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Authority MM947020
By WML NARA Date 6/1/75

WAR DEPARTMENT
WAR DEPARTMENT GENERAL STAFF
MILITARY INTELLIGENCE DIVISION G-2
WASHINGTON

February 27, 1942.

Mr. Tolson	
Mr. E. A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Coffey	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

Attache ✓

Col. John Edgar Hoover, Director,
Federal Bureau of Investigation,
Department of Justice,
Washington, D. C.

Dear Colonel Hoover:

Replying to your letter of February 18 in which you mention the communication from the Division of Naval Intelligence, I would like to say that I have not seen this.

However, without seeing it, I am in a position to state that it would be a deplorable thing, in my opinion, if the Federal Bureau of Investigation should discontinue its operations in Mexico.

In view of the agreement which was signed yesterday governing this area I believe that your organization should continue to exercise the functions outlined in that agreement without change or cessation.

This will confirm our brief conversation on that day.

Yours sincerely,
Raymond E. Nease

RAYMOND E. NEASE,
Brigadier General, U. S. Army,
Assistant Chief of Staff, G-2.

64-4104-149
FEDERAL BUREAU OF INVESTIGATION
APR 10 1942
U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION
1 MAR 13 1942
U.S. DEPARTMENT OF JUSTICE

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JOHN EDGAR HOOVER
DIRECTOR



Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Coffey
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Acers
- Mr. Carson
- Mr. Hendon
- Mr. Mumford
- Mr. Starke
- Mr. Quinn Tamm
- Mr. Nease
- Miss Gandy

November 17, 1943

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MEMORANDUM FOR THE DIRECTOR

At the request of Mr. Berle I called at his office on the afternoon of November 17th. Mr. Berle opened the discussion by stating that he was receiving a number of inquiries from American Embassies in the Latin Americas concerning the Bureau's withdrawal of SIS personnel and displayed to me wires from the Ambassador at Santiago, Chile and La Paz, Bolivia. Berle indicated that he had received several similar inquiries and that he thought consequently there must be some misunderstanding about this situation since the State Department did not desire that the Bureau abandon its Latin American coverage on a wholesale scale. I told Mr. Berle that there was no misunderstanding on the Bureau's part and that the Bureau was merely trying to carry out the State Department's desires as expressed in its letter of October 25, 1943. I pointed out to Mr. Berle that in that letter the State Department stated that the Bureau's reporting on economic, political, industrial and financial matters "almost exactly duplicates the precise reporting functions of the Embassy" and "that the result has been a very considerable amount of unnecessary effort". I pointed out to Mr. Berle that his letter of October 25, 1943, stated that the Bureau's reports "add nothing to the discussion since they are merely non-expert repetition of data already collected by experts", and that according to his letter to the Bureau, the Bureau's operations in this field are such that "no harm is done save that of considerable waste of effort".

Mr. Berle at this point stated that when he signed the letter of October 25, 1943, he did not have an opportunity to study it for "all of its implications" when a man has to handle as much as 250 pieces of mail a day, he naturally cannot devote as much time to each individual piece as might be desirable. I told him that it had been the Bureau's experience that the larger the volume of mail a man handled, the more care he had to give to each individual item. I pointed out to Mr. Berle that of the three cases mentioned in his letter of October 25th in which the Bureau was criticized, two related to the underground traffic in strategic materials, which the Bureau considered certainly not only important to the war effort but germane to its coverage of Latin American affairs, and the third related to political conditions in Colombia, particularly in so far as they affect the attitude and background of the new Director General of National Police, whose attitude and background would be of fundamental interest to the Bureau in connection with its efforts to keep abreast of subversive activities in Colombia. I told Mr. Berle that in so far as these cases were concerned, the Bureau could not see where it had been outside of its jurisdiction or duplicating any effort, since none of the material contained in these three reports had ever been furnished to the Bureau or to the State Department in so far as we could determine by any other agency. Berle made no

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 NOV 25 1943
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Memorandum for the Director

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answer to this but then stated it was his understanding from word received from the Ambassador to Chile that the Bureau was going to withdraw completely from Chile. I told Mr. Berle that his information was incorrect and that you were endeavoring to, first, comply with the state department wishes by reducing your staff as much as was possible and, secondly, in view of the State Department's indication that the Bureau is not to cover economic, political, financial or industrial information, you would of course withdraw a considerable number of the Bureau's Agents from the Latin Americas. I told Mr. Berle that the Bureau had not solicited the SIS work and that we had operated in the Latin Americas as a service agency -- to perform services requested, desired by and of value and interest to the State Department and that when we failed to give satisfaction as a service agency, there was no justification for our continuation in the field. In this regard, I pointed out to Mr. Berle that it was unfortunate that this situation had come up at the present time in view of the new "charter" of OSS, which apparently gave them widespread authority to operate in various fields, including the Latin American fields, and that it was hard for the Bureau to reconcile the great latitude of operation conferred upon OSS apparently with the approval of the State Department while at the same time the Bureau was restricted and restrained.

Mr. Berle stated that he understood that you and I were "angry" about the State Department's handling of this matter and I told him that this was not true; that as a matter of fact you had informed me in so many words that you were not angry at the attitude taken by the State Department but that you were very disappointed not only at the position that they took but also at the fact that they had not seen fit to orally discuss this matter with us prior to the time that their letter had been made a matter of record. I told Mr. Berle that the Bureau had felt that its liaison arrangement and understanding with the State Department was a practical, workable one and not a nominal, day-to-day personal contact of no depth whatsoever, but apparently whenever the State Department had any item of major interest or concern, the liaison was forgotten and the matter spread on the record. At this point Mr. Berle suggested that the State Department might withdraw its letter of October 25, 1943, and cancel it on their own records. I told Mr. Berle that I thought, first of all, it was too late to do this and that, secondly, if the State Department's attitude towards the Bureau's operations are as set forth in their letter of October 25, 1943, the conditions would not be corrected merely by drawing a line of cancellation through the State Department letter of October 25th. Mr. Berle stated that the State Department

Memorandum for the Director

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"quite often" withdrew letters of this kind and I told him that without referring to this general policy, I did not think that such a step would be proper in this situation because if the facts set forth in Mr. Berle's letter of October 25, 1943, were correct, you, as Director of the Bureau, had an ex-officio responsibility to completely correct the allegations of duplication of cover and unnecessary effort.

Mr. Berle stated that he thought he had taken up with me the matter of reducing the personnel of the Bureau on the SIS work over an extended period due to the lessening of possibility of subversive activities in the South American field. I told him that I was confident he had not discussed this matter with me. I told Mr. Berle further that of course the Bureau could not accept the widespread responsibilities conferred upon us by the delimitation agreement in the SIS field in the light of the criticism of the Bureau's operation and that consequently you were giving consideration to the drawing up of a new SIS directive which would definitely establish the Bureau's responsibility in its newly defined field. I pointed out to Mr. Berle that under the new program, the Legal Attaches would be guided by the same directive, and that there would not and could not be any exceptions made for special inquiries individually requested by the Ambassadors.

Mr. Berle stated that he was most anxious to see you and discuss this situation in order that you would have the full benefit of his views, and I told him that I felt that you knew the attitude of the State Department from the correspondence which had been exchanged. Mr. Berle indicated that he was anxious to discuss the matter further with you personally and that he would be out of Washington on Monday and Tuesday, November 22 and 23, but would be here from November 24th to approximately November 26th, at which time he is going to leave on a trip of apparently several weeks. Mr. Berle was advised that you were absent from the city this week and that I was not familiar with your commitments for next week.

Respectfully,



Edw. A. Tamm

CC- Mr. Ladd

JOHN EDGAR HOOVER
DIRECTOR

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CHC:mh

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.
November 6, 1943

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Carson
- Mr. Coffey
- Mr. Harbo
- Mr. Hendon
- Mr. Kramer
- Mr. McGuire
- Mr. Piper
- Mr. Quinn Tamm
- Tele. Room
- Mr. Nease
- Miss Beahm
- Miss Gandy

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MEMORANDUM FOR MR. LADD

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It will be recalled that we received a letter from Mr. Berle of the State Department dated October 25, 1943, in which he complained of our duplicating activities of other departments and agencies in Latin America in connection with political, economic, financial matters, etc. It will be recalled that in this letter Mr. Berle also mentioned the need for the Bureau's reducing and curtailing its activities and personnel in Latin America. On October 27, 1943, the Bureau replied to this communication of Mr. Berle, and in the last paragraph of such reply we pointed out that the FBI is only carrying out the desires of the State Department in Latin America and that the Bureau would be quite happy to withdraw from foreign intelligence altogether should the State Department desire us to do so. (c)

We are advised confidentially by Jack Neal of the State Department that Mr. Berle wrote on the Bureau's letter of October 27, 1943, "very satisfactory, draft an acknowledgment" and sent the letter on to Mr. Neal. Neal seems to be worrying as to just what he can submit by way of acknowledgment and has stated in confidence that he would like to stall and get out of acknowledging the Bureau's letter inasmuch as he cannot see that it needs an acknowledgment or requires one. Neal has stated further in confidence that the last paragraph of the Bureau's letter to the State Department makes it extremely difficult for any kind of an adequate acknowledgment to be prepared by the State Department. We are not yet sure whether we will actually get an acknowledgment from the State Department or whether Neal will succeed in stalling and avoiding drafting any reply to the Bureau's letter. (c)

Mr. Neal also stated in confidence that a letter is being drafted to all Ambassadors advising them of the plan to curtail the activities of the Bureau's work and commitments in Latin America. Arrangements are being made for us to get a copy of the State Department's letter to the Ambassadors in the above connection as soon as it is drafted in final form. (c)

Respectfully,

C. H. Carson



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By MLV NARA Date 6/1/95

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8/22/42

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AUG 25 1942

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~~CONFIDENTIAL~~

Mr. Nease
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Coffey
Mr. Hendon
Mr. Kramer
Mr. McGuire
Mr. Quinn Tamm
Mr. Nease
Miss Gandy

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~~MEMORANDUM TO THE ATTORNEY GENERAL~~

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215 Administrator

You will recall that the Bureau undertook the operation of a unit for the obtaining of economic, industrial, political and subversive information through the Latin American republics with the approval of the President some time ago. This section, whose work is treated as of the most confidential nature, has been known as the ~~Special Intelligence Section~~. You will recall that some time ago Colonel Johnson raised some question as to the Bureau's operation in the Latin American field, as a result of which I indicated to you that I had not sought for the Federal Bureau of Investigation the operation or responsibility for the Special Intelligence Section. At that time I indicated a complete willingness to relinquish this work entirely and completely if it was definitely understood that the Bureau would have no further responsibility for this coverage. The situation at that time developed into a rather acrimonious one, but you will recall that as a result of a conference held in your office which was attended by Assistant Secretary of State ~~Wheeler~~, the Director of Naval Intelligence, and others, it was agreed that the Federal Bureau of Investigation would continue to have the responsibility for this Latin American coverage and the resulting right to operate, to the exclusion of other agencies, in this field. You know, of course, that the Bureau's work does not conflict with the work of the Military and Naval attaches but covers an entirely distinct field.

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Carson
- Mr. Coffey
- Mr. Hendon
- Mr. Kramer
- Mr. McGuire
- Mr. Quinn Tamm
- Mr. Nease
- Miss Gandy

I wanted to advise you of a recent development in this matter because of my desire to have you consider the necessity of authorizing the Federal Bureau of Investigation to discontinue its work in the Latin American field at this time. On August 19, 1942, the regular meeting of the Intelligence Committee was held in my office. Subsequent to the meeting, General ~~Chapin~~ Strong, Assistant Chief of Staff in charge of the Military Intelligence Division, discussed with a Bureau official various administrative matters, including the program of the Army in extending an intelligence unit for Latin American coverage under the

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Memorandum for the Attorney General

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name of The American Intelligence Command. This unit of Military Intelligence is under the immediate supervision of Colonel R. J. Jennings. In the discussion, General Strong advised the Bureau of Intelligence with whom the matter was being discussed that Colonel Jennings "seriously questioned the right of the FBI to operate in the intelligence field" in the Latin Americas.

When I was advised of this matter I sent word to General Strong that I desired him to give immediate consideration to taking over the entire responsibility for intelligence coverage in the Latin Americas in order that the Federal Bureau of Investigation might be relieved of this situation at once. General Strong was advised that I had no desire to engage in any administrative or operational tug of war for the purpose of establishing or maintaining the Bureau's right to operate in the Latin Americas. General Strong was informed that the Bureau had more important things to do than to fight for operational prerogatives. He was advised that I had not sought the operation of an SIS division and, as a matter of fact, had recommended against its being assigned to the Federal Bureau of Investigation. General Strong was informed that I desired consequently, in view of the doubt which had been expressed as to the Bureau's right in this field, that he give consideration to the taking over entirely of the IC coverage. Through my representative I advised General Strong that I would turn over to him the confidential informants and special employees presently utilized by the Bureau in its Latin American operations. General Strong indicated a willingness to take over the SIS operations but stated he would have to give the matter further study. He stated that the operation of the SIS division by him would necessitate the assignment to it of a number of Army officers presently detailed to other assignments, and he expressed the opinion that if the Army took over the SIS operations, the Federal Bureau of Investigation should take over some of the work presently being handled by the Army, such as subversive activities in quasi-military organizations such as the American Red Cross, subversive activities in government arsenals and in the so-called "shadow plants" financed by the War Department.

- Mr. Tolson _____
- Mr. E. A. Tamm _____
- Mr. Clegg _____
- Mr. Glavin _____
- Mr. Ladd _____
- Mr. Nichols _____
- Mr. Rosen _____
- Mr. Tracy _____
- Mr. Carson _____
- Mr. Coffey _____
- Mr. Hendon _____
- Mr. Kramer _____
- Mr. McGuire _____
- Mr. Quinn Tamm _____
- Mr. Nease _____
- Miss Gandy _____

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Memorandum for the Attorney General

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make any bargain for the taking on of any additional work in exchange for the assignment of the SIS work to the War Department. I instructed that General Strong be informed that I was recommending the discontinuance of the Federal Bureau of Investigation's operations in the Latin American field because of my desire not to be involved in any controversy with Colonel Heard or the War Department upon the question of whether the Federal Bureau of Investigation had any right in the Latin American field. I instructed that General Strong be informed again that I did not desire to engage in any tug of war for the control of the SIS section and that I was too busy to engage in any exchange of diatribes. My views were furnished to General Strong on Friday, August 21, at which time General Strong advised the Bureau representative first, that Colonel Heard had not questioned the right of the Federal Bureau of Investigation to operate in the Latin American field but rather had questioned the right of the Office of Strategic Services to operate in the Latin American field. General Strong stated that the only reference which Colonel Heard had made to the operation of the Federal Bureau of Investigation in its SIS field had been his statement that it was a mistake to assign FBI Agents as Assistants to Military Attaches. Such a statement on Colonel Heard's part is hard to understand since no such program has ever been initiated or even contemplated by the Bureau. Later in the discussion General Strong stated that he had misquoted Colonel Heard in saying that he questioned the right of the Federal Bureau of Investigation to be in the Latin American field. The fact remains, however, that when General Strong talked to a Bureau official on Wednesday, August 19, he stated that Colonel Heard questioned the right of the Federal Bureau of Investigation to operate in the Latin American field.

I am bringing this matter to your attention at this time because of my fear that the Bureau is about to be again swept into a controversy about its rights, authority, or responsibilities in the operation of the Special Intelligence Service. As you know, the Bureau did not seek this work. I feel that the results accomplished by the Bureau in its SIS operations have been excellent and that no agency existing or especially created for that purpose could have accomplished, in the relatively short time, what the Bureau has been able to do in the Latin American field. Frankly, the Bureau while operating in the Latin American field for less than two years is today producing a greater volume of accurate current information than is the British Intelligence Service which

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Memorandum for the Attorney General

has been established and operating in the Latin American field since before the last world war. I am, however, devoting my entire time to an effort to accomplish something of/irnative in the Bureau's contributions to the war effort. I have neither the time nor the inclination to engage in any bureaucratic struggle for prerogatives. The Bureau has tremendous responsibilities and is making a diligent effort to discharge them. I am not seeking for the Bureau any opportunities to "be in on everything," nor am I seeking additional fields for the Bureau's investigative operations. In view of the issue, however, which is being raised upon the matter of the Special Intelligence Service, I again urge that the Bureau be relieved of the responsibility for the operation of this service. C

Respectfully,

John Edgar Hoover
Director

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- Mr. Tolson _____
- Mr. E. A. Tamm _____
- Mr. Clegg _____
- Mr. Glavin _____
- Mr. Ladd _____
- Mr. Nichols _____
- Mr. Rosen _____
- Mr. Tracy _____
- Mr. Carson _____
- Mr. Coffey _____
- Mr. Hendon _____
- Mr. Kramer _____
- Mr. McGuire _____
- Mr. Quinn Tamm _____
- Mr. Nease _____
- Miss Gandy _____

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DECLASSIFIED
Authority MM947020
By WML NARA Date 6/1/77

February 25, 1942

SUBJECT: AGREEMENT BETWEEN MID, ONI AND
FBI FOR COORDINATING SPECIAL
INTELLIGENCE OPERATIONS IN THE
WESTERN HEMISPHERE

I. The undersigned, in order to reduce to writing the basic principles regulating the operation and responsibilities for Special Intelligence operations in the Western Hemisphere in accordance with the Presidential instructions of June 24, 1940, and January 16, 1942, and previous instructions referred to therein, and in harmony with the Agreement for Coordination of the Federal Bureau of Investigation, Office of Naval Intelligence and the Military Intelligence Division dated February 9, 1942, agree upon the assignment of responsibility, as given in paragraphs II, III, IV, for intelligence coverage in Mexico, Central America, (with the exception of the Republic of Panama), South America, the Caribbean, and Canada. Responsibility assigned to one organization in a given field carries with it the obligation to provide by the most expeditious means possible

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for Special Ops*

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FEDERAL BUREAU OF INVESTIGATION
JUL 15 1942
U. S. DEPARTMENT OF JUSTICE

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By WML NARA Date 6/1/75

consistent with requisite security to the other subscribing agencies all pertinent information received in that field, but it does not imply that the responsible agency alone is interested in, or that it only will work in, that field. Close cooperation among the headquarters of the three agencies in all fields is a mutually recognized necessity.

II. MID will be responsible for:

1. A continuation of the work normally outlined for and executed by Military Attaches.
2. The collection of information needed by the military forces. To this end, authority to maintain such personnel as the War Department deems necessary for the performance of such duties is recognized.

III. ONI will be responsible for:

1. A continuation of the work normally outlined for and executed by Naval Attaches.

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By MLK NARA Date 6/1/75

2. The collection of information needed by the naval forces. To this end authority to maintain such personnel as the Navy Department deems necessary for the performance of such duties is recognized.

IV. FBI will be responsible for:

1. The operation of a Special Intelligence Service in the Western Hemisphere, including Mexico, Central America, (with the exception of the Republic of Panama), South America, the Caribbean, and Canada.
2. The Special Intelligence Service will obtain, primarily through undercover operations supplemented when necessary by open operations, economic, political, industrial, financial and subversive information. The Special Intelligence Service will obtain information concerning movements,

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organizations, and individuals whose activities are prejudicial to the interests of the United States.

3. The Federal Bureau of Investigation will be responsible for the furnishing to the Military and Naval Intelligence services of all pertinent information obtained.

- V.
1. In times of stress, by which is meant, times that are such as to anticipate periods of predominant military interest, the collection of and the coordination of efforts to obtain additional intelligence of interest to our armed forces, also becomes a responsibility of the military (naval) commander, who is primarily charged with the military (naval) operations conducted within his potential theater of operations.

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2. The general type of military and naval information

alluded to includes, amongst other items, the following:

location of air fields; submarine bases; fueling stations;

rendezvous for hostile military forces, land, sea and air;

concentrations of munitions of war, and other supplies

susceptible to military use; unusual assemblies and

actions of individuals, organizations or communities;

demonstrations of undue friendliness or hostility;

undue interest in individuals, organizations, or

communities; or other information indicating prep-

arations for or carrying on of open or surreptitious

military operations.

3. In periods of predominant military interest,

the Assistant Chief of Staff in charge of Military

Intelligence (Director of Naval Intelligence) will

advise the Director of Naval Intelligence (Assistant

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Chief of Staff in charge of Military Intelligence) and the Director of the Federal Bureau of Investigation of the nature of information desired from those two services and shall advise the two named Directors of any coverage desired beyond the normal coverage of those agencies. The Director of Naval Intelligence (Assistant Chief of Staff in charge of Military Intelligence) and the Federal Bureau of Investigation will undertake to perform the additional tasks requested in so far as it is practical and possible within the limitations of the facilities available. They will advise the Assistant Chief of Staff in charge of Military Intelligence (Director of Naval Intelligence) of the additional assistance, if any, which they will be able to render, and it will then be the responsibility of Military Intelligence (Office of Naval Intelligence)

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to take the necessary steps under its own direction
to satisfy its own requirements.

4. In periods of stress (see paragraph V (1)) when
additional responsibilities have been indicated in
preceding paragraph for the military (naval), the
FBI will have the additional responsibility of
effecting delivery of any information of interest
to the cognizant military (naval) commander (V(1)).

Transmission of such information will be made through
the most expeditious channels consistent with the
requisite security of the information and its sources.

VI. Knowledge of the existence of the Special Intelligence
Service is closely held, and every effort will be made to safe-
guard its existence and responsibilities. To that end, only
a limited distribution of this document is being effected by
the headquarters of the subscribing services. Recipients of

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copies of this document are likewise requested to comply with
the letter and spirit of the instructions contained in this
paragraph.

(Signed)

RAYMOND E. LEE,
Assistant Chief of Staff,
G-2, War Department.

(Signed)

T. S. WILKINSON,
Director, Office of Naval Intelligence.

(Signed)

J. EDGAR HOOVER,
Director, Federal Bureau of Investigation.

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By ML NARA Date 6/1/73

JOHN EDGAR HOOVER
DIRECTOR



**Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.**

April 23, 1942

CHC:LL

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Carson
- Mr. Coffey
- Mr. Hendon
- Mr. Holloman
- Mr. McGuire
- Mr. Quinn Tamm
- Mr. Harbo
- Tele. Room
- Mr. Nease
- Miss Beahm
- Miss Gandy

MEMORANDUM FOR THE DIRECTOR

Pursuant to Assistant Secretary of State Berle's request of Mr. E. A. Tamm, Mr. C. H. Carson of the SIS Division conferred today (April 23rd) with Messrs. Berle and Fletcher Warren of the State Department with regard to the Bureau's letter to Mr. Berle dated April 14, 1942, setting out certain requests for assistance and cooperation from the State Department.

Mr. Berle advised that they had prepared a tentative reply to the letter, but that he, personally, would not like to send the reply through, inasmuch as he would not like to see the Bureau's letter or the State Department's reply thereto become a matter of official record. Mr. Berle outlined the following discussion and reasons in connection with his position.

Mr. Berle stated that, in the first place, he has personally been deeply interested in SIS from its very inception; that he has always felt strong responsibility, particularly within the State Department, concerning the SIS program; that he has been and is convinced that the SIS is the only answer to Western Hemisphere security during the war and very possibly thereafter, provided the FBI handles it; that he has always felt the FBI is the only agency which can handle it, and that he has made his feelings known quite freely in the latter regard to all concerned; that he has overlooked no opportunity to make his position and feelings in this connection clear to the Army and Navy representatives and that he has, upon more than one occasion, "fought off the good Colonel" and welcomes future fights in the same regard.

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MAY 26 1942

Mr. Berle stated that in its letter the Bureau speaks of the imperative necessity that proper cooperation be maintained on the State Department relative to the operation of SIS, particularly in connection with the American ambassadors, ministers, and diplomatic missions in Latin America; that he, Mr. Berle, realizes as fully as any other man living just how necessary such cooperation is and that he has striven and is striving to effect just this accomplishment.

Mr. Berle stated that the letter to some extent tends to bespeak a lack of complete understanding of State Department procedure, etc., with respect to the operation of its Foreign Service and diplomatic missions, although he has always found



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Memorandum for the Director

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the Director to have complete understanding and comprehension as to such matters; that he, Mr. Berle, concluded that possibly the individual who dictated and phrased this particular Bureau letter did not have as complete an understanding of all the problems involved as the Director himself had.

Mr. Berle stated that the Bureau spoke of the imperative necessity of stationing FBI representatives, with diplomatic status, at all of the American embassies and legations in Latin America. He advised that he himself, since the inception of the program, has realized this necessity and the importance of proper coordination of the SIS program through use of FBI attaches stationed at American embassies and legations throughout Latin America. He stated, however, that in the first place ambassadors and ministers are not State Department employees, although they do make their reports to the American Government through the medium of the State Department. These ministers and ambassadors are personal representatives of the President and enjoy responsibility of such a kind that they do not take orders from the State Department as to whom will or will not be stationed at embassies and legations. He stated that ambassadors and ministers cannot designate attaches at their embassies and legations without concurrence of the local government; that these matters are arranged on a reciprocal basis and that, for instance, ordinarily certain attaches are permitted at the American Embassy in Brazil on the basis of similar attaches, or the privilege of maintaining similar attaches, being permitted at the Brazilian Embassy in Washington, D. C. He stated that the long-standing attaches, built up through prior custom, such as the military and naval attaches, commercial attaches, etc., are so well recognized and established that practically all embassies and legations enjoy this privilege; that, of course, it can be cancelled at any time; that, for instance, the United States could discontinue its permission for the Brazilian Embassy to maintain a military attache, whereupon the Brazilians would have no alternative but to withdraw the military attache, although they could, of course, reciprocate and retaliate in any number of ways.

Mr. Berle stated he has felt from the very inception of the SIS program that it can be operated with the greatest chance of success and worthwhile accomplishments by the FBI's maintaining attaches at the American embassies and legations in Latin America, preferably with the full concurrence and consent of each local government; that in this way the FBI can obtain worthwhile and desirable results without running many of the ordinary risks and dangers of an espionage service as such.

Mr. Berle stated that since this problem was first attempted it has, of course, been beset with difficulties of various kinds, but that these have been and are being overcome, as witnessed by the fact

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that at the present time we have attaches, with the concurrence of the local governments, in Mexico and all of the South American countries with the exception of three, these being Argentina, Peru, and Paraguay. Of these three, the Bureau has open invitations to send men to the American Embassies in Argentina and Peru. He stated that Paraguay, he will admit, has been delayed, but not because of any lack of effort on the part of Mr. Berle or the State Department. He displayed correspondence between Mr. Berle and the American Minister in Paraguay, indicating that the American Minister has agreed to the principal of an FBI man operating in Paraguay although he has not completed the arrangements with regard to an FBI man being attached to the Legation, with full diplomatic status, as attache. However, a letter in the file from Mr. Berle to the American Minister in Paraguay recommended in strong terms that the Minister make immediate arrangements for the assignment of an FBI representative as attache and requested that the State Department be advised in the premises. A reply has not yet been received to the latter letter, but Mr. Fletcher Warren assured Mr. Carson after the conference that he, personally, is thoroughly convinced that the American Minister in Paraguay will have an open invitation for an FBI representative, as attache, within the next five to six weeks.

Mr. Berle stated that when the Bureau gets men into Buenos Aires, Argentina (he was advised that Special Agent William H. Doyle has been approved, selected, and trained for Buenos Aires and is now attempting to leave for this assignment at the earliest possible date he can arrange departure), and Lima, Peru (it will be remembered that we recalled our representative from the Embassy at Lima because of difficulties with Ambassador Norweb and have not as yet sent another man to the Embassy, and Mr. Berle was advised by Mr. Carson as to the reason for the withdrawal and the reason no FBI Agent is now at the Embassy at Lima, despite the fact that an open invitation exists to have a man there), we will have representatives as attaches, with proper status and immunity, in every major Latin-American country and in every South American country with the sole exception of Paraguay, which will undoubtedly be arranged within the immediate future, thus giving complete attache coverage of South America. This will leave only Central America, Cuba, Haiti, and the Dominican Republic.

Mr. Berle stated he is confident we will be able to send an FBI representative to Cuba as attache within the immediate future, pointing out that even now we have an FBI representative in contact with the Embassy, although not with diplomatic immunity, who is enjoying the privilege of the diplomatic pouch, etc., in connection with correspondence and communication.

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Mr. Berle stated that efforts are being made to obtain the assignment of a Bureau representative, with attache status, in Haiti, although the FBI already has a representative working with the Haitian authorities and in contact with the Legation, enjoying privileges of the diplomatic pouch for communication.

In the Dominican Republic, we do not have an attache, and Mr. Berle stated that in all probability an attache can and will be secured in the Dominican Republic within the immediate future.

Mr. Berle stated that the Bureau also has a representative in Nicaragua, within Central America, in an official status, although he does not enjoy status as attache. He is acting as instructor for Nicaraguan authorities and enjoys privileges of the diplomatic pouch for correspondence, etc., and can operate effectively until permission is secured for an attache.

The remaining four Central American countries are presently covered only with undercover operatives, but Mr. Berle stated that attache status can and undoubtedly will be obtained in the near future in these countries.

Mr. Berle stated it should be realized that tremendous accomplishments have been obtained, of which he, personally, is most proud; that, in the final analysis, the FBI now either enjoys diplomatic status, or has an open invitation for an attache with diplomatic status, in all the major countries south of the border, including Mexico; that the only countries in which we do not at the present time have an actual invitation and permission for attaches are nonmajor countries from the standpoint of strategic location, importance of materials, or danger from subversive activities, these being Paraguay in South America, Haiti, the Dominican Republic, and Cuba in the Caribbean, and the five Central American countries, exclusive of Panama, namely, Honduras, Nicaragua, Guatemala, Costa Rica, and El Salvador, in all of which the FBI, according to Mr. Berle's information and belief, has good coverage, and, further, that diplomatic status in all of them can be reasonably expected within the very near future.

It was pointed out to Mr. Berle that while the most important countries, from a security standpoint, do at the present time have attaches either assigned or invited, with the exception of Cuba, we do need attaches in all of the other Latin-American countries. It was pointed out to him that from the information of the FBI, Cuba is most important and that we should have an attache there at the present time,

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and that our program in Cuba is jeopardized by the lack of an attache. He stated here realizes this and realizes that attaches are needed in all of the countries, but that his point is we have made such tremendous progress against obstacles, and are continuing to make such progress, that we should not start building up a record of recriminatory correspondence between the Bureau and the State Department concerning the matter of cooperation or the lack of it.

It was pointed out to Mr. Berle that the Bureau was not building up a record of correspondence concerning lack of cooperation, but that, as a matter of fact, the Bureau's letter merely points out what Mr. Berle himself realizes; that is, the imperative need for FBI representatives as attaches in all of the Latin American countries, with no exception (excluding, of course, Panama, because that is MID's jurisdiction); further, that the Bureau merely intended to point out this need and to point out that the present lack of attaches in some countries is jeopardizing the SIS program; that, in other words, the Bureau cannot escape the fact that we need these attaches and has not to date been able to get them and that this fact jeopardizes the success of the SIS program, and that it seems to be the Bureau's duty to call this matter to the attention of the proper officials—hence the Bureau's letter to Mr. Berle.

Mr. Berle stated that the accomplishments in the SIS field to date were not effected by means of such correspondence and that he, personally, feels quite strongly that future accomplishments, which the Bureau and the State Department are agreed upon as being necessary and desirable, should not be attempted on such a basis.

Mr. Berle stated the Bureau also suggested in its letter that we should be able to maintain representatives at certain strategic American consulates in Latin America. He stated he agrees fully and that upon request every effort will be made to make proper arrangements with regard to any consulate which we might have in mind, although it must be remembered that here, again, arrangements must always be perfected with the local government through the ambassador or minister. In other words, the American Government does not have the absolute right to station a vice consul or an assistant consul or some type of attache at any American consulate without the permission and concurrence of the local government, which must be arranged through the American ambassador or minister in the country involved. He stated he is informed that since the letter was written, the FBI has been permitted to station a representative at the American

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Consulate in Valparaiso, Chile, in the status of assistant to the Consul, with full diplomatic immunity. (This is true.) He stated that so far as he is informed, the FBI has not specifically requested that a man be stationed at any other American consulate.

Mr. Berle stated that there will be some consulates, particularly in Argentina and probably in Chile, wherein local permission will not be forthcoming for additions to the consulate staff, because of the extreme reluctance of the Argentine and Chilean governments to risk offending enemy countries, but that ordinarily he perceives no great difficulty in arranging, within the immediate future, permission for an FBI representative to be stationed at any American consulate it may so desire. He pointed out in this connection that, of course, the real answer to the problem, as he sees it, is to establish, as soon as possible, FBI attaches at the embassies and legations in the countries involved and that thereafter the attache can arrange with the ambassador or minister to have persons stationed at American consulates as such procedure might be desirable and feasible. He again pointed out that we now have, in every major South American country in which we would ordinarily want to attach an Agent to a consulate, attaches or permission to establish attaches. He was reminded that we do not have an attache in Cuba and might well need to attach an Agent to a consulate there.

Mr. Berle stated that the Bureau in its letter requested that arrangements be perfected whereby we can supply our attaches with appropriate stenographic and clerical assistance. He advised that as of today (April 23rd) appropriate permission has been obtained for stenographic assistance to be supplied to our attaches at the American embassies and legations in which they are presently stationed, and that these stenographers can be sent out as fast as arrangements can be completed.

Mr. Berle stated that the Bureau's letter contained a recommendation that the FBI SIS representatives be permitted to utilize a separate locked pouch within the regular diplomatic pouch, not subject to being opened and the contents examined by the ambassadors or ministers.

