

# Terror's Legacy: Hjalmar Schacht, Otto Skorzeny, and Allen Dulles

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## Part 2

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The “Strategy of Tension,” which has entered into a new phase with the terrorist attacks in Madrid, has a long history, extending back to the 1940s.

From May 1944 until just before the conclusion of World War II, secret negotiations were held between the Nazi SS leadership and Allen Dulles, a key figure in Anglo-American synarchism. The subject of the talks was a proposed armistice in the Italian theater of war. In their final phases in late 1944 and thereafter, after Dulles returned to the United States from a two-month stay in Bern, Switzerland, these secret negotiations became known as “Operation Sunrise.” Their immediate outcome was a substantial reduction in the intensity of warfare in northern Italy, as compared to other theaters: Beginning in September 1944, the Italian front-line advance which had been moving north of Florence, was frozen, even though a formal armistice had to wait until the following year, a few days after Nazi Germany’s total capitulation.

These negotiations afforded both sides an opportunity to develop close ties, which, after the end of the war, played an important role in the formation of an international SS network under the top-level guidance of Anglo-American financial and intelligence circles. On the SS side, the following personnel were involved in the negotiations: SS Gen. Karl Wolff, who for many years had been Himmler’s chief of staff; Eugen Dollman, Himmler’s personal deputy in German-occupied northern Italy; and Walter Rauff, SD (Security Service) chief for northern Italy. Also working in the background was Walter Schellenberg, who, after the *Abwehr/Ausland* (foreign counterintelligence) office had been shut down in 1944, became chief of the SD’s intelligence service. Wolff, Dollman, and Rauff were high on the list of SS war criminals; and yet, just as with Skorzeny and Schellenberg, they escaped Allied punishment. Indeed, in the years following the war, Dulles even gave public recognition to Wolff—something which he did *not* do, for example, for Wehrmacht officer Reinhard Gehlen, head of the “*Fremde Heere Ost*” army intelligence service.

### The Immediate Postwar Period

Allen Dulles had hoped that after Nazi Germany’s unconditional capitulation on May 8, 1945, he would be appointed

head of all European operations of the Office of Strategic Services (OSS), the predecessor of the U.S. Central Intelligence Agency. But instead, he was only appointed head of OSS operations in Germany. He appointed Frank Wisner, head of OSS operations in the Balkans, as his deputy—a connection which was to become important later in regard to SS networks in the Balkans. Another person who joined up with the OSS leadership in Germany was Richard Helms, who later rose to the post of Director of Central Intelligence. Allen Dulles also worked closely with James Jesus Angleton, head of the OSS in Italy, and with his former colleague in Switzerland, Paul Blum, who ran the OSS office there.

But Dulles came up against strong resistance from the U.S. Army’s Counter Intelligence Corps (CIC), which restricted the OSS’s field of opportunity. (Space does not permit us to present an adequate picture of the violent conflicts that broke out within the political and intelligence establishments of the United States, between the synarchist interests and their opponents.) The OSS was finally dissolved on Sept. 20, 1945, by an Executive Order issued by President Harry S Truman. Allen Dulles returned to the United States, and re-joined his brother John Foster Dulles’s law firm, Sullivan & Cromwell.

But Allen Dulles continued to cultivate his relations with Wisner, Angleton, and Helms. Acting as an advisor to various Congressional committees, by 1947 he was already back in Europe, during which time he also struck up a friendship with the young Sen. Richard Nixon. In that same year, the Central Intelligence Agency was established, and under it, an Office of Policy Coordination (OPC) for “covert operations” was set up, headed by Frank Wisner, Dulles’s former deputy in Germany.

In 1948, President Truman summoned Allen Dulles to be part of a working group tasked with making proposals on how the work of the fledgling CIA could be improved. The group’s efforts resulted in National Security Report 50 (NCS50), which for the most part reflected Dulles’s own vision: covert operations should be one of the CIA’s central functions, and Wisner’s OPC should be incorporated directly into the CIA. In 1950, Allen Dulles himself became chief of planning for the CIA. Shortly thereafter, he became Deputy CIA Director, and in 1953, was appointed Director of Central Intelligence. At that time, his brother John Foster

Dulles was Secretary of State.

