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FEDERAL BUREAU OF INVESTIGATION

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FILE NO. 105-716

REPORT MADE AT PHILADELPHIA, PA.	DATE WHEN MADE 9/24/51	PERIOD FOR WHICH MADE 9/1/51	REPORT MADE BY V. H. V. 7
TITLE SUBJECT wa. Rolf Steinbauer			CHARACTER OF CASE MICRO - 38 5 MAR 24 1963 DOC. MIC 2
SYNOPSIS OF FACTS: <p>Subject met EDGAR U. SMITH, New Hope, Pa., in Madrid, Spain, in October, 1950. He told SMITH of contacts through whom he could obtain steel in Germany for export and of others in the Portuguese Government who could provide land in Portuguese West Africa for development. Subject also told SMITH he was leader of 800,000 former German Army officers and men in German underground who are anti-Soviet. Subject, fearing Soviet move in to West Germany in spring of 1951, asked SMITH to try to interest American military leaders to provide equipment, to move underground to Spain or Africa. SMITH has no further information regarding credibility of subject's story nor does he know of any intelligence operations being conducted or contemplated by the subject in the United States.</p>			
DETAILS: <u>AT NEW HOPE, PENNSYLVANIA</u> EDGAR U. SMITH, Consulting Engineer, Reeling House Road, furnished the following information relating to SUBJECT. He first met SUBJECT as ROLF STEINBAUER in October, 1950 at Madrid, Spain, where SMITH was serving as a Consultant to the Civil Aviation			
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PP-195-716

Division, Spanish Air Ministry. He was introduced to the subject by another engineer, JAMES HUGHES, of Dublin, Ireland, who was working with SMITH. HUGHES reportedly met SKORZENY through a PHILIP MOONEY, an innkeeper of Dublin, Ireland, who originally made SKORZENY's acquaintance in a Madrid hotel lobby. MOONEY, having a small German automobile in his possession, was able to furnish transportation and acted as a sightseeing guide to HUGHES and MOONEY.

Following their meeting, SKORZENY began to cultivate SMITH as a friend, revealing more and more of his background and finally his identity as JITO SKORZENY, the famed liberator of Mussolini. He told SMITH he had certain property near Angola, Portuguese West Africa, which could be obtained through his alleged contacts in the Portuguese Government for exploitation by American capitalists, the latter reportedly being rich in mineral deposits and suitable for raising cattle. The Subject also spoke of a contact he had to obtain steel through friendship with a former Prince of the German House of Hesse. He also boasted of an acquaintance with WILHELM BASSERSCHMIDT, former German aircraft manufacturer, and ERICH WAGNER, former financial genius of Germany. SKORZENY's purpose in telling SMITH these things was to obtain financial concessions for himself or, through SMITH's contacts in the United States, satisfactory business arrangements could be made.

SMITH advised that, upon his return to the United States, he told W.E. KNOX, President of the Westinghouse International Corporation of the land in Portuguese West Africa, and that KNOX brought the matter to the attention of H. DEWITT SMITH, Director and Vice President of the Newsont Mining Corporation in New York City, who ultimately turned the proposition down.

ALAN SMITH also advised that ALAN C. KIRKMAN, a supplier of steel to Westinghouse, of the possible sources of steel mentioned by SKORZENY. SMITH said it was his understanding that KIRKMAN made further inquiry about this from the Subject when KIRKMAN went to Europe early this year.

According to SMITH, SKORZENY also asked him to be his representative at the DUTTON Company, New York City, publishers of SKORZENY's book "MURDER AND SPYING" in the United States. SMITH was to determine whether SKORZENY could receive his royalties direct rather than through an Agent in France who, by means of the black market in currency, was cheating SKORZENY out of much of his income. SMITH met with DUTTON representatives and advised SKORZENY by letter that such an arrangement would be feasible. However, to date he has not heard any more of it from SKORZENY or the DUTTON Company.

During their discussions, SKORZENY volunteered considerable personal information about himself to SMITH. SKORZENY reportedly expressed continuing admiration for SMITH, whose downfall, he continued, was not due

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as due to personal error of judgment as to false and misleading information given to him by his general staff. SKORZENY spoke of the esteem SMITH had for him, mentioning that SMITH personally ordered the entire military unit which SKORZENY commanded out of the front lines when he learned that SKORZENY had been wounded but had refused to leave his command. According to SKORZENY, SMITH also sent for him shortly before the fall of Berlin to report conditions at the front, but their meeting was prevented by the German general staff who, according to SKORZENY, had been minimizing the seriousness of the situation and feared for their positions if SKORZENY should give SMITH the true picture.