Mr. Berle stated that the Bureau has apparently received information to the effect that military and naval attaches enjoy such a privilege, but that this information is definitely not correct; that military and naval attaches do not enjoy this privilege, either in the American diplomatic service or any other diplomatic service, as a matter of right; that, as a matter of fact, American ambassadors and ministers not only have the

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absolute right to examine all mail going into the diplomatic pouch, but are held personally responsible with regard to the propriety of the contents of the diplomatic pouch, for which reason ambassadors and ministers, as a matter of practice, ordinarily examine the mail either personally or through some delegated representative. Mr. Berle stated that some American ambassadors and ministers do permit, as a matter of courtesy, certain military and naval attaches to send considerable mail through without examination, but that this will be in each instance a matter of courtesy toward some particular military or naval attache on the part of the ambassador or minister involved.

Mr. Berle stated in this connection that he is sure some of our attaches are presently sending through mail which is not examined by the ambassadors and ministers, although they do have the responsibility and duty concerning the propriety of all matter transmitted via diplomatic pouch. He stated that a matter of this kind would have to be one of personal courtesy and confidence between the attache and the ambassador or minister involved and that the State Department could most assuredly issue no instructions to ambassadors and ministers in this connection, nor could anyone else issue such instructions to an ambassador or minister, in view of the responsibilities involved, together with recognized international procedure and diplomatic custom. (It is true that some of the FBI attaches send through material not examined in detail by the ambassadors or ministers involved, and apparently very few, if any, of the ambassadors or ministers actually examine or read all of the material sent through by the FBI attaches. Special Agent Jack West at Rio de Janeiro, Brazil, for instance, transmits to the Bureau via diplomatic pouch envelopes with the flaps sealed and initialed by Mr. West on the sealed portion of the envelopes, labeled by Agent West as not having been examined by the Ambassador.)

Mr. Berle stated he realizes the desirability of perfecting arrangements whereby FBI mail matter transmitted through the pouch is properly and discreetly handled and that certain advice and even suggestions have been offered to the ambassadors and ministers personally, which is as far as the State Department can go, although he, Mr. Berle, is sure that if the problem is properly outlined to the ambassadors and ministers by the attaches involved, reasonably satisfactory arrangements can ordinarily be effected.

Mr. Berle stated that he most assuredly does not believe that the Bureau should be on record as making a request that its attaches be permitted to transmit, via diplomatic pouch, material locked in a separate pouch not subject to inspection by the ambassador or minister; that he is afraid such a request might not be properly understood.

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It was, of course, pointed out to Mr. Berle that the Bureau's desire for mail matter to come through without inspection by the ambassadors or ministers pertains solely to the undesirability and danger of having the names of Bureau undercover operatives, whose names and reports will be transmitted via the pouch, known in the embassy or legation.

Mr. Berle stated he realizes the possible difficulty in this connection, but still feels, personally, that the Bureau should not be on record with respect to the request as set forth in its letter of April 14, 1942, and that he thinks the matter can be satisfactorily arranged on an individual basis in each instance.

Mr. Berle was advised that the Bureau did not, as a matter of fact, make any such request, but merely pointed out in its letter the desirability of having cooperation on the part of the State Department and the American diplomatic missions in this regard; that the Bureau, of course, recognized the need for adjustment in connection with this matter, inasmuch as its undercover operatives must be protected, and merely pointed out the need for such adjustment in its letter, suggesting that a separate pouch might be the answer.

It was pointed out to Mr. Berle that the Bureau has not had the full and complete cooperation of all diplomatic representatives in Latin America; that, as stated in Bureau letter of April 14th, there have been a number of instances wherein our undercover representatives have been uncovered because of undue interest and prying indulged in by local American consular or other diplomatic representatives.

Mr. Berle stated he realizes this is true and that this is one of the reasons he has been so anxious and has striven so hard to obtain attache status for us in all countries, inasmuch as he is sure that if we have an FBI attache in a particular country, such undue prying and curiosity on the part of consuls and other diplomatic officials can be adequately and effectively controlled by the attache.

It was pointed out to Mr. Berle that there would seem to be a need for some clearcut and definite instructions to be issued by the State Department to its diplomatic representatives in Latin America, particularly as to the matter of refraining from prying and investigating suspected Bureau undercover representatives so as to cause them to be uncovered. It was pointed out to him that some American consuls and other diplomatic representatives have been most cooperative and that when they, because of their position, became suspicious of an American, thinking that he might be a

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Bureau undercover representative, they have corresponded with the State Department and taken no action that would jeopardize the position of the undercover operative until State Department advice was received, which, of course, would ordinarily be that the individual was known to be in a satisfactory status and should be rendered assistance and not hampered. It was pointed out to Mr. Berle that obviously it is a matter of proper cooperation, inasmuch as in certain instances where the people involved really wanted to cooperate, the matters have been handled and properly adjusted without injury to the SIS program, but that in other instances certain consuls and other representatives, when they receive information, ordinarily from the British Intelligence, that a certain American does not seem to be all that he represents himself to be, make it a point to investigate the suspect and, of course, handle the investigation in such a way as to uncover the suspect; then, after they have satisfied themselves and uncovered the Bureau Agent and jeopardized the whole SIS program in that locality and country, they correspond with the State Department concerning it.

Mr. Berle stated that this matter could be most effectively handled by having attaches in the countries; that he will admit certain State Department diplomatic representatives, consular and otherwise, have been "boneheads" and that, taking everything into consideration, we can expect some "boneheads" and "bonehead" operations in the future; that in his opinion the British Intelligence is most jealous of the FBI's activities in certain portions of South America, particularly Argentina, which the British have, for a long period of years, seemed to regard as their own special preserve; that the British naturally become suspicious of our undercover men and proceed to uncover them to the American authorities. He stated he realizes fully, being thoroughly familiar with South America, that it is impossible to send Americans into most of the localities there at this time who will not ordinarily be suspected by the members of the American colonies, as well as by the British. He stated that the proper procedure is for the American consular or diplomatic representatives, when approached by the British or when they otherwise become suspicious of an American on an American passport, to correspond immediately with the State Department; that then the matter is ordinarily adjusted satisfactorily, but that some "boneheads" fail to do this in sufficient time to avoid embarrassment. He stated there have been some instances wherein the British representative would come to the American diplomatic representative and voice suspicions as to a certain American. If the American diplomatic representatives assured the British that the individuals in question were not representatives of the American Government, the British would then advise that they intended taking the matter up with the local Argentine authorities to have the suspects arrested and searched; that then the American diplomatic representatives are placed in a difficult position,

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particularly if they actually think the suspects are Bureau undercover operatives.

Mr. Berle stated that he, personally, is in favor of a letter of instructions, as specific as possible, to American diplomatic representatives in South America, on this point. He asked Mr. Warren to see if such a letter could not be drafted and approved to be sent out. He stated that it might become more difficult in the future, particularly in Argentina, and that it might become desirable to give specific individual instructions to certain American consular and diplomatic representatives as to suspected Americans; that in some instances it will probably be necessary to advise the American diplomats as to the true identity of the suspects in order to enable the diplomats to prevent their arrest and subsequent embarrassment.

It was mentioned to Mr. Berle that one of our representatives was recently uncovered by the American Consul at Bahia Blanca, Argentina; that this man is now on his way to the Bureau, where we will obtain full details, and that when complete details are obtained, Mr. Berle will be advised.

With regard to the Bureau's recommendation that immediate arrangements be perfected by the State Department whereby the Bureau will be able to establish appropriate short-wave radio stations, for communication purposes, in all of the Latin-American countries, Mr. Berle stated that he is personally desirous of seeing this effected just as much as the Bureau is, but that it must be arranged through proper negotiations and maneuvering; that the consent of the local authorities will, of course, have to be obtained through the American ambassador or minister involved, and, further, that the American ambassadors and ministers will themselves have to be sold on the idea before they are going to try to sell the local government.

Mr. Berle stated he is sure this program can be effected, as it is being effected. He stated that, naturally, the ambassadors and ministers have to make certain promises and commitments and assume certain responsibility in order to perfect the necessary arrangements.

It was pointed out to Mr. Berle that these Bureau stations must necessarily be under FBI control, in view of the nature of the material that we will be sending through them. He stated he realizes this, but, here again, an ambassador or minister cannot be told that he must arrange for the establishment of a radio station with the local governor and make promises in connection therewith and assume responsibilities, and still not know

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anything about the operation of the station; that if an ambassador or minister is told this in advance, he will probably be unable to ever secure the station. Mr. Berle stated that it is not a question of the ambassadors or ministers desiring to control the stations or to control the traffic to be sent over them, as much as it is a question of the ambassador or minister involved being sufficiently advised so that he can perfect the necessary arrangements and assume the necessary responsibility with regard to the local government.

Mr. Berle stated that, as a matter of fact, we now actually have in operation a station at Bogota, Colombia, and that two additional stations are being arranged immediately. He pointed out that the station at Bogota is operating traffic in code and that neither the State Department nor the Ambassador has the code; further, that even where radio stations are not established, FBI attaches are transmitting coded cables via State Department channels, their contents not being known to either the State Department or the embassy or legation involved.

Mr. Berle stated that the point he would like to make in connection with all this is that the Bureau has and is making tremendously important progress with respect to the extension of radio network and that there is nothing not now being done, in the way of cooperation, which could be accelerated in any way on the basis of the request contained in the Bureau's letter of April 14th.

Mr. Berle was told that, here again, the Bureau recognized the need for these radio stations and, not having them, felt it was its duty to call the need and the necessity for the radio stations to the attention of the proper officials and to point out that the lack thereof is jeopardizing the SIS program.

Mr. Berle mentioned the Bureau's suggestion with regard to Agents, assigned as couriers in South America, being permitted travel freely and without restriction in connection with the SIS program.

Mr. Berle stated he is very much afraid that this can never be accomplished, and knows absolutely it cannot be accomplished at the present time. He stated that the courier privilege is one of the most jealously guarded and restricted privilege granted by one government to another; that State Department couriers are necessarily strictly limited as to their travel and movements, as are foreign couriers in the United States. He

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stated that no other procedure can be followed without the consent of the local government and that such consent would not be granted even if asked for, particularly in any important country. Mr. Berle stated that the courier function is so vitally important to the operation of the Foreign Service and that retaliation, in the event of abuse, is so well established, it will probably be impossible to ever have our Agents enjoy diplomatic courier status and have free rein to travel in such an unrestricted manner as to be able to contact all of the undercover operatives. Mr. Berle stated he realizes as keenly as does anyone in the FBI the need for some such arrangement and that he does feel the courier arrangement, as presently existing, is of distinct benefit and advantage to the SIS program, although he does not believe any extensions can be worked out, particularly at the present time. Mr. Berle stated that the entire matter with regard to FBI people acting as couriers in South America in connection with the SIS program is a most delicate one.

It was pointed out to Mr. Berle that we need an arrangement whereby our traveling representatives, regardless of what they might be called, can make discreet arrangements to contact the undercover men from time to time in order to pick up communications and to transmit to the undercover men information, instructions, advice, etc.

Mr. Berle stated that he realizes this fully but does not believe that the arrangement can be perfected through use of the courier system. He suggested that in his opinion FBI attaches will be able to handle the necessary contacts and communication networks in most of the South American countries much more effectively than couriers.

With regard to the Bureau's request for a letter from the State Department to the Bureau, specifically stating that FBI SIS representatives are exempted from the State Department rule requiring that information as to the identity, status, and mission of all individuals traveling from this country to South America be furnished to the appropriate representatives of the governments involved, Mr. Berle indicated he was not quite clear as to just what this pertained. It was explained to him and it was pointed out that this matter has been discussed previously with Mr. Fletcher Warren, who has indicated that efforts would be made to furnish the Bureau with a letter clearly exempting FBI SIS representatives in connection with this requirement. Mr. Berle stated that, obviously, FBI representatives are exempted. He requested Mr. Warren to see if the matter of a letter could not be arranged.

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Mr. Berle stated that considering the Bureau's letter of April 14, 1942, as a whole, he is definitely of the opinion that it should be "withdrawn," adding that he would most assuredly not desire that such a letter be permitted to "kick around over here." Mr. Berle stated that he, personally, does not believe that this letter will in any way benefit the SIS program nor would the answer which he would have to make to it; that he would like to make a personal request that the letter be withdrawn by the Bureau.

It was pointed out to Mr. Berle again that the Bureau in this letter was only pointing out certain cooperation that we need in order to avoid jeopardizing the SIS program.

Mr. Berle stated that he personally talked with the Director recently and asked that a letter concerning Lima, Peru, be withdrawn from the record, which request was granted.

It was pointed out to Mr. Berle that the suggestions set forth in the Bureau letter were things we need in order to avoid jeopardizing the SIS program; that he himself recognizes the need and, further, that these are things we have been trying to get, or at least trying to work out an appropriate adjustment on, for some time, without success, such as the obtaining of an FBI attache in Cuba. Mr. Berle stated he realizes this, but that we are now assured of getting an FBI attache in Cuba at a very early date, and that the letter is certainly not going to accelerate it any.

Mr. Berle was told that Mr. Carson could not himself agree to the withdrawal of the letter and that no commitments in this connection could be made. Upon Mr. Berle's request, he was told that his request concerning the withdrawal of the Bureau letter would be communicated to the Director.

RECOMMENDATIONS

It is recommended that the Bureau accede to Mr. Berle's request and withdraw its letter of April 14, 1942, to be placed in our SIS files with proper notation that it was sent to the State Department and subsequently withdrawn at the personal request of Mr. Berle after he had discussed the contents with a Bureau representative. It is not believed that by taking this action the Bureau is retreating in any way from its original position. It will undoubtedly be necessary to follow the State Department with additional letters, although it is believed that the items mentioned in the letter of April 14th could probably more advantageously be followed with separate letters with regard to each of the items.

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It is believed that we should follow the State Department very closely with regard to the matter of getting additional attaches in the embassies and legations and should insist upon an attache in Paraguay, which will give us complete coverage of South America in so far as attaches in the embassies and legations are concerned, provided we send another man into the American Embassy at Lima, Peru.

It will be recalled that because of difficulties with Ambassador Norweb, we withdrew our representative from the American Embassy at Lima, Peru, and there is an outstanding invitation and request for us to send a representative to the Embassy there.

Mr. Berle talked with the Director recently concerning the situation between Ambassador Norweb and Bureau Special Employee S. K. Lothrop. There is a kind of private feud between Mr. Lothrop and the Ambassador, due partially to the fact that the British intercepted a communication from Lothrop, sent through a British control point, containing derogatory information of a personal nature concerning Ambassador Norweb, and a copy of such communication eventually found itself back to Ambassador Norweb.

Mr. Lothrop's wife associates with the American Colony at Lima, Peru, particularly the wives of the diplomats, and apparently picks up considerable gossip, which she passes on to ~~Mr. Lothrop~~, who has furnished such information to the Bureau. Some of the information is pure gossip, such as a story which apparently was related to Mr. Lothrop's wife by the wife of the Third Secretary in the Embassy to the effect that ~~Mrs. Norweb~~, a very wealthy woman, is afraid that Ambassador Norweb married her only because of her wealth and will eventually throw her aside. Mr. Lothrop is a long-time resident of Peru and is well acquainted among the best circles in Lima, including the local government officials. It is possible, of course, that Mr. Lothrop and ~~Mrs. Lothrop~~ have engaged in gossip in Lima, which may have attributed to the animosity.

The Bureau gets a considerable amount of valuable information from Lothrop, particularly because of his contacts in Lima and elsewhere in Peru. It is believed that we should continue to utilize Lothrop but control him more effectively. Lothrop is a very volatile, emotional sort of person and is, of course, not grounded in Bureau training and responsibility. At the present time he is in contact with no one connected with the Bureau except Special Agent E. K. Thompson, who is engaged in instructing local intelligence authorities in Lima.

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It is suggested that the Bureau avail itself of the opportunity to send another Agent to the Embassy in Lima, Peru, with attache status,

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in order to coordinate the Bureau's activities in Lima and particularly to control Mr. Lothrop in a proper manner and insure that we get the maximum benefits from his efforts, without any accompanying embarrassment.

Ambassador Norweb has in the past waxed most enthusiastic about the Bureau and its Agents. It will be recalled that Special Agent Heber Clegg, who is now a supervisor at the Seat of Government, was formerly at Lima in the Embassy, and Ambassador Norweb has never overlooked an opportunity to express his admiration and confidence with regard to Agent Clegg and the latter's ability. Agent Heber Clegg, of course, cannot return to Peru because of his family, and it is not believed necessary that he return in order that the situation be straightened out properly.

It is suggested that Special Agent H. B. Judell, who recently returned from Venezuela, where he served in an undercover capacity and also surveyed the major oil properties and installations in Venezuela, be sent to Lima, Peru, as attache. It is believed that Mr. Judell can handle this situation properly and protect the Bureau's interest in an advantageous manner.

Assignment of Agents to embassies and legations

It has been our experience generally that the FBI attaches at the embassies and legations constitute the best approach and solution to most of our difficulties and problems with regard to coverage, communication, etc. In this connection, of course, it is necessary that we be careful in selecting the right men for the various embassies and legations, in order to properly protect the Bureau's interest and at the same time advantageously further the SIS program. Complete attache coverage in every South American country will in all probability enable the Bureau to rapidly expand its radio network, inasmuch as the attaches can ordinarily see that arrangements in this connection are perfected and carried out. It is believed that the Bureau should extend the attache coverage and should insist upon cooperation from the State Department and the ambassadors and ministers in all Latin American countries, although, of course, with the exception of Cuba, all countries of major importance in the SIS program will be covered when attaches are established in all of the South American countries. The State Department has assured that immediate permission with regard to attache coverage in Cuba will be forthcoming, as well as permission for attaches in the small Central American republics and Haiti and the Dominican Republic.

We have found from experience that the best answer to the problem of Agents being uncovered by suspicious and unduly curious members of the American colonies in South America, whether diplomatic or otherwise, can be most advantageously handled by having attaches in the countries involved. There have been recent instances wherein FBI

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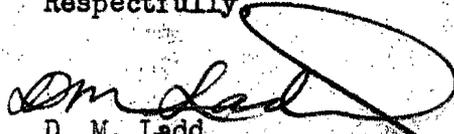
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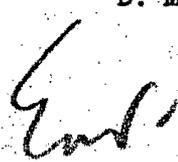
attaches have been able to allay suspicions concerning certain undercover operatives by feigning an investigation of their own and then advising the individuals who are suspicious that the undercover operative in question was entirely okay.

FBI attaches who are well established in American embassies and legations to the point of having the confidence of the ambassadors and ministers are apparently having little, if any, difficulty with respect to the problem of the matter of sending mail matter through without undue examination and censorship on the part of the ambassador and minister or other State Department personnel. We are using our own codes, without the State Department being furnished with the ciphers or other information as to the codes. We are also receiving information from our attaches in the embassies and legations in plain English text, without prior examination by the ambassador or minister or anyone else in the embassy or legation. It will be recalled that even in connection with Ambassador Norweb, with whom we had considerable trouble while Agent Clegg was stationed at the Embassy, large amounts of mail were forwarded to the Bureau from the Embassy without inspection by the Ambassador during the time Agent Clegg was there, and this was with Ambassador Norweb's full consent and permission.

Respectfully



D. M. Ladd



Other Material Recovered or Confiscated

	Fiscal Year 1946		Fiscal Year 1947		TOTAL July 1, 1940 through December 31, 1946	
	Quantity	Value	Quantity	Value	Quantity	Value
...	(1)	\$260,154	-	0.9,000	-	\$265,154
...	18	4,588	-	-	(1)	4,588
...	(1)	32,600	-	-	18	32,600
...	(1)	84,766	-	-	(1)	84,766
...	119.3 lbs.	206,031	-	-	119.3 lbs.	206,031
...	220 lbs.	2,300	-	-	220 lbs.	2,300
...	(1)	347,000	-	-	(1)	347,000
...	92.4 lbs.	5,000	-	-	92.4 lbs.	5,000
...	1	100	-	-	1	100
...	1	20	-	-	1	20
...	238	230	-	-	238	230
...	2	150	-	-	2	150
...	1	25	-	-	1	25
...	4	200	-	-	4	200
...	53	3,767	10	750	63	4,517
...	4	30	3	40	7	70
...	-	-	1,000	810	1,000	810
...	1	(1)	-	-	1	(1)
...	51,959 lbs.	27,988	188 lbs.	71	52,147 lbs.	27,959
...	5	1,000	-	-	5	1,000
...	897	448	-	-	897	448
...	1	(1)	-	-	1	(1)
...	3	(1)	-	-	3	(1)
...	241	(1)	-	-	241	(1)
...	6	(1)	-	-	6	(1)
...	8	(1)	-	-	8	(1)
...	9	(1)	-	-	9	(1)
...	30	(1)	-	-	30	(1)
...	3,177	(1)	50	120	3,227	(1) 120
...	46	10,200	-	-	46	10,200
...	87	50	-	-	87	50
...	45	20	-	-	45	20
...	(1)	100,000	-	-	(1)	100,000
...	110 lbs.	150	-	-	110 lbs.	150
...	2.2 lbs.	1,800	-	-	2.2 lbs.	1,800
...	246.4 lbs.	215	-	-	246.4 lbs.	215
...	249.7 lbs.	1,800	-	-	249.7 lbs.	1,800
...	121 lbs.	140	-	-	121 lbs.	140
...	98.6 lbs.	1,300	-	-	98.6 lbs.	1,300
...	-	-	18 boxes	474	18 boxes	474
...	-	-	136.7 lbs.	140	136.7 lbs.	140
...	25,000 lbs.	12,500	-	-	25,000 lbs.	12,500
...	6 sacks (2)	3,092	-	-	6 sacks (2)	3,092
...	-	3,000	-	-	-	3,000
...	1	100	-	-	1	100
...	1	575	-	-	1	575
...	4	280	-	-	4	280
...	2	45	-	-	2	45
...	(1)	600	-	-	(1)	600
...	1	1,153	-	-	1	1,153
...	(1)	12,000	-	-	(1)	12,000
...	-	205	-	-	-	205
...	-	339,924	-	4,000	-	343,924
TOTAL		\$1,465,236		\$ 11,405		\$1,476,641

(1) Does not include quantity of tags buttons recovered for the 1941 - 1944 fiscal years.
 (2) Does not include value of films and film negatives recovered during the 1944 fiscal year.

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Authority MM947020
By MLL NARA Date 6/1/75

12/31/42

SIS FILING SYSTEM

07958

When the Special Intelligence Service was placed in operation in July, 1940, it became apparent within a very short time that basically the operations of this unit would have to be apart from those of the rest of the Bureau. This was evidenced by the fact that the material which our Agents were gathering was of a nature not originally intended for prosecutive purposes - nor was it ever supposed that this Division would grow to such an extent that it would be able to place men in Embassies and Legations. Therefore, the operations of this unit were all conducted under cover. It was our job to gather material of interest to other Governmental agencies and act as a source of their information as well as a clearing house for any information which they might obtain on South American political, economic, social or pro-Axis affairs. In order to act as a clearing agency and a disseminating agency for these other Governmental organizations it was vitally necessary that the filing system of the unit be so compiled that the information of the various types - that is, social, political, economic, etc.-would be so classified that by reading one file a person could obtain all of say the social activities in Venezuela - rather than having to refer to numerous files for this information. Likewise, it was intended that by reading the file on the political activities of Colombia one could get all of the necessary information concerning these activities in one file.

RECORDED & INDEXED

64-4104-354
FEDERAL BUREAU OF INVESTIGATION
FEB 20 1943
U. S. DEPARTMENT OF JUSTICE

When the filing system was first organized in early July, 1940, Mr. P. E. Foxworth, Assistant Director in charge of the SIS Division gave specific instructions to Mr. Dallas Johnson and Miss Vesta Hall as to the type of system he desired. He stated that he desired a system conforming as nearly as possible to the existent Bureau system but at the same time one which would be adaptable to the needs of the SIS Division. In general he outlined the different breakdowns which would have to be made - such as political, social, economic, Enemy Agents, etc. Miss Hall and I worked out the details. We were allotted the initial classification "64." by the Files Section, so thereafter all of the files dealing with SIS information were started by the numeral "64". In determining how the files should be numbered thereafter, it was decided that the activities of each country should be kept separate, so each country over which we had jurisdiction was given a number - for example, Argentina was given 20, Brazil 30, etc. Therefore, by referring to any file beginning with the numbers "64-20--" it was known that any information in this file would pertain to Argentina. Under each country it was decided that there should be a breakdown for the type of information, so numbers starting with "1" were given to denote this. In this instance the numeral "1", when ending the second group of numbers would denote social activities. Thus, 64-2001 would indicate social activities in Argentina. Thereafter, the serials were numbered as the remainder of the Bureau system, that is, "1, 2, 3, 4, 5, 6, 7, 8, 9," etc. In the case of Axis activities, the general number "20" to be the last two digits in the second group of the file number were designated to denote Axis Agents, and the letters of the alphabet, "A, B, C, D, E, F" etc. were designated to certain countries. For example, 64-2010-A would stand for the activities of Nazi German agents in Argentina.

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By MLL NARA Date 6/1/75

07959

In defense of this system, it must be stated that it has always been necessary that numerous persons review all of the files pertaining to the countries to which they were going. ~~It~~ It is also remembered that on ~~several~~ several occasions persons from outside the Bureau, at least two being from Nelson Rockefeller's organization, reviewed the files pertaining to a specific country in which they were interested. ~~These~~ These gentlemen commented at the time that they had also reviewed the files of ONI and G-2 and found that they were so organized that it was almost impossible to ~~gather~~ gather the material they were seeking, as these files were so broken down that they were in a virtual jumble. These men did state that they believed the Bureau had an excellent way for filing its material.

Originally, it was intended that the SIS work be entirely separate and apart from the rest of the Bureau. The employees in this Division were cautioned time and time again that they should never indicate to anyone what division they worked in and that whenever they had occasion to mention the part of the Bureau they worked in to any other Bureau employee, it should be indicated that they worked "in Mr. Foxworth's office." I remember on one occasion that we had some yellow ~~stationery~~ stationery printed with the words "RETURN TO THE SIS DIVISION" on the bottom thereof. However, because of the mention of the letters "SIS" the stationery could not be used, and instead the notation at the bottom was changed to read "RETURN TO MR. FOXWORTH'S OFFICE". Later, however, this was changed back to "RETURN TO THE SIS DIVISION"..
in this connection it might be pointed out that the letters "SIS" are known in practically every country of the world to mean "Secret Intelligence Service", "Special Intelligence Service" etc.
To protect the secrecy of this division it was decided that if any of the material was placed in the regular files section it would be accessible to any ~~person~~ person in the Bureau, and from simply reviewing the file anyone could ascertain the exact nature of the work being performed by the SIS Division. Therefore, in view of this it was decided to keep all files pertaining to the SIS within the SIS Division itself and not to allow them to circulate freely. It was believed at that time that this work would not be so inter-related with the rest of the Bureau's work and in reality the files of the SIS Division would not be in demand by anyone outside the confines of the SIS Division. Inasmuch as this was the first time the Bureau had ever undertaken any operation such as this it was not evident at the inception that it would grow to such an ~~xx~~ extent. I can remember that at first we made no effort to have more than 20 to 25 Agents in the entire area of Latin America. The material they were sending in came through the regular mails in the form of letters to their respective business organizations. It was not possible at the outset to use the diplomatic pouches, so the type of information transmitted was limited in extent. It was often necessary to read through a letter and break it up into numerous parts in order to glean the essential material. Gradually, however, with the growth of the service and the use of the diplomatic pouch it was possible to evolve into a report form of letter more nearly similar to the regular Bureau memoranda and ~~reports~~ investigative reports. By this time, however, the volume of information submitted by our agents had grown to such proportions ~~that~~ and importance that the other sections of the Bureau were also interested in the information we obtained. The

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By MLL NARA Date 6/1/95

07960

Espionage Section, for instance, was interested in the activities of Nazi agents in Argentina as mail drops used by Agents in this country were located in Buenos Aires. Likewise, the movements of the nationals of Axis countries were of interest to the National Defense Division, especially when it was evident that they were either coming into the United States or were contacting other persons who were coming into the United States. It became evident at this time, therefore, that the information in the files of the SIS Division should be made readily accessible to the other persons in the Bureau, and for this reason as well as for the reason that the volume of information was growing the investigative or information files were moved to the regular Bureau Files Section.

It was decided, however, that the identities of the Agents of the Bureau working out of the SIS Division should still remain an absolute secret insofar as anyone else was concerned. For this reason it was deemed advisable to keep these files which showed the personnel of the SIS or which showed the organizational setup of the SIS within the Division itself and not to allow these files, unless with the express consent of the Division head, to leave the Division. A very determined effort was made, therefore, to keep all of the ~~most~~ confidential memoranda and letters within the division itself, and in cases where it was necessary to send these communications outside the division they were to be placed in envelopes so that everyone would not have ready access to them.

In this connection, it might be stated that each Agent was assigned a number when it became apparent he would be used on SIS work. Thereafter, whenever referring to these persons in intra-Bureau memoranda ~~where~~ they were referred to as "Confidential Informant SIS #9" etc. By a proper reference to the index in the SIS Division it was disclosed just who SIS #9 might be. When his reports were received from him they were promptly inspected for any reference to his identity and this information was cut with a razor from the serial, and this deleted information was placed in the files maintained in the SIS Division. At this time also, the report submitted by him was signed in the SIS Division with his number - i.e. "Confidential Informant SIS #9" - or later this was shortened to "C.I.S.I.S.#9". This report then was allowed to go to the regular Files Section for handling.

In connection with the files maintained in the SIS Division they were designated as the 64-5000 series. Each Agent was given a file number just as each employee is given a file number in the regular Personnel Files Section. All of the material pertaining to this Agent was maintained in this file - that is with the exception of payroll matters. The payroll vouchers, expense vouchers, etc. were maintained by the payroll accountant-clerk in his own safe. Also, files were set up for each cover and for each confidential contact or source of information.

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Authority MM947020
By WML NARA Date 6/1/75

07961

A great deal of difficulty was at first experienced in preventing the personnel matters pertaining to agents on SIS Assignment from reaching their regular files in the Personnel Files Section. At first there was placed on each of these files a tag reading to the effect that these files should not be charged out unless with the express approval of Mr. Tolson, Mr. Foxworth or Mr. Drayton. Also the Files Section made an effort to refrain from putting any further serials in these files. However, after a time it was decided that these tags placed on the outside of the files served to advertise the fact that these agents were being used on SIS assignment - as by this time nearly every person in the Bureau was aware of the fact that this Division was in existence. Therefore, it was decided another system must be worked out to prevent the erroneous filing of confidential SIS material in the regular personnel files.

At the outset it was the intention of Mr. Foxworth that the information in the possession of the Bureau on SIS matters should be thoroughly indexed - both as to persons, places, addresses, and subject matter. It was believed that this should be done along the lines of the indexing ~~of~~ in a major case, except that it should be even more detailed, and that the information contained on the cards should be clear and concise, but still sufficient to determine exactly what information the Bureau had. It was intended that this information would be set forth on 5 x 8 cards from the inception of the division. However, due to the lack of personnel it was not possible to commence this operation until about six months after the division had been organized. Thereafter, the personnel assigned to this ~~work~~ work was so limited that it was exceedingly difficult to keep abreast of ~~the work~~ it. These cards also served to make excellent references for supervisors as it was often necessary that they gather together the pertinent information concerning a certain individual in a certain town. Within three or four minutes it was ~~xxx~~ possible by a reference to these

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By WIV NARA Date 6/1/79

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cards to see just exactly what ~~the~~ information the Bureau had on this person. This is in contrast to the hours and even days it would take to get this same information from the regular Files Section, which would have to locate each file, -very often the file being routed around the Bureau in the hands of any number of supervisors. It was also believed at the inception of this system that ~~ix~~ the cards would serve as a dossier on the persons within any named country in the event this country or that country entered the war against the Axis. I (The writer does not know if these cards were in fact used as dossiers when this did actually happen.)

*Prepared by Dallas Johnson
12-31-42
GWB*

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DECLASSIFIED
Authority MM947020
By WML NARA Date 6/1/75

OGAR HOOVER
IRECTOR

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

November 21, 1942

HMC:im

MEMORANDUM FOR THE DIRECTOR

RE: ORGANIZATION OF SIS DIVISION

Reference is made to the memorandum for you prepared by the Executive Conference under date of November 8, 1942, setting forth various recommendations relating to the organization of the SIS Division. The recommendations as to Budget and Accounting, Selection of Personnel, Personnel Matters—Administrative action, Training of Personnel, New York SIS Office and Inspection, all of which were approved by you, are being put into operation immediately.

PERSONNEL FILES

You instructed that the SIS Personnel Files be transferred to the regular Files Section. The same SIS clerical employees who maintain the personnel files also maintain the SIS Administrative Files and the SIS Confidential Informant Files. The latter pertain to the informants developed in Latin America, some of whom are very influential individuals and their identities have been guarded carefully.

It is recommended that in addition to the Personnel Files, the Administrative and Confidential Informant Files together with the clerical employees in the SIS Division who have maintained them, be transferred to the Files Section.

The above employees have also been charged with deleting from all investigative mail any references to our own personnel, or to confidential informants, which would tend to identify them. This has necessitated a great deal of clerical time in that it requires the clipping of the identifying data and the insertion of SIS numbers. In an effort to streamline this work several suggestions have been made which will be discussed with Mr. Nichols and it is believed that much time will be saved.

INVESTIGATIVE FILES AND CARD INDEX

The SIS Card Index, consisting of 700,000 cards, has proved of very great assistance in efficiently preparing the monographs, memoranda and reports which have been disseminated. It is believed that the index can continue to serve this purpose.

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Foxworth
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Carson
- Mr. Drayton
- Mr. Quinn Tamm
- Mr. Hendon
- Mr. Coffey
- Mr. Harbo
- Tele. Room
- Tour Room
- Mr. Nease
- Mr. Tracy
- Miss Beahm
- Miss Gandy

Handwritten notes and signatures:
Egan
Egan
Egan

SIS Administrative Files

OK

Vertical handwritten notes on left margin

RECORDED & INDEXED

64-4704-357
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE

70 MAY 15 1943

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DATE 4/11/83 BY SP5RSG/BWY

Memorandum for the Director

- 2 -

It is therefore recommended that the entire Card Index and the clerical employees who have been assigned to the Card Index unit be transferred to the Files Section where it will continue to be available to the SIS.

