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MEMORANDUM FOR: DEPUTY DIRECTOR (PLANS)

FEB 9 1952

SUBJECT : Mr. Nicolae Malaxa

1. In view of certain recent publicity concerning the Rumanian industrialist, Mr. Nicolae Malaxa, in connection with possible legislation with a view to granting him permanent residence in the United States, you or others in your office may be interested in the character of the information available in the files of this Agency concerning this notorious person.

2. In spite of the fact that certain prominent individuals in this country are allegedly sponsoring Mr. Malaxa's cause, the voluminous amount of derogatory information in CIA files strongly supports the view that it would be undesirable for Mr. Malaxa to obtain permanent residence.

3. The attached brief is forwarded to you for use in the event you should wish to have information at hand for ready reference.

Acting Assistant Director
for Policy Coordination

Attachment: (1)
Brief of Nicolae Malaxa's Career

SE/GMY/awn
2 February 1952

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BRIEF OF NICOLAE MALAXA'S CAREER

*Att. To
Memo
9 Feb 52*

In view of the enormous volume of information available on the background and activities of Nicolae Malaxa, as well as the complexity of his contacts here and abroad, and in view of the limitations of time in the present instance, the following should not be considered as the complete story but rather an attempt to present the salient facts of Subject's career which can be documented by information contained in the files of CIA, FBI, Department of State and other United States agencies. It should be pointed out that the picture of bribery, corruption and typical Balkan intrigue which emerges from a study of all available material on Malaxa's pre-war, wartime and post-war activities is drawn not from any one source, but from a wide variety of knowledgeable sources, both interested and disinterested, yet all in agreement on the main points.

Malaxa's rise to economic and political power began after World War I when he founded the "N. Malaxa Locomotive Works". Through extensive gifts to friends of "Mme. Lupescu and King Carol he succeeded in gaining access to King Carol who subsequently became a partner to his schemes and reaped a fortune of his own through Malaxa. Through payment of "commissions" to official collaborators, Malaxa secured a Rumanian State contract to build locomotives; through State money procured in advance, he was able to build his factories. It is a well established fact that the State paid considerably more for his rolling stock than they would have paid for it elsewhere in Europe. The following are extracts from a report prepared by the Economic Warfare Section, War Division, Department of Justice, dated 21 March 1944, which throw some light on his methods:

"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. 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's) clique rather than for the protection of a home industry

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"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 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".

From another source, a former Rumanian diplomat, considered knowledgeable and usually reliable:

"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.

It was during this period that Malaxa became a large shareholder in the "Resita" Iron and Steel Works of Maj. Ausnit, his only formidable rival whom he subsequently, according to the best available informed sources as well as common knowledge in Rumania, had thrown into jail with the aid of King Carol on charges of misappropriation and fraud. Ausnit at that time represented the British Vickers interests whereas Malaxa was then engaged in cementing personal relations with Albert Goering, brother of Hermann Goering, to whom he offered partnership in the company, an offer which was accepted. It should be noted that Ausnit was eventually exonerated.

It is well known that Malaxa played the Hitler game in Rumania, and succeeded in entering into intimate relations with important German industrialists to whom he offered his collaboration and gave advice about the best means of insuring close cooperation with Rumanian industry.

At the same time, he began giving financial support to the Iron Guard, Hitler's Fifth Column in Rumania.

When, in January 1941, the Iron Guard backed by the Germans, staged its unsuccessful coup against the Antonescu Government in an effort to seize that Government, it became common knowledge in Rumania that they had been largely financed and furnished with

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arms by Malaxa. The latter's home on Alea Alexandru in Bucharest had been turned into an Iron Guard fortress which had to be subjected to an artillery bombardment before the rebellion was crushed. As a result, Malaxa was arrested by Marshal Ion Antonescu, kept in prison for a few days, then placed under house arrest for some months. His factories were confiscated. According to reliable sources, he was able to come to terms, through bribery, with Mihai Antonescu, then Foreign Minister and Vice Premier, who was considered one of the most corrupt men in Rumanian politics, and as a result was liberated. Some of his factories were returned to him and negotiations for the return of the others were on the point of completion when the regime of Marshal Antonescu was overthrown. Again quoting from the report of the Economic Warfare Section, War Division, Department of Justice, 21 March 1944 on the same subject:

"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."

It should be pointed out that Mr. Gheorghe Palade, who is married to Malaxa's daughter, Irina, has a long record of Iron Guard participation. More recent Iron Guard contacts of Malaxa will be taken up later in this memorandum.