Little of substance is known about Allen Dulles's activities in Germany prior to the Autumn of 1945. What can be established, is that those people in the SS leadership who had been involved in the project to declare a separate peace with the Western powers, either were not prosecuted by the Nuremberg War Crimes Tribunal, or were let off virtually unscathed. Similarly with Hitler's Economics Minister Hjalmar Schacht. They were taken into custody, and were either interrogated, or were asked to write down their war memoirs for Anglo-American intelligence services to examine; but they were either not tried, or, if their cases actually went to trial, they were acquitted. Schellenberg appeared before the Nuremberg Tribunal as a witness for the prosecution against RSHA chief Kaltenbrunner, whereas Schellenberg himself—former chief of the SD secret service—got off scot-free. Schacht was acquitted in Nuremberg. The trial of Skorzeny, chief of SD commando operations, before a U.S. military court, collapsed when a British intelligence officer stated that the Anglo-American intelligence services would have acted no differently than Skorzeny had, in carrying out commando operations. Similarly, Karl Wolff's trial before a British military court ended with his acquittal.

### 'Odessa'

Less prominent members of the SS leadership, such as Walter Rauff of "Operation Sunrise," were spirited out of Germany via the "Rat Line." They first reached Italy, often aided by corrupt Vatican networks, and thence went to Spain, where they either settled, or slipped into Latin American countries. These "Rat Line" escape routes were run by a secret organization of former SS members known as "Odessa." But Odessa could never have been able to smuggle these people out, if it had been acting alone; on the contrary, its operations were, at the very least, protected, and more likely directed, by factions within Anglo-American intelligence circles. Neither the U.S., British, nor the French governments ever put any serious pressure on Franco's Spain, which had become the hub of SS structures worldwide, to curtail or prohibit activities of former Nazis on Spanish territory.

From 1948 through 1950, Skorzeny lived *incognito* in Paris. His former superior in the SD, Schellenberg, lived first in Switzerland, and then slipped into Italy, where he died in 1952. Skorzeny's postwar career only began in earnest after he resettled in Madrid in 1950. There he married Hjalmar Schacht's niece, Ilse von Finkenstein; Schacht himself also made frequent visits to Madrid. It is estimated that all told, by 1950, about 16,000 Nazi emigrants were living in Spain.



*SS Standartenführer Otto "Scarface" Skorzeny saluting Hitler in 1944 as he took over a Panzer brigade. Skorzeny, leader of Nazi "special forces" units, was "acquitted" of war crimes and became the head of a far-flung international organization with terrorist capabilities after the war, operating in Madrid, Rome, Paris, and South America.*

Schacht, meanwhile, had gone to work consolidating, and making profitable, the widely dispersed SS financial assets which had been transferred out of Germany and into neutral countries following the Aug. 10, 1944 Strasbourg conference convened by Nazi Germany's top economic managers and bankers (see Part 1). The transfer of assets had been originally carried out according to Schacht's own specifications, since back in 1944, Schacht had been the only banker with the know-how and connections to get the job done.

### The Synarchist Triangle

The combination of Schacht, Himmler's SS, and the Dulles Brothers, made up a synarchist triangle.

The fact might appear confusing at first, that on July 23, 1944, only three days after the failed assassination attempt against Hitler, Schacht was arrested on Hitler's orders. Later on, Schacht liked to present himself as a member of the anti-Hitler resistance, and would point out that he had done time in the concentration camps at Ravensbrück, Flossenbürg, and Dachau.

But that kind of sophism is typical of Hjalmar Horace Greeley Schacht, because in fact, his sojourn in German concentration camps bore little resemblance to the lot of "normal" concentration camp inmates, and of actual imprisoned resistance fighters. Not only were Schacht's prison accommodations rather comfortable, but, more to the point, he was under Himmler's and Schellenberg's direct protection. One document that has been preserved, is an "Urgent Mail Message: Secret of the Reich," signed by Gestapo chief Heinrich Müller

and addressed to the commander the Dachau concentration camp. It reads in part: "We have instructions from the RFSS" (Reichsführer-SS Himmler) that Schacht "is to be treated well."