It is also recommended that upon the direct instruction of SIS supervisors information to be received in the future be carded. This will assure the immediate availability of such information as drop boxes, submarine refueling bases, etc., ~~and although it will put an added burden on the SIS supervisors~~ the inestimable value of the cards will more than compensate the effort. *Ear*

SUPERVISORY ORGANIZATION

In compliance with your instruction, supervision of SIS work will be maintained under a geographical alignment and each Latin American Republic will receive the same supervision as heretofore. It is recommended, however, that in order to effect efficiency in the supervision of the large volume of work, the following three units be established:

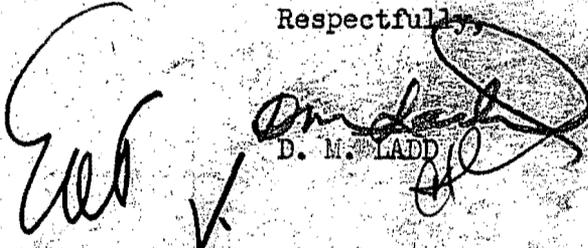
1. Operations
2. Caribbean Area
3. South America (except the Republics of Venezuela and Colombia)

The unit handling the Operations will be charged with arranging covers, schooling new employees in SIS matters and assisting in obtaining passports, visas, etc.

The Caribbean Area will include Mexico, Central America, the countries located in the Caribbean Sea and the Republics of Venezuela and Colombia. It is believed that this division is logical in that all the countries in this category are more greatly influenced by the United States than are the other Republics to the South and therefore, have more problems similar to each other and different from the others.

Subject to your approval this procedure of supervision will be placed into effect immediately.

Respectfully,



D. M. LADD

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Authority MMD947020
By WML KARA Date 6/1/73

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

CHC:mh

CONFIDENTIAL

TO : THE DIRECTOR

DATE: July 7, 1944

FROM : MR. D. M. LADD

ALL INFORMATION CONTAINED
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SUBJECT: Supervision of Bureau Liaison representatives
in London, Lisbon, Madrid, Ottawa and Italy

Administrative

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Coffey
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Mohr
- Mr. Egan
- Mr. Hendon
- Mr. Mumford
- Mr. Jones
- Mr. Quinn Tamm
- Mr. Nease
- Miss Gandy

Pursuant to your request for recommendations from Mr. C. H. Carson and myself concerning the way in which the supervision of these Agents and other Bureau representatives who may be assigned to do intelligence work outside the Western Hemisphere should be handled, please be advised as follows:

The supervision of these Agents, all of whom act in liaison capacity, was formerly handled by the Liaison Section of the Security Division. [Pursuant to the detailed procedure outlined in my memorandum to you dated January 27, 1944, it will be recalled that supervision of these Agents was originally centralized in the Liaison Section due to the need for close coordination and correlation between their efforts and the various divisions and sections at the Seat of Government as well as with the State Department, ONI, G-2 and the British. However, consideration has been given in the past to centralize all of this work in the SIS Division, particularly as soon as liaison representatives became sufficiently permanently established in their respective posts of duty to actually obtain worthwhile intelligence information through their own efforts.] I have previously issued instructions that all of the mail from these representatives as well as all other foreign mail from whatever the source be routed through the SIS Division before being finally filed in order that the Bureau's SIS Division would be currently advised concerning all foreign material of an intelligence nature. I had previously recommended that all foreign intelligence material from whatever source be appropriately filed with such designations as would permit this material to be readily found in connection with the country to which it relates relative to future preparation of monographs and other potential use in connection with the handling of foreign intelligence work.

Inspector M. E. Gurnea, as you will recall, recently recommended that all foreign intelligence work be supervised in the SIS Division in the same manner as intelligence work throughout Latin America and Inspector Gurnea recommended that certain supervisors in the SIS Division be designated to handle this material. Inspector Gurnea's recommendation was unanimously approved as you will recall by the Executive Conference and was subsequently approved by you. Upon being advised of this approval, immediate steps have been taken to place the supervision of all foreign intelligence work in the SIS Division. Effective July 4, 1944, all supervisory functions previously performed by the Liaison Section with regard to the Bureau Liaison representatives in Ottawa, Canada, and the European countries was transferred to the SIS Division, where it is now being handled. [It will, of course, be necessary for the Liaison Section to perform the liaison duties and work in connection with all foreign intelligence work, which includes the matter of appropriate contact and liaison with the State Department, ONI, G-2 and the British.]

ACTION

Classified by *Stilesbury*
Declassify on: OADR 6/12/83

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EXCEPT WHERE SHOWN
OTHERWISE

64-57460-580

As indicated above, all foreign intelligence work is now being supervised in the SIS Division and Mr. Carson and I recommend that this practice be continued.

52 AUG 25 1944

CONFIDENTIAL

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By MLL NARA Date 6/1/75

DO-11

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Coffey
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Carson
- Mr. Hendon
- Mr. Mumford
- Mr. Harbo
- Mr. Starke
- Mr. Quinn Tamm
- Tele. Room
- Mr. Nease
- Miss Beahm
- Miss Gandy

CHC:mcb

FEDERAL BUREAU OF INVESTIGATION

DATE November 4, 1943

MEMORANDUM FOR MR. LADD

RE: Rumored Violation by FBI of Diplomatic Pouch Privilege and Stationing of Representative of U. S. Censorship Office in State Department Mail Room.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 1/1/85 BY SPSRJG/ky

Upon receiving information from you to the effect that Mr. Nichols of the Bureau has obtained information from a confidential source that a representative of United States Censorship has been stationed in the State Department Mail Room to censor all mail going to South America or elsewhere via the pouches because of indications that the FBI was violating censorship rules, I caused an inquiry to be conducted at the State Department. Attached hereto is a memorandum executed by Special Agent L. C. Beck, who, you will recall, has previously served for an appreciable length of time as State Department courier. Mr. Beck contacted Mr. Lloyd Yates, State Department official who supervises the activities of the State Department Mail Room, as well as Mr. Fred Lyon of the State Department. He was advised that there is no information whatsoever or indication that the FBI has violated the pouch privilege or any censorship regulations, but that as a matter of fact the Office of Censorship does have a representative stationed in the State Department Mail Room at the present time for the purpose of checking personal items including personal mail being sent via the steamer pouch. By way of background and in order to clear this up, it would be recalled by you that no personal mail or other matter can be sent via the diplomatic air pouch nor by the diplomatic courier pouch but that it is permissible and legal to send personal items, such as merchandise, luggage, mail, etc. to employees of the State Department or other governmental agencies via the steamer pouch. State Department regulations specifically provide in writing for this privilege, regulations being set forth in State Department regulations as to the exact size and weight of the personal packages that can be forwarded. Such privileges have always been extended to the Bureau. The Bureau does and always has upon infrequent occasions send personal items, including clothing, presents, etc. to our personnel in Latin America via the steamer pouch wherever this action is more convenient for the personnel. The items are handled strictly in accordance with State Department regulations and they are marked as personal items in accordance with the law. We are advised by the State Department that these items, if they are marked personal, are subject to censorship and the State Department Mail Room has an arrangement with censorship in connection with the censoring of same.

REC-1144-515

We have never sent mail to our personnel via steamer pouch inasmuch as this is not necessary and we have found it preferable to let the employees handle their personal mail by straight open air mail. All official mail, of course, of any kind whatsoever, is sent via diplomatic air pouch or in case of more confidential items, via diplomatic courier pouch, none of this in any way subject to censorship.

NOV 11 1943

Memorandum for Mr. Ladd

Page 2

As indicated above it is of absolutely no concern to the Bureau whatsoever whether a representative of the Office of Censorship opens a personal package being sent to one of our people via the steamer pouch marked personal and sent by us as personal in accordance with the law. If we wanted to send anything through, of course, and did not want it to be censored, we would merely mark it official, and it would not be in any way subject to censorship. We have, of course, never done this with regard to clothing or other purely personal items, although we have rarely in certain past instances sent urgent personal messages in the way of mail via the diplomatic air pouch as official mail. There has never been any difficulty and there cannot be any difficulty inasmuch as censorship is concerned inasmuch as censorship could never see it. The State Department has never complained inasmuch as they, of course, do not open our mail and as previously indicated the instances of personal mail sent via diplomatic air pouch have been quite rare.

ACTION

I see absolutely no action whatsoever to be taken concerning this matter inasmuch as we are assured by the State Department that the FBI has not violated any provisions and any censorship arrangements that the State Department might make with the Office of Censorship in so far as personal items and personal mail sent via steamer pouch are concerned. It is of no concern to the Bureau.

Respectfully



C. H. Carson

1. I think under no circumstances should any personal mail be sent by diplomatic pouch

2. I think we FBI should make certain that none of our personnel abuses the steamer pouch privileges.

H.

Handwritten notes:
This order given
OK

Handwritten notes:
Memo to all
new
OK

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DECLASSIFIED
Authority MM947020
By MM NARA Date 6/1/75

Office Memorandum • UNITED STATES GOVERNMENT

TO : THE DIRECTOR

DATE: 1/16/45

FROM : EXECUTIVE CONFERENCE

SUBJECT: Administrative
SIS SURVEY

The Executive Conference, consisting of Messrs. Tolson, E. A. Tamm, Coffey, Glavin, Ladd, Rosen, Tracy and Clegg, considered the problem of preparing monographs on various subjects in the SIS Section. A recommendation had been made for the assignment of four supervisors especially selected for the specific purpose of preparing monographs. A survey was made to determine if such a need existed and the following facts were found:

Total number of monographs prepared, but now in need of revision to bring up to date	17
Total number of new monographs planned on Western Hemisphere subjects	9
Total Western Hemisphere monographs	26

In addition to the above, it was planned that the monograph writers prepare 32 monographs on Eastern Hemisphere subjects.

It was estimated that it would take a total of 17 months for one agent to prepare monographs on the 26 Western Hemisphere subjects and that it would take an additional 36 months for one man to prepare monographs on the Eastern Hemisphere subjects. As a result of a survey by the Training and Inspection Division, it was recommended that the Bureau not prepare monographs on Eastern Hemisphere subjects unless an agent had been assigned to an Eastern Hemisphere country for a period in excess of one year and it was further recommended that of the total of 17 supervisors presently on duty in the SIS Section plus two authorized additional supervisors who had not yet arrived, one of this total of 19 be diverted into the job of preparation of monographs and that two additional supervisors be assigned to the SIS Division to prepare monographs. This makes a total of three agents who would be approved to prepare monographs on Western Hemisphere subjects and to keep them up to date. Estimated time to bring them up to date with 3 men - 6 months.

In the event the 32 additional Eastern Hemisphere monographs are to be prepared at least one additional supervisor should be assigned to the division making a total of four on monographs as the three supervisors on Western Hemisphere matters would have to remain after their work was up to date to work on Eastern Hemisphere monographs.

ADVANTAGES AND DISADVANTAGES OF PREPARING MONOGRAPHS ON EASTERN HEMISPHERE SUBJECTS

ADVANTAGES:

1. These monographs will provide reference material on countries

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cc: Mr. Clegg
Mr. Hendon

51 MAR 8 1945

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to which the Bureau may send representatives in the future if our jurisdiction is expanded or if special authorization is obtained.

2. They will provide a better understanding of conditions in one particular country and area written upon.

3. These monographs will permit a study of sects, racial groups, religious groups, political groups and others so that when members of these various groups are found in the United States, there will be a better understanding and appreciation of their ideologies and loyalties and thus there would be some advantage in the domestic intelligence field if this information were available.

4. There is some prospect of future expansion into this field and if we wait until the Bureau has jurisdiction it will delay the placement of personnel in those countries or else they will be sent in prematurely with inadequate information available.

DISADVANTAGES:

1. The Bureau has no jurisdiction in the Eastern Hemisphere.

2. The Bureau would depend largely upon information received from outside sources for the preparation of these monographs.

3. There would be no reasonable basis for testing the accuracy of the information incorporated in these monographs since it has been obtained from outside sources.

4. It would constitute a duplication of work and jurisdiction for which other agencies are presently responsible.

5. The correlation of any activities in the Eastern Hemisphere in which the Bureau is interested is accomplished at present by special memoranda on each of the events and situations as they occur.

6. For this work which is not within the Bureau's jurisdiction there does not appear to be logic or a sound economic basis for increasing the supervisory staff to work in the field outside our jurisdiction and which may remain outside the Bureau's jurisdiction.

Those in favor of preparing the 32 monographs on Eastern Hemisphere subjects were Messrs. Glavin, Tracy, E. A. Tamm, Coffey, Ladd and Rosen. Those opposed were Messrs. Tolson and Clegg.

Respectfully,
For the Conference

✓
Clyde Tolson


E. A. Tamm

ADDENDUM - January 20, 1945:

Mr. Tamm is of the opinion that the Bureau should operate a small carefully staffed unit for the preparation of monographs not only upon the Latin American countries but upon radical and subversive movements approached not only from the viewpoint of their activities in the United States but

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Addendum (continued)

also upon the basis of their operations in the Latin American countries and otherwise on a International and even worldwide basis. Mr. Tamm feels that a unit similar to the "Research and Analysis Unit" of OSS is an essential medium of marketing for the results of intelligence and investigative operations and feels that unless these results are written up in interesting form, a large part of the effectiveness of intelligence coverage is lost.

Share Tamm's views.

h.

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By WML WARA Date 6/1/75

STANDARD FORM NO. 64

~~CONFIDENTIAL~~

Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. D. M. LADD
FROM : S. S. Alder
SUBJECT: SIS INVESTIGATIONS IN SOUTH AMERICA

DATE: February 3, 1945
CDM:ems

- Mr. Tolson
- Mr. E. A. Tamm
- Mr. Clegg
- Mr. Coffey
- Mr. Glavin
- Mr. Ladd
- Mr. Nichols
- Mr. Rosen
- Mr. Tracy
- Mr. Carson
- Mr. Egan
- Mr. Hendon
- Mr. Pennington
- Mr. Quinn Tamm
- Tele. Room
- Mr. Nease
- Miss Beahm
- Miss Gandy

Mrs. Jane Pijoan of the Office of the Coordinator of Inter-American Affairs has brought to the attention of Supervisor C. D. Marron that organization's concern in the falling off of reports of investigations conducted in Central and South America. Mr. Victor Borella, Executive Director, CIAA, is said to be rather disturbed since the volume of reports and information received by CIAA has fallen off. Mr. Borella and Mrs. Pijoan realize the Bureau's position in South America and understand the directive which limits our operations to matters of internal security. The Coordinator's Office has been very appreciative of the information supplied them by this Bureau. Mr. Rockefeller has personally expressed to Supervisor Marron his high regard for the work that this Bureau has done in South America and has been laudatory of the Director and his leadership of this Bureau. ~~(u)~~

Mrs. Pijoan feels that Mr. Borella will bring to Mr. Rockefeller's attention this falling off of investigative reports and it is expected that Mr. Rockefeller will discuss this with the Director in the near future. Mrs. Pijoan knows that Mr. Rockefeller desires to see the Director on other matters in the immediate future and feels that when his attention is called to this present situation, he will make it a point to see the Director at an early date. ~~(u)~~

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S.S. Administration

Memo to
Ladd
HMC 2/6/45

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DWH:LAN

THE DIRECTOR

November 24, 1944

D. H. LADD *DL*

ASSIGNMENT OF GERMAN-SPEAKING AGENTS TO EUROPE

BACKGROUND:

As you have been advised previously, Special Agents Frederick Ayer, Jr. and Donald L. Daughters in Paris, France as well as Legal Attache H. Joseph Lynch in London have been consulting with the United States military authorities in Europe with the end in view of securing an invitation for the assignment of additional German Agents to the European Area and more especially to Germany. Colonel H. Gordon Sheen, in charge of SHAEP in Paris, has indicated that he was in favor of such an invitation and pointed out that he contemplated assignment of one Bureau Agent to each of the four provinces in Germany which the United States would supervise after Germany's capitulation. In addition, one Agent would be assigned to the United States Mission in Berlin.

DETAILS:

Special Agent Ayer has now advised by letter dated November 6, 1944 that Colonel Sheen discussed the assignment of Bureau Agents to Germany at considerable length with Brigadier General T. J. Betts. Colonel Sheen told Special Agent Ayer that he was in fact preparing a memorandum for the General outlining the points which he had covered in his conversation. He stated that General Betts was in favor of inviting these German-speaking Agents to the European Theater as an aid in the over-all counterintelligence coverage. Likewise the General expressed himself in favor of inviting an Agent who was well versed in the workings of the Communist Party to be attached to SHAEP.

Special Agent Ayer added that General Betts planned to fly to Washington in the near future to discuss many matters of postwar planning for Germany with the War Department in Washington as well as with various other agencies. He learned that it was the General's intention to confer personally with you concerning the assignment of Bureau Agents in Europe, to determine the part which could be played by Bureau representatives in handling the American phase both of short-range and long-range plans for Germany insofar as they affect counterintelligence. In this regard it should be pointed out that Supervisor S. W. Reynolds has advised that General Betts is now in Washington. It is understood that he is here on a confidential trip of which he prefers the British or others do not become aware.

In his last communication, Special Agent Ayer advised that there seems to be no doubt that the United States officers of G-2 SHAEP desire the presence of the above-mentioned Bureau representatives in the European Theater. He expressed the opinion that when this referred to plan of occupation of Germany is put into effect, there would be cooperation of a sort with British personnel

S. L. Administrative

- Mr. Tolson _____
- Mr. E. A. Tamm _____
- Mr. Clegg _____
- Mr. Coffey _____
- Mr. Glavin _____
- Mr. Ladd _____
- Mr. Nichols _____
- Mr. Rosen _____
- Mr. Tracy _____
- Mr. Mohr _____
- Mr. Carson _____
- Mr. Hendon _____
- Mr. Mumford _____
- Mr. Jones _____
- Mr. Quinn Tamm _____
- Miss Gandy _____

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Authority MMJ947020

By WML NARA Date 6/1/75

ENCLOSURE

RECEIVED BY DIRECTOR'S OFFICE

DR. H. F. W. [Signature]

MR. [Name]

RECEIVED SP. [Name]

but as for relationship with the Russian representatives, no definite information is as yet available. Arrangements have already been made to insure immediate notification of the Bureau Agents in Paris of the arrest of any of the German espionage personnel who have been connected with cases of interest to the Bureau in the Western Hemisphere. In addition, copies of the original interrogation reports of these persons will be routed to our Agents. Likewise they will be notified when any of the "targets" in which the Bureau has expressed an interest are secured by the Allies.

Agent Ayer stated that from conversations he and Special Agent Daughters have had with Colonel Sheen, they have concluded that the Colonel, and presumably General Betts, have in mind some scheme whereby there would be set up an agency controlling world-wide intelligence for the United States. This scheme would seem to envisage making use of the best available men in the various fields and would include representatives of G-2, ONI, FIA, etc. The Colonel stressed that there should be one agency in control both of operation and policy, under which all of the various agencies would operate. Special Agent Ayer pointed out that it would not be unreasonable to suppose that General Betts, being a military man, has in mind that the War Department would be the agency controlling this world-wide intelligence coverage. Special Agent Ayer concluded his letter with the statement that he was making an attempt to secure for the Bureau a copy of the memorandum which Colonel Sheen prepared for General Betts relative to further Bureau assignments.

ACTION:

No action is being taken on this matter at the present time. This memorandum is being prepared for your information in view of the announced plan of Brigadier General Betts to contact you personally.

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P. J. Egan
DR
T
LSM
CAC

MR. D. E. LADD

October 30, 1944

E. H. CARSON *JSM*

~~DISPATCH OF GERMAN-SPEAKING AGENTS TO WISCONSIN~~

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BACKGROUND:

There have been press reports and other indications that jurisdiction over Occupied Germany was to be divided among the three Allied powers, the United States, Great Britain and Russia. It was indicated that each of these countries was to have a definite geographical zone to control. However, the particular zones have been indicated only generally up to now.

DETAILS:

Special Agent Donald Daughters in Paris, France has now advised of a conference held by G-2 SHAMP in Paris on October 14 and 15, 1944, at which the plans for this occupation of Germany were discussed. It was revealed that the United States is to have jurisdiction over four provinces, including the following: Lower Saxony; Wurttemberg; Lower Bavaria; Upper Bavaria.

(It is to be noted that by the term "provinces" is understood the old, well-known divisions in Germany, rather than the Weimarian administrative breakdown by which the Nazis have governed.)

The British zone will include Schleswig-Holstein; Hanover; Eastphalia; Rhine Province; Hesse-Nassau. The Russian zone will include the rest of Germany.

Special Agent Ayer has advised that Colonel F. L. Gault, AC of S, G-2, 12th Army Group (comprises First, Third and Ninth U. S. Armies) is to be in charge of the counterintelligence forces in the American Sector of Occupied Germany. In a conversation with the Colonel, Special Agent Ayer pointed out to him that the Bureau had five specially-trained men ready for assignment in Germany. The Colonel replied that he very much wanted these men to be present in Germany and he set forth the following plans: One of the men should be assigned to Zone Headquarters, that is to say Berlin, and the other four should be assigned one each to the other four corps areas in the American Zone. He also expressed the opinion that these men should be brought to the Eastern Theater of Operations prior to the time they would be needed in Germany. He pointed out that this would give these men an opportunity to study the vast amount of material being accumulated re Germany and to be thoroughly briefed on the problems of occupation and the manner in which American intelligence and counterintelligence units were planning to deal with them.

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 By **MLV** NARA Date **6/1/79**

SIS STATISTICS

Table 3 - Other Material Recovered or Confiscated

	Fiscal Years 1941 - 1945		First Half Fiscal Year 1946		TOTAL July 1, 1940 through December 31, 1945	
	Quantity	Value	Quantity	Value	Quantity	Value
Currency	-	\$247,677	-	\$12,477	-	\$260,154
Precious Stones	(1)	4,588	-	-	(1)	4,588
Diamonds	12	30,000	6	2,600	18	32,600
Platinum and Industrial Diamonds	(1)	84,466	-	-	(1)	84,466
Platinum	101.2 lbs.	197,919	18.6 lbs.	8,112	119.8 lbs.	206,031
Silver	220 lbs.	2,300	-	-	220 lbs.	2,300
Mercury	(1)	347,000	-	-	(1)	347,000
Metal Drills	92.4 lbs.	5,000	-	-	92.4 lbs.	5,000
Copper Transmission Wire	1	100	-	-	1	100
Welding Rod Wire	-	-	1	20	1	20
Radio Tubes	258	230	-	-	258	230
Pistol	1	50	-	-	1	50
Gas Gun	1	25	-	-	1	25
Auto Wheels, Tires and Accessories ...	4	200	-	-	4	200
Tires	46	3,236	6	486	52	3,722
Intertubes	-	-	4	30	4	30
Rubber Raft with Cars, Life Jacket and Trench Shovel	1	(1)	-	-	1	(1)
Rubber	10,940 lbs.	8,800	41,019 lbs.	19,088	51,959 lbs.	27,888
Tarpaulins	5	1,000	-	-	5	1,000
Sacks	-	-	897	448	897	448
Diplomatic Codes	1	(1)	-	-	1	(1)
Code Books	3	(1)	-	-	3	(1)
Pages of Code	241	(1)	-	-	241	(1)
Cotton Balls for Secret Ink	6	(1)	-	-	6	(1)
Paper Clips for Secret Ink	8	(1)	-	-	8	(1)
Microfilms of Code, Instructions, Blueprints, etc.	9	(1)	-	-	9	(1)
Miscellaneous Microphotos	30	(1)	-	-	30	(1)
Film and Film Negatives	3,177	(1)	-	-	3,177	(1)
Cameras and Photographic Equipment ...	45	10,000	-	-	45	10,000
Propaganda Books and Magazines	87	50	-	-	87	50
Books	45	20	-	-	45	20
Pharmaceutical Goods	(1)	100,000	-	-	(1)	100,000
Urotropina (a drug)	110 lbs.	150	-	-	110 lbs.	150
Insulin	2.2 lbs.	1,800	-	-	2.2 lbs.	1,800
Aspirin	246.4 lbs.	215	-	-	246.4 lbs.	215
Sulfathiazole	249.7 lbs.	1,800	-	-	249.7 lbs.	1,800
Sodium Salicylate	121 lbs.	140	-	-	121 lbs.	140
Nicotinic Acid	98.6 lbs.	1,300	-	-	98.6 lbs.	1,300
Tagua Buttons	6 sacks(2)	3,092	-	-	6 sacks(2)	3,092
Bonds	-	3,000	-	-	-	3,000
Phoenix Safe	1	100	-	-	1	100
Motorcycle	-	-	1	575	1	575
Gas Pumps	-	-	2	45	2	45
Land	-	-	(1)	600	(1)	600
Building	-	-	1	1,153	1	1,153
Concealed Miscellaneous Property of Black-Listed Firms	(1)	12,000	-	-	(1)	12,000
Miscellaneous Property	-	-	-	550	-	550
TOTAL		\$1,066,258		\$46,184		\$1,112,442

(1) Not given.
 (2) Does not include quantity of tagua buttons recovered for the 1941 - 1944 fiscal years.

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By MLL NARA Date 6/1/75

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DVH:EEW

TO : MR. D. M. LADD
FROM : MR. C. H. CARSON
SUBJECT: Bureau Participation in Investigations of German Cartels

DATE August 13, 1945

[Handwritten signatures and initials]
Mr. Tolson
Mr. E. A. Tamm
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Harbo
Mr. Hendon
Mr. Pennington
Mr. Quinn Tamm
Tele. Room
Mr. Nease
Miss Gandy

Several communications have been received from Germany on the above subject in the past few weeks. Some of these have been in the form of letters from Department of Justice personnel in Germany directed to officials in the Department here. They have been forwarded through Bureau channels and an opportunity has been taken to examine them.

In the first place, there is ample evidence that among the tens of documents of large German firms which have been seized and which are being examined by various United States and British agencies, there is a tremendous amount of material which would be of direct interest to the Bureau. By that I mean, there has been ample evidence uncovered already showing that these large firms through their branches in the Western Hemisphere served as covers for German espionage and propaganda agents and activities. The limited number of Bureau personnel in Germany, of course, precludes detailed examination of these records by them. They have had an opportunity to observe at first-hand, however, the efforts of the teams of economic experts sent over by the Justice Department, Treasury, FEA, etc., and have remarked upon the difficulties which they have encountered. The thing that has been most apparent is the lack of coordination of the efforts of these various teams. As a matter of fact, they have appeared to compete with each other in reaching various types of records. To make matters worse, the Army has established a unit under a Colonel Bernstein, who apparently is autocratic, and who feels that all of the representatives of the various agencies should serve directly under him, take such assignments for document searching as he hands out to them, and make the results of their efforts available only to the Army. From all accounts, Colonel Bernstein seems to be signally lacking in tact and diplomacy and appears to have succeeded in incurring the enmity and opposition of most of the various departmental groups with whom he has come in contact.

The unit from the Department of Justice, headed by Mr. James Martin, Special Assistant to the Attorney General, has been assigned to the Bernstein outfit which is known as the Finance Division of the United States Group Control Council. They have taken orders from Colonel Bernstein or from Orvis Schmidt of the Foreign Exchange and Blocking Control Section of the Finance Division. According to a communication from Mr. Martin, Schmidt plans to appoint John Lawler of the Treasury Department to the post of Director of the Finance Division's Investigative Program, which would leave the Department of Justice outside of any control of the research now being

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made. Mr. Martin strenuously objects to this and has asked the Department to exert its influence in order to switch the Departmental Unit in Germany from Colonel Bernstein's control and attach it instead to the new organization known as FIAT.

~~FIAT~~ Field Information Agency, Technical) was established by SHAER directive dated May 31, 1945 under the joint control of Brigadier Mannaell (British) and Colonel R. M. Osborne (United States). As may be seen, this is a military-civilian organization under which the efforts of the British and the Americans in their investigations of Cartels in Germany may be coordinated. Two civilian directors of this organization are yet to be appointed. According to Mr. Martin, the United States director is to be appointed by a committee in Washington on which all interested departments are represented. Sam Klaus of FEA was suggested for this position at one time, but he states that Mr. Klaus has now been excluded from the European Theater so someone else will be selected. Mr. Martin urges the Department to exert every effort to have him appointed as civilian director of FIAT.

According to Special Agent Frederick Ayer, Jr., Colonel Bernstein is headed for a collision with FIAT on the question of who is to decide what the objectives should be, he or the agencies supplying the personnel.

Ayer has since advised that to further complicate matters, a new committee of several colonels headed by a Colonel Pillsbury and a Lieutenant Colonel Bettelheim has been formed to take over the custody in the name of the Army of all the assets and files (presumably including personnel) of I. G. Farben and later of other large cartels. This group has the opinion that it is also going to run the investigations and gather together under its wing interrogators and other experts from various agencies. Administratively at least, the group is to function under G-5 of the United States Forces European Theater (USFET), but actually it will still be under the control of Colonel Bernstein. Mr. Martin of the Department has apparently talked to Ayer and indicated that he would like to be detached from Bernstein's outfit and assigned instead to the Office of the Director of Intelligence, C. I. Branch of USGCC (United States Group Control Council). The Director is General T. J. Betts. Colonel Gordon Sheen is General Betts' Deputy. The General is unwilling to go along with this plan unless Martin can arrange it from Washington. Ayer points out that Bernstein carries considerable influence in Army circles because he has had very strong backing from former Secretary of the Treasury, Henry Morgenthau. Mr. Martin has indicated that he intends to return to Washington within the next week or two and feels sure that he can arrange the changeover.

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By MLV NARA Date 6/1/75

Mr. Martin has advised Ayer that his group badly wants Bureau personnel assigned to work with them. Ayer has told him that the Bureau naturally hoped to see a full scale investigation made of huge German corporations but that the Bureau probably would not countenance sending over a group of agents merely to act as an investigative pool for any one section of any Army organization. Mr. Martin understands this clearly, however, he intends to see you or Mr. Tamm during his impending visit to Washington and discuss the possibility of getting additional Bureau personnel assigned to the USGCC, who would work under Ayer but who would handle investigation of the large industrial firm records as well as the interrogation of their personnel almost exclusively. Ayer points out that if the Bureau intends to give favorable consideration to any such requests from Martin that the only practical way to handle such assignments is to have the additional agents sent over to function in the same capacity as the group already there.

ACTION:

This memorandum has been prepared for your information to show you some of the confusion and the lack of coordination which exists in Germany regarding investigation of German cartels at the present time. It has also been prepared so that you will be aware of the general situation if and when Mr. James Martin, Special Assistant to the Attorney General contacts you. I feel that there is a great deal to be gained if the Bureau should decide to participate actively in these investigations, but at the same time, the situation is an extremely delicate one and has to be examined and considered most carefully. It is evident that politics on a very high level are involved and that very important pressure is being exerted and will be exerted in the future by tremendous economic interests in an effort to lessen the punishment and prevent the destruction of these huge German cartels.

It should be noted that the communications between Departmental representatives in Germany and here in Washington have been examined without their knowledge.

Again it looks like Martin or
others wants us to do the real
"sweating & digging" with no identity
or recognition as such.

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Authority MM947020
By WML NARA Date 6/1/77

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ANNUAL REPORT
SPECIAL INTELLIGENCE SERVICE
FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE
1944 - 1945

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4/12/83
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By WML NARA Date 6/1/95**B. Safehaven Project**

In the latter part of 1944 (with the impending termination of the European War) the State Department and Foreign Economic Administration became vitally interested in ascertaining and identifying any transfers of German capital outside of Germany. Also considerable interest was evinced with reference to the identification and cataloging of all German technicians, wherever they may be, who might become instrumental at a future time in assisting the German Government to prepare itself for a possible third world war.

On November 8, 1944, all SIS offices in Latin America, with the exception of Liaison Offices, were requested to conduct a survey of German capital in their respective countries for the purpose of identifying the owners, location, value and present status of property and wealth: (1) as of 1939, and (2) as of the present time, with due regard being given to the steps taken by the various Latin American countries to expropriate, vest, confiscate or otherwise control this wealth. This survey, which encompassed industrial facilities, necessarily included information concerning Axis technicians and scientists who might attempt to flee to Latin America.

Reports based on this survey have been distributed to the State Department, FEA, ONI and G-2, as appropriate. It is contemplated that the material received in this survey will be incorporated into a monograph for purposes of distribution to interested governmental agencies.

On February 7, 1945, the State Department requested the Bureau to lend its assistance in the carrying out of the so-called Safehaven project and advised that a coordinating official was being appointed in each mission for the purpose of coordinating the activities and preventing a duplication of effort on the part of the intelligence agencies concerned.

In view of the accounting investigations required in connection with the carrying out of the Safehaven project, requests were made by the State Department for the assignment of Special Agent Accountants to Bogota, Colombia, and Buenos Aires, Argentina. An accountant was sent to Bogota about March 1 and another accountant was dispatched to Buenos Aires about May 1.

The Foreign Economic Administration also has called upon the Bureau to assist in this program and all reports received in this connection are being currently furnished to the State Department, FEA, ONI and G-2 as appropriate. According to Herbert Cummings of the State Department, thousands of tons of records have been recovered in Germany which should provide considerable material pertinent for this project, and the State Department has attempted to obtain the services of 300 investigators to send to Europe to review these records.

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On June 14, 1945, Saxton E. Bradford, State Department representative, left Washington to visit Rio de Janeiro, Montevideo, Buenos Aires, Lima, and Bogota for the purpose of ascertaining and studying each mission's fact-finding facilities and related personnel matters in connection with the Safehaven Project being undertaken by the respective missions. The Legal Attache at Buenos Aires advised that the Office of the Legal Attache would be called upon by the Safehaven section to conduct specific investigations which may necessitate the Bureau sending two additional accountants to Buenos Aires.

