

## I. German Group, Porto

1. This report is an analysis of Kurt Dithmer and his associates in Porto, Portugal. While all Germans and German enterprises in Porto, including AEG and Siemens subsidiaries, frequently work closely together, the term "German Group of Porto" designates specifically Dithmer and his German and Portuguese colleagues.

2. The initial collaboration of this Group grew from the German interest in obtaining ore from Portugal, and later extended to other types of investments, particularly real estate and enterprises in the entertainment field. The cohesion of the Group, originally financed and encouraged by official Nazi authorities, has remained as much for personal motives as for national. Through several dubious transactions, Dithmer acquired a fortune in his hands or in those of his most trusted associates, which was apart from the two mining companies he was to administer for his German parent firm. Discouraged by his own failure to export his required quota of ore, by the Portuguese embargo on wolfram and by the breakdown of sea and air communication with Germany, Dithmer turned to investments which would strengthen his own financial position. His investments in theatres and hotels evidently proved profitable; and while they would bring no direct monies or control to the Nazi authorities, the Lisbon Embassy was evidently satisfied that eventually these acquisitions could be used as propaganda channels. These investments, his real estate holdings and his interests in small Portuguese companies freed him from a dependence on the mining industry, which had become profitless and, for a German, politically dangerous.

3. Dithmer thus turned the tremendous sums of money given him by his own parent company, Gesellschaft fur Elektrometallurgie, and by the German Government, to the creation of a personal fortune and a position of great influence in Portugal. In creating this position he antagonized not only his former associates, particularly his Jewish employers who had been forced to leave Germany, but also the official Nazis. Both of these groups, apparently, still seem willing, nevertheless, to work with him. This willingness is probably due to a realization of the actual strength and reputation Dithmer has acquired, and a belief of both, due to past experience, that he will work with either the Nazis or the non-Nazis, even simultaneously, if it proves to his advantage.

4. It will not be difficult to determine that the German Group of Porto will become, in effect, a "spearhead" in Portugal for any attempted re-establishment of German prestige and control. Even if the Group wished, it would be almost impossible for them to avoid cooperation with nationalist plans for future German restoration. In the first place, the contacts and activities of the Porto Group outside of Portugal were exclusively German, and purely from a practical point of view

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a change in these contacts would be expensive and risky. Secondly, the commercial and financial activity of the Group has been so linked with Germany that Allied and Allied-controlled neutral governments will obviously not permit their own nationals to work with members of this Group. The Group will have no alternative except to re-establish their former German connections. Thirdly, their present position is due to German support, and even the unscrupulous Dithmer cannot totally recant this indebtedness. Finally, the Germans and Portuguese in the Group are both politically and sentimentally pro-German and Nationalist. It appears that their only disagreement with the Nazis has been when the Nazis, in rare moments, insisted upon ethical conditions to regulate the dealings between the German authorities and the Porto Group.

5. Financial and commercial associations such as this Group in Porto will undoubtedly provide more of a real basis for German resurgence than the more obvious method employed after the last war of using subsidiary firms of large German companies. With a total capital of at least 500,000,000 escudos, interests in numerous small Portuguese firms, title to theatres, hotels, real estate and stocks concealed under the names of trusted Portuguese, Dithmer's group appears a large and real economic menace to the United Nations. To this can be added the charges based on political and espionage activity available in the War Department.

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