallade, are presently in the United States).

It is not exact that Ralea had cabled Malaxa in 1948 that his factories were in danger unless he returned immediately to Rumania. The Rumanian Government had consistently refused approval of all offers proposed by Malaxa, namely: A contract concluded by Malaxa with International Harvester Company which had been approved by the State Department; an offer through Malaxa by the Bethlehem Steel Corporation for petroleum equipment; a refusal to permit the exportation of tubing from Rumania even though the Government was obligated previously by a decision of the Council of Ministers to approve export permits, although they did give approval to Ausnit to export steel sheets made in his own plants from Rumania. The Government attacked through the press Malaxa and his family in the most trivial manner. Finally, at the risk of their lives his wife and son had to flee Rumania.

Some time later, his factories were nationalized and he was deprived of any right to be reimbursed because he remained in the United States. His closest associates were condemned to prison on the flimsiest pretexts before kangaroo courts. Two of his associates were able to escape from the country - the rest are still in jail. By the Decree #1666 of September 30, 1948, Malaxa and his son were shorn of Rumanian citizenship and what remained of his possessions after his plants were seized, was also confiscated.

In this way, Malaxa was three times a victim of the World War II.

The NAZIS put him in prison and confiscated his factories to exploit them for the duration of the war through the Hermann Goering Werke and the Rumanian Government.

The RUSSIANS seized one of his tube mills for reparations by force and he was not reimbursed by the Rumanian Government until two years afterward and then in Rumanian lei and not in foreign exchange as has been alleged. It is to be noted that all others whose property was turned over to the Russians for which Rumania was credited on the account of reparations as stipulated in the armistice agreement, (Article 11) were all reimbursed in lei.

The COMMUNISTS of Rumania, because of his refusal to return to Rumania:-

Confiscated his fortune
Deprived him of his citizenship
Threw his associates into prison
Forced his wife and son to escape secretly by night in order to save their lives.

O.P. (SEE ANNEXE "C")

10. Malaxa has established in New York a firm known as The Rumanian-American Economic Corporation. Among the members of its Board of Directors are Viorel Tilea, former Rumanian Minister to London, and Grigore Gapencu, former Foreign Minister. Brutus Coste, a former Rumanian diplomat and a close ~~friend~~ ^{associate} of General Nicolae Radescu, receives \$250 a month from this corporation, allegedly for preparing reports on conditions in Rumania.

The State Department was kept informed of all steps leading to the formation of the Rumanian-American Economic Corporation. Neither Viorel Tilea nor Grigore Gafenco are actually, nor have they been at any time, members of the Board of Directors or officers of this firm. And neither has Brutus Coste ever received nor does he actually receive \$250 per month from the Rumanian-American Economic Corporation.

(cc) 11. Malaxa is presently financing General Radescu, who is attempting to organize his own resistance movement. In turn, Radescu has supported Malaxa's request for an extension of his U. S. visa. Adherents of Radescu, notably Coste, are spreading the story that the Central Intelligence Agency has intervened with the State Department to secure an extension of Malaxa's visa, in return for which Malaxa will furnish Radescu \$1,000,000 to finance a resistance movement. This version was given by Coste when leaving a social affair in the home of Lt. Col. David Scott Crist, U. S. Army, 2501 Que Street, N.W., Washington, D.C. on April 26 or 27.

(cc) (See Annex "D" exposing political beliefs of Nicolae Malaxa)

It is not true that Malaxa offered to finance the Rumanian Resistance Movement with a million dollars in exchange for a visa permitting him to remain in the United States. If Mr. Coste made any such declaration, it is completely devoid of any foundation of fact. Any money which Mr. Malaxa has given to General Radescu was destined for philanthropic work and to aid Rumanian exiles in distress and had nothing to do with the continued residence of Mr. Malaxa in the United States.