SECRET

The Bureau has undertaken numerous investigations in Latin America based upon newspaper accounts, magazine articles and postal intercepts which alleged that various top ranking Nazis were escaping to Argentina or had invested money in Argentina. Investigation to date has failed to disclose that the Germans have attempted to transfer their funds to Latin America for the purpose of seeking a safe haven, nor has any information been developed that Nazi technicians or officials have escaped to Latin America.

Several of the newspaper accounts and magazine articles were traced back to the ostensible clandestine radio transmitter "Radio Station Atlantic", also known as "Deutsche Soldatensender Station," which presumably operated from points within Germany. Through the offices of the Legal Attaches at Lisbon and London, it was ascertained that "Radio Station Atlantic" was being operated by a highly-guarded, secret group within the British Government, which transmitted information from this station for the purpose of demoralizing the German Reich.

Inasmuch as articles based on "Radio Station Atlantic" transmissions caused numerous unnecessary investigations, the State Department protested to the British Foreign Ministry which advised that the nature of the station was explained to the Office of Strategic Services and it was concluded, therefore, that that organization would notify the appropriate intelligencies of the United States Government. Such information has never been furnished the Bureau by OSS.

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Authority MM947020
By MM NARA Date 6/1/75VIII. ACCOMPLISHMENTS BY COUNTRIESA. ArgentinaEspionage

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During the year 1944-1945 Argentina remained the most important center of German and Japanese espionage in the Western Hemisphere. Her own internal political situation made SIS operations in that country probably more difficult than in any other of the Latin American Republics. In addition to a much disturbed political situation, Argentina's well known antipathy toward the United States hindered action against known espionage agents and was reflected in Argentina's reluctance to take specific action against them even when conclusive evidence of their activities was furnished by the American State Department.

However, in August of 1944, the Argentine police arrested twenty-eight German agents, some of whom were released after a very short period of confinement. The effect of this round-up, despite subsequent releases, was to put an end to the activities of the important espionage radio ring known as HDZ. In addition to the German agents arrested, the Argentine police also arrested several informants of the office of the Legal Attache. This fact delayed considerably investigations in which these informants were engaged.

Johannes Siegfried Becker, an agent of the Sicherheitsdienst, and leader of the HDZ ring made good his escape temporarily. His assistant, Heinz Lange was one of three who managed to board the sailing vessel Santa Barbara which had come to Argentina early in July to drop two German agents and to pick up three whose usefulness had come to an end.

Becker was later arrested by the Argentine police and is presently in jail.

The two agents who were dropped by the Santa Barbara were Alfonso Chantrain and Walter Burckhardt both of whom were arrested shortly after their arrival and are presently confined. Most recent information from Buenos Aires reflects that the Argentine Government now holds prisoner a total of seventy-one German agents, including Becker and the two named above.

A group of espionage agents known by the name EFE ring were disclosed to be working concurrently with a group referred to as members of the Clog ring. A double agent, Jesus Aguilar who has been in periodic contact with a subject in the EFE case, received for forwarding a photographic negative which bore the sketch of a radiotherapy device.

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The same device had been depicted in a microdot that had been sent, clandestinely of course, from Mexico to Buenos Aires several weeks previously. The fact that the microdot eventually came to the hands of a member of the EFE ring for enlargement and transmittal seems to indicate clearly that the Clog and the EFE cases are closely intertwined. **SECRET**

Japanese espionage has been almost completely curtailed by the recent internment of all members of the Japanese Diplomatic Mission in Argentina. Of course, other Japanese who have apparently engaged in espionage activities are still free, but their activities are being observed through the services of an informant, Dr. Francisco Ortiz, who was formerly a mail drop for Japanese in Argentina and other Latin American countries. Since the breaking of relations between Argentina and Japan, Japanese espionage as a whole was greatly curtailed due to the difficulty in communication. At present a Japanese, Konomi Miyamoto, is suspected of attempting clandestine radio activity but is under constant observation despite the fact that the Legal Attache has been requested by the Military Attache not to conduct an investigation, the reason for the request being that the office of the Military Attache would ascertain the nature of Miyamoto's activities through a Japanese informant. (C)

The Legal Attache has pointed out that the alleged Japanese informant has furnished no reports on the matter since October of 1944. Miyamoto is alleged to be the head of a ring of some twenty Japanese throughout Argentina and to be acting as liaison agent between the Japanese and Germans. He shares his home with one Juan Orthusteiger a radio technician and has frequently been seen making mysterious trips to the outskirts of Buenos Aires carrying a large and apparently heavy suitcase which could hold radio equipment.

With regard to the Japanese diplomats above-mentioned, it has been reported that they are all interned at the Eden Hotel at La Falda, Argentina and are forbidden to communicate with persons outside, except with those in the Swiss Embassy.

A decree was recently promulgated by the Argentine government requiring the registration and police supervision of all enemy aliens. This decree if enforced would place additional obstacles in the way of espionage activities but most recent information indicates that the decree has been modified so as to eliminate the necessity, even on the part of enemy aliens, of showing identification documents prior to internal travel. Other modifications have made the decree less drastic than originally intended.

The crew members of the German battleship Graf Spee, previously considered and treated as internees by the Argentine government were,

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after the Argentine declaration of war, given the status of prisoners of war. In this connection it is pointed out that the Legal Attache in Buenos Aires prepared a comprehensive report on all of the crew members for use by the American Ambassador.

Deportation

There were no deportations or repatriation, of enemy aliens during the period covered by this report.

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Smuggling

In August of 1944 an investigation of a smuggling ring carried on by the office of the Legal Attache for over two years culminated in the arrest of several members of the ring including their leader Eugen Juan Frank Langer, a German agent who figured prominently in German espionage investigations in Argentina.

This ring dealt principally in platinum and diamonds which were obtained from various countries in Latin America and forwarded from Buenos Aires usually by means of couriers on Spanish ships. It should be pointed out that Argentina was the center of smuggling operations in behalf of the Axis powers in South America. Investigation disclosed that almost all illegal transactions involving industrial diamonds and platinum were ultimately consummated in Buenos Aires.

The curtailment, by arrest of the members of the ring, of this smuggling activity has focused the attention of SIS representatives in Argentina on another type of smuggling. Due to the difficulty of acquiring certain strategic materials such as rubber the Argentine government is believed to be maintaining agents throughout Latin America for the purpose of facilitating the export of such materials into Argentina in the event difficulties are encountered in the regular channels. These agents are sent out with the specific purpose of making contacts in high places and are liberally supplied with money.

Political

From the Argentine point of view probably the most important political event is the declaration that a state of war existed between Argentina and Germany and Japan. This was the "sine qua non" of admission to the United Nations Conference in San Francisco and of adherence to the Pan-American Conference in Mexico which took place early in 1945. It was hoped that Argentina's ostensible adherence to the act of Chapultepec and subsequent participation in the San Francisco Conference were the beginnings of a return to a democratic constitutional form of government. This expectation, however, was not fulfilled and

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Argentina's military government continued for a considerable time to impose strict censorship regulations, avoid national elections, and to continue generally to prohibit political freedom.

First, many newspapers were ordered to cease publication on the ground that they were pro-Fascist or Communist or anti-government; next as a result of unfavorable publicity outside of Argentina the newspapers were permitted to continue publication but if their editorial policies were critical of the Farrell-Peron Military government their editors were jailed, and in some instances exiled. Correspondents of American news syndicates such as Cortesi of the New York Times and Joseph Newman of the New York Herald Tribune, were threatened with physical violence for having written articles deemed to be derogatory by Argentine officials. In this connection it is pointed out that Newman felt it necessary to take refuge in the American Embassy.

A decree known as the Political Parties statute has been recently promulgated and purports to guarantee honesty and fairness in the elections which are eventually to be held. This statute has been criticized severely by several former Argentine politicians now in exile in Montevideo, Uruguay as being another means by which the military government in Argentina can continue to control Argentine public life. In this connection it is pointed out that President Farrell has recently made a public statement indicating his intention to conduct fair elections in Argentina in November of this year and has stated that he wants as President a man elected by the people.

There have been many reports of a widening breach between President Farrell and vice-President Peron, the Argentine "strong man", allegedly over Peron's intimated intention of offering himself as a candidate for the Presidency. It is said that Peron has lost considerable military support as a result of this political ambition and has attempted to overcome this loss by drawing to himself the support of the laboring class in Argentina. He has attempted to do this by arbitrarily raising wages and decreeing certain social reforms which inure to the benefit of labor. This has brought down upon him the wrath of most of the industrialists, which recently manifested itself in a published manifesto signed by 319 industrial organizations.

There are obvious indications of increasing political unrest such as student strikes and plots to overthrow the government. One such plot which was considered of grave importance was allegedly scheduled to take place on the day that Berlin fell. In a subsequent announcement the government explained that the plotters intended to make use of the turmoil which would result from a celebration of the fall of Berlin in order to draw police guards away from public buildings thus enabling the plotters to take over the necessary government offices. A previous knowledge of this plot was given as a reason by the government for

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having prohibited any demonstrations whatever to celebrate the fall of Berlin.

The leaders of the plot comprised several military men of high rank. They were reportedly tried and sentenced to periods of confinement of not longer than six months and some of them were given additional punishment of being suspended from their employment for periods as long as ten months.

Following the suppression of the alleged plot the government announced that all political prisoners would be freed, a lifting of censorship restrictions, and that exiles would be permitted to return to Argentina. An announcement was made shortly thereafter that some 200 prisoners would be released on the first day that the amnesty regulation was to go into effect. No information has been received that any large number of prisoners has been freed.

Relations between the Farrell-Peron government and the American Ambassador appear, from recent reports of the Legal Attache, to be deteriorating. A very recent report indicates that a group of army men called at the Argentine "Casa Rosada" (equivalent to the White House) to express their dissatisfaction with the attitude and public declarations of American Ambassador Braden and to request that the Argentine government ask for his recall and in the alternative to break relations with the United States.

Important SIS Activities

That Bureau representatives in the office of the Legal Attache in Buenos Aires are well informed regarding Argentine matters is well illustrated by the use made of information collected by SIS, at the two conferences above-mentioned, namely the Pan-American Conference in Mexico and the United Nations Conference in San Francisco.

SIS representatives prepared for the use of the State Department a comprehensive memorandum demonstrating the laxity of the Argentine government in controlling Axis espionage. This document was used to good advantage at the Pan-American Conference held in Mexico early in 1945.

It might be pointed out also that SIS representatives had previously prepared a memorandum for the use of the State Department which established the fact that Argentina had been used as a base of operations for the Axis nations after other South American countries had severed relations with Germany and Japan. In this memorandum dozens of known agents, both German and Japanese, were identified.

Through a contact made by an SIS undercover agent the Bureau was able to furnish to the State Department an Argentine offer to

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declare war against only one of the two remaining Axis nations. This proposal was in the nature of a "feeler" and the attitude of the State Department that this proposal was inadequate was immediately submitted to the Argentine government through the same SIS channel.

In connection with investigation of Falange and Spanish activities in Argentina, the office of the Legal Attache has developed several excellent contacts among the many Basques who are well organized in Argentina in anti-Franco groups composed of Galicians, Catalans and Basques who are agitating for autonomy of their respective sections of Spain. Through this group wide coverage is obtained on the activities of the Spanish Falange and certain Communist organizations.

The office of the Legal Attache enjoys the confidence of several Argentines who are highly placed in the government service, among them being one Carlos Alberto Pardo who has recently been appointed to the post of Argentine Ambassador to Belgium. Still others have made it possible to obtain political information of a certain nature, immediately after events occur.

A recent illustration of effective work of SIS was the location in Buenos Aires of one Paul Meeres, who is under indictment in New York City for violation of the Passport Laws.

Meeres, a theatrical entertainer, born in Bermuda, had stated in an application for an American passport that he was born in Tennessee. The fraud was subsequently discovered by the State Department and upon presentation of the evidence Meeres and his accomplices, including his partner and her mother were indicted. The partner and her mother were tried and received suspended sentences but Meeres was never apprehended. The Legal Attache in Mexico received a request from the State Department to attempt to locate Meeres and learned that he had been in Mexico but had gone to Cuba. From Cuba it was learned that Meeres had gone to Argentina. The Legal Attache in that country reported that Meeres had been located and that a contact of the Legal Attache might under pretext induce Meeres to return to the United States. Information was received from the New York Field Division that Meeres was still wanted for prosecution but that the probable result would be a suspended sentence. Since such a result would be embarrassing to the contact no further action has been taken.

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The office of the Legal Attache in La Paz, Bolivia, has been active in following the multitudinous political trends which have accompanied the coming to power of the present Government of Gualberto Villarroel. Since this has been a very strict military government, and since the government has had many Fascist elements, activities in Bolivia have also been of a terrorist nature.

Kidnapping of Tin Magnate Hochschild

An example of the violence unleashed for political reasons was reflected in the kidnapping of Mauricio Hochschild, July 30, 1944, in La Paz, Bolivia. He was seized by the Bolivian Director General of Police, Jorge Eguino, and his colleagues and held captive until August 15, 1944. The Legal Attache at La Paz became cognizant of the identity of the kidnapers and ascertained that the ultimate objective of the kidnapping was to kill the captive. With this information, the Legal Attache recommended to President Villarroel that immediate action be taken to save the life of the individual being held. In Bolivia no publicity was released reflecting that the true motive of this kidnapping was largely political.

Activities of Major Elias Belmonte

Major Belmonte, the Foreign Bolivian Military Attache in Berlin and a known Axis sympathizer has worked through associates in Bolivia to gain support for an effort to place him in the Bolivian Presidency. It is known that he has collaborated with German elements and has written a letter to a former German diplomatic official in Bolivia exposing his plans. Also in decodes of the Radio HDZ circuit it was confirmed that Belmonte was active with Nazi groups. Investigation concerning Belmonte has been extensive by Bureau representatives at La Paz, Bolivia, Buenos Aires, Argentina, Lisbon, Portugal and other offices. Belmonte is at present located in Lisbon but is endeavoring to return to Bolivia. In this regard, the Legal Attache at Asuncion, Paraguay recently made available information indicating that Bolivian Governmental elements were sympathetic toward the return to Bolivia of Belmonte. The Legal Attache at La Paz, Bolivia reports that the Bolivian Foreign Minister, Gustavo Chacon, has indicated that Bolivians influential in the Government are of the opinion that Belmonte is not really pro-Nazi and that he may be allowed to return to Bolivia. This theory, of course, is refuted by evidence which the Bureau has furnished to the State Department and it is known that the State Department will make strenuous efforts to prevent the return of this influential political figure to the Western Hemisphere.

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By MLL NARA Date 6/1/75Rubber Smuggling from Bolivia to Argentina

As a result of information furnished the Director General of Bolivian Police by the Legal Attache at La Paz, Bolivia, twelve individuals were apprehended at Santa Cruz, Bolivia on April 5, 1944. At that time, approximately ten thousand pounds of rubber with a value of forty-six hundred dollars were recovered. It is indicated that six of the individuals were arrested for political reasons but that six were apprehended while illegally transporting the rubber in the direction of Argentina. Prosecution was dismissed by decree of the Minister of Government and there is some evidence to indicate that this release was effected as a consequence of political implications of the case. The Legal Attache reports, however, that the effect of this arrest was to greatly improve the control against smuggling in Bolivia and it is stated that representatives of the governmental rubber corporations have reported that the rubber growers and merchants in Bolivia have been much more cooperative since the occurrence.

Safe Haven - Flight of Axis Capital

The Legal Attache reports that investigations are continuing with respect to ascertaining possible flights of Axis capital and other aspects of the Safe Haven Project. It is expected that a summary will be prepared and submitted in this matter shortly. At the present time, the Legal Attache's office, in cooperation with representatives of the American Embassy, are examining records of the German Government which have been in the possession of Swiss Government officials in Bolivia. It is indicated that these records pertain in a large part to economic and financial data concerning German firms and the investment of German capital in Bolivia. It is believed that the information developed from this study will be of great value in connection with investigating the real extent of German economic operations in this Republic.

Communist Activity

Communist activity in Bolivia has never been strong or extensive and legitimate Communist elements in this country are negligible. However, the Leftist Party of the PIR (Partido de la Izquierda Revolucionario), which has a notable Marxist hue, has been active in sponsoring platforms which appear almost identical with the Communist programs which are active in other South American nations. This Party of the PIR thus appears to be collaborating with Communist elements but it has been characterized by some observers as pro-Russian and anti-Stalin. In this connection, it is of interest to note that the celebrated leader of this Party, Jose Antonio Arze, who is now in the United States, has been known to contact in New York various prominent representatives of Communism in the United States. The PIR has been active in endeavors to secure the support of

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the laborers in the various tin mines in Bolivia and other industrial enterprises in a manner similar to the work of the Communists in the Chilean nitrate and copper mines. At the time of the attempted assassination of the FIR leader, Jose Arze, the office of the Legal Attache at La Paz was successful in determining that the Director General of Police, Jorge Eguino, who has since been replaced, was one of the leaders in the assassination plot. He admitted participation in this attack to the Legal Attache during a conversation in September, 1944. Recently the Bolivian Government entered into diplomatic relations with Russia.

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Police Liaison

At the present time, there is no police liaison representative of the Bureau active in Bolivia. The Bolivian Government has been interested in having a Bureau representative in the capacity of police liaison agent but in view of the fact that the Bolivian Government has had an unsavory history, has been known to be implicated in many terrorist practices which have been generally handled by Bolivian police authorities and because of the possibility of strong illegal acts it has not been considered opportune by the State Department to have a representative of the Bureau officially connected with the Bolivian Government as a police representative. It is noted, however, that a Bureau agent who is experienced in police matters is attached to the office of the Legal Attache there and in an informal manner has been cooperating with Bolivian police authorities where it appeared advisable.

Revolutionary Attempts

The office of the Legal Attache, through political informants, is keeping close touch with revolutionary attempts and trends in this turbulent Republic. In November, 1944, a revolution broke out in the cities of Oruro and Trinidad, Bolivia, causing a state of siege to be declared throughout the country. The revolutionary Government of Villarreal, however, was successful in overcoming this movement. The Legal Attache has reported recently that another revolutionary movement has been threatening and that it is believed that this movement is financed by the Bolivian Tin Magnate Mauricio Hochschild. The Bolivian Government is also cognizant of this movement and investigation is being closely followed.

In June, 1945, the Bolivian Foreign Minister, Gustavo Chacon, approached the office of the Legal Attache and requested that Bureau representatives ascertain through monitoring the location of a clandestine radio in Bolivia which had been broadcasting political material against the present Government. Due to the internal political nature of these broadcasts, no investigation has been undertaken of this matter for the Bolivian Government, although Bureau representatives are following this case in order to secure full background for the Bureau and for the State Department.

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By virtue of the noticeable decline in Axis inspired activities in Brazil during the past year, attention to that country has been more definitely focused upon its national politics, particularly the political maneuvers of President Vargas to swing the forthcoming elections in his favor. Brazil--at least for the moment--appears to have gone somewhat democratic. Interned enemy aliens have been released, the newspapers have been given a certain amount of freedom and the government has climaxed an uninterrupted twenty-five year period of non-recognition of Russia by recently establishing diplomatic relations with the USSR.

Political

With national elections set for December 2, 1945, Brazil appears to be in the throes of political machinations by the incumbent governmental regime of President Getulio Vargas. Opposed to previous policies adopted, Vargas is now allowing opposition parties to come out into the open and air their views. The press has been given a restricted amount of liberty and there has been a wholesale release of interned enemy nationals as well as the granting of amnesty to political prisoners sentenced by the Brazilian Tribunal of National Security.

Two presidential candidates have emerged: Eduardo Gomes, Brigadier General in the Brazilian Air Force, and Eurico Gaspar Dutra, Minister of War, who is referred to by the opposition as the "official candidate" inasmuch as he is admittedly backed by Vargas.

Vargas has strategically placed the former interventor of the State of Pernambuco in the position of Minister of Justice, in which capacity he will oversee elections and presumably decide upon questions of election frauds. The Minister has always been a staunch Vargas ally.

Labor strikes that have been carried out have been primarily concerned with public utilities in the larger cities and it is said that the Vargas government has promoted and encouraged them in order to create disturbances which would necessitate the calling out of the army in order to suppress them.

A new decree law just issued ostensibly is directed towards the formation of monopolies and trusts, however, opponents to the law point out that it was designed by Vargas in a dictatorial manner to increase taxation and provide a definite check on the growth of foreign investments in the country. In this connection it is noted that the law does not permit a resort to the courts upon the government's intervening in any enterprise or company that effects the public interest.

Espionage

Plinio Salgado, Integralist leader of the so-called Green Shirt Movement in Brazil, now exiled in Lisbon, Portugal, has not only been directing the activities of the pro-Fascist Integralist group in Brazil, but is likewise known to have been definitely implicated with German espionage

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in Buenos Aires as reflected by HDZ intercepts. Known couriers and contacts between the Brazilian Integralists and the espionage agents of the Becker ring in Buenos Aires have recently been identified and their activities closely covered. Through the endeavors of the Legal Attache at Rio de Janeiro, it has been learned that Zeferino Vezio Latario Contrucci, close contact of the Brazilian Integralist leader, Raimundo Padilha, departed for Lisbon June 16, for the apparent purpose of consulting with Salgado concerning revised policies of the Integralist Party. It is interesting to note that the Legal Attache had instituted coverage on Contrucci's travel to Lisbon some two weeks prior to the time that his office received a request from the Rio de Janeiro police to advise them as to Contrucci's activities in Lisbon.

Information has been recently received from London concerning the interrogation of Gunther Stracke, who was captured at sea, February 13, 1945, as a member of a crew of a fishing vessel attempting to transport a cargo of butter to Dunkirk. Along with Stracke were captured three other German sailors all of whom were ex-members of the crew of the "Passim", also known as the Santa Barbara, which vessel was used to transport Wilhelm Heinrich Kopff and William Marcus Baarn to a lonely strip of beach north of Rio, August 10, 1943, for the purpose of effecting espionage. The interrogation of Stracke and others conclusively showed that the Germans suspected that Kopff was not acting as a free agent in transmitting radio messages from Rio to Germany, inasmuch as his identification sign was incorrect. In this regard it is interesting to note that Brazilian army authorities attempted to make a double agent out of Kopff and transmitted numerous messages through him to Germany. They refused any technical advice or help from the Office of the Legal Attache on the theory that they were well acquainted with all the details necessary to successfully operate a double agent radio setup.

Leading German espionage agents incarcerated in a penal colony near Rio de Janeiro for conducting radio espionage and related activities attempted to arrange their escape through a German representative in the Spanish Embassy of Rio de Janeiro, whereby it was planned that after their release and enlistment in the Brazilian Expeditionary Forces in Italy, they would desert to German lines. Upon the German representative's refusal to grant aid, the subjects undertook negotiations by secret ink letters to an informant of the Office of the Legal Attache at Rio in order to arrange funds from the German colony for their escape by a fishing boat from the penal colony. A sample of the secret ink developer used by the subjects in this case has been tested by the Bureau's Technical Laboratory which has commented that it functions as a very efficient developer for citric acid. Those subjects involved included such notables as Albrecht Gustav Engels and Tulio Regis Nascimento, whose total prison sentences amount to more than sixty years.

Frank Walter Jordan, serving a twenty-year sentence in Brazil on espionage counts, arrived in that country via the German motorship "Lech" on March 3, 1941. The "Lech" was commanded by Captain Fritz Brinkmann who, although he denied the same, undoubtedly was acquainted with Jordan's mission and is known to have paid Jordan the sum of \$200 upon disembarking at Rio de Janeiro. Up until several months ago, Brinkmann's whereabouts were a mystery.

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However, through the efforts of the Legal Attache at Rio de Janeiro, Brinkmann was located at an internment camp in Canada to which point he had been transferred from England upon the scuttling of the "Lech" which was intercepted in the North Atlantic by an English vessel of war. On March 21, 1945, Brinkmann was interviewed at a prisoner-of-war camp at Monteith, Ontario, by a representative of SIS. He attempted to be cooperative regarding an explanation of the identities of numerous individuals appearing in his personal notebook which Bureau agents in Rio had uncovered, but refused to clarify any details regarding his early life, acquaintances on the continent or matters concerned with German espionage.

German Intelligence plans to penetrate Brazil are revealed in a recently seized document written in French obtained in Paris, France. This document definitely points to the travels of German espionage agents on the continent and the fact that an agent named Manuel Martinez Dupra is stated to be in Brazil. A friend of Dupra named Wolwert was revealed to be effecting arrangements with an agent in Lisbon for the establishing of a network destined to operate over a Spain-Brazil sector. In addition, preparations for a group of agents designated as "Wien" had been reportedly made for them to depart for Brazil.

The British at London, England, have agreed to our interrogating their double agent, Hans Christian Von Kotze, for the purpose of determining the activities of subject, Frederick Wilhelm August Oscar Langrehr, in whose possession at Rio de Janeiro was found a complete list of warships, setting forth the tonnage of the navies of the United States, Great Britain, and Holland. Subject was acquainted with Von Kotze who was sentenced in December, 1943, in absentia by a Brazilian court, to a prison term of 27 years and six months. (C)

A German agent under control in England named Helmut Siegfried Goldschmidt, has been operated notionally by the Bureau from the United States. Another agent having the same superiors as Goldschmidt was identified as being Acacio Strecht, who went to Rio in August, 1944. It was recently believed that an informant of the Rio office might be able to turn Strecht into a double agent; however, with the collapse of Germany, Strecht lost all desire to continue his espionage work and the case will probably be turned over to the Brazilian police. (C)

Sabotage

As a consequence of recent arrests in Chile, Police authorities of Rio de Janeiro and Sao Paulo initiated investigation in Brazil upon information furnished by the Rio Legal Attache to determine the ramifications of an extensive South American sabotage organization involving agents operating in Chile, Brazil, Venezuela, Colombia, Argentina, and Peru.

Brazilian principals identified were Dr. Georg Blass, Rio de Janeiro, who had been previously mentioned in radio messages as "Dr. Braun" and Karl Otto Gohl, Sao Paulo, both of whom upon interrogation admitted their complicity in the organization which was designed to effect vast sabotage plans in South America and which was affiliated with Abwehr II, Sabotage Section of the German High Command.

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In September, 1944, the Police at Sao Paulo, Brazil, effected various arrests revealing the existence of a Japanese organization created to sabotage the production of mint (used in the manufacture of explosives) in Brazil. A Lieutenant Colonel in the Imperial Japanese Army admitted complicity in the ring, and plans had been made to organize a society which invoked disciplinary measures for prosecuting disobedient Japanese, including murder, if necessary. Similar arrests were made in the state of Parana which borders on the state of Sao Paulo.

A letter was recently found on the streets in Natal, Brazil, indicating that the addressor, Pedro Pontes, was involved in a sabotage scheme to wreck United States air bases at Natal and Recife, Brazil. Pontes in his letter spoke about a transmitter in that region which had been reporting ship movements. Through the efforts of the Bureau representative stationed at Natal, cooperation has been secured with local police authorities there in an effort to obtain handwriting specimens, and of late two individuals named Pontes, both of whom have been around the Natal air base, have been placed under investigation as being logical suspects in this case.

Foreign Nationality Groups

A copy of instructions emanating from Spain and directed to the Falangists in Brazil dated January 1, 1945, has just been obtained. The Directive, which was sent to the Spanish Embassy at Rio de Janeiro, outlines the policies and personal conduct that should be followed by the Falangist element, including the following significant points: further meetings are to be canceled until subsequent notice; no visits are to be made to the Embassy; business is to be conducted by personal calls; care is to be taken regarding those elements who have deserved Falangist confidence in the past; the term "Hispanidad" is not to be used; and the motto has been changed from "Attack to Conquer" to "Discretion to Conquer." Individuals mentioned in the Directive merely as "V.P. #73" and "C.W." have already been identified as being Falangist leaders Vicente Paya and Camilo Ququejo. (C)

By virtue of the recent establishment of the new Polish government supplanting the exiled regime at London, the Polish Legation at Rio de Janeiro will probably be closed. Many of the Legation's documents have already been secreted inasmuch as a Soviet-dominated group is expected momentarily to take over business in the Legation. Those Poles who are forced to vacate their positions will go underground to continue their fight against the USSR. In addition, Ukrainians, Lithuanians, and Latvians in Brazil, seeing that Soviet influence in their home countries cannot be dispelled, have lost heart and are resigned to Soviet domination and collaboration with Russia for economic reasons. The Legal Attache at Rio has just advised that his office has the opportunity of acquiring on an informant basis the services of the former Polish Intelligence officer in the Polish Legation at Rio. (C)

Ex-King Carol of Rumania arrived several months ago at Rio de Janeiro at a time when it was reported that his entry into that country had been facilitated by the Soviet Embassy at Mexico City. He, along with Magda Lupescu, is residing in the swank resort hotel at Quitandinha, some fifty miles in the mountains from Rio. It is expected that Carol, along with his

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retinue, will proceed to Paris within the next two months and thereafter to Rumania. His reported Soviet friends have allegedly dropped him in view of his recent overtures to the British. (d)

Communism

Brazil's well known stand against Communism was reversed a few months ago when President Vargas, through his Ambassador at Washington, Carlos Martins, exchanged diplomatic notes with the Russian Ambassador in order that relations could be resumed between the two countries. Shortly thereafter the imprisoned Communist leader, Luiz Carlos Prestes, was released from custody having been held up to that time by virtue of inciting a Communist revolution in Brazil in 1935. Although Prestes has reaffirmed the Communist policy in Brazil, nevertheless, he openly admitted in a mass meeting at Rio de Janeiro that it would be desertion for Vargas to relinquish his power at the present time. In giving Vargas such signal service it is believed that labor will more easily follow the dictates of Prestes which in turn will strengthen, at least momentarily, the governmental regime.

On June 8, 1945, President Vargas gave a luncheon attended by his Chief of Police and a Polish Prince named Konstanty Czartoyiski. During the luncheon, Vargas spoke strictly against Russia and a statement was made that Argentina, Chile, Peru, and Brazil were considering the formation of a secret bloc to offset Russian influence in South America.

Economic

Pursuant to a request of the Foreign Economic Administration concerning the location and output of important factories in Japan, as well as data relating to transportation systems, bridges, and other strategic military points, the Bureau interviewed through SIS representatives in South America numerous diplomats, business men, and travelers and in addition instituted a widespread survey to obtain the desired information. In one instance alone, some 250 pounds of Japanese publications were obtained by the Legal Attache at Rio, including industrial catalogues, business directories, commercial directories and related data which furnished considerable information as to the names of Japanese factories and locations, types of products manufactured, and in some cases photographs and even aerial views of factories, railroads, highways, bridges, wharves, and hydroelectric projects.

Fernando Simoes Ferreira is accused of having sold 250 tons of falsified fish oil to a firm in Lisbon, Portugal, knowing the same was intended for the United States Commercial Company and the United Kingdom Commercial Company, with a loss to these agencies of \$250,000. The Legal Attaches in Lisbon and Rio de Janeiro have been asked to bring Ferreira to justice and his signed statements were taken in Rio wherein he admitted selling oil valued at \$90,000 to \$100,000 but denied knowing the same to be false. He said that he went to Rio in order to visit his mother and not to escape any threatened prosecution. No extradition treaty exists between Brazil and Portugal by virtue of which subject could be returned without considerable difficulty. Plans are under consideration, however, whereby Ferreira will be informally placed upon a Portuguese ship for deportation to Lisbon.

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By MLV NARA Date 6/1/75

On June 14, 1945, Saxton Bradford, State Department employee, departed Washington for the purpose of visiting Rio de Janeiro, Montevideo, Buenos Aires, Lima, Santiago, and Bogota, ostensibly for the purpose of making a survey of the problems involved in carrying out the Safe Haven Project and personnel requirements. To date, he has recommended additional personnel for Brazil.

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Authority MM947020By MLP NARA Date 6/1/75D. Chile

The office of the Legal Attache at Santiago, Chile, has been very successful during the past year in securing the apprehension of German sabotage agents in collaboration with the Chilean authorities, in improving police liaison relations, in following political and economic trends, and in conducting the work of the Bureau in this country.

The Apfel Sabotage Ring

As a result of decodes in the PYL German radio case, and as a result of extensive investigation by Bureau representatives in Chile, it was determined that a German national in Chile, Albert von Appen, was a German saboteur known as "Apfel". Continual efforts were made by representatives of the office of the Legal Attache to secure appropriate cooperation from Chilean police authorities to apprehend and properly question this German subject. After various maritime disasters which appeared to possibly involve sabotage, this matter came to a conclusion. As a result of extensive questioning by representatives of the Legal Attache's office and Chilean authorities, Von Appen confessed his identity as a German saboteur and revealed data resulting in the apprehension of two other sabotage agents in Chile. Through information in the confessions of Von Appen, the Legal Attache in Chile was able to furnish complete data to other representatives in Latin America and this action led to further apprehensions of German saboteurs. For example, the office of the Legal Attache at Rio de Janeiro, through collaboration with Brazilian police representatives, was able to cause the apprehension of the principal sabotage agent for Brazil and the other Republics, as well as four of his associates. Similar action by the Legal Attache at Caracas, Venezuela, resulted in the apprehension and internment of ten German sabotage agents in that country who were connected with the Apfel sabotage ring. Further action in this matter by the Legal Attache at Bogota, Colombia, has resulted in the apprehension and internment of four sabotage agents in that country and the identification of other individuals connected with this work. Oscar Poensgen, who was identified by the Bureau as a sabotage agent, was further definitely named by subjects in Chile and the other Republics. He is presently interned in the United States.

Deportations

Through efforts of the office of the Legal Attache at Santiago, Chile, it has been possible to secure the deportation from Chile for internment in the United States of four dangerous German subjects. Three of these individuals who were connected with the previously noted Apfel sabotage ring, and the fourth, Augusto Siebrecht, head of the German industrial firm of AEG, will be repatriated to Germany.

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In this regard, it is noted that through action of the office of the Legal Attache in cooperation with Embassy representatives, it is believed that numerous other subjects will be expelled from Chile in the near future. These will probably be individuals who have been prominent in German economic matters and whose presence in Chile is considered a threat to the Hemisphere security.