And once again, we must never lose sight of Schacht's close ties to the top SS leadership, as well as to synarchist Anglo-American financial circles. In the present article, we cannot go into Schacht's key role in orchestrating Hitler's seizure of power during 1930-33 (see "Delusion and the Road to Dictatorship," *New Federalist*, July 8, 2002), except to point out the exceptional importance of Schacht's close ties with Baron Kurt von Schroeder, head of the Cologne banking firm J.H. Stein. In December 1932, and again in January 1933, Schacht and von Schroeder played what was probably the decisive role in toppling the von Schleicher government and paving the way for Hitler's coup. Already in 1932, both men were members of the Keppler-Kreis, a group of economic leaders and bankers which had been formed by IG Farben manager Wilhelm Keppler, and which had dedicated its full financial and political resources to backing Hitler.

Von Schroeder's Stein bank in Cologne was the German subsidiary of the Schroeder banking group in New York (L. Henry Schroeder Banking Corp.) and in London (J. Henry Schroeder & Co.). John Foster Dulles's law firm Sullivan & Cromwell represented the New York Schroeder bank, and his brother Allen was on the bank's advisory board. Moreover, during the 1930s, Sullivan & Cromwell had two German subsidiaries which the Dulles brothers visited regularly. And during those years, John Foster Dulles did not stint in his public praise of Germany's regained "dynamism" under Nazi rule.

### 'Freundeskreis Reichsführer-SS'

After 1933, the Keppler-Kreis transformed itself into the "Freundeskreis Reichsführer-SS" ("SS Friends of the Führer"), led by Keppler's nephew Fritz Kranefuss, Himmler's personal adjutant. Reichsbank president (until 1939) and Economy Minister (until 1937) Schacht was no longer himself a member, but his close friends definitely were: the already-mentioned Schroeder; Emil Helfferich and Karl Lindemann from Deutsch-Amerikanische Petroleum AG (DAPAG); and Karl Blessing from the Reichsbank, who later went on to become chairman of postwar Germany's central bank, the Bundesbank, from 1958 to 1969.

The connection to Standard Oil, which was part of the Rockefeller family empire, was also an important *banking* connection, since the Rockefellers also owned the New York-based Chase National Bank, headed by Joseph Larkin. Larkin played a particularly important role in Nazi-occupied western Europe, because of the fact that Chase National's Paris branch was allowed to operate unhindered from 1940 all the way through 1944. This bank's special concern was the preservation of Anglo-American financial and physical assets in occupied western Europe. And it should come as no surprise that Otto Abetz, the heavily synarchist-leaning Nazi ambassador

to occupied France, maintained a personal bank account at Chase National Bank's Paris branch.

Schacht had an additional tie with the Anglo-American financial world through the Basel, Switzerland-based Bank for International Settlements (BIS). Along with the Reichsbank, its members included the Bank of England (which, through 1944, was headed by Schacht's personal mentor, Montagu Norman), and the First National Bank in New York. After 1939, Schacht had yet another connection with the BIS, through his confidant Emil Puhl, a top official at the Reichsbank.

So, now it is perhaps a bit more comprehensible how Heinrich Himmler, through Schacht and the "Freundeskreis Reichsführer-SS," enjoyed excellent connections with Anglo-American circles throughout the war years. Yet another connection with the SS leadership ran through the internationally operating U.S. telephone corporation ITT, headed by Sosthenes Behn. Von Schroeder was ITT's representative in Germany, where it owned the firms Lorenz AG and Mix & Geneste AG. There are indications that Walter Schellenberg's meteoric rise within the SS leadership, had been originally launched and backed by von Schroeder, since Schellenberg owned a sizeable chunk of ITT's stock. In early 1942, Schellenberg, von Schroeder, and Karl Lindemann organized a meeting in Madrid between their plenipotentiary Gerhardt Westrick, and ITT chief Behn. Another member of the top echelons of ITT's German subsidiaries, was Emil H. Meyer, likewise a member of the *Freundeskreis Reichsführer-SS*. (Himmler's Anglo-American ties via neutral Sweden, and via his influential "personal physician" Dr. Felix Kersten, cannot be gone into here.)

### The Hub: Madrid

The fact that after 1948, Schacht became the main "trustee" of SS assets and other financial transfers out of Nazi Germany, proves beyond doubt that he had been intimately involved in the implementation of the 1944 Strasbourg conference's decisions. After all, during his eleven-month VIP imprisonment, he was under the SS leadership's direct control. In his post-1948 work to consolidate the scattered SS assets, Schacht was assisted by Skorzeny, who, in turn, brought the Belgian Waffen-SS leader Leon Degrelle to Madrid, and made him into his chief aide. In the early 1950s, Schacht and Skorzeny made frequent "business trips," crisscrossing Europe and Latin America, and extending into the Arab countries, Iran, and Indonesia.