SKORZENY further related to SMITH that about that time he was approached by several of the leading German bankers who asked him to fly about \$11,000,000.00 worth of gold to Argentina in a dozen airplanes. Had he done so, SKORZENY stated he most certainly would have been very wealthy, but he chose rather to remain in Germany, first as a Nazi conspirator, believing that his future is in Germany and that it is his destiny some day to be President of Germany. With this in mind, SKORZENY told SMITH of his being in touch with an underground army of 800,000 officers and men who are anti-Communists and who are presently living in the Western zone of Germany. SMITH recalled SKORZENY mentioning what a financial hardship it was to keep up correspondence with the leaders of the underground. SKORZENY expressed the opinion that the Russians would move against the Western powers in the Spring of 1951. Fearing that the underground army would be lost, he asked SMITH to try to interest American military leaders in supplying the equipment to transport to those men in Spain or Africa where they could be trained and equipped to fight against Soviet Russia. SKORZENY did not wish to be openly or publicly identified as the perpetrator of such an alliance with the United States at the present time, believing that the United States still owes Germany certain unspecified concessions. SMITH continued that SKORZENY considers it a point of honor not to collaborate with the United States until these concessions are obtained.

SMITH advised that, upon his return to the United States, he immediately gave this information to T-1, another Government agency which conducts security and intelligence investigations and that since that time T-2, another Government agency which conducts such investigations, has been in contact with him.

Concerning SKORZENY's financial worth, SMITH advised he apparently is living in extremely moderate circumstances. He pointed out that SKORZENY and his mistress, ILSA VON FINKENBERG, were living in the poorest sort of public lodgings in Madrid when SMITH first met them. He also related that SKORZENY frequently expressed embarrassment over his inability to reciprocate for SMITH's many kindnesses and hospitalities.

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PH-105-716

He added that he believes SKORZENY held Spanish Army Commissary privileges because of his friendship with General FERNANDO DE ALCAZAR. The only known source of income which SKORZENY has in the United States is the royalties obtained from the publication of his book.

With regard to SKORZENY's contacts in the United States, besides KLAGERMAN and himself, SMITH knows of only the following:

Mrs. GRETCHEN BARNETT, ILSA VON FINENSTEIN's sister, who resides in New York.

Captain [REDACTED] WASHINGTON, United States Army, now assigned to the Military Academy, West Point, New York.

An attorney named [REDACTED], first name and whereabouts unknown, who represented SKORZENY at the United States military trials in Germany.

A man named [REDACTED] who resides in the vicinity of Boston, Massachusetts, who, according to SKORZENY, is somewhat erratic, well to do person.

SKORZENY mentioned [REDACTED] as the owner of several Weimeraner dogs, a little known breed in which SMITH has an interest.

SMITH advised he has telephoned Mrs. SKORZENY several times when he is in New York but that he has never met her personally. He also advised Captain WASHINGTON visited him upon WASHINGTON's return to the United States and that, while discussing SKORZENY generally, he detected a note of skepticism concerning SKORZENY in WASHINGTON.

With regard to the reliability of SKORZENY's story of the existence of the German underground, SMITH stated that he knows only what SKORZENY has told him and cannot vouch for its authenticity. He was available the latest letter he has received from the Subject, dated June 25, 1951, with the return address LOPES DE BOYSE 70, Madrid, Spain, which contained nothing of interest to this investigation. SMITH advised that to the best of his knowledge Subject has never visited the United States, although he has expressed a willingness and desire to do so. He recalls SKORZENY laughingly remarking that he would have no trouble getting a visa, but that ILSA could not because she had been rather prominent in the Hitler Youth Movement. SMITH went on to say that, in his opinion, ILSA is far more intelligent than SKORZENY; that she is charming and

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PH-105-716

attractive and for these reasons he believes she may have been engaged in German Espionage in England prior to the war. He recalled that she mentioned she formerly resided in England for a number of years. He said that he felt SKORZENY's remarks about ILSA's inability to obtain a visa because of her membership in the Hitler Youth Movement was merely a private joke between ILSA and SKORZENY and an attempt to minimize her participation in the Nazi movement. He had no further information to substantiate his belief.

With regard to the Subject's travels on the continent, SMITH believed, from conversations and correspondence he has had with SKORZENY, that he returned to Germany within the last year with ILSA and that when in Germany SKORZENY and ILSA reside at the Hotel Zuflucht, Frewdenstadtlerchardswald, French Zone, Germany. He also advised that their rooms are reserved and all correspondence is received in ILSA's name.

SMITH declared he had no further information concerning SKORZENY's plans nor did he have any reason to believe SKORZENY may be engaged in intelligence operations or that he anticipated such operations in the United States.

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