The PQZ Clandestine Radio Case

This German spy organization which was exposed as a result of investigative efforts of the office of the Legal Attache in Chile and which resulted in the apprehension of approximately sixty individuals has been brought to a partial conclusion through the conviction of twenty-six of the principal subjects. Several of the principal subjects received quite substantial sentences. For example, Guillermo Kunsemuller received a sentence of seven years; Bernardo Timmermann received a sentence of five years; and sentences of four years were given to Augusto Kroll, Hans Heincke, and Eugenio Ellinger. In connection with this case, the office of the Legal Attache has worked very closely with Chilean police representatives and also has been in close contact and very helpful to Judge Luis Baquedano who prepared the sentencia containing the convictions for the subjects. Further ramifications of this case are being investigated by Bureau representatives in Chile.

Police Liaison

During the past year the relations between the office of the Legal Attache and the police liaison representative with Chilean authorities have been exceedingly cordial and cooperative. Subsequent to the visit to the United States of the Director of Chilean Investigaciones, Jorge Garreton, he was extremely friendly with the Bureau representatives and has offered complete cooperation with the office of the Legal Attache in Santiago. Garreton was greatly impressed at the time of his tour of the Bureau and has spoken many times of his association with the Director and other Bureau officials. As a result of political intrigue in Chile, Garreton is at present on leave at the request of President Rios and it appears probable that he may not return to his post as Director, inasmuch as he has many powerful political enemies who desire his permanent removal.

During the absence of Garreton, his assistant, Oscar Zagal von Bennowitz, has become the Acting Director and has been very cooperative with Bureau representatives.

At the present time, there are four police liaison agents representing the Bureau in Santiago. Three of these individuals were sent to Chile recently in connection with special investigations of possible sabotage activity. Since it is expected that they will remain and continue work in Santiago of a police liaison nature, office space has been secured for these representatives apart from the office of the Legal Attache in the American Embassy.

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DECLASSIFIED
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By WIV NARA Date 6/1/73Honey Trade - Espionage

The office of the Legal Attache at Santiago has been investigating the German honey trade espionage in an endeavor to ascertain the nature of this German intelligence work and the personnel involved in its handling. References to this work were originally noted in decodes of FYL clandestine radio system but inasmuch as the reference contained little information, efforts to ascertain the exact nature of this work have been very difficult. Recently it has appeared, however, that an individual named Kurt Ullman, a German resident in Chile, might be identical with one of the subjects in this case who appeared to be a Santiago mail drop for espionage information transmitted from the United States to Chile and ultimately for Germany. The Legal Attache's office has presented information with regard to the operations of this group to Chilean authorities and as a result of his action, Ullman has been apprehended and is being questioned. He has furnished information indicating that a former business associate of his, Emil Hantzchel, was a representative of German espionage in Chile and received information from the United States for transmittal to Germany. The Legal Attache's office is continuing an active investigation of this matter.

The Mapocho and Lautaro Shipping Disasters

During recent months the Lautaro, a Chilean Naval training vessel, which was loaded with nitrate, and the commercial cargo vessel Mapocho caught fire and burned after sailing from Chilean ports. These disasters were accompanied by complete destruction of the vessels and great loss of life. Chilean authorities indicated that they believed sabotage action was involved and they requested aid from the office of the Legal Attache in connection with the investigations of these disasters. Representatives of the Legal Attache's office worked in close association with Chilean authorities in an advisory capacity to determine if sabotage actually had been made of these vessels. In this regard, the Chilean Foreign Minister, Joaquin Fernandez, through Ambassador Bowers at Santiago, requested that three Bureau agents be sent to Chile to aid in these sabotage investigations. Three agents went to Chile and have worked closely with Chilean authorities. Investigation has not substantiated the allegation that actual sabotage was involved in the shipping disasters. However, as a consequence of this extended cooperation, the relations of the Legal Attache's office and the Chilean Government have been improved.

Safe Haven - Flight of Axis Capital

The office of the Legal Attache has been making continued efforts to ascertain the possible flight of Axis capital from European nations to Chile and has worked in cooperation with Embassy representatives in checking on the liquidation proceedings of various large German firms in Chile. As a result of these investigations, it has been possible to ascertain extensive information as to the actual capital investments of Germans in Chile and as to the operations of German firms during the past years. The American

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Embassy in Chile was extremely interested in the liquidation of various Staudt enterprises and the activities on behalf of this German firm by a prominent Chilean politician Arturo Olavarria. The office of the Legal Attache was requested to aid in these investigations and through confidential informants was able to secure information of great value for the Embassy and the State Department. SECRET

Recently, Embassy representatives have advised the Legal Attache that certain German individuals remaining in Chile have attempted to thwart economic control measures of the Chilean Government and asked the Legal Attache's office to contact Chilean authorities with the object of securing the expulsion from Chile of these troublesome German nationals. It appears that these efforts will be successful and it is probable that in the near future various German nationals will be expelled from Chile for internment in the United States and eventually repatriated to Germany.

Communist Activities

Communist activities continue in an energetic fashion in Chile. This Party is one of the best disciplined and best organized political groups and during the past year has attained new prestige in that Communist leaders have received increased official recognition from President Rios and other Government leaders in Chile. In this regard it is noted that the Communist General Secretary, Senator Carlos Contreras Labarca, was a member of the official Chilean delegation to the San Francisco Conference. The Communists have been active in attempting to secure the cooperation of other Leftist groups for the program of "National Union". The Communists have also been active in spreading propoganda against the Argentine Government and have followed the Communist International Party line as to various acts at the San Francisco Conference and the Mexican Conference of Chapultepec, Mexico. The Communist Party in Chile is one of the best organized and best administered Communist groups in Latin America and maintains close association with Communist sympathizers in Bolivia, Peru and the Communist underground in Argentina. The office of the Legal Attache in Chile has, during past years, been able to develop informants who advise accurate and reliable information as to the movements and trends of Communism in Chile.

Political Trends

President Rios in Chile continues to govern this nation of five million people in a blundering and inefficient manner without instituting appropriate measures to improve the economic status of the Republic. In this democratic country, Rios continues in power through political maneuvers which effectively divide his opposition. In these actions, however, he has also lost the support of his own Party, the Radicals, although recently through compromise he has secured the cooperation of the Radical Party. Thus, at the present time Rios has a cabinet which is a Leftist correlation composed of Radicals, Democrats and National Falange members. This Falange group has no connection with SECRET

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the Spanish Falange and originally developed as an organization of young conservative Catholics. During recent years, however, this Party has moved continually to the left until at the present time it represents youthful liberal Catholic elements completely divorced from the influence of the Reactionary Conservative Party. It appears that the present Chilean Government will continue without untoward incident and will be characterized by more stability than the governments of its neighboring Republics. However, as in the past, it appears improbable that the Rios regime will be characterized by active progressive operations. The office of the Legal Attache, through extensive political informant coverage, has during the past year supplied the American Ambassador continually with confidential information which has been of great value to him. Ambassador Bowers has expressed to the Legal Attache his appreciation for the information supplied to him regarding political activities in Chile.

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By MLP NARA Date 6/1/75E. Colombia

The past year has seen a continuance of the high standard of investigative work done by our SIS staff in Colombia, which consist of Legal Attache and eight assistants, five undercover men, and two radio men. There has been a widening of informant coverage and increased liaison with the national and local police organizations. As a result it has been possible for our SIS representatives to keep the Bureau well informed on the numerous political revolts and schemes which are a constant disturbance in that country.

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On July 10, 1944, a revolutionary attempt occurred in the course of which President Alfonso Lopez was seized and held for two days. The revolt, however, was suppressed and a large group of Colombian Army officers who had been responsible for the revolt were court martialed and imprisoned. Numerous army personnel were forced into retirement. Because of this action there continues to be a great deal of unrest in the Colombian Army.

The revolutionary elements of Colombia are composed chiefly of the Conservative group which includes both the army and clerical supporters. Laureano Gomez, Conservative Party leader and editor of the Bogota daily, "El Siglo", is probably the most important opposition figure. He is a member of a group called the Legion Colombiana Junta, which includes in its program the confiscation of all Jewish-owned property and the release of all interned Axis nationals. Gomez was exiled shortly after the July 1944 revolt but was permitted to return to the country on December 12, 1944. During that revolt the radio transmitter in the SIS Legal Attache's office was of great value to the United States' State Department as the Legal Attache was able to transmit messages, advising of the situation after all other communications with the exterior had been broken off.

During recent months the political situation in Colombia has continued to be acute. On June 13, 1945, a state of siege was declared in Bogota after intermittent street demonstrations by students in which rioting occurred and Communist headquarters were stoned. Censorship of communications was established and public demonstrations were prohibited. This was the fifth outbreak against the Lopez administration during the past year and indicated the strong feeling of the minority against his administration.

According to reports received from our representatives, President Lopez leans heavily on the support of the Communists which has caused him to lose strength with the Liberal Party, a fact which may eventually lead to dissension within the Liberal Party. In Colombia, the Communists are known as the Partido Socialista Democrático, the name adopted by the former Colombian Communist Party in its congress in August 1944.

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A leader of the rightist section of the Liberal Party is Dr. Eduardo Santos, an ex-President and publisher of the leading Colombian newspaper, "El Tiempo". Santos is the outspoken foe of the Communists and at present is waging a steady editorial campaign against the Communist movement. The Communists in turn have not hesitated to attack Dr. Santos and "El Tiempo" in their newspaper, "Diario Popular."

Colombia is one of the Latin American countries which has exchanged diplomatic relations with the Soviet Union and SIS personnel have been making a discreet investigation to determine the subversive activities of the Soviet representatives. Emphasis has also been placed on the investigation of party activities which indicate a close collaboration of Communist cliques in other countries.

Communist Party leaders dominate the executive positions of the Colombia Confederation of Labor, which in December of 1944, was host to the Second General Congress of the entire Confederation of Latin American Workers at Cali, representing some 3,800,000 Latin American workers. SIS representatives in Colombia through their complete informant coverage of Communist activities, were able to procure full details regarding the delegates to Congress and the resolutions passed by it. Information developed by SIS Agents revealed considerable evidence that Communist labor intends to influence or control to a great extent the proceedings at the peace conferences following the present war and that the Labor Confederation may have been organized to replace the Third Communist International as a coordinating agency for Communist policy throughout the world.

SIS representatives advise that Communist leaders organized and dominated the First Conference of Petroleum Workers held in Barrancabermeja, Colombia, April 15-19, 1945, where they followed the political policy laid down at the Congress of the Confederation of Workers of Colombia (CTC) and especially the program of the Second General Congress of Confederation of Workers of Latin America (CTAL) in Cali, Colombia, December 10-15, 1944. At the Conference of Petroleum Workers the Federation of Petroleum Workers of Colombia was formed and the Communists won key positions in the organization. Rafael Godoy, member of the Communist Central Committee was named President while Elias Pineda became Vice President and Gabriel Montoya Secretary of Organization and Propaganda. The conference was well attended by representatives from various oil companies in several Latin American countries as well as by prominent Communists from the Colombian Communist Party, which is now known by the new name of Partido Socialista Democratico. President Godoy is reported, by SIS representatives, to have made the statement that the majority of the workers present at the conference were either Communists, Communist sympathizers, or subject to Communist influence. Among other matters, the platform of the Petroleum Workers Organization calls for support of the regime of President Alfonso Lopez of Colombia and for the nationalization of the petroleum industry of Colombia. The new Federation is reported to have 6,200 workers and its economic and political importance is reported to be very great. SIS representatives believe that the Federation will closely follow the Communist line of its leaders.

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German attempts at espionage and sabotage continued during the past year in Colombia. Through the efforts of SIS representatives, four confessed agents of the German Apfel Sabotage Organization were interned in Colombia during the past fiscal year. SIS representatives were also instrumental in having the Colombia National Police raid the farm of George Roppel, formerly executive of the German-Controlled SCADTA Air Lines in August, 1944. At the time confidential administrative and personnel files of the company were seized. Some 1,800 documents were secured from which valuable information concerning Nazi activities in Latin America was obtained. This information revealed conclusively that the German Air Ministry and the NSDAP exercised influence and authority over the personnel and policies of the SCADTA company while it operated in Colombia.

During the past fiscal year SIS representatives were also instrumental in having a presidential decree issued regulating the production and sale of platinum in Colombia. The decree provides for the licensing of all platinum dealers who must maintain books in which are recorded the details of all their transactions. They are permitted to sell the metal only to the Colombian bank. SIS representatives believe that through a vigorous enforcement of this decree contraband traffic in platinum will be reduced to a minimum.

During the past fiscal year we have had two Police Liaison Agents in Colombia. They have worked closely and successfully with local police authorities. However, on March 27, 1945, a complete reorganization of the Colombian National Police organization took place. Lieutenant Colonel Carlos Alvarez of the Colombian Army was named Sub-Director of the police. Dr. Castilla Saiz was named Secretary General, while Major Minguel Palle Paz became the Sub-Director of the police school. The SIS Legal Attache in Colombia reports that these changes were not of a political nature and that he does not believe that they will adversely effect the Bureau's relation with the Colombian National Police.

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By WML NARA Date 6/14/75

F. Costa Rica

Through the continued development of sources of information contacts and general confidential informants, our two representatives in Costa Rica have attained an efficient and comprehensive coverage of all important activity in the country. They also have a radio transmitter in the Costa Rica SIS office which has proven of great value in SIS work.

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With the termination of the war in Germany there came a considerable change in the intelligence picture in Costa Rica and our SIS representatives report a significant increase in Communist and Japanese efforts.

Diplomatic relations were established between the Soviet Union and Costa Rica during the past fiscal year and as a result Manuel Mora, head of the Communist Party in Costa Rica, has been enjoying increasing power and influence. SIS representatives have determined that Mora is maintaining close relations with Communist leaders in other Latin American countries. In Costa Rica the Communist Party operates under the name of "Vanguardia Popular". This organization was influential during the past year in bringing about the election of Teodoro Picado as President of the country.

During the past fiscal year SIS representatives have uncovered evidence of a Japanese attempt to establish intelligence agents in Costa Rica. During February, 1945 an agent named Hernan Casas Cordero arrived in Costa Rica after having spent some time in Guayaquil, Ecuador and Panama, R. P. When taken into custody and questioned, Casas admitted that he had been propositioned to work for the Japanese Government by Naoya Nagamine, formerly Secretary of the Japanese Embassy in Panama and later of the Japanese Embassy in Santiago, Chile.

SIS representatives in Costa Rica have continued to gather commercial and financial information which has been of great assistance in the evaluation of political movements in Costa Rica.

With the termination of the war in Europe, SIS has recognized the importance of establishing liaison with the Costa Rican Police authorities. On May 20, 1945, the Legal Attache in San Jose was instructed to arrange for the local police department to request the service of a Police Liaison Agent. It is expected that within the near future, this invitation will be received enabling SIS to further strengthen its intelligence coverage in Costa Rica.

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Dating from the election of President Ramon Grau San Martin in June, 1944, the Cuban Government experienced a complete turnover in the administration of its executive, military and police branches. Under the Batista government, SIS personnel in Cuba had established a close, efficient liaison with officials of the Cuban National Police, which afforded the Bureau perhaps better coverage in Cuba than in any other Latin American nation. Most of these officials were forced into exile with the change in government, but SIS representatives have been very successful in building new contacts and establishing effective relationships with the new government and police officials so that coverage in Cuba is still excellent.

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The political situation in Cuba is unsettled at present, principally due to the inability of the Grau administration to solve shortages in meat, milk and other essentials. One of the most unique results of the reported inefficiency of the Grau administration is the present shortage of sugar in Cuba, which has necessitated the freezing of all sugar supplies until a system can be devised whereby the Cuban people will receive a sufficient supply. Internal dissension within Grau ranks has been evidenced by the open enmity of his revolutionary adherents for his so-called "Palace Clique" which is led by Chief of Police Jose Carreno (Fiallo), Sub-Secretary of Defense Dr. Luis Collado and Army Chief of Staff General Genovevo Perez. The revolutionary groups have served notice on Grau that they consider this clique is responsible for blocking the "true revolution" in Cuba, and if not eliminated, the revolutionaries will be forced to take things in their own hands. On April 24, 1945, Enrique Enriquez, head of the Cuban Palace Secret Police which serves as a bodyguard to the President, was murdered in downtown Havana by three assailants who machine-gunned him from a passing automobile. It was generally acknowledged the assailants were members of the revolutionary group, and the murder was a warning to Grau that the revolutionaries would stop at nothing to accomplish their ends. It is of interest to note that Enriquez, who was assassinated at 10:30 a.m. had a luncheon engagement for 1:00 p.m. with our Legal Attache on the same day.

The revolutionary groups in Cuba are the offspring of numerous secret organizations formed in 1932 and 1933 to combat the dictatorship of former Cuban President Gerardo Machado. Ramon Grau San Martin, a professor in the University of Havana Medical School, at that time, was regarded as a true exponent of the principles professed by these revolutionary organizations. Throughout the succeeding years, the revolutionary groups have opposed the various administrations set up in Cuba, and have resorted to blackmail, kidnapping and terrorist activities in the name of the "sacred revolution." Under the Batista administration, a special Police unit, under Major Mariano Faget, was established to control these elements, and numerous revolutionaries were arrested and convicted of violent crimes. These same elements, through their continued support of Grau San Martin, are now in control of many branches of the Cuban government, and although it is stated that Grau is not in favor of their violent methods, he is reportedly unable to restrain them successfully.

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The SIAE Division (Servicio de Investigaciones de Actividades Enemigas) of the Cuban National Police, which is the branch with which Bureau personnel has cooperated closely in its hemispheric security program, was under the control of Major Mario Salabarría during most of the past year. Salabarría, although he is a revolutionary with no previous police experience, proved to be a valuable source of information and was most cooperative with our representatives in Cuba. President Grau, himself, advised our Legal Attache that it was his intention to establish the Cuban Police as an efficient, military, non-political organization similar to the Federal Bureau of Investigation.

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Throughout the year, numerous cases within the primary jurisdiction of the Bureau have been referred to SIS personnel in Havana. During the last eight months of the fiscal year, twenty-four Selective Service cases have been forwarded to Cuba for investigation. Other Federal violations which have been handled by SIS personnel in Cuba included White Slave Traffic Act cases, Passport and Visa matters, Impersonation, Customs Laws and Smuggling, NSPA, UFAP, Servicemen's Dependence Allowance Act, Illegal Wearing of the Uniform, Theft of Government Property, Federal Reserve Act, Censorship Violations and others. In February, 1945, one Thomas Desmond Paul Manion, a Canadian national, was apprehended by Cuban National Police at the request of our Legal Attache, due to the numerous conflicting stories he had told concerning his background and because he had in his possession documentation made out in several different names as well as both R.C.A.F. and United States Naval uniforms. Inquiry of the Bureau reflected Manion was a fugitive from process issued by the United States Commissioner at Newark, New Jersey, for illegally wearing the uniform of a friendly power, i.e. Canada. Further investigation at Miami, Florida, reflected subject had stolen the United States Naval property, had illegally worn the uniform of a Canadian officer in Florida and had married Muriel Samson of Summit, New Jersey, under an alias and succeeded in getting his wife to withdraw her savings of approximately \$1200 which subject promptly spent. Arrangements were made to return the subject to the United States, where he was sentenced to sixteen months' imprisonment by the Federal Court at Miami, Florida on June 1, 1945. Deportation proceedings are pending against the subject after he serves his prison sentence.

Prior to the termination of the European war, the SIS personnel in Havana maintained an extensive Foreign Travel Control program, which was closely coordinated with the program established by the Bureau. Members of the Office of the Legal Attache, in conjunction with Cuban Police agents, interviewed all passengers arriving in Cuba from Europe and forwarded interrogation reports to the Bureau. These passengers disembarked in Havana from Spanish vessels which arrived every six weeks carrying an average of 150 passengers to Cuba on each trip. Passengers were interrogated for data of value to the war effort, as well as information concerning their background, political sympathies and reason for travel to this hemisphere. The Havana office also prepares memoranda regarding passengers proceeding by air from Havana to Miami, Florida, which are forwarded directly to the Miami

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Field Division so these data are available when the passengers arrive. The names of all passengers embarking at Havana for Europe on Spanish vessels are searched against our Havana office indices and arrangements are made for the interrogation of those passengers concerning whom derogatory information is recorded.

In the field of subversive activities, the SIS personnel in Cuba has handled several espionage cases which originated with Bureau Source One. The most recent of these involved Gregorio Torre (Bedoya), a resident of Gijon, Spain, who was contacted by German espionage recruiters in Spain, and was to receive secret ink training to assist him in the transmission of espionage data from Cuba. Torre (Bedoya), whose salary was to be fifteen hundred pesetas per month, arrived in Cuba in April, 1945. Interrogation at Trinidad and investigation by our representatives in Havana have indicated that the subject was actually approached by German officials in Spain, but apparently did not accept any espionage assignment. With the recent unexpected release of practically all the pro-Nazi Germans who had been interned by the Cuban Government at the Isle of Pines, it will be necessary to maintain adequate coverage of this group in an effort to determine what postwar line will be followed. It has been reported that the leaders of this group have already set in motion an anti-Semitic movement in Cuba, which is utilizing the same type of propaganda that served the Nazis in Germany (S)

Informant coverage on Communist matters in Cuba has been very productive and of great value to the Bureau, inasmuch as Cuba is the center of extensive Communist activities. For a time, it appeared that the administration of President Grau San Martin would curb the Communist influence over the Cuban labor unions, but the control of the Confederacion de Trabajadores de Cuba (which effectively dominates practically all the Cuban labor unions) has remained in Communist hands, and recently, the Grau Government has allotted \$725,000 for the construction of a Cuban labor palace. This has been regarded as a payment to the Communists for their continued support of the present administration. Russian diplomatic representatives have been very active in promoting cultural and propaganda activities in Cuba directed at the intellectual elements as well as the Cuban masses. Extensive coverage is being maintained on this phase of Communist activities. (More complete data on Communist matters in Cuba may be found in the section of this report dealing with Communism).

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By MLL NARA Date 6/1/75H. Curacao, N.W.I.

A Bureau agent was assigned to the American Consulate at Curacao, Netherlands West Indies, on August 23, 1944. This agent has been successful in establishing close liaison with Dutch, British and American authorities operating in that territory. The importance of the Netherlands West Indies to the war effort is based on the fact that practically all of the output of the numerous Venezuelan oil fields is refined in these Dutch Islands. It is recalled that the refineries in Aruba, N.W.I. were shelled by a German submarine in early 1942 and the security of these islands has been of primary importance to the Allies since the war began. ~~(S)~~ (U)

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The Legal Attache in Curacao has been particularly effective in maintaining close relations with Dutch officials. Considerable information of value concerning the Netherlands has been obtained from these sources for the SIS European Desk. In addition, several Dutch officials presently in Curacao who formerly served in the Netherlands East Indies, have been contacted by our SIS representative and have expressed their favorable regard for the Bureau. They advised they would be ready and willing to cooperate with Bureau representatives in the future. These officials eventually expect to return to their former posts of assignment in Java, Sumatra, Dutch Borneo and other oriental possessions of the Netherlands and in the event of world-wide intelligence coverage by the Bureau, it is believed they will prove to be valuable sources of information.

The SIS representative in Curacao has also conducted investigations relating to smuggling, espionage, sabotage, Selective Service and Communist activities. A Communist inspired strike against the Raymond Concrete Pile Company (formerly used as a Bureau cover), in Curacao was of special interest because of the allegation that a Communist leader from the United States had been sent to Curacao to foment trouble among the workers employed in a construction project of this company.

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Throughout the major portion of the past year, the work of the Bureau in the Dominican Republic has been handled by one Special Agent. The majority of cases have dealt with the Communist activities of the numerous Spanish refugees in the country. Despite the antipathy of Dominican President Rafael Leonidas Trujillo towards Communism, various Spanish Communist groups flourished in the Dominican Republic until the early part of 1944. Since that time, the strict suppressive measures adopted by the Dominican government have driven practically all active Spanish Communists to other Latin American countries, principally Venezuela and Mexico. The Legal Attache in the Dominican Republic has conducted considerable investigation concerning the background and Communist sympathies of these refugees so that a complete picture is available to Bureau representatives in the countries of their destination.

Informant coverage and effective police liaison is a difficult problem in the Dominican Republic due to the fact that President Trujillo, a true dictator, has a very extensive internal espionage network. Government informants are recruited in all walks of life and the peoples' constant fear of the government makes it extremely difficult to develop sources of information who will report anti-Trujillo data. The thousands of Dominicans, who were exiled by Trujillo because of their political opposition have finally managed to submerge their personal differences in an effort to form a unified movement to overthrow the present Dominican regime. These exiles, who have formed anti-Trujillo organizations in Cuba, Venezuela, Mexico, Puerto Rico and the United States are readily cooperative with American authorities, since they hope that the United States will assist in ridding their country of its present government. Members of the Dominican Revolutionary Party have proved excellent sources of information both on Dominican affairs and on other subjects of interest to the Bureau. This is especially true in Cuba, where most of the leaders reside.

There has been little German activity in the Dominican Republic during the past year, reflecting the results of the Dominican expulsion policy which effected the internment in 1942 of all known German pro-Nazi sympathizers of the Dominican Republic in the United States. Carl Hertel, head of Nazi activities in the Dominican Republic prior to his repatriation to Germany in March, 1942, was reported as head of the NSDAP in Valencia, Spain in 1944 and in control of German Consulate affairs in that city. The Legal Attache is presently endeavoring to obtain complete background and descriptive data on other pro-Nazi repatriates to be forwarded to Bureau representatives in Germany.

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Spanish Falange activities are rather limited at present, although there has never been any serious attempt to suppress the Falangist front organizations, which include in their ranks many of the most prominent merchants in this country. It has been necessary to maintain adequate informant coverage of this group, which was noted in the past for its pro-Nazi sympathies.

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J. Ecuador

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In Ecuador the Office of the Legal Attache continues to maintain adequate coverage in the intelligence field. As a result of confidential informants which have been developed it has been possible to accurately follow political developments, economic activities and subversive movements.

The relations between the present Legal Attache and the American Ambassador, Robert Stotten, are very close and the Legal Attache's Office is able to help the Ambassador in many fields of endeavor. The Ambassador has come to rely upon the Office of the Legal Attache to secure reliable and confidential information and has expressed his appreciation for the services rendered to the Embassy by Bureau representatives.

Alleged Pro-Nazi Employee in Embassy

Allegations were received that a forty-six year old Ecuadoran messenger employed at the Embassy at Quito, Ecuador had made alleged pro-Nazi and Anti-United States declarations. The Ambassador requested the Legal Attache's Office to investigate this individual and evidence was ascertained which indicated that the subject had been an admirer of Adolf Hitler and frequently been in contact with German individuals in Ecuador. Although no evidence was secured which demonstrated that the subject was at the present time involved in pro-Nazi activities the Ambassador was appreciative of securing complete background data with respect to this employee.

Police Liaison

Police liaison representation in Ecuador has been successful and has required ingenuity and intelligent action on the part of Bureau employees due to the difficult political ramifications implicit in the explosive government which have characterized Ecuador. Although during recent months there has been no liaison agent in Ecuador, Ecuadoran authorities have continuously requested police liaison representatives and have indicated that they wish to secure instruction and aid from well trained Bureau representatives. As a consequence it has been deemed advisable to supply a police liaison agent for this country. It is believed that this representative would be able to maintain and improve the cooperative relations with authorities in Ecuador and will thus aid in the effective functioning of Bureau representation in this Republic. Ambassador Stotten expressed himself as in favor of having a Bureau agent in Ecuador who speaks Spanish fluently and an expert in organizing police matters. This recommendation has been complied with.

Communist Activities

Through informants the Office of the Legal Attache maintains efficient coverage of Communist developments in Ecuador. It is reported

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that recently Pedro A. Saad, a prominent Ecuadoran Communist and labor leader, has been active in furthering the Communist influence in the labor unions in Ecuador and has been in close association with the Mexican labor leader, Vicente Lombardo Toledano. The Communist elements supported the revolution which established the present regime of Velasco Ibarra and secured representation in the new government although through recent differences with the president the Communists have turned against this government and have resigned from their positions.

Diplomatic relations have almost been completed between Russia and Ecuador concerning the recognition of Russia and it was expected that these negotiations would be completed by the time of the San Francisco Conference. However, diplomatic relations have not finally been established and the Legal Attache reports that the Ecuadoran Minister of Foreign Relations, Camilo Ponce Enriquez, has been the strong motivating factor retarding the establishment of these relations.

After the May, 1944 revolution the Communist Party was able to freely work as a legal political party and to disseminate propaganda and in the elections for the Constitutional Assembly 12 Communist members were chosen out of 95 representatives. Since the revolution of May, 1944 the Communists have developed a considerable number of sympathizers within the Army of Ecuador and it is reported by the Legal Attache that the Communists now plan to secure members among the privates and low ranking officers of the armed forces. In this regard it should be noted that the national police unit (Guardia Civil) at Guayaquil is still dominated by Communist elements.

Safe Haven - Flight of Axis Capital

The Bureau representatives in Ecuador have been continuing investigations with the objective of securing information concerning the possible flight of Axis capital to this Republic and as to the operations of German organizations and commercial firms in Ecuador. Information has been submitted by the Office of the Legal Attache setting forth background data with respect to Axis controlled organizations and concerning the economic position of German firms in the commercial structure of Ecuador. This information has been of value to the Bureau and to other government agencies, particularly to the Foreign Economic Administration and to the Safe Haven Project of the State Department. Information has been submitted including facts concerning the assets of Axis controlled firms and concerning the blocked property control of the Ecuadoran Government. The Legal Attache is increasing his coverage in this field in an endeavor to obviate the continuance of Axis economic policy in this Republic.

Rubber Smuggling from Ecuador to Argentina

On March 14, 1945 an informant of the Legal Attache at Quito, Ecuador advised that while conducting routine investigations of cargo being shipped from Guayaquil, Ecuador on the SS "Pericles", a Holland Line vessel which was en route to Buenos Aires, Argentina, it was noted

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twenty-five barrels which contained castor oil consigned to the firm of R. Bazzi were similar to the barrels stored on the premises of Julio Salvador (Gaskell) who was under suspicion by Ecuadoran authorities for possible smuggling activities. As a result of these suspicions the informant checked this cargo and ascertained the bottom portion of one drum of castor oil concealed approximately 110 pounds of raw rubber. Examination of the remaining twenty-four barrels likewise disclosed that each contained a similar quantity of raw rubber. It was ascertained that the barrels had been removed previously and that small spikes had been welded into the sides of the drums to which were affixed wires which held the raw rubber in place in the bottoms of the barrels which prevented movement which might have disclosed the rubber content.

Investigation by the Office of the Legal Attache disclosed that the welding had been done by Augustin Jaramillo at Guayaquil, Ecuador. He was arrested by Ecuador authorities and during an interview with an agent of the Bureau he admitted that he had been employed in this manner in order to aid in this contraband activity. There have been other cases of rubber smuggling in Ecuador and through informants developed through the Office of the Legal Attache this activity has been in a large measure thwarted.

Political Trends

Since the revolution in Ecuador in May, 1944 which established the present government of Velasco Ibarra political, social and economic conditions in Ecuador have been in a very turbulent state. There have been continual rumors of a possible revolution to overthrow this regime and the Office of the Legal Attache has through informants followed this activity closely. In this connection it is of interest to note that there are various exiled elements who have planned action against the present government and among these is one General Ricardo Astudillo who has been a resident of Washington, D. C. Through Bureau informants in Washington, D. C. and through informants in Ecuador it has been possible to keep a close observation of these various trends and reliable information regarding the possibilities of revolutions and similar activities has been furnished by the Bureau to the State Department and other interested government agencies. In connection with political conditions in Ecuador there also has been recently some information to the effect that trouble might develop between Ecuador and Peru inasmuch as the boundary settlement completed within recent years between these countries has been unsatisfactory from the standpoint of Ecuador. This matter has been closely followed through contacts in the Office of the Legal Attache at Quito, Ecuador and the Office of the Legal Attache at Lima, Peru.

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In Guatemala SIS personnel, which during the past year has consisted of a Legal Attache with one assistant and a Police Liaison Agent, has continued to maintain an effective coverage of all political movements. As a result, our SIS representatives were able to make accurate predictions as to the revolutions which occurred there during the past fiscal year.

On July 1, 1944, after having been in power for thirteen years, General Jorge Ubico, President of Guatemala, was forced to submit his resignation as the result of agitation against his regime by political opponents. General Federico Ponce was appointed First Designado and as such exercised the presidential authority. The rule of General Ponce, however, was short-lived as on October 20, 1944 a second revolution occurred which resulted in the overthrow of General Ponce and his cabinet and their subsequent exile to Mexico. A provisional Government was then established which maintained order until the elections of December 17-19, 1944 at which time Juan Jose Arevalo was overwhelmingly elected to the Presidency. As reported by SIS representatives Arevalo had resided for years preceding in Argentina where he had adopted Argentine citizenship without giving up his status as a citizen of Guatemala. He was known as an anti-Fascist and had associated with Communists but was not known to be pro-Communist in his views.

On January 22, 1945 the newly formed government issued a decree breaking relations with Spain for which Arevalo was praised by the Communist leaders of Central America. Opposition to the Arevalo government, however, has continued led principally by Colonel Carlos Padilla y Padilla and other military men. A revolution was plotted by them but failed to materialize and on April 7, 1945 Colonel Padilla was exiled from the country along with other prominent oppositionists. SIS representatives report that since that time Colonel Padilla has been traveling throughout the other Central American countries attempting to enlist the aid of various revolutionary groups in his crusade to overthrow the Arevalo government.

It has been reported by SIS representatives that General Roderigo Anzueto, a member of the Guatemalan cabinet during President Ubico's regime, is the brains behind the present revolutionary movement. General Arevalo is at present in the United States but is kept informed on any developments in Guatemala. A considerable portion of the Guatemalan army is reportedly ready to assist Colonel Padilla in his revolutionary plans.

The SIS Legal Attache's office reports that during the regime of General Ubico Communism in any form was suppressed Communist opposition

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was directed from aboard principally from Mexico where Alfonso Solarzano was active in disseminating propaganda against the Ubico government. When General Ubico resigned, Solarzano immediately proceeded to Guatemala. SIS representatives in Mexico have advised that while in that country Solarzano was in frequent contact with the Soviet Embassy there. While the Arevalo government was at first hailed by Communist and Leftist groups it has recently shown a tendency to become more conservative. SIS sources report that a cabinet shakeup is presently pending in Guatemala reportedly to appease the army and the property and industrial interests.

During December, 1944, friction between the governments of El Salvador and Guatemala over the influx of Salvadoran revolutionists from Guatemala reached the point where the border was closed and communication facilities between the two countries severed. However, on March 10, 1945 the border was reopened, communication facilities re-established and SIS representatives report that the possibility of hostility now appears remote.

During the past fiscal year SIS representatives in Guatemala developed information showing that a representative of the Spanish News Agency, EFE, one Manuel Enrique Penella de Silva, was pro-Falangist and pro-Nazi, with the result that the United States State Department requested that he be deported from the Western Hemisphere as an undesirable alien. On October 12, 1944 de Silva left Guatemala en route to Spain after an unavailing appeal to President Roosevelt.

SIS representatives also succeeded during the past year in establishing very close and cordial relations with the Guatemalan National Police. The Guatemalan Government established a new crime bureau and a representative of the FBI made a very thorough examination of all facilities then existing in the crime laboratory and made recommendations as to the minimum equipment and facilities which would be needed to operate efficiently. At the request of the Guatemalan Government an SIS Police Liaison Agent was assigned to Guatemala and on April 16, 1945 he opened a police school for Guatemalan police officers. The school is supposed to continue until July 16, 1945 when diplomas will be awarded to the class of seventy-six students including the Director of the Guardia Civil and all the assistant directors. The SIS police training which is being provided the officers of the Guardia Civil is proving most helpful, as most of the Guatemalan officers were not on the police force until after the October 20, 1944 revolution and they have had no previous instructions in police work. As a result of these SIS efforts, the Bureau has received a great deal of favorable publicity in Guatemala and Central America.

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L. Haiti

As in the past, the Bureau's representative in Haiti has maintained excellent relations with Haitian government and police officials. During 1943, our Civil Attache conducted a training school in Judo and practical disarming methods for selected members of the Garde d' Haiti. During the same year, a course similar to the Bureau's Practical Pistol Training Course was given to the Haitian Police, which is a division of the Garde d' Haiti. Since that time, the Haitian Police have been extremely cooperative with the personnel of the Bureau. In August, 1944, Lieutenant Jacques Etienne, Chief of the Criminal Research Bureau of the Port-au-Prince Police Department, requested our Civil Attache to forward to the FBI Laboratory two forged checks, together with the known handwriting specimens of three suspects. The Laboratory report indicated one of the suspects had forged the checks and when confronted by this evidence, the suspect confessed. In an exceedingly backward country like Haiti, methods of scientific crime detection are practically unknown and the results of this case caused a great deal of favorable comment. A further progressive step was taken by the Port-au-Prince Police Department in May, 1945 when it announced the establishment of a regular fingerprint filing system. Prior to that time, fingerprint cards were maintained in a haphazard manner for the personal aid of the criminal division. It is now contemplated that the files will be properly indexed, the prints will be classified and maintenance will be such that the prints can actually be used by the police. Under present Haitian laws, testimony regarding fingerprint comparisons is legally inadmissible, but an attempt is being made to introduce legislation to change this antiquated rule.

Haitian-Dominican difficulties are still evident, with troops of both countries being continuously stationed at the border. On October 6, 1944, the Port-au-Prince Police Department arrested eight individuals involved in a plot to assassinate President Elie Lescot. The conspirators furnished signed statements naming Augusto Ferrando (Gomez), Dominican Consul at Belladere, Haiti as the ringleader. Ferrando escaped from Belladere to the Dominican Republic, but fifteen revolvers alleged to have been furnished by him to his coconspirators were seized by Haitian authorities. At the personal request of President Lescot, the Civil Attache forwarded the serial numbers of these weapons to the Bureau to be checked through the Smith & Wesson Company, Springfield, Massachusetts. The check reflected the original purchasers or consignees of the revolvers were sports and hardware stores in different sections of the United States, all of which received the guns during the period of 1905-1908. Nevertheless, President Lescot advised our SIS representative that President Trujillo of the Dominican Republic was responsible for the assassination plot and he believed Trujillo had personally furnished the revolvers to Ferrando (Gomez) for distribution to the would-be assassins. Of the eight conspirators arrested, two were sentenced to death, five received prison sentences, and one was acquitted.

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In September, 1944, Bureau Source One informed that Ernest George Chauvet was an espionage agent of the German Ast located at Angers, France. Chauvet, an outstanding newspaper editor in Port-au-Prince, Haiti who has been openly anti-United States for years, had returned to Haiti from France in 1942. His son, Pierre Chauvet, is married to a daughter of President Elie Lescot. Despite thorough investigation which had to be conducted in a most discreet manner because of the connections of the subject, no evidence has yet been obtained indicating Chauvet actually carried on espionage activities in Haiti. (S)

Although there has been little resistance to the Lescot regime in Haiti during the past year, there is some recent evidence that an organized opposition movement is being formed. In June, 1945, the Haitian government passed a decree establishing military censorship of all domestic mail, indicating the fear of the government that anti-administration activities are spreading. The Civil Attache is in close contact with the situation and the Bureau is being kept informed of all developments. (S)

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M. Honduras

Until the past year Honduras and Panama were the only Latin American countries in which the Bureau did not have a representative in an official capacity. SECRET

In Honduras, United States Ambassador John D. Erwin did not desire a Bureau representative as a member of his staff and until recently it was necessary, therefore, for SIS to confine its activities to under cover work. In that capacity we had one representative.

However, during the past year a situation arose in the American Embassy in Honduras with the result that the United States State Department itself requested Bureau assistance. The First Secretary of the Embassy John B. Faust was charged by an SIS informant with an attempt to extort \$25,000 from a wealthy German who resides in that country. The money was to be paid to Faust for preventing the German's internment as a German national. The United States State Department requested a Legal Attache to be sent to Honduras and a very discreet investigation was conducted.

At present SIS has a Legal Attache and one Police Liaison officer stationed in Honduras. They report that the two leading revolutionary groups of Honduras are headed by Dr. Venancio Callejas, former military leader of the country, and by Dr. Angel Zuniga (Hueta) leader of the Liberal Democratic Party. These two forces are now cooperating in an attempt to overthrow the government of President Tiburcio Carias (Andino). Dr. Zuniga has spent the last eight years in exile in Mexico. [SIS representatives in Mexico have reported that Dr. Zuniga is a close friend of Vicente Lombardo Toledano, the powerful Mexican labor leader, and that he is carrying out part of a scheme of the Soviet Embassy in Mexico to call strikes and general disturbances in Honduras so that the Carias government can be overthrown and a Communist government established.] (c)

A group of revolutionists appeared at an American mine known as the "Agua Fria" on November 12, 1944 and demanded dynamite and similar supplies for use in a pending revolt. At approximately the same time another group of revolutionists made up of approximately fifty men attacked the nearby town of Agua Fria in an unsuccessful attempt to establish a revolutionary regime. It was rumored that Honduran refugees had crossed the border into Honduras from Nicaragua and that they were making an attack on the city of Danli. Again on October 13-14, 1944 Honduran revolutionists from El Salvador crossed the border and temporarily captured the towns of San Marcos and Mercedes. On April 25, 1945 approximately one hundred revolutionists invaded Honduras from Guatemala capturing two small border villages and looting the local stores and governmental offices. However, there is no indication that the regime

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of President Carias is weakening and in each instance his forces have succeeded in suppressing the revolutionists.

During recent months some information has been developed by SIS personnel indicating possible attempts at a revival of Communist activity in the north coast region of Honduras, however, evidence is lacking as to any Communist success in this regard. No reports have been received indicating an organized Communist movement in Honduras. It has been reported, however, that during July, 1944 the Nicaraguan Embassy in Mexico City requested the Soviet Embassy there to send an agent to Honduras and the request was made under circumstances indicating that it was desired to incite ill feeling against the American Ambassador to Honduras. SIS representatives report that on May 8, 1945 a group of approximately one hundred and twenty-five Honduran women gathered in a public park in Tegucigalpa supposedly to celebrate the end of the war in Europe. However, political leaders took advantage of the occasion to remonstrate against the Carias administration and to demand the release of political prisoners who have been incarcerated by President Carias. Honduran police, however, arrested the leaders and dispersed the crowd. It may be noted that a protest against the regime of President Carias was presented to the San Francisco Conference with the request that "this bloody dictatorship be eliminated from the Americas." (C)

Since the arrival of the Legal Attache in Honduras he has done a great deal of work with the Honduran National Police. The police had no identification system and our representatives explained to them the benefits of such a system and how it could be secured. On the basis of this information the Honduran Congress made the necessary appropriations for setting up an identification unit and the Honduran government made a formal request for a Bureau Identification expert to assist them in setting up their new identification office. The invitation from the Honduran government was approved by the United States State Department and an SIS Police Liaison Agent is now in Honduras cooperating with the local police. On April 18, 1945 he began instructing those Honduran police officials who had been chosen to manage the new Honduran Identification Department.

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N. Mexico

Espionage

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During the course of the past year, extensive investigations have been conducted in Mexico with reference to German espionage activities. The major portion of the investigation of such activities has been of the Clog Case. This investigation has centered in Mexico and has been continued for several years during the course of the war. Ramifications of the case have necessitated investigations in a large number of countries throughout the Western Hemisphere, particularly Argentina, Chile, Brazil and Mexico. The group of German agents operating in Mexico has utilized every known means of communication of espionage information during the years they have operated. However, they have primarily used what is known as a microscopic dot attached to envelopes directed to various drop boxes in Argentina and European countries.

More than a year ago the facts of this case were presented to the Department of Justice for a decision as to possible prosecution of these agents in United States courts on the basis of conspiracy with other German agents who have operated in the United States. A decision was reached that no prosecution would take place in the United States but that consideration would be given to the presentation of information in this matter to the Mexican Government. During the current year, the matter of revelation of information developed in this matter has been before the War, Navy and State Departments and as a result it has been agreed that the information may be given to the Mexican Government with certain limitations as to the revelation of code material involved in this matter. Specific objections were made by the Navy Department to the giving of coded material to any other government. The agents in this case have not been as active during the past year as they were previously but, nevertheless, it has been necessary to follow the activities of these German agents very closely.

The general policy being employed since the unconditional surrender of Germany has been to interview, where possible and advisable, individuals involved in espionage cases in order to complete the picture which has been gathered during the course of the war of the extensive German espionage operations.

Although extensive investigations have been made for the possible uncovering of Japanese espionage activities in Mexico and a concerted effort has been made to develop confidential sources who could provide information concerning any possible Japanese espionage, these efforts have failed in definitely establishing the existence of any Japanese espionage group in Mexico. Recent information indicates that a German apprehended in Europe following the unconditional surrender of Germany expected to travel to Mexico and to take up connections with both German and Japanese espionage agents. A continued and concerted effort is being made to establish whether in fact there is existent in Mexico a Japanese espionage agent or organization.

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Fourth Inter-American Conference
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The Fourth Inter-American Conference of Foreign Ministers opened in Mexico City on February 21, 1945. This conference was a prelude to the Conference on International Organization at San Francisco, California, which began on April 25, 1945. The resolutions of the conference were compiled in what has been called the Act of Chapultepec.

At the request of the State Department, the Bureau assisted the American Delegation to that conference by furnishing an adviser, a former Legal Attache in Buenos Aires, Argentina, in order that the Delegation might be appropriately informed with reference to the most delicate Argentine problem which was expected to and did arise during the course of the conference. In addition, the Bureau handled the security angle at the conference and gathered and provided to the American Delegation considerable data concerning the delegates to the conference from various countries, their attitudes on certain matters, and their reactions to the various problems raised during the course of the conference. Mr. Avra Warren, Assistant to Secretary of State Edward R. Stettinius, stated that material on German espionage in Argentina and German-Argentine penetration in neighboring Latin American countries which was prepared by the Bureau was valuable because it put the United States Delegation in a solid position to carry on its negotiations. He stated that the material was an excellent insurance.

Prior to the conference, a security survey was made of the telephone system of the United States Embassy, Mexico City, and arrangements made for the correction of certain faults in the system which endangered the security of telephonic communications. Confirmatory information was developed that the Mexican Government had a system through which telephonic communications throughout Mexico City could be monitored and appropriate arrangements were made whereby the Bureau, and in turn the Ambassador and State Department, might be advised should the Mexican Government monitor any calls of the United States Embassy.

Assistance to Mexican Law Enforcement Officials

During the current year, as previously, Bureau representatives in Mexico assisted Mexican law enforcement officials in various matters and have closely collaborated with them on matters of interest to both Mexico and the United States. As an example of the assistance afforded them, Mexican police officials requested the assistance of the Bureau in the location and apprehension of Maria Dolores Esteves Zuleta and her associate in crime, Enrique Escudero. These subjects were badly wanted fugitives and were thought to be proceeding to the United States. They were wanted for violation of narcotic laws in Mexico and a warrant had been issued for their arrest. As a result of their request in this matter,

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appropriate stop notices were placed with the Immigration and Naturalization Service to cover border points on both the Mexican and Canadian borders. In addition, investigation was conducted for the purpose of determining definitely whether these individuals had entered the United States. Investigation in continental United States resulted negatively and subsequently these subjects were arrested by Mexican authorities in Mexico.

Another example of cooperation with Mexican authorities has been the class in cryptanalysis conducted by a Special Employee of the Bureau (Philip Hoffman) in the Post Office Department of the Republic of Mexico. This class has been conducted with the backing of Postmaster General Jose Maria Tapia, who has shown great interest in its organization and progress. The purpose has been to train a group of cryptanalysts to serve during the present emergency and also to serve as a nucleus to train others in the event of some future emergency or necessity for their services. The class was composed of twenty-three students, all of whom were employees of the Post Office Department and some of whom found it necessary to discontinue the class because of the demands on them in their ordinary duties. Two of the students may be said to be fully qualified and well equipped to handle cryptanalysis work and eight have kept abreast of the class work but are not as yet fully qualified. A course of training included substitution ciphers of all types, regular transposition, preparation of original frequency tables of the Spanish language, letters, bigrams and trigrams, polyalphabetic substitution, irregular transposition and codes. This Special Employee has in addition served the Mexican Government as a censor of mail and has been given a censor's number. As a result of this, he has obtained considerable valuable information for the Bureau, particularly in connection with espionage activities. (S)(u)

Proclaimed List of Certain Blocked Nationals

The policy of the American Government during the current year has been to make no additions to the Proclaimed List except in most unusual cases. It has been the policy to remove from that list those individuals whose economic activities and possibilities were not considered of probable detriment to the war effort. As a result numerous persons and business firms in Mexico have been removed from the Proclaimed List. The only neutral in Mexico presently appearing on this list is Axel Leonard Wenner-Gren, a Swedish multimillionaire, who was placed on the list in January, 1942. He has made extensive efforts to be removed from the list and during the course of the present year the Bureau has conducted extensive investigations to definitely establish his past activities.

The extensive investigation was originally undertaken at the request of the State Department and subsequently additional investigation was conducted upon the specific request of the War Division of the Department of Justice. Investigation in this matter necessitated extensive inquiries in

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the United States, Canada, England, Sweden, Mexico and other Latin American countries. Numerous interviews were conducted in Sweden by a Special Agent of the Bureau sent for that specific purpose to Stockholm, Sweden. It is interesting to note, in addition, that former Field Marshal Hermann Goering, subsequent to his surrender to the United States Army in Germany, was interviewed in detail with reference to his associations and connection with Wenner-Gren. He furnished interesting information which has been supplied to the State Department, the United States Ambassador to Mexico, and the War Division of the Department of Justice for consideration in connection with the Wenner-Gren matter.

Selective Service

The Bureau has conducted a large number of investigations with reference to Selective Service matters in Mexico during the current year. As an example of the extent of inquiries in these matters, eighty-eight investigations were completed during the first six months of 1945. In most instances these investigations were for the purpose of determining whether delinquents and fugitives from the United States were enrolled in the Mexican armed services. Such information is of assistance to the United States Attorneys in determining whether prosecution should be authorized or Public Law 431 of the 78th Congress should be applied. This public law is usually referred to as the Expatriation Act which is applicable to citizens or aliens who depart from or remain outside the United States for the purpose of avoiding service in the armed forces. Individuals to whom this law is applied are prohibited from re-entering the United States. Numerous other Selective Service matters have dealt with the gathering of information from various other sources in Mexico which would be beneficial in the determining by United States Attorneys whether different laws should be applied. The United States Consular Service in Mexico has been of some assistance in connection with these matters.

Deserters

Numerous deserters from the armed forces of the United States have fled to Mexico and, as a result, our Civil Attache has conducted many inquiries upon request of the Bureau to locate and, in certain cases, effect, if possible, their return to the United States. Considerable success has resulted in these investigations. An interesting example has been the cases involving Martin Cano Ortega, Paul Anthony Margerum, and Richard Leroy Ammerman. These subjects were confined and subsequently escaped from the Texas Naval Air Station, Corpus Christi, Texas, on May 2, 1945. They stole two .38 caliber revolvers from guards at the Naval Air Station at the time of their escape and fled to Mexico. Ammerman was apprehended and through the cooperation of the Ministry of Gobernacion, Mexico City, was deported to the United States and, upon interview, provided information concerning the whereabouts of the other two subjects. Based on this information, the Civil Attache conducted an investigation in Mexico which resulted in their location and apprehension by Mexican authorities and their deportation to the United States.

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The Civil Attache has conducted several investigations for the purpose of locating and having returned to the United States escaped prisoners of war. Hans Zeimet and Gunther Huss, two German escaped prisoners of war, and Ruggero Di Schiena, an Italian escaped prisoner of war, were located and returned to the United States.

Violators of Other Laws of the United States

Many investigative leads have been covered in Mexico by the Civil Attache in cases of subjects who have violated various United States statutes. Extensive investigation was conducted in the case of Alexander A. Olson for violation of the Registration Act. This investigation was a result of Olson's acting in behalf of Axel Leonard Wenner-Gren in his efforts to be removed from the United States Proclaimed List. Olson endeavored to obtain from Wenner-Gren \$100,000 for his efforts on Wenner-Gren's behalf. He was not registered with the Attorney General's Office or the State Department as an agent of Wenner-Gren.

Extensive investigation was also conducted of Eldridge Solomon Price, a notorious confidence man and fixer. Considerable information was gathered in Mexico. Price was indicted by United States Grand Jury in Texas. The violation for which he was indicted came within the jurisdiction of the Treasury Department and further investigation in this matter is being handled by that Department. The United States Ambassador in Mexico has commended the Bureau through the Civil Attache in Mexico for its work in connection with Price, who caused considerable trouble in Mexico in 1942 and 1943.

Earl Wilson Collins, a confidence man wanted for violation of the National Stolen Property Act, was located in Mexico as a result of extensive investigation on the part of our Civil Attache. Through the cooperation of the Ministry of Gobernacion, he was deported to the United States and entered a plea of guilty on May 10, 1945, at San Antonio, Texas, and was sentenced to serve three years in a Federal penitentiary.

John A. Hubbel, another confidence man wanted for violation of the National Stolen Property Act in connection with a \$12,100 swindle on July 6, 1944, was apprehended in Mexico as a result of investigation by our Civil Attache. He pleaded guilty on February 27, 1945, at Chicago, Illinois, and was sentenced to three years on March 2, 1945.

William Estep was being sought by the Bureau for unlawful flight to avoid prosecution—murder—and as a result of investigation by the Civil Attache at Monterrey, Mexico, Mexican authorities effected his apprehension and returned him to Laredo, Texas, in May, 1945.

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Carlos Luis Tobar (Merizalde) was a fugitive wanted for violations of United States laws in connection with a certain embezzlement in the Panama Canal Zone. An extensive investigation was conducted by various Legal Attaches throughout Central America and the Civil Attache in Mexico and he was finally located in Mexico operating a small hotel. Investigation to effect his apprehension was conducted at the request of the United States Attorney for the District of Panama who made appropriate arrangements through United States Embassy officials and the Mexican Government for his extradition to Panama.

As a result of investigation by the Civil Attache, Jose Barron (Meza), a fugitive wanted by United States Post Office authorities, was identified as being identical with an individual of the same name who has been confined for a considerable length of time in the Mexican federal penal colony, Islas Tres Marias.

As a result of a request by the United States Veterans' Administration to the State Department, our Civil Attache effected, at the request of the United States Embassy in Mexico City, the deportation of Charles Janson, alias Claude English. Janson had escaped from a Veterans' institution a number of years ago and subsequently used the name of another veteran whom he had known. Janson was a mental case. He succeeded in getting to Mexico and while there made many derogatory statements against the President of the United States and was most critical of the United States Government and the United States Embassy. His subversive activities resulted in his being confined by Mexican authorities in a penal colony. He had several thousand dollars with him when he went to Mexico and some of these funds were still in his possession at the time of his deportation. Many more thousands of dollars had accumulated for him as a result of benefits to which he was entitled as a result of his service and insurance carried by him during the last war. After his return to the United States by Mexican authorities, he was delivered to the Veterans' Administration in order that he might receive appropriate treatment.

Spanish Activities in Mexico

Mexico has one of the largest colonies of Spaniards in the Western Hemisphere. It is estimated that there are over 40,000 Spanish citizens in Mexico. This colony has many persons of various ideologies concerning government and politics. Prior to and during the early days of the present war, there was considerable pro-Franco and Spanish Falange activity in Mexico. During the current year there has continued to exist a great deal of sympathy for the present regime in Spain. However, it appears that the great majority of Spaniards in Mexico are against Franco and are making every effort to effect his overthrow. The difficulty with their efforts has been the lack of agreement as to how this might be done. Mexico admitted entrance of a large number of refugees from Spain during and subse-

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quent to the Spanish Civil War. A large number of the members of the Spanish Chamber of Deputies presently reside in Mexico. The attitude of the Spanish in Mexico has more or less served as a sounding board for other groups of Spaniards throughout the world who desire to overthrow the Spanish Government. Indalecio Prieto, Diego Martinez (Barrios) and Juan Negrin (Lopez) have been the main leaders of the most prominent groups in the Spanish movement to overthrow Franco. Our Civil Attache has conducted extensive investigations for the purpose of following closely the activities of the Spanish in Mexico in order that our Embassy in Mexico and the State Department might be aware of the various moves designed to eventually overthrow the Spanish regime.

One of the chief developments during the current year was the formation of a group called the Junta Espanola de Liberacion in which joined practically all of the Spanish groups in Mexico with the exception of those following Juan Negrin who has kept his center of activities in England. Representatives of this Junta went to San Francisco during the Conference on International Organization. Juan Negrin did the same and both the Negrin group and the group representing the Junta endeavored to gain a listening ear from the various delegates to the conference in order that some concerted support might be received in effecting the overthrow of the present Spanish Government.

All of these activities of the Spanish anti-Franco group were and are being closely followed.

Communist Activities in Mexico

During the current year increased coverage of Communist activities has been obtained by our Civil Attache and although previously our Ambassador to Mexico had expressed little concern relative to Communist activities, he has now indicated that he considers the activities of the Russians and the Communists of considerable importance. Mexico recognized Russia in 1942 and subsequently one of Russia's most able diplomats, Constantin Oumansky, was sent to Mexico City as Ambassador. Within a short time after his arrival in Mexico, Communist propaganda flowed freely. Mexico soon became recognized as the center of Russian activity in Latin America.

Oumansky, his wife, and various members of his Embassy staff were killed in the crash of a Mexican army plane in which they were proceeding to Central America on January 25, 1945. There have been numerous allegations of sabotage, however none of them have been substantiated. There are indications that Oumansky and his wife were both fearful of being killed shortly prior to their departure. The crash of the plane took place as it was leaving the airport in Mexico City. Since that time, Vasili Yakubovsky has acted as Charge d'Affaires of the Russian Embassy and there have been indications that he has either changed the policies with reference to Russian and Communist activities in Mexico or that he is completely incapable of carrying on such activities with the success enjoyed by Oumansky.

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There are, however, a large number of Communists and extreme leftists in Mexico. The Communist line is followed by one of the most potent figures in the labor movement, Vicente Lombardo Toledano. Toledano is President of the Latin American Workers Union referred to as CTAL. He has a considerable following in Mexico and other Latin American countries. He has recently been named as a member of a committee to draw up a constitution for a world federation of trade unions and indications are that he will be a most important figure in this new labor group. Toledano has been extremely critical of the United States position with reference to Argentina and the seating of Argentina at the United Nations Conference on International Organization. Toledano and the German Free Movement known as Alemania Libre and various other Communist groups have been closely followed in order that the Embassy and other appropriate agencies of our Government might be well informed.

Political Activities

The term of President Manuel Avila Camacho will expire in 1946 and elections are scheduled for that year. President Avila Camacho has endeavored for several years to discourage political activity with reference to the coming presidential election because of the war. Ex-President Lazaro Cardenas, Minister of National Defense, has been often respected as the leading political figure in Mexico and it has been expected that the man who receives Cardenas' support would be the next president. It was generally conceded approximately one year ago that Cardenas would support General Miguel Henriquez, Commander of the Military Zone in the State of Jalisco. During recent months, the Minister of Gobernacion, Miguel Aleman, who managed the campaign of President Avila Camacho, has succeeded in making tremendous strides toward getting the nomination of the Party of the Mexican Revolution, known as the PRM. He has the overwhelming support of the present Congress and Senate and is also being supported by labor groups, including the followers of Vicente Lombardo Toledano. General Henriquez has withdrawn and given public notice that he will not be a candidate. Confidential sources of the Bureau have kept our Civil Attache advised concerning political developments and information received has been provided to the American Ambassador in instances where the information was considered significant and not available to him from other sources. Considerable antagonism has been shown in Mexican circles to the position taken by Foreign Minister Ezequiel Padilla with reference to world affairs and he has been accused of being a stooge of the United States State Department. Padilla has recently resigned as Foreign Minister and it is unknown at this time whether he will actively campaign for the presidency.

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SIS representation in Nicaragua at the present time consists of a Legal Attache and his Special Agent assistant. According to reports from our Attache, Nicaragua is under the complete control of President Anastasio Somoza who rules with an iron hand. He is in control of the Army and of all the political forces within the country and there is virtually no effective opposition. His most serious opponents live abroad in exile; however, there are constant rumors of planned revolt. The leading Nicaraguan revolutionary figure is General Emiliano Chamorro who was president of the country as early as 1916 and who has been in exile in Mexico City since the early 1930's. Chamorro has as his assistants the Nicaraguan Generals Carlos Pasos (Leiva), Alfonso Estrada (Aragon), Elio Sanchez, and Carlos Castro Wasmer. SIS representatives reported that an active revolt was scheduled to take place during September, 1944, but that it failed to mature.

One of the matters which our Attache reports deeply concerns President Somoza is the recent Central American Union movement. President Somoza is reported to have stated that he is in favor of the spirit of the movement, but is convinced that its present activities are aimed to overthrow him and President Carias of Honduras. According to exponents of the Union Movement, it would result in lining up the "democracies" of Costa Rica, Guatemala, and El Salvador against the "dictatorships" of Honduras and Nicaragua. According to information which has come to the attention of the SIS Attache, President Somoza claims that the Central American Union Movement is being sponsored by the Mexican Government with the encouragement of the Soviet Union.

Nicaragua and the Soviet Union exchanged diplomatic relations on December 16, 1944. However, attempts to organize a Communist Party in Nicaragua have always met with government opposition. President Somoza has imprisoned and exiled those persons suspected of having Communist sympathies. SIS representatives have ascertained that those few Communist elements which are in Nicaragua have recently been receiving support and encouragement from the Communist Party of Costa Rica.

Recently as a matter of political expediency, President Somoza has permitted the organization of various political and labor groups. He also appears to have slightly relaxed his opposition to the Communists and has given tacit consent to the organizing of the Socialist Party of Nicaragua. This party was recently formed through the efforts of individuals formerly identified with the Communist Movement.

At present we do not have a police liaison agent in Nicaragua. However, during the United Nations' Conference in San Francisco, Lieutenant Francisco Aguirre Baca, the Military Attache of the Nicaraguan Delegation, expressed to Assistant Director Tracy an interest in purchasing necessary supplies and equipment for the issuance of

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identification cards. He was interested in the fingerprint system used by the Bureau and stated that he desired to take a set of fingerprints in connection with each identification card issued. Lieutenant Aguirre was shown a copy of the Bureau's Spanish publication on how to organize a small identification unit, and a copy of this prospectus has been forwarded to the SIS Legal Attache at Managua for personal delivery to Lieutenant Aguirre. It is anticipated that within the coming year, it will be possible to establish an SIS Liaison officer in Nicaragua.

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During the past year the country of Paraguay, led by admitted pro-Axis officials, has been the scene of considerable political unrest and tension. In December, 1944, the political influence wielded by pro-Axis Lieutenant Colonel Victoriano Benitez Vera was felt. Vera, a leader of an anti-United States and Fascist-type Paraguayan Military clique, was reportedly involved in a plan to force the resignation of the Chief of Police and the President of the Department of Labor. He succeeded in causing the labor head, Basiliano Caballero Irala, to vacate his office. Labor leaders indignant of Irala's resignation aided in provoking a strike in January, 1945, affecting construction workers, port and maritime laborers, bakers, breweries, and truck drivers. Immediately thereafter, the Paraguayan Government deported five individuals, all described as liberals and signers of a petition for constitutional reform, which petition was declared unconstitutional by the Supreme Court of Paraguay.

Upon the fall of Berlin, students and workers attempted to stage a public celebration but were dispersed by mounted police by means of saber blows and shots into the air. Fifteen persons were arrested. This action is significant in view of Paraguay's declaration of war against the Axis in February, 1945.

Paraguayan troops were alerted on May 29 and 30 at the Campo Grande Cavalry barracks under the command of Lieutenant Colonel Vera due to the belief that a movement was under way by the Liberal Party to overthrow the government.

As a result of growing tension and internal dissension manifested by recent events, President Higinio Morinigo has reportedly agreed to name a committee to formulate election laws in order that a congressional election may be held in the latter part of this year. The Government has had several recent consultations with local leaders of the Colorado Party and the possibility exists that several cabinet members may be requested to resign in order that individuals of that Party may assume their posts. August 15 has been set as a tentative date for a possible meeting of President Villarroel of Bolivia and President Edelmiro Farrell of Argentina at Asuncion to celebrate the founding of that city. This may result in strengthening relations between these countries, which would mean that Bolivia and Paraguay would be more than ever under the influence of the present pro-Axis Argentine regime.

Government Action to Control Axis Nationals

Upon Paraguay's declaration of war against the Axis on February 8, 1945, the Office of the Legal Attache at Asuncion was contacted by Paraguayan Government officials in order to receive a general outline of the legislation for the control of such nationals. The Bureau thereupon furnished the Legal Attache a resume of measures taken by the Republics of Guatemala and Brazil upon the declaration of war against Germany and Japan by those countries. In order to further impress Paraguayan authorities of

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the extent to which Axis espionage was perpetrated in their country, a memorandum was prepared for the confidential information of the Paraguayan Police Department outlining the activities of such important espionage agents as Heinz Lange and Humberto Perez Caceres, who were active not only in Paraguay and Argentina but likewise in an extensive radio ring in Chile.

As a result of effective liaison between Bureau representatives in Asuncion and the Paraguayan Government, deportation proceedings against certain German nationals were instituted in May, 1945. These nationals (eight Nazi leaders acting on behalf of the NSDAP or its affiliates), together with their families, were fingerprinted and interrogated at Asuncion and scheduled to depart via United States Army Transport plane about June 30 en route to Recife, Brazil, and thence to the United States for internment.

Espionage

From 1942 to 1944, some forty-one fraudulent Paraguayan cedulae of identification and certificates of good conduct were issued by the Asuncion Police Department without any bona fide support of the documents. Recent investigation has indicated that many of these documents were destined for and reached the hands of such notorious espionage agents as Gustav Edward Utzinger, Buenos Aires, Argentina, and Willi Adalbert Hans Reichelt, alias Tito Maldonado. A well-known German agent, Heinz Lange, also used one of these false documents bearing the name Victor Vouga, and it has just been learned that Lange succeeded in returning to Germany via the sailing vessel "Passim," which on its outward voyage is known to have landed several agents on the east coast of South America.

On March 13, 1945, the Paraguayan Police at Asuncion arrested Erwin Hoene based upon information furnished by the Legal Attache. Hoene, suspected of espionage, reportedly bought up in the past all available film for Leica cameras and is said to have taken about 1,000 photographs a month. Upon questioning, he admitted having been employed by the German news agency DNB while residing in Spain and Germany. German nationals acquainted with him reported he was a member of the Gestapo.

German Activities

Although the German Bund in Paraguay was dissolved by the Government in October, 1943, followed by a declaration of war against the Axis in February, 1945, the Legal Attache has discovered that the Bund's functions, involving some 1400 active members under the domination of the Nazi Party leaders, have been handed over to other German societies controlled by the same individuals. In addition, the Union of German Schools, formerly attached to the Cultural Section of the Union Germanica, became a part of the German Social Aid Society. This society and the Union of German Schools have succeeded and supplanted the former Nazi organization in order that the work of the latter might continue. German colonies still operate under Nazi ideology inasmuch as they are subject to the control of an administration chiefly made up of independent colonists and financiers, who are almost without exception loyal to the Nazi Party.

