

III. Appraisal of Potential of German Group

1. The potential danger of the German Group of Porto is more than one of unscrupulous economic domination by one group of many Portuguese activities. They present, in addition, the danger of collaboration with the international heavy and light metal interests, a collaboration which could contribute to a German reappearance in this special, but important field. From a purely political point of view, the cinemas, recreational facilities, and hotels the Group hold, are potentially of great value for initial propaganda and later organization. Finally, from a point of view of economic and commercial interests apart from the mines, the German Group have interests in many small enterprises, and have concentrated recently on textile manufacturers. They have also been approached by the German Group of Lisbon to collaborate with them on a new electrification project. Both of these latter activities contain more promise for the immediate future than mining and ore export, and, due to their importance in Portuguese economy, would bring with them certain political control.

2. There are certain specific actions and associations of the Group in the past which indicate that the control and power of these former Nazi elements will be continued and expanded.

a. Former Nazi Activity of Porto Group

The arrival of Dithmer in Portugal, and all of the initial activity of the Porto Group was conducted with Nazi money, and under Nazi direction. Despite the fact that in 1945 the German Embassy seemed dissatisfied with the lack of detailed information they were receiving, Dithmer or his appointees saw Von Breisky of the Legation regularly and had constant contact with Beau, the archivist. Eckert paid several visits to Ermezinde and by March was able to indicate to Von Halem that Dithmer would make a complete report. In early May, Dithmer offered the Embassy twelve or eighteen million escudos, presumably to help them liquidate some of their obligations. This might have been all the ready cash that Dithmer had available, but his liquidable holdings were much greater. Dithmer and his friends are still willing to collaborate with the official Germans and the German Group of Lisbon, but now as an equal, not as a subordinate. Much of the capital of the group has been used for purely political ends, such as propaganda, helping the escape of German officers*, and, perhaps even espionage. This activity should be checked with the proper sources.

* It was reported that Alfred Von Bohlen, Dithmer's brother-in-law, was at Ermezinde in June. Neither the relationship nor the fact has been confirmed.

SECRET

- 2 -

b. Aid of Portuguese Nationals and Government

Despite the publication of the various decree laws in March and May, the Portuguese Government effectively permitted the German Group to evade all restrictions. From a technical point of view, the Government can maintain that the sudden liquidation of C.M.N.P. and Empresa Mineira de Sabrosa assets and their conversion into concealed assets is a step which cannot be prevented by the Government. This, of course, omits the example of some Allied Governments which were able to prevent the circumvention of their own restrictions. The fact that both Under-Secretary Ferreira and Under-Secretary Trigo de Negreiros visited Dithmer at his country place in late May would not indicate that the Portuguese Government is too sincere in its efforts to restrict Nazi activity.

As in the case of the Hitzemann brothers, who were engaged in espionage in Portugal during the last war, remained to become naturalized and took up their activities during this war, Dithmer's expulsion has evidently not occurred to the Government. Dr. Sousa Machado was able to intervene in 1944 when Dithmer's deportation was the next logical step after the wolfram embargo. Neither he nor many of his German colleagues, nor even others such as the two Webers of ROWAK, had legitimate reasons for staying on in Portugal, and yet they remained.

Not only has the Portuguese Government failed to take certain restrictive measures to enforce others, but they are beginning to permit renewed activity of former German firms, which have since been "nationalized", including AEG, Siemens, Wimmer e Cia., and Wilhelm Stuve e Cia., both of the latter closely associated with Dithmer's Porto Group. Although the funds of Dithmer's two mining companies have been frozen, electric motors and dynamos were sold on 18 June to Barcelar, Mendes & Goncalves, Lda., and the funds have not appeared on any bank statements. Antonio Baião received over a million escudos in June for his work in falsifying the records of Empresa Mineira de Sabrosa.

c. Probability of Collaboration with International Mining Interests

It seems highly probable that Dithmer, after four years of close collaboration with the Nazis on ore exports, will re-establish contact with Swiss, Swedish, or English mining interests which will protect his position. It appears that both Gruenfeld's London company, Scandinavian Metallurgical Company, and the Ferrolegeringer, A.G., Lucerne, are associated with or subsidiaries of Ferrolegeringer, A.G., Stockholm. Hans Weber, formerly with Dithmer, and currently with the ROWAK subsidiary, Mineira Silvicola, has twice attempted to encourage the former owners to claim their holdings in Portugal. Dithmer

SECRET

feels fairly sure that such a claim will be made, but not to Dithmer's own exclusion. There seems to be no reason to believe that Herbert Gruenfeld will not work with Dithmer, provided no special pressure is brought to bear by the Allied authorities. It should be remembered that Gruenfeld's father remained in Germany long after most prominent Jews had left or been forced to retire. Dr. Paul Gruenfeld only left his company shortly before the war, and left Germany after the war. His protective Gestapo guard, according to an eye-witness, was more of a courtesy than a threat.

Any arrangement with so many apparently "innocent" firms would be the complete solution for Dithmer's current problems. With the complicated ownership techniques and private agreements of all European international commercial understandings, and the large number of participants who would be free from Allied restrictions, Dithmer and the German Group of Porto would receive an almost unshakable protection.