Following the coup d'etat in Rumania in August 1944, which resulted in the occupation of the country, Malaxa is known to have approached various American officials with offers of large sums for their intervention in unblocking his funds in the United States and in interesting large American corporations in buying into his companies. Failing in this, he turned to Rumanian Communists and politicians and, on arranging for payment of large sums to the Party war chest and personnel, as well as bribes in the form of such things as houses to the Communist Minister of Communications, Gheorghe Gheorgiu-Dej (whom he had dealt with similarly in previous regimes) and to Petre Groza, then Vice President of the Council of Ministers and now Premier, he was able to secure payment for properties taken over by the Russians.

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At that time, Lucretiu Patrascanu, Communist Minister of Justice, gave the following account of Communist Party discussions to a former colleague (presently in the United States) in the preceding coalition 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. Ana 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 (Communist) 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."

It is a matter of record that Malaxa is the only Rumanian who received compensation for property taken over by the Russians.

It is also a matter of record that Malaxa retained Colonel Grady C. McGlasson, who had been a member of the United States 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 prominent American industrial concern or banker. Col. McGlasson was also to investigate the possibility of creating a Rumanian branch for an American automobile manufacturer. An interesting sidelight on this situation is revealed in a reliably reported private conversation between Gheorghe Tatarescu, then Foreign Minister, and a former colleague. Tatarescu (who, like Malaxa, has, until his recent fall from grace, collaborated with each succeeding regime to his own profit) had at that time just returned from an official visit to Moscow, and stated: "The Russians have authorized Malaxa, through me, to build an automobile factory in Bucharest with the help of American capital."

In this same connection, and as an insight into Malaxa's methods of corruption, it is interesting to note that Malaxa himself has admitted that although he paid McGlasson \$12,000 for his services in this country, he had accepted a receipt for only \$300.

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Malaxa came to the United States in October 1946 and, according to knowledgeable and well-placed sources, was in close contact with members of the Rumanian Legation in Washington. Various members of that Legation have stated that a separate sum was 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. It has been reliably reported that in some instances where individuals had refused to cooperate with Malaxa in his dealings in the United States, the latter has reported them to the Rumanian Legation as "American spies".

At this time he purchased from "Cartier's" gifts of jewelry which he sent to Ana Pauker on her birthday.

Malaxa's name has been reliably linked with several individuals who are known to be or to have been in the employ of Rumanian and Russian Communists. One of the most damaging of these connections is that of Max Edlestein, alias Maxim Maximo, who is known to have represented Malaxa's interests in Switzerland. Maximo's background in espionage is a long one and his criminal record is known to the International Police. He has been expelled from Switzerland and France for suspected Soviet espionage and was recently barred from traversing Italy in order to reach San Marino where he ran the Casino and reportedly indulged in various covert deals in the interest of the Communists. Maximo was involved in the now famous "Vitianu Case" in which Solvan Vitianu, a Rumanian economic counselor, was arrested by the Swiss on charges of espionage.

On the other hand, there have been constant indications too numerous and too widespread to disregard that Malaxa has been giving strong support to the renascent Iron Guard, both in Europe and in the Western Hemisphere where they have been gaining strength. One of the individuals who has benefited from this and who has in turn been useful to Malaxa and to the Iron Guard is General Nicolae Radescu. It is an acknowledged fact that Radescu, when he was head of the Rumanian Resistance Committee, was personally subsidized by Malaxa and was also the instrument for transmitting large sums of money to the Iron Guard, notably in the form of scholarships in France to "meritorious students", nearly all of whom are known Iron Guardists. Checks of the membership of the Radescu-sponsored League of Free Rumanians in Germany and Austria show that about 75% of the group are known Iron Guardists. Malaxa has continued to supply Radescu with funds which have been used in furthering the work of the Association of Free Rumanians, which also receives financial support from NCFB. Another individual who has acted as

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paymaster in the transferral of such subsidies is Mircea Eliade, a well-known Iron Guardist.

Of special interest in this connection is an article which appeared in the publication "Vestitorul" published under Iron Guard auspices in Salzburg, Austria, in the issue of October-November 1951, in praise of Malaxa and Radescu. Numerous recent reports from various sources state that Malaxa, through Radescu and other unidentified channels, has been supporting at least six Iron Guard publications.

What may appear to Western minds as a paradoxical situation, i.e., Malaxa's identification with both the Communists and the Iron Guard, is not at all uncommon in Balkan politics where ultimate motives are often buried under layers of seemingly irreconcilable attitudes. It is known, for example, that many Iron Guardists are now working for the Communist regime.

Perhaps the most concise appraisal of Malaxa can be found in an official memorandum prepared by an American diplomat in 1946, which contains the following statement:

"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)."

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