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Inasmuch as the Communist Party is illegal and has no direct voice in the Paraguayan Government, it has been obliged to operate underground. What activities that have come to light reflect that the main purpose behind all the efforts of the Party is to secure a more lenient government. To do this it has supported strikes and any condition which tends to impair the operations of the government of President Higinio Morinigo. As far as can be determined, the Communists have followed fairly closely the Party line and apart from the more educated leaders, the rank and file of Party members are more interested in their own economic conditions and local political issues than the broader aspects of Party policy. Evidence has been reported that Party leaders in exile in Montevideo have plotted with former President General Rafael Franco to bring about a revolution so that the Party might be represented in a new coalition government.

Labor unrest in Paraguay culminated in a strike in the early part of 1945, apparently intended to be the contribution of Paraguayan labor to the universal strike advocated by the Second General Congress of the CTAL in Cali, Colombia. While the strike was in progress the Executive Committee of the Communist Party organization in Paraguay published a program including such points as release of all workers, students, and professors who had been arrested or deported, repeal of a government law liquidating labor unions and assurance that a national assembly would be called in Paraguay. At the same time, the Communist Party issued a call to all classes in Paraguay to unite in the formation of a new government which would advocate the re-establishment of fundamental liberties. As a result of the strike, the government "cracked down" upon those involved, deporting many of them to Argentina, relegating some to the Paraguayan Chaco and others to the Isla Margarita. It appears that as long as the Paraguayan Government is dominated by Axis-influenced officials, Communism will have little chance to succeed in that country.

Smuggling

The country of Paraguay has acted as an intermediary point for the smuggling of tires and tubes from Brazil to Argentina. Because of the fact that smuggling along the Brazilian, Paraguayan and Argentine borders has been an accepted profession and custom for a number of years, together with the fact that by reason of the dearth of rubber in Argentina, that country has been forced to adopt subversive methods to obtain this material, smuggling activities have increased by leaps and bounds. Up until the collapse of Germany, illegal movement of rubber through Paraguay was further stimulated by Axis demands for that product. However, by reason of Argentina's growing needs, these demands have not diminished since the fall of Berlin.

Through the efforts of the Legal Attaches at Asuncion, Paraguay, and Rio de Janeiro, Brazil, a smuggling ring has been recently uncovered in Paraguay headed by Manuel Lucero, an Argentine. Lucero's group hid the

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smuggled tires and tubes at a Paraguayan town near the Brazilian border and they were then transported by boat to Asuncion and thence to Argentina. Each tire was reportedly bringing \$250 or more. Bureau representatives at Asuncion have advised that automobile tires and tubes were being imported into Paraguay and thereafter diverted to Argentina with little interest being manifested by the Paraguayan Government, since customs duties were being paid on these materials. On December 18, 1944, eighteen automobile tires of various sizes together with inner tubes entered Paraguay bearing Dunlop, Firestone, and Goodyear brands. A tire size 9.75 by 18, costing approximately \$335 including customs duties in Paraguay, could be sold in Argentina for the equivalent of \$425.

In addition to the finished product, rubber has been brought into Paraguay from Brazil in crude form. This activity has been facilitated through the efforts of the former Chief of Police at Asuncion, Mutshuito Villasboa, now head of the Tire Rationing Board. In one deal involving 10,000 kilos of rubber (approximately 22,000 pounds), costing \$55,000 in Paraguay, the rubber was said to have been sold in Argentina for \$95,000.

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One of the achievements of SIS during the past year was the establishment of a Legal Attache's office at Panama City, Panama. Previously we had had to rely for intelligence information in Panama on the three undercover men we have in that country. However, on May 4, 1945, the SIS Legal Attache's office was opened and at the present time there are two special agents assigned to that office.

While the Republic of Panama is primarily a responsibility of the representatives of the military forces and is not under the jurisdiction of the Bureau in accordance with the Delimitations Agreement, maintenance of undercover representatives there and of the Attache's office has been found necessary in order that SIS might function as a complete unit in Latin America.

From the beginning the police officers of Panama have shown a real interest in the Bureau's work. On June 13, 1945, Samuel Lewis, former Ambassador from Panama to the United States, together with other Panamanian officials was provided a special tour of the Bureau's facilities. On June 21, 1945 the SIS Legal Attache interviewed Miguel Quijano, aide-de-camp to President Enrique A. Jimenez new head of Panama who indicated that the government might possibly request the services of a Bureau Police Liaison Agent. In view of the fact that an entire reorganization of the entire Panamanian police system is anticipated, the presence of an SIS Liaison Agent would be exceptionally valuable.

Not only the Panamanian police but the American Military authorities of the Canal Zone have looked to the SIS Attache for assistance. Within the past month Lt. General George Brett, Commanding Officer of the Caribbean Defense Command and Colonel Yepp of the Provost Marshal's Office, have requested our Attache to assist them in solving one of the most difficult criminal cases which they have ever had to face.

In intelligence matters the SIS Attache has done excellent work in supervising the efforts of the three undercover men stationed in Panama.

The United States Embassy and U. S. Military authorities have sought the assistance of the SIS Attache in the handling of Axis agents in Panama. One of the more interesting cases was that of Manuel Onos de Plandolit, Charge d'Affaires of the Spanish Embassy in Panama, who caused a great deal of difficulty when local authorities endeavored to acquire the archives of the German government which had been placed in the custody of the Spanish Embassy. Through the efforts of the SIS Legal Attache the pro-Nazi sympathies and activities of Onos were exposed and he was expelled from the country.

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The Office of the Legal Attache at Lima, Peru has been successful during the past year in extending the intelligence coverage in this Republic. In connection with political matters, economic matters, in dealing with Axis aliens and in similar fields, the Office of the Legal Attache has been of particular aid to the Ambassador in Lima and on numerous occasions the Ambassador has expressed his appreciation of the efforts of Bureau representatives.

Political Coverage

The political coverage of the Office of the Legal Attache is quite adequate and reliable informants have been developed in various political fields so that accurate and intelligent coverage is possible. In this connection the Legal Attache furnishes the American Ambassador with concise summaries of political trends and including information which is not generally available to Embassy sources. During recent months there has been an extraordinary interest in political developments in Peru as a consequence of the presidential election which was scheduled for and held on June 10, 1945.

In connection with this election there were numerous rumors to the effect that the elections would be fraudulent, that various sectors of the Peruvian armed forces might revolt and set up a military dictatorship, that a popular revolution might be sponsored by the powerful Aprista underground movement, that President Prado would attempt to perpetuate his office by establishing a military dictatorship and that other conservative groups might attempt to take over the government. These diverse trends were given credence by competent observers and the Office of the Legal Attache through excellent coverage was able in many cases to establish the veracity or falsity of the current assertions.

It appears that the elections actually were free and honest and this has resulted in the election of the candidates sponsored by a strong leftist coalition and thus the Peruvian Government will apparently change from a rightist dictatorship which has been characterized by an absence of civil liberties for the Peruvian people to a leftist or "middle of the road" government which will be representative of the masses in Peru; thus Dr. Jose Luis Bustamante y Rivero is scheduled to assume office as president-elect July 28, 1945.

The Office of the Legal Attache has maintained close contact with various political movements and you will recall that representatives of the Bureau have been in touch with the leader of the Aprista movement, Raoul Victor Haya de la Torre. Recently the Aprista movement was recognized in Peru as a legal and legitimate party and as a result Haya Torre will have an important voice in the future political destiny of this Republic.

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The Prado administration which will go out of office with Bustamante's inauguration has been during recent years working in close cooperation with the United States and has proclaimed adherence to democratic principals. However, the Prado government within Peru has not been democratic and the dictatorship has prohibited to a great extent freedom of the press, of political thought as well as other civil liberties.

The liberal political coalition which nominated Bustamante is known as the National Democratic Front and this group has been composed of various dissident political elements. The Office of the Legal Attache closely followed the developments during these troubled times.

Gimpel--Colepaugh Ramifications

The Office of the Legal Attache carried out investigation in Peru as a result of the arrest of Erich Gimpel and William Colepaugh, German agents who landed by submarine in Maine in December, 1944. Gimpel had previously been in Lima, Peru but was deported from Lima to the United States during 1942 and later repatriated to Germany. The Legal Attache's Office in Lima secured a picture of Gimpel along with fingerprints and specimens of his handwriting and conducted extensive investigations of his activities in Lima and of his associates in Peru. Through these investigations it was ascertained that Gimpel was not a member of the Nazi Party in Peru and probably was not engaged in espionage, thus indicating that he received all of his training after he returned to Germany. In this regard the Bureau representatives at Lima were very efficient in following out all possible leads throughout Peru and in this connection overcame numerous transportation and other investigative difficulties.

Japanese Activities

The Office of the Legal Attache has developed competent informants in the Japanese field and has maintained close observations of Japanese activities in Peru. Although the Japanese colony in Peru is still extensive, through investigation by the Office of the Legal Attache and through vigorous efforts of this office in collaboration with Peruvian authorities it has been possible to expel the principal Japanese threats for internment in the United States. It is reported that there remain approximately 30,000 Japanese subjects in Peru but these are largely of the so-called Peon classes and came to Peru some years ago as common laborers. The most prominent and active Japanese propagandists, espionage leaders and generally pro-Axis individuals have been expelled from Peru. Through investigation by the Office of the Legal Attache it has been ascertained that during recent months there has been an absence of suspected espionage or sabotage activity. Recently it has been determined that the propaganda tactic which the Japanese colony follows is to blame the United States for all economic troubles existing in Peru. The Japanese also declare to Peruvians that they are nothing but servants of the United States. The Legal Attache is closely following the movements of the Japanese colony and Japanese commercial and economic activities.

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Communist Activities

The Communist Party of Peru is followed in its various activities through informants developed by the Office of the Legal Attache. It has been possible for this office to secure individuals who are active within the Communist movement and thus accurate information is secured. The Communist Party is, generally speaking, small and ineffective in Peru and probably numbers less than 5,000 individuals. Recently the Party following the Communist line has been cooperative with United Nations groups. The Communist Party has never been strong in Peru since the great majority of leftist elements in this Republic are affiliated with the Aprista organization of Haya de la Torre. It is interesting to note also that the Communists and Apristas are militant enemies and that with the recent legal recognition of the Aprista movement and its substantial representation in the new government the Apristas will probably act in a way to thwart future developments of the Communists in Peru. The Communist leaders are not outstanding although they maintain a liaison with the strong Chilean Communist Party.

At the present time Peru has not established diplomatic relations with Russia.

Safe Haven - Flight of Axis Capital

The Office of the Legal Attache has been active in investigating operations of German, Italian and Japanese commercial organizations in Peru. In this activity Bureau representatives have been working in close cooperation with Embassy representatives and representatives of the Foreign Economic Administration. It is reported that as a consequence of the numerous expulsions of Axis individuals in Peru the leaders in the German colony have been sent out of the country and that consequently Axis industry in Peru is negligible at the present time. The Office of the Legal Attache is presently preparing a survey of the possible flight of Axis capital in connection with the Safe Haven Project.

Police Liaison

The relations between the Office of the Legal Attache and the police authorities in Peru continue to be extremely good and on a very cooperative basis. There is one police liaison agent attached to the Office of the Legal Attache and through the friendship he has developed with Peruvian authorities it is possible for the Office of the Legal Attache to utilize most of the facilities available to the Peruvian police authorities. As a result of these relations Peruvian authorities have conducted discreet surveillances, have made thorough customs searches and checks, have supplied background and fingerprint data concerning various subjects and have in other ways extended better services to the Office of the Legal Attache. Much of this cooperation has been developed on a friendly personal basis and thus has obviated the necessity for substantial payments to individuals connected with Peruvian police. This has greatly benefited and increased the coverage of the Legal Attache's Office in Peru.

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The Office of the Legal Attache has been successful in effecting the expulsion of numerous Axis nationals from Peru. As a result of investigation and the compilation of data reflecting the danger of certain German and Japanese nationals and through the cooperation of the American Embassy and Peruvian authorities the most dangerous Axis nationals no longer are resident in this Republic. Recently in this connection three Axis nationals were deported from Peru and have been interned in the United States. Two of these are Germans and one Japanese. One of the Germans, Charles N. Specht, had previously resided in Peru for several years and had worked in connection with rubber and oil developments in that country. Recently he was involved in an attempt to forge documents purporting to be recommendations of the United States Rubber Reserve and he was masquerading for a time as a United States citizen in Peru. As a result of investigation on the part of the Office of the Legal Attache these frauds were uncovered and he was found to be a German national dangerous to the security of the Hemisphere and subsequently deported.

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By ML NARA Date 6/1/75S. El Salvador**SECRET**

SIS coverage in El Salvador for the past fiscal year has been provided by a Legal Attache with one assistant and one undercover agent. These men have succeeded in keeping the Bureau well advised as to the numerous political movements at present occurring in El Salvador.

During the past year there was a great deal of resentment directed against the regime of President Maximiliano Hernandez Martinez who by having the national constitution changed to his own liking had been able to remain in office beyond his initial term. Early in 1944 revolts broke out throughout the country followed by a general strike. As a result Martinez was forced out of office and was succeeded by General Andres Ignacio Menendez who had been Minister of National Defense in the Martinez cabinet. However, on October 21, 1944, a military clique succeeded in overthrowing the government of Menendez and installed as provisional president of the country Colonel Osmin Aguirre (Salinas) who had been acting as Director General of the National Police. Bureau SIS representatives report Aguirre as being pro-Nazi, anti-American, and a strong believer in a totalitarian form of government. Under President Aguirre all but two newspapers favorable to his government were closed and private telephone communications were suspended. The dictatorial action of the Aguirre government resulted in public outbursts of protest evidenced by violence and attempts to burn the various buildings in El Salvador.

As predicted by SIS representatives, another attempt at revolution took place on December 8, 1944, when shooting commenced in Western El Salvador where the revolutionists invaded the country from the direction of Guatemala, however, the attempt was a failure. As a result El Salvador sent a strong warning to the Guatemalan government charging it with aiding and abetting the revolutionists, a charge which the Guatemalan government denied. At this time the United States' Department of State requested the Bureau to discreetly ascertain whether or not the labor strike which was going on at this time in El Salvador was being financed by funds coming from other countries in Latin America. The State Department had been informed that the strikers had an excess of money and that these funds might have been furnished either by Communist or Nazi sources. SIS representatives made a thorough and discreet investigation and ascertained that the strikers were not well supplied with funds, and that as a result the strike had to be discontinued. SIS representatives reported that there was no evidence that either the Nazis or the Communists had been financing the disturbance. As a result of the accusation against Guatemala, the El Salvador-Guatemala border was closed during December, 1944, and was not again reopened until March 10, 1945, when the 1,500 Salvadoran soldiers who had been stationed there were withdrawn.

On January 14-16, 1945, a presidential election was held in El Salvador which resulted in General Salvador Castaneda (Castro) being

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named head of the government. President Castaneda is reported to have been chosen for the position by Colonel Aguirre, and SIS representatives uncovered evidence which seemed to indicate that the presidential election of January, 1945, was highly irregular. President Castaneda took office on March 1, 1945. Immediately before this, on February 19, 1945, the United States recognized the interim government of President Aguirre which resulted in a great deal of criticism by the Salvadoran press which was generally critical of the Aguirre regime. The SIS Legal Attache has reported that as a result the American Embassy in San Salvador was embarrassed and its prestige weakened. Subsequently, President Castaneda and Colonel Aguirre engaged in a controversy over the selection of representatives to the Pan-American Conference, as a result of which Colonel Aguirre was ousted from his position of influence in the government. Since that time a group of young officers, headed by General Jose Avendano and Major Oscar Osorio, has threatened to cause a revolution unless President Castaneda will accede to certain demanded changes in the government. SIS representatives reported that this army group planned a revolt for June 9, 1945, but that President Castaneda learned of the plan beforehand, and as a result ordered the arrest and deportation of its leaders. Rebel Air Corps troops did seize two planes, one of which bombed and machine gunned the police headquarters in San Salvador. However, the revolt failed as the press and the public were not in sympathy with the rebel officers. Though it successfully thwarted this insurrection, the Castaneda government is now threatened by the revolutionary plans of the Aguirre group which has combined with the Agrarian Party, headed by Carlos Menendez (Castro). The Agrarian Party represents the more conservative Salvadoran elements.

As a result of the existing political conditions, the SIS Legal Attache is of the opinion that it would be inadvisable to send a Police Liaison Agent to El Salvador at the present time. There is a strong possibility that the arrival of a liaison agent would be seized upon by representatives of the opposition as a matter of political significance. The police in El Salvador are hated and despised, and the SIS Legal Attache believes that the establishment of liaison with the Salvadoran police at this time would be more harmful than beneficial. However, as soon as a stable government is established every effort will be made to secure direct police liaison with the Salvadoran police authorities.

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T. Trinidad

The Bureau has continued to maintain a liaison agent at Port-of-Spain, Trinidad. This agent, through contacts with the British MI-5, MI-6, Imperial Censorship and British Contraband Control has submitted numerous reports of value to the SIS Field and to Bureau operations in the United States. The bulk of these reports deal with passengers and crew members of Spanish and Portuguese vessels which are routed through the British control point at Trinidad. Many of these individuals are destined for the United States, and their interrogations are of considerable interest to the Bureau. The interrogations are made on the basis of derogatory information in British files, and data forwarded by the Bureau to the Liaison Agent (S)

As an example of the type of work performed, the Bureau representative was requested to obtain complete interrogation reports on four passengers on the SS "Marques de Comillas" which transited Trinidad May 3-6, 1945. One of these passengers was a Spaniard, who was known to have been contacted by German espionage representatives in Spain to carry out a mission in Cuba; another was a suspected German courier; another was an American woman who had been the mistress of a German official in Paris, France until April, 1942; another was an ex-Honduran diplomat in France who had issued Honduran documentation to numerous European nationals, including two known SD agents. In addition to these subjects, our Trinidad representative reported on numerous passengers destined for Latin America, whose interrogation revealed derogatory data (S)

During the time when neutral vessels were logically suspected of being used to smuggle strategic war materials to the Axis, the Bureau Agent in Trinidad was able to keep in close contact with developments effected by British authorities in Trinidad (S)

This agent has also been referred cases falling within the primary jurisdiction of the Bureau, including Selective Service, Crimes on the High Seas, Communist Activities in the West Indies and others. On one occasion, he was instructed to proceed to the French penal colony at Devil's Island to ascertain if five prisoners had recently escaped. This request emanated from a report by Naval authorities that five men had been sighted in an open boat off Key West, Florida and it was believed they were possibly German agents who had attempted to land from a submarine. It was ascertained these five men were actually escaped prisoners from Devil's Island who had successfully journeyed to Cuba and were attempting to proceed to Mexico via open boat from there (S)

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The agent assigned at Trinidad has had previous investigative experience in the SIS Field in Latin America, and is in possession of complete knowledge of Bureau operations in the SIS Field. He is thus in an excellent position to determine what information may be of value to our representatives in Latin America. (S)

British Security files are available to him, and the Bureau field has been advised that these files, containing information on practically all crew members and many passengers of neutral vessels which have traveled between Europe and the Western Hemisphere during the last five years, are excellent potential sources of information. (S)

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Although the country of Uruguay has during the past year been subject to frequent political tension reflected by the maneuvers of her various political parties, nevertheless the matter which has occupied probably the most attention has been in the field of espionage. Uruguay has "cracked down" upon her important German rings and various agents involved will, it is expected, be brought to prosecution. With Axis espionage being definitely throttled, the Communist Party, which is a recognized legality, has maintained certain definite political strides.

Espionage

A German agent named Juan Alberto Bove Trabal, along with some sixteen other suspected agents, was arrested by Montevideo authorities on January 5, 1945, in connection with an extensive espionage ring operated in Montevideo and Buenos Aires. Couriers between these two cities acting on behalf of the ring regularly carried information of a highly subversive nature. Brazilian Integralist exiles were discovered to be involved and through admission of the agents as determined by the offices of the Legal Attaches at Buenos Aires and Montevideo, it was definitely determined that the Trabal ring was acting as the Montevideo branch of the extensive espionage organization in Buenos Aires headed by the notorious agent now imprisoned in that city named Juan Siegfried Becker. Extremely well documented material obtained through the combined efforts of the Montevideo and Argentine Police authorities included photographs of some 92 German agents, photographs of their clandestine radio equipment and an enciphering machine, and statements of principal subjects, and information that two German agents were actually landed by a submarine out of France on the shores of Argentina in July, 1944. It was later discovered that these agents, however, had landed via a sailing vessel.

Bureau investigation for the past three years has been concentrated, among other matters, upon ascertaining the true identity of a Montevideo agent forwarding ship movement information to Rio de Janeiro and thence relaying it by radio to Germany. Although his activities terminated in March of 1942, nevertheless his identity, which up until recently was only known as "Union", remained a mystery. Through the investigative technique of the Rio and Montevideo Offices of the Bureau, the Uruguayan Police authorities were furnished sufficient information upon which to predicate the arrest of numerous suspects on April 4, 1945, including Fritz Rabe and Horacio Camejo Azzi. These two individuals upon interrogation admitted that they were connected with the cover name "Union." Rabe, himself, was the moving factor in the ring while Azzi received espionage information directed to Rabe. A review of the records of the Banco Aleman Transatlantico at Montevideo reflected that Rabe received a total of some \$60,000 in 1939 which was not entered on the books of his brokerage firm, and it is believed that this sum was advanced to him for the perpetration of his clandestine activities. It is expected that the case against Rabe and his cohorts will be shortly brought to trial.

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On February 21, 1945, Hector L. Colombo, former Uruguayan Consul at Geneva, Switzerland, involved in a passport forgery scheme on the continent which resulted in the closing of the Uruguayan Consulate at Geneva, returned to Montevideo. It is significant that at the present time he is assigned to the Consular Department of the Ministry of Foreign Affairs, and no complaint is outstanding against him in the Ministry of Foreign Affairs despite the fact that he is reported to have acted as an intermediary for remittances sent to agents in France in 1943.

Uruguayan authorities conducted a search of the premises of the Banco Aleman Transatlantico on June 27 and June 29 last on the theory that papers and documents were being burned at the bank. It is reported that documents have been found establishing that the bank had accumulated information concerning the following subjects: Airbases under construction, Army expenditures from 1910, shipping data, activities of authorities charged with suppression of anti-national matters, evidence that the bank received funds from local German firms and turned them over to the German Legation to be sent to Germany. As an illustration of the remittances to Germany of funds received from German firms, the bank reportedly received instructions from a principal in Berlin to withdraw 150,000 pesos (approximately \$37,500) from the Quimica Bayer firm in Uruguay, paying that amount to the German Legation in Uruguay and crediting it to the German Foreign Office in Berlin.

Political

Towards the middle of 1944, information then at hand indicated the former President of Uruguay and head of the Baldomirista Party, General Alfredo Baldomir, was making plans for a coup d'etat to take place during the Uruguayan Army's maneuvers in November and December, 1944. The maneuvers went off as scheduled, however, Baldomir's plot failed. On February 22, 1945, Uruguay declared war against Japan and Germany. This action was followed by a presidential decree placing numerous German firms into the hands of government receivers. During the past two months renewed efforts of the Baldomiristas to cause tension have been noted in the resignations of the Minister of Industry and Labor, Dr. Javier Mendivil, and Hugo Ricaldoni, Presidential Secretary. Inasmuch as General Baldomir is reportedly on close terms with the Minister of National Defense, it appears that he may be in a position to regain political power and provoke a serious crisis. General Pedro Sizzo, military leader and having a certain following in high governmental places, is likewise on close terms with General Baldomir. Sizzo, it is said, is presently being recalled from the United States to be named Chief of the General Staff. Although it is not deemed probable that Baldomir will attempt a revolutionary coup, nevertheless, it seems most likely that his present maneuvers are for the purpose of laying a solid groundwork for the 1946 elections with a view to his Party winning seats in the Uruguayan Parliament.

Communism

The Communist Party in Uruguay, which is a recognized political entity with seats in the National Legislature, has been observed endeavoring

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to establish in the various political parties of Uruguay, particularly the Battlista and Baldomirista Parties, certain cells whereby they will be able to swing these parties to the Communist line of thinking. The Russian Legation at Montevideo (Uruguay severed relations with the Soviet in 1935 and reestablished them in 1944) has taken steps to obtain the unity of the Slavic peoples in that country, and personnel within the Legation is reportedly being trained with a view to preparing for the establishment of future Soviet missions in other Latin American countries.

Rodolfo Ghioldi, exiled Communist leader from Argentina has taken an active part in the Communist movement in Uruguay and has been concerned with promoting the success of Communism in Argentina after the removal of the present governmental regime. During the past few months, efforts have been made by the Uruguayan Communists in political and labor circles to advance their program of "national unity." In April there was established the South American Committee of Aid for the Spanish People, which Committee came out among other things in favor of a provisional Spanish Republic government; on May 11, 12 and 13, 1945, the Third Slav Congress of Uruguay met; on May 2, riots occurred during the popular demonstration upon the fall of Berlin and there resulted Communist aggression against Juan Jose Carbajal Victorica, Minister of Interior, and Juan Carlos Gomez Felle, Chief of Police, for their stand in attributing the riots to Communist instigation, and for the former's public rebuke of the Soviet Minister's note protesting against press criticism of his government.

French Activities

On March 9, 1945, the French Ambassador to the United States, Henri Bonnet, received a letter from Luc Antonine J. Haristoy, Montevideo, Uruguay, wherein the writer proceeded to inform Bonnet of a powerful French organization, the name of which he did not disclose, that is working with the French College, the Chamber of Commerce, and the principal commercial representatives in Montevideo and Buenos Aires. Haristoy went on in a mysterious way to tell Bonnet that he has plans for furthering French influence and for spreading it throughout South America. He stressed the importance of Uruguay as a center for this work and described commercial as well as nationalistic ties, and how they could be unified.

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V. Venezuela

SIS operations in Venezuela have been handled during the past year by the Legal Attache, three Special Agents assigned as Assistant Legal Attaches and two undercover men. One of the Assistant Legal Attaches has functioned as the Police Liaison agent with the Venezuelan National Police and has given a series of daily lectures on investigative techniques at the National Security School in Caracas. These lectures have received very favorable comment from Venezuelan officials and principally through the relationship thus established with police officials, our office has maintained excellent coverage in the Venezuelan political field. Through well-established informants, the Legal Attache was able to keep the American Embassy and the Bureau currently advised of all matters of interest during the abortive Venezuelan Army plot of November 12, 1944, as well as other more recent political developments. One of the confidential informants in our Caracas Office is a close friend of General Eleazar Lopez Contreras, presently considered the logical chief choice as the next President of Venezuela. This informant is accompanying Lopez Contreras on a trip to the United States in the near future.

The government-opposition group led by General Lopez Contreras is composed of conservative, industrial, army and clerical elements who are determined to eradicate the Communist influence, which is prevalent in the present Venezuelan Government. Lopez Contreras is seeking the financial support of the foreign-owned oil companies of Venezuela and the moral support of the United States Government. His pending trip to the United States is reportedly being made in connection with this phase of his Presidential campaign.

Communist activities have greatly increased in Venezuela during the past year and the numerous strikes in the Venezuelan oil fields have definite Communist ramifications. The Government of President Isaias Medina has collaborated with the Union Popular Venezolano (the Venezuelan Communist Party) to the extent that a coalition pact was effected by the two groups which resulted in the overwhelming government victory in the municipal elections of the Federal District of Venezuela in November, 1944. The Communists were amply rewarded for their support by the subsequent legalization of the Party in Venezuela.

The most important developments in the field of Communism in Venezuela during the past six months are the intensive efforts of the Communists to organize and establish complete control of the oilfield workers; the repeal of legislation which had outlawed the Communist Party in Venezuela; and the split in Communist Party ranks which divided into factions those Communists who favored continued collaboration with the Medina government from those who wanted to follow a separate strict party line. Our Communist coverage in Venezuela has been very effectively handled through informants who are in frequent close contact with party leaders in the country. Recently, SIS representatives reported that the Venezuelan Communists were bewildered as to what policy to follow in relation to the

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San Francisco Conference because no instructions had been received from headquarters at Bogota, Colombia. In the event Lopez Contreras is elected President of Venezuela in 1946, it is expected that the Communists will be forced underground, and for this reason, every effort is being made to obtain complete data on leading Communists and the party organization at the present time.

In the field of espionage activities, the outstanding development of the past year in Venezuela was the arrest of ten German residents in April, 1945, who confessed to having accepted assignments in the German Apfel sabotage ring. During the course of the intensive investigation and interrogation of these subjects, the Venezuela Police cooperated closely with our SIS personnel. All arrests and searches were made by the Director of the Venezuela Department of Investigation and our Police Liaison Agent. Interrogations were conducted by members of the Office of the Legal Attache at police headquarters.

Matters coming within the primary jurisdiction of the Bureau which have been handled in Venezuela during the past year include Selective Service, Theft of Government Property, Bank Robbery, and Fraud Against the Government cases.

In April, 1945, a report and photographic album entitled "Facilities of Creole Petroleum Corporation of Venezuela" were distributed to interested agencies at the Seat of Government. This survey was prepared by Special Agent J. A. Carter, who has been in Venezuela in an undercover capacity as a representative of the Standard Oil Company of New Jersey, the parent concern of Creole Petroleum. The purpose of the survey was to determine the various possibilities of sabotage to the industrial facilities of this corporation. The survey covered nine oil fields, the port facilities and the division offices of the Creole Petroleum Corporation of Venezuela, which at the present time is one of the largest oil producing concerns in the world. The photographic album and detailed report were of considerable value and interest to the governmental agencies to whom distributed.

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Special Agent Glenn H. Bethel has acted as the Bureau's liaison representative with the Royal Canadian Mounted Police in Ottawa for the past year. Through him the Bureau continues to enjoy extremely cordial relations with the Canadian organization. It has been possible to arrange for interrogation of several espionage agents who were captured in Canada and from whom was secured considerable information of value to the Bureau. One of these was Fritz Brinkmann, former German blockade runner to Latin America who was connected with various Bureau cases. One of the most outstanding results of this liaison has been the apprehension, by both sides, of numerous deserters and of Selective Service cases that have traveled from country to country in an attempt to avoid enrollment in the Armed forces. Working arrangements have been made so that a fugitive located in Canada is returned for trial here while the same function is performed by the Bureau for the RCMP when a Canadian fugitive is located in the United States. (C)

Bethel has, during the month of May, 1945, taken a long trip through Western Canada developing contacts which should be of considerable assistance to him and which should enhance the Bureau's reputation there materially. (C)

X. England

During the past year Legal Attache M. Joseph Lynch and Assistant Legal Attache, John Cimperman have continued to function in a liaison capacity for the Bureau in London.

Liaison with British Intelligence Services there has been strikingly difficult during the war because of the lack of cooperation received from the British Intelligence Service, MI-6. The latter organization has proved most difficult to deal with and has resorted to subterfuge in order to extract all possible information from the Bureau while furnishing a minimum in return. Unfortunately this organization secured the right to represent all British Intelligence in the United States through its office in New York City, known as British Security Coordination. Hence it was necessary for our office in London to get a great deal of pertinent material directly from MI-5, who, incidentally were extremely cooperative but who, because of the political machinations of MI-6 had to give our men in London a great deal of the material secured unofficially and off the record. (C)

Also, had we not had an office in London and been able to make arrangements to review Ostrich material we should have received little or nothing from this most valuable source. Cimperman's successful efforts to obtain the decodes made by the British of German Radio Intelligence messages in spite of the objections of MI-6 and of our own Army and Navy departments (C)

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has probably been the outstanding single contribution to the Bureau's coverage of German Espionage during the war. Under extremely unfavorable conditions he was able to surreptitiously review this Ostrich material, extract messages of interest in the Bureau's espionage cases and forward it to Washington. The British would permit Cimperman to indicate certain messages which the Bureau would desire to receive but it was insistent that these messages should be paraphrased and forwarded over British channels to New York and thence to the Bureau. By the time these were received in Washington they were practically useless because of paraphrasing and delay, so that Cimperman's clandestine handling of these messages proved a decisive factor (C)

More than 200 enemy espionage agents of various nationalities were secretly held by the British at Camp O20 outside of London throughout the war. These men were held without judicial process and served as the British Intelligence Service's ambulating reference library. They were continuously interrogated and their reports compared and from them the British developed most of their information about the German espionage system. Through our London office the Bureau was able to arrange for receipt of all reports emanating from this camp, many of which contained extremely valuable information for use in our espionage investigations in the Western Hemisphere. Because these men were held without judicial process the British have advised that it is necessary to turn them loose as soon as possible. In fact some have already been returned to their native countries in Europe. There is an undetermined number in the Camp who are natives of certain Latin American countries. The Bureau is negotiating with the British at the present time for complete information relative to these agents so that we will be fully apprised and can in turn inform the Governments of Latin American countries involved prior to their return. (C)

Special Cases

The value of having a liaison office in a strategic city such as London was again demonstrated in the recent inquiry in the Axel-Wenner-Gren Registration Act Matter. Wenner-Gren, a wealthy Swedish industrialist residing in Mexico, has been making an effort to have his name removed from the British and United States Proclaimed Lists. It became necessary to interview several important personages connected with this case in Stockholm, Sweden, and Legal Attache M. Joseph Lynch in London was able to fly to Stockholm to conduct the necessary interrogations. (C)

Likewise it was possible for our Assistant Legal Attache, John Cimperman to travel with British Intelligence officials to Germany recently to interview Hans Kaltenbrunner, important German espionage agent, recently captured by the Allied forces. (C)

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Legal Attache M. Joseph Lynch, because of his wide range of acquaintances among British officials was brought back by the Bureau from London for the San Francisco Conference of the United Nations for International Organization. Special Agent Lynch was in San Francisco for several weeks and was of considerable assistance to the Bureau through his contacts with British Foreign Minister Anthony Eden and other members of the British delegation. (C)

Y. France

The Bureau's Army Liaison unit in France was established in September, 1944 with Special Agents Frederick Ayer, Jr. and Donald L. Daughters. Inspector Myron E. Gurnea, who inspected the Paris office in December of 1944 reported that these agents have done excellent work in France.

Ayer has seen to it that the Bureau's Intelligence Targets in Europe have been placed on record at SHAEF headquarters and, in fact, he was able to arrange for the issuance of a directive to all Allied Intelligence groups listing these targets and indicating that any information obtained should be called to the attention of our office. The principal work done in the Paris office consists of securing information on espionage and treason cases of a special interest to the Bureau.

Espionage

Through liaison with the Army Intelligence Corps our Paris office secured access to many important captured documents which have been of great assistance in the clearing up of espionage cases in the Western Hemisphere. In addition they have had the opportunity of interviewing important German espionage agents captured by the Allies. For example, Johannes Wilhelm Bischoff who was arrested May 5, 1945 in Belgium has been interrogated. Bischoff was known to have dispatched to the Western Hemisphere three espionage agents. He corroborated considerable information already in the possession of the Bureau and, surprisingly enough, belittled the Abwehr to which he was attached. He claims that while he was in charge of Ast Hamburg he built up on paper a list of sixteen agents in whom he had, he said, no confidence but who were dispatched by him to make his own work look better in the eyes of his superiors.

Treason

The Paris office has handled a great many treason matters including investigation of three of the seven United States citizens indicted for treason by the United States for radio propaganda activities on behalf of the Germans. Many other treason cases have been worked up but have been turned down by the Department because of the difficulty

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involved in bringing the subjects back to the United States for trial and because of the problem presented in bringing back witnesses for such trials. For example, Loomis H. Taylor, an American citizen, was arrested in Munich. Found with him was a considerable quantity of documents and correspondence showing that he had been on intimate terms with German industrial leaders, and with members of the SS, and was a friend of Heinrich Himmler and of officers of the German High Command. These documents proved that Taylor became a German citizen December 2, 1942 and traveled under the auspices of the German Foreign Office throughout Europe serving as a broadcaster for the German Propaganda Ministry.

The U.S. Army referred to the Bureau many cases involving United States citizens serving in the German Armed Forces. Through the Bureau the Department of Justice was contacted and a policy was established for handling these cases. It was pointed out that no treason charges could be lodged against individuals who entered the armed forces of the enemy before the outbreak of war but that anyone who took such a step subsequent to December, 1941 should be investigated. Many of these matters are now being investigated by our agents in Paris.

Communist Investigations

France is a particularly fertile field for the Bureau in which to increase its knowledge of International Communist trends. The Communists are working openly in France and their operations are being followed closely by our office there. The U.S. Army, of course, has been officially precluded from investigating Communism but high army officials have indicated to the Bureau their desire that our liaison unit in France follow Communist activities closely and keep the army advised. This has been done and these officials have expressed their appreciation for the fact that the Bureau's agents are so well qualified to handle Communist matters.

Assistance to the U. S. Army

The considerable assistance rendered by our Paris office to the Army has warranted and resulted in a written letter of appreciation from Colonel H. Gordon Sheen, Deputy Chief of G-2, SHAEF. As an example, an Army code truck containing top secret code apparatus used by the Communications Division of the Army was stolen in April, 1945, from an Army Headquarters in France. The Army feared that it had fallen into the hands of the enemy. Ayer inquired into the steps taken to recover the truck when he was called into the case by the Army. He noticed that several fundamental investigative procedures had not been adopted by the Army. He pointed these out and the truck was located shortly thereafter. These fundamental steps included search by air for the truck, road blocks, contacts with local police officials in nearby French towns, etc.

Z. Germany

On June 7, 1945 Special Agent Ayer with seven Bureau agents established an office at Frankfurt-am-Main, Germany, where SHAEF Headquarters was located. The principal duties of these agents have been the

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location, perusal, and analysis of vital enemy documents captured by the Allies and the interrogation of well known German diplomats and espionage agents. The office shortly will move to the American Occupied Zone of Berlin.

Espionage

In the short time that our agents have functioned in Germany they have sent back material of extreme interest to the Bureau. This material includes records obtained from the Ausland Organization's headquarters, which among other things contained a long list of United States citizens who returned to Germany in 1937, 1938 and 1939 and who, on their arrival were questioned by Ausland officials. Among other things they were asked to list the German social clubs to which they belonged in the United States. Many indicated that they had been Bund members in various United States cities. The Bureau has received also eight mail sacks full of material taken from the German Intelligence Branch Office which includes a complete description of the operations of this office through 1944. A large counterfeiting headquarters, operated by the Germans, was located and among the things discovered and sent to the Bureau was a volume of false passports for Latin American countries together with the description of the methods used by the Germans in falsifying these passports.

There has been located and forwarded to the Bureau several volumes prepared by German Intelligence regarding the Communist movement as the Germans know it which will help complete the Bureau's picture of the International phases of Communism.

Hermann Goering was interrogated for information about Fritz Mandl and Axel Wenner-Gren. Goering was evasive and claimed that he had little or no personal contacts with either of these subjects but he did express the opinion that Wenner-Gren was an opportunist who would go along on Naziism with the Germans and who would profess pro-Allied sympathies elsewhere. Goering made the interesting statement that little or no material of value was secured from the United States through the operations of the German Intelligence System. He stated that in his opinion practically all of the German agents were neutralized by effective United States counter-intelligence measures before any information of value could be relayed to Germany.

Treason

Douglas Chandler is one of the seven United States citizens indicted for treason against the United States. He was recently arrested in Germany and has been interviewed by our agents there. Chandler will shortly be returned to the United States for trial. Three of the six remaining subjects are under arrest and will be interrogated by our men in the near future.

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AA. Italy

Special Agent Frank L. Amprim joined the United States Intelligence Group in North Africa in September, 1943. He traveled with this group through North Africa, through Sicily and into Italy. He arrived in Rome, June 6, 1944 immediately after the evacuation of that city by the Germans. Amprim established an office there which is still functioning. He has done very effective work in uncovering information about Italian and German espionage operations against the Western Hemisphere and in working up treason cases. Two additional agents have been with him since August of 1944.

Espionage

Amprim secured from leaders of the Italian Army, Navy and Air Intelligence groups complete details as to their operations and their connections with the German espionage system. He secured complete details on sabotage schools operated in Italy. Amprim secured statements from the leaders of the Italian espionage system on their operations in Latin America getting a complete picture of these operations, which has verified and supplemented that secured by investigations of Bureau agents in that field.

The Rome office developed the case against Captain Laurant H. J. Brackx who was recruited by the Germans and the Italians for work in the United States. Brackx was tried in New York City in April of 1945, was convicted and sentenced to eleven years in prison. Max Ponzo, of the Italian Naval Intelligence Service, who recruited Brackx for his espionage mission was brought to the United States with the assistance of the Bureau and he testified at the trial against Brackx.

Treason

The Rome office has done a great deal of work to develop the case against Ezra Pound, an American citizen who acted as one of the chief Fascist propaganda agents in Italy during the war. Pound has been indicted for treason against the United States and our agents have interviewed him and have uncovered a considerable amount of material in Italy which will be of assistance in the forthcoming trial of this subject. Original records of payments to Pound by the Italian government have been found as well as original broadcast records made by him in radio studios in Rome.

Assistance to the Embassy

The Bureau's Liaison Unit in Italy has been attached to the United States Army but it has had an opportunity to assist the United States Embassy there in many investigations involving alleged United States citizens who have asked for reinstatement and for visas to come to the United States.

Many Veteran Administration matters in the hands of the Embassy will shortly be handled by a Bureau agent who has just departed for Rome to serve as a Vice Consul in the American Consulate there.

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Authority MM947020
By WMP NARA Date 6/1/73

BB. Portugal

Special Agent Dennis A. Flinn was appointed Legal Attache to the United States Embassy in Lisbon, Portugal in August of 1943. He was later furnished with an assistant, Special Agent E. L. Padberg.

Flinn has probably been the Bureau's most successful representative in the Eastern Hemisphere from the standpoint of developing friendly and workable liaison with United States and Allied officials and agents.

Espionage

His work in uncovering the German Agent, Alois Julius Hanke shortly after his arrival in Lisbon was the most important single item which established his position firmly among all officials with whom he did business in Portugal.

Hanke, who was a trusted employee of an American firm in Lisbon enjoyed the confidence of the American community there, in both the diplomatic and business circles. Through an Ostrich message a report of the activities of both Agents E. J. Cronin and of Flinn, himself was passed on to Berlin. This was intercepted by the British and turned over to Special Agent Flinn. By a process of clever deduction and elimination Special Agent Flinn arrived at the conclusion that Hanke was the source of this information. He carefully interviewed Hanke several times and eventually secured his confession and in fact turned him into a valuable double agent whom he has continued to operate up to the present time. Considerable information has been secured through this double agent concerning the activities of the leaders of German espionage in Portugal and on the situation within the German Abwehr as a whole (S)

Flinn has recently developed several valuable informants among the Germans who have worked in Lisbon during the war or have recently returned from Latin America. Hans Joachim Geier was employed in the German Legation in Lisbon throughout the war. He has been developed by Flinn and has furnished him considerable information of value about the German Diplomatic Corps as well as about the formation of the German espionage system, in Lisbon. From him Flinn has secured a complete list of salaries paid Germans in Lisbon by the Legation and has also learned from Geier of large payments to Portuguese newspapermen who carried on propaganda activities for the Nazis.

Flinn has had several conversations with Dr. Erich Otto Meynen who appears anxious to cooperate in every way possible with the Allies. Dr. Meynen is the former German Ambassador to Argentina who recently was repatriated but who went no further than Lisbon. He has furnished considerable information about the espionage activities of Germans in Buenos Aires during the war and about the Germans who have been repatriated. Much of this information corroborates material already furnished the Bureau by our Legal Attache in Argentina.

Effective Liaison

The British recently secured in Portugal German microdot and (C)

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cryptographic machines used by the German espionage system there. Flinn was able to talk the British into keeping them in Lisbon temporarily to permit the examination of these same machines by a Bureau Laboratory Technician. Supervisor I. W. Newpher of the Bureau is presently in Lisbon examining these machines. Since the Bureau has not had information concerning German microdot machines this opportunity should result in a most valuable addition to our knowledge of espionage techniques. (u)

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CC. Spain

Special Agent Frank G. Siscoe was appointed Legal Attache to the American Embassy in Madrid, Spain and arrived for this assignment on April 24, 1944. Siscoe, until a short time ago, had to operate under extremely difficult working conditions because of close supervision by the Embassy officials and because of continuous complaints by OSS that he was encroaching upon their jurisdiction. In spite of this he has done an excellent job for the Bureau both in actual investigative work and in establishment of good relations with the various Embassy officials and Allied Intelligence groups in Madrid.

This was attested to by Inspector Thomas E. Naughten who inspected the Madrid office in January of 1945.

Espionage

Siscoe's most valuable contribution to the Bureau has been his handling and development of double agents both German and Japanese. At one time in the fall of 1944, he was completing arrangements and negotiations with not less than five of these individuals. These were involved in the PEP Case, CAMCASE, COCase, SPANIP Case, and the MICASE.

As an example of his work in this type case his activity in the SPANIP Case is referred to. Jose Maria Aladren was operated in the United States as a double agent by the Bureau. His principal in Madrid was Angel Alcazar de Velasco. Because of unsatisfactory developments in this case Aladren was urged to return to Spain and strengthen his setup with the Germans. Siscoe decided to interview Alcazar and he obtained from him the admission that Alcazar had set up an elaborate system of fictional agents which he represented to the Germans and the Japanese as being operated by him in the Western Hemisphere. Actually his only real agent had been Aladren.

He was collecting \$10,000 per month from the Japanese for the operation of these agents and was furnishing fictitious information. Of interest also was his statement that his activities were conducted with the knowledge and consent of the former Foreign Minister of Spain and brother-in-law of Franco, Serrano Sumar. Under Siscoe's guidance Aladren made direct contact with the Japanese and eventually returned to the United States on another mission for the latter and the Germans where his every act was supervised by the Bureau.

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Effective Liaison**SECRET**

Under the auspices of Siscoe arrangements have been made for the examination of some German cipher and cryptographic machines used during the war by the Nazis for espionage purposes in Barcelona, Spain. These machines were seized by the British and are being held at Madrid where a Laboratory Technician from the Bureau will shortly examine them. (C)

Political

It was well known that the Nazis were able to operate in Spain without hindrance and in fact with open assistance on the part of Spanish officials in many instances. This was strikingly illustrated when Special Agent Eugene J. Cronin, who was in Spain through arrangements with the State Department for the purpose of conducting a technical security survey of Embassy establishments, was mistreated and arrested by Spanish police in San Sebastian. About 4 AM Spanish police guards outside the office building housing the German Consulate stopped Cronin as he was passing and asked that he produce identification. He showed that he was a member of the American Embassy Staff but was refused permission to proceed to his hotel. He was then taken to police headquarters and refused permission to use the telephone. During the course of questioning by the police Cronin was struck two blows on the head and afterwards placed in solitary confinement. He was held incommunicado for six hours. Emphatic diplomatic protests were made to the Spanish government who expressed regrets but thereafter advised that their investigation showed that Cronin's behavior justified his temporary arrest and detention.

DD. Philippine Islands

An office was established on March 15, 1945 at Manila, Philippine Islands with the assignment of Special Agents Frederick G. Tillman and James A. Finley working in liaison with G-2 of the United States Army Forces in the Far East. From this assignment a considerable amount of valuable information has been obtained as to the espionage activities of the Japanese in the islands prior to and during their occupation. In addition, information is now being developed reflecting the Japanese policy of instituting the so-called reserve "Stay-Behind" agents which are rapidly being controlled in the islands. Considerable pertinent information has also been received reflecting the activities of American citizens who have been accused of collaborationist activities and suitable inquiry has instituted.

In addition to the regular functioning of our personnel in liaison with the Counter-Intelligence Corps of the Army, Special Agent Finley was attached to the staff of the Provost Marshal of Manila and acted as the principal advisor and consultant in the reorganization of the Manila Police Department and the institution of a complete new system coordinated to work with the Military Police of the Army stationed there.

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By MLV NARA Date 6/1/93

CONFIDENTIAL

COMMENDATION OF THE SIS DIVISION

There is contained herein a running memorandum regarding comments and commendation concerning the work of the SIS Division by outside agencies and individuals.

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Declassify on: OADR

5/16/83

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HEREIN IS UNCLASSIFIED
EXCEPT WHERE SHOWN
OTHERWISE

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Authority MM947020
By WML NARA Date 6/1/79

CONFIDENTIAL

Colonel H. G. Sheen, Chief, Counterintelligence with the Allied Expeditionary Forces in Europe in a letter to the Director dated May 28, 1945, stated: "Permit me to assure you of my deep appreciation for the thought given to the selection of the excellent men you have sent over to us. Mr. Ayer (Special Agent Frederick Ayer, Jr.) and Mr. Daughters (Special Agent Donald L. Daughters) the pioneers, have made a major contribution to the success of operations in France and all of them are fast becoming indispensable.

Colonel B. C. Andrus, Commandant, Headquarters, Continental Central PWE #32, United States Army, in a letter to the FBI Liaison Unit in Germany, dated July 12, 1945, stated the following in thanking the Bureau for handling his request for analysis of the drug used by Prisoner Hermann Goering: "The detailed written report from your Laboratory containing pertinent information about the Paracodin tablets submitted to your Laboratory 13 June 1945, has been received. The clear and specific data supplied in this report is of immense value to the Surgeon in supervising the care and treatment of the individual addict. * * * The Surgeon and I want to express our gratitude to you for your prompt cooperation in this matter."

Colonel Erskine, formerly with G-2, in a conversation with Mr. Ladd on October 20, 1945, stated that he was particularly pleased with the work of the FBI Agents in the European theater and that they had been of immeasurable help to him over there. He added that if he had had anything to do with recommendations regarding FBI Agents in Europe, he would recommend that they be kept in long after G-2 was pulled out.

Major General Clayton Bissell, Assistant Chief of Staff, G-2, in a letter to the Director dated October 8, 1945, made the statement concerning the Special Agents of the FBI who have been serving in a liaison capacity with the armed forces in Europe, "I am most appreciative of the cooperation extended the War Department in this matter in the past * * * *."

Major General Clayton Bissell, Assistant Chief of Staff, G-2, in a letter to the Director dated December 3, 1945, regarding his (General Bissell's) visit to the capitals of the Latin American countries commended the service of the Bureau's representatives in Latin America to the Military Intelligence Division. He observed that our offices and those of MID and ONI have operated effectively together under the Delimitation Agreement.

General Clayton Bissell, Major General, GSC, Assistant Chief of Staff, G-2, in a letter to the Director on December 3, 1945, stated:

"I regret exceedingly that the effective relationship which has functioned so smoothly during the war period must be terminated.

"During my visit to all capitals of Latin America, I met and talked with many of your representatives in that area. I would like to commend them

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RG 65 BOX 16 FBI

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Authority MM947020
By MM NARA Date 6/1/75

CONFIDENTIAL

Captain James I. Mellen, Economic Defense Board, (Board of Economic Warfare) in a letter dated November 26, 1941, advised after the submission of a memorandum to Captain Mellen, "Thanks largely to your generous cooperation in furnishing valuable material, the attached report was compiled". The report concerned the operations of the Italian Lati Air Line in Brazil. 64-1000-C-3

Dr. Graham Stewart, American Hemisphere Division of the Board of Economic Warfare, contacted the Bureau and requested permission for the utilization of non-confidential information of a background nature as to the various countries taken from our monographs. Dr. Stewart stated that his Division was preparing handbooks and manuals for the use of the members of the Board of Economic Warfare on technical missions in South America and that he desired to use our material in these monographs. He was given permission to utilize background material, and by letter dated December 15, 1942, Dewey Anderson, Chief, American Hemisphere Division, Board of Economic Warfare, advised that parts of the monographs on Peru, Honduras, Ecuador, Bolivia, Mexico, Colombia, Paraguay and Uruguay had been utilized. Mr. Anderson stated that the information had been furnished their analysts and that the material would be of great assistance. 62-65914-68 Also, a request was received from Dr. Graham Stewart, referred to above, on November 2, 1942, for permission to utilize the charts appearing in the Bureau's monograph on Peru. 62-65914-62

Mr. Franklin B. Atwood, Trade Intelligence Division, Board of Economic Warfare, by letter received on June 7, 1943, acknowledged receipt of a memorandum regarding Rohner, Gehrig and Company, Inc. in Brazil, by stating, "We find information of this type invaluable in the performance of our duties." 64-2602-35

Mr. Milo Perkins, Executive Director, Board of Economic Warfare, upon receipt of the monograph on Argentina, in a letter dated June 24, 1943, stated that he was furnishing it to his people who were working on Argentine matters and said, "I know that they will find it at this time most interesting and helpful."

Mr. Hector Lazo, Assistant Director, Office of Economic Warfare, in a letter dated July 31, 1943, thanking the Bureau for a memorandum of July 30, 1943 with respect to the subversive activities of certain Argentine branches of Axis firms, stated: "Your cooperation in sending us this information is very much appreciated." 64-2811-295

Mr. Dave Adler, a representative of the Office of Economic Warfare who had returned from a survey of enemy smuggling activities in Colombia, stated at a meeting at the State Department on September 29, 1943, that he found that the FBI in Colombia was the only agency capable of taking any action with respect to the legal control of smuggling of platinum. He further stated that the FBI representatives knew of smuggling agents and had complete files on them. He remarked that consideration ~~had~~ been given in Washington to the purchasing of platinum on the black market to determine who the sellers were and through what channels the platinum travelled, but that this was

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RG 65 BOX 16 FBI

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Authority MM947020
By WML NARA Date 6/1/95

CONFIDENTIAL

entirely unnecessary, because the FBI already had detailed information on all the smugglers.

Commenting on a report prepared August 14, 1944, by five Special Agents working on a platinum smuggling special investigation in Colombia, Mr. Albert LaSpina, Special Representative of the Foreign Economic Administration in Colombia, states, "The survey is excellently done and after reading it, I have no criticisms or suggestions to make. It seems to get to the bottom of the situation and is something that we have all needed here in Colombia for quite some time. The only place that it seems possible where an error in the figures could have occurred would be in the official figures of the Colombian Government. The survey will in all probability serve as a basis for changing our set-up with regard to the platinum; however, we do not plan to make any changes until we see results of any deportations that may be made."

Leo T. Crowley, Administrator, Foreign Economic Administration in a letter to the Director dated January 15, 1945, stated, "The service which your Washington staff has furnished us through our Economic Intelligence Division has been of invaluable assistance, and we have frequently consulted with your organization in order to adjust this service to our varying needs... The shift of Axis capital and personnel to neutral countries and particularly to Latin America has developed to an alarming extent. In this emergency the wise experience and proven abilities of your organization in matters of this sort make it imperative that we enlist your full cooperation in uncovering these subversive activities... May I take this opportunity to thank you again for the fine assistance given to us in the past by yourself and your staff and for a continuance of this valuable cooperation."

Lewis A. Riley, Liaison Officer of the Foreign Economic Administration, in an undated letter to the Director, stated: "We wish to acknowledge with thanks the forwarding of a shipment of approximately 250 pounds of Japanese Machinery and Equipment catalogues... as described and listed. These catalogues, covering a period of 1936 to 1940, contain valuable data in relation to the location of various manufacturing plants. We appreciate your valuable help in making this data available to us."

Leo T. Crowley, Administrator, Foreign Economic Administration, in a letter to the Director dated March 22, 1945, stated: "The monograph entitled 'The Republic of Paraguay' which you sent me under date of February 19, 1945, is a valuable addition to our files and will prove of interest to our analysts. Please accept my thanks and appreciation for your courtesy."

Leo T. Crowley, Administrator, Foreign Economic Administration, in a letter to the Director dated July 17, 1945, stated "It is my desire that all of the Divisions of the Foreign Economic Administration under my direction cooperate with you in any way possible, if for no other reason than that your cooperation has meant so much to me in working out all my operations."

99 CONFIDENTIAL

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Authority NND 968103
By JW NARA Date 7-29

RG 151 Acc. 61-A-109
Box 27
Foreign Funds Control
Defrosting Austria

DOCKETED
Intercustodial Section
MAR 23 1954
22-52
DUPONT 2477

Category 1.

Claimant: Contessa Elvira de Baguer Bridiga, Gorizia, Piazza Catterini 5 Italy.

Property: \$ 2,000.00 7½% Tiwag Obligations of the year 1925
\$ 1,000.00 M/2642
\$ 500.00 D/78, D/79

Several securities are in the depository of the "Erste Oesterreichische Spar-Casse, Wien I", since 13 December 1934.

Reasons: Certification was refused as the claimant has been living in Italy since June 14, 1941.

Claimant: Versicherungsanstalt der oesterreichischen Bundeslaender, Versicherungs A.G., Wien I, Renngasse 1

Property: The following securities are in the depository of the "Landes-Hypothekenanstalt fuer Niederoesterreich, Wien I."
\$ 22,500.00 6½% Newag Obligations of the year 1924
20/1000- No. 221, 238, 927, 932, 990, 1000, 1076, 1283, 1338, 1616, 1627, 1745, 1877, 2001, 2030, 2140, 2151, 2187, 2342.
5/500 Nos. 10, 47, 191, 324, 450.

Reasons: The application for certification was refused as there is a more than 25% German and Hungarian interest in the above-named company.

Claimant: Riunione Adriatica di Sicurta A.G., Direktion fuer Oesterreich, Wien I, Tegetthoffstrasse 7 - 9.

Property: \$ 30,000.00 6½% Newag Obligations of the year 1924.
28/1000 - Nos. 28, 109, 182, 193, 308, 378, 450, 628, 630, 664, 772, 1004, 1128, 1176, 1404, 1416, 1435, 1609, 21046, 2238, 2387, 2429, 2436, 2437, 2516, 2552.
4/500 - Nos. 163, 272, 295, 300.

These securities have been in the depository of the "Creditanstalt-Bankverein, Wien I", at least since 1938.

Reasons: The application in question was submitted to the U.S. High Commissioner for Austria, Finance Division of USACA (Mr. J. H. Adler) for decision in 1947. It was mentioned in this connection that the majority of the shares of the company are owned by Italians, however, that the claimed property is the sole property of the Austrian branch of this company and furthermore that it especially involves the cover-stock for the Austrian life insurances. No decision on this application has been received as yet from the above-named American agency.

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Authority: NND 968103
By: JW NARA Date: 7-29

RG 131 Acc. 61-A-109
Box 27
Foreign Funds Control
Defrosting Austria

transmission
MAR 23 1954

Claimant: Internationale Unfall- und Schadensversicherungs A.G.
Wien I.

Property: The following securities are in the depository of the
"Creditanstalt-Bankverein, Wien":

- \$ 30,000.00 State Mortgage Bank of Yugoslavia Secured
7% Sinking Fund Gold Bond due April 1, 1957,
30/1000
- \$ 5,200.00 State Mortgage Bank of Yugoslavia, 5% Funding
Bond due October 1, 1956, Series I, 1/1000,
5/500, 17/100.
- \$ 5.00 Ditto, Series I of the year 1933, Part-Certificate
1/5.
- \$ 2,400.00 State Mortgage Bank of Yugoslavia, 5% Funding Bond
Second Series, due October 1, 1956, 1/1000, 2/500,
4/100.

Detached coupon of the 7% Yugoslavian Government Loan of the
year 1922 per \$ 4,000.00 for November 1, 1939 to Nov. 1, 1940.
Detached coupon of the 5% Yugoslavian Funding Obligation of the
year 1932 per \$ 700.00 for May 1, 1940 to November 1, 1940.
Detached coupon of the 5% Yugoslavian Funding Obligation of th
year 1936/II per \$ 300.00 for May 1, 1940 to Nov. 1, 1940.

Reasons: In accordance with the agreement between the U.S. Treasury
Department and the Federal Ministry of Finance the application
in question was submitted to the U.S. High Commissioner for
Austria, Finance Division of USACA in 1947. It was mentioned
that according to our examination the requirements for the
certification were met. No decision on this application has
been received as yet from the above-named American agency.

* N/R Claimant: Narodni Sprava Majetkovyck Podstat, Praha I, Hastalska 20.

Property: Several Dollar-securities have been in the depository of the
"Creditanstalt-Bankverein" respectively the "Oesterreichische
Laenderbank A.G." for the account of the "Boehmische Union
Bank" now "Legiobanka narodnik podnik, Praha". The securities
are in the depository of the "Creditanstalt-Bankverein" resp.
the "Oesterreichische Laenderbank A.G." or they are deposited
by them with one of their American correspondents.

Reasons: The applications in question were submitted to the U.S. -
Allied Commission for Austria, Finance Division (Mr. Kerekes)
in 1947 and 1948. It was mentioned that the claimant company
is the legal successor of former German agencies which were
designated to administer properties that were confiscated on
the basis of German rules and regulations. The claimant stated
at that time that the securities in question were confiscated
property of Czechoslovakian citizens who were persecuted by
the Germans for national, political and racial reasons. The
claimant did not submit proof that the securities in each case
belonged really to such persons. The Austrian National Bank
requested the decision of the Finance Division whether the
certification could be made on the basis of the statements of

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in U.S.

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dispositions?

F-6-22 et al

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Authority NND 968103
By JW NARA Date 7-299

RG 131 Acc: 61-A-109

Box 27

Foreign Funds Control
Defrosting Austria

Intercontinental Section

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MAR 23 1954

- 3 -

the claimant or whether proof of ownership, citizenship and residence of the owners would have to be submitted. The applications have not been returned as yet from the Finance Division and no decision could be obtained.

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Authority VND 968103
By JW NARA Date 7-29

Box 27
Foreign Funds Control
Defrosting Austria

DOCKETED
Intercustodial Section

Category 2

D-34-59 Rohner, Gehrig & Co., Inc.

Claimant: A. Bartz Ges.m.b.H., Wien I, Kantgasse 2.
Property: \$ 303.30 with the firm Rohner, Gehrig & Co., New York.
The account originates from forwarding business handled before June 14, 1941.
Reasons: The application is pending until the company's ownership will be clarified (at present under public administration).

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Claimant: *N/R* Gewerbe und Handelsbank A.G., Wien VII, Zieglergasse 5.
Property: \$ 46.62 with the National City Bank of New York, New York.
Reasons: Certification denied because of high German interest in ownership.

*7
Jew wife*

Claimant: *N/R* E. Hassinger, Wien VII, Zieglergasse 32.
Property: \$ 540.28 accounts receivable from the firm L.E. Waterman Co New York.
Reasons: Application is pending as the sole owner of the firm has been permanently residing in Spain since 1941.

SP

Claimant: *F-28-435* L'Infant Don Carlos de Bourbon Sevilla, Spanien.
Property: \$ 868.42 account at old rate of exchange with the Bank E. v Nicolai & Co., Wien I.
a) \$ 517.60 loco National City Bank of New York, New York
b) \$ 350.82 loco The Chase National Bank of the City of New York, N.Y., in an account which still bears the name of Chrossoveloni, Bisteyhi & Co., although it was taken over by E.v. Nicolai on October 1, 1941 when the current business was taken over by said firm.
Reasons: \$ 8,435.40 account at old rate of exchange with the bank E. Nicolai & Co., Wien I, loco National City Bank of New York, York.
Reasons: Application for certification has been denied as claimant has been permanently residing in Spain.

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Authority NND 968103
By JW NARA Date 7-299

RG 151 Acc. 61-A-1109
Box 27
Foreign Funds Control
Defrosting Austria

DOCKETED
Intercustodial Section

5)

Claimant: ^{NR} Graf Moriz Esterhazy, Budapest II, Jegverem u 2

Property: The following securities are in the depository of the bank E.v. Nicolai & Co., Wien I., loco Chase National Bank of New York, New York:
 10 Associated Gas & Electric Class "A" stock shares,
 40 Abitibi Power & Paper shares.
 The following securities are in the depository of the bank E.v. Nicolai & Co., Wien I., loco National City Bank of New York:
 20 International Hydro Electric System, Clas "A", stock @ \$ 2
 2.1075 Associated Gas & Electric Clas "A" stock shares.
 The accounts in question are still kept by the above-named American bank under the old name of Chrissoveloni, Bisteyhil Co.

Reasons: Certification was denied as the claimant has been permanently residing in Hungary.

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Authority VND 968103
By JW NARA Date 7-29-99

RG 151 Acc. 61-A-109
Box 27
Foreign Funds Control
Defrosting Austria

BUCKETED

JUN 15 1953

Reasons: Certification was made on the basis of a certificate of the Federal Ministry for Property Conservation and Economic Planning. It was stated therein that the company in question is to be considered as an Austrian enterprise in the sense of the Law of Nullity - Principle published on July 31, 1946, because at least 100% of the stock was owned by Austrians until March 12, 1945. The transfer by the Creditanstalt-Bankverein of the majority of the shares to the "Reichswerke Hermann Goering" constituted such a property transfer under the circumstances, which was declared null and void under the above-mentioned law. For the above reason the Federal Ministry was of the opinion that Steyr-Daimler-Puch A.G. should not be considered German property in the sense of the Potsdam Agreement.

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Claimant: Estate of Paula Jurany, Wien. Verlassenschaft Paula Jurany

Property: \$ 1,000.00 City of Berlin 6½% Sinking Fund Gold Bond Municipal Loan of 1925, No. 855,
\$ 1,000.00 German Consolidated and Clearing Association 7% Sinking Fund Secured Gold Bond, due February 1, 1947, No. 1000.
Both securities are deposited loco Vienna.

Reasons: Certification was made. Because of the minor value of the securities involved no examination of the 12 heirs, some of whom live in Hungary, was regarded necessary. Austrian citizen claims 3/10 interest of the estate, a person living in USA claims 1/10 interest in the estate and persons living in Germany claim 6/10 interest in the estate.

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Claimant: Margarete Trenkler, Wien XVIII, and Eleonore Trenkler, Koblach, Bodensee.

Property: \$ 1,000.00 6½% Berlin City Electric Co. Debenture Loan of 1926, No. 2688, deposited loco Vienna.

Reasons: Although one of the claimants has been living permanently in Germany the certification was made because of the insignificance of the value of the securities.

*No action
Gov. Sec.
not in U.S.*

*No action
Gov. Sec.
not in U.S.*

DECLASSIFIED

KG 131 Acc: 61-A-109

Authority VND 968403
By JW NARA Date 7-27-99

Box 27
Foreign Funds Control
Defrosting Austria

DEPARTMENT of JUSTICE
OFFICE OF ALIEN PROPERTY
Linguistic Unit

Item : Letter
Language : German
Linguist : LAN

Translation [x]
Summary []
Analysis []

Ref.: Date: May 16, 1953
Sender: Oesterreichische Nationalbank [Letterhead]
Direktorium
Wien I/1., Postfach
Addressee: Office of Alien Property
Department of Justice
Washington 25, D.C.

Nr. 159/1953

Subject: Our letters of April 23, May 30, August 13, and November 4, 1952, Nr. 159/52, concerning reports regarding property values blocked in the USA in accordance with Executive Order No. 8389 (Your letters to the Austrian Ambassador in Washington of February 15, 1952, HIB: HGH: MW:mwf, 127575, and of February 28, 1952, HGH:MW:mwf, 128.108).

Following up our letters mentioned above, we take pleasure in informing you concerning the cases still open according to these letters, 29, 30, 31, 32 and 34 (which was erroneously mentioned as Case 33 in the letters of May 30, August 13, and November 4, 1952):

In Case 34 Fritz Wessely, deceased (Report No. 0005801), we ascertained the following heirs:

(a) living in this country:

- 1) Aloisia Fischer, Wien XV., Kriemhildeplatz 1/19,
- 2) Albert Glueckschalt, Wien VIII., Albertgasse 34,
- 3) Gisela Lampel, Wien XV., Chrobakgasse 6,
- 4) Paula Szobissek, Wien VIII., Lerchenfelderstr. 88,
- 5) Hilde Sorgmann, Wien XVIII., Sternwartestr. 39,
- 6) Dr. Karl Nowotny, Wien VIII., Lamngasse 1,
- 7) Ing. Karl Koralek, Wien XIX., Perntergasse 15.

130754
OFFICE OF ALIEN PROPERTY
DEPARTMENT OF JUSTICE
RECEIVED JUN 24 1953
ANS'D _____