A portion of the SS money sent abroad, was used to build up the international "Odessa" organization of former SS personnel. Around it, there formed a large number of neo-fascist organizations in Europe and in Latin America.

But Skorzeny's "Odessa" also maintained extensive networks of members and supporters in "bourgeois" parties, government administrations, religious organizations, intelligence services, police organizations, and in the militaries of

many European, Latin American, and Arab countries. “Odesa” was also active in the international arms trade, mercenary operations, and a vast array of organized crime.

Over the following decades, connections to Skorzeny’s SS structures frequently turned up as part of military coups, police-state “sanitizing operations” against opponents of sitting governments, rebel and low-intensity warfare operations, and spectacular assassinations, such as the “Permindex” organization’s involvement in the killing of U.S. President John F. Kennedy. Typical is their role both in the Algerian opposition movement FLN, as well as in the Organisation Armée Secrète (OAS), which sought to topple and murder France’s General de Gaulle.

### Reshaping the SS Network

With the outbreak of the Cold War, American and British intelligence services’ interest in Skorzeny’s SS structure grew even more intense. The mentality and war experience of these former SS personnel suited them perfectly for the “covert operations” which Allen Dulles had defined as a major focus of U.S. intelligence-service activity. Many thousands of former German Waffen-SS members, along with Eastern Europeans who had been part of the Waffen-SS and who had later settled in Western Europe, the United States, Canada, or Australia, were recruited for deployment in low-intensity warfare and destabilization operations in the Soviet sphere of influence.

It must be pointed out that the SS, which, up until 1942, believed that its members’ “Nordic” racial characteristics qualified them to be members of the elite, became quite “internationalized” later on. Not only were there Western European and Scandinavian Waffen-SS units, but also Baltic, Ukrainian, Hungarian, Croatian, Serbian, Bosnian, Albanian, and Caucasian ones.

Former Waffen-SS members who had managed to survive inside Soviet-occupied countries following 1945 by going underground, and others who had emigrated into the West, suddenly became immensely valuable to Anglo-American intelligence services. They were to be utilized, in connection with “covert operations,” to build up a secret military and political underground infrastructure capable of destabilizing communist regimes in Eastern and Southeastern Europe.

During the first half of the 1950s, thanks to Kim Philby’s defection to the Russian side, among other things, Communist intelligence services were able to break up most of these military and political underground cells. This, in turn, further increased the value of Eastern European emigrants’ organizations which had been established in the West, and which harbored no small contingent of former Waffen-SS members.

On Allen Dulles’s initiative, funds from SS assets and elsewhere were used to form the National Committee for a Free Europe (NCFE). Nominally a private organization, it was in fact an Anglo-American intelligence operation, assigned to back the activities of Eastern European emigrant



*The Spain of fascist dictator Francisco Franco (right, greeting Hitler in 1941), for decades after World War II, became the safehouse and regroupment area for 16,000 Nazi officers of various commands; Schacht frequently visited his in-law Skorzeny there, while Schacht was reorganizing and reinvesting the large SS funds.*

groups.

No less important was the Islamic-Arab component of this SS structure. The Albanian Waffen-SS “Skanderbeg” division, and the Bosnian “Handschar” division, had been set up with the active participation of the Mufti of Jerusalem, Amin Mohamed Al Hussein. After the war, Al Hussein, with the help of Anglo-American intelligence circles, was able to settle in Cairo, where he resumed his collaboration with Skorzeny, François Genoud, and SS structures throughout the Arab world.

At the same time, certain factions within the Anglo-American intelligence establishment set up Skorzeny’s network of former SS members in Western Europe itself, as deeply covert partisan groups which could be activated in the event of a Soviet invasion of Western Europe. The existence of this network, code-named “Gladio,” was first revealed in 1991, in a public statement issued by Italian Prime Minister Giulio Andreotti.

Over the years, the ranks of these “Gladio” structures have been replenished by young people, primarily from the right-wing extremist, neo-fascist milieu. This was a crucial reservoir for recruitment of terrorists for the “Strategy of Tension” during 1969-82. And here, too, we find the mother of the terrorist networks involved in the current phase of the “Strategy of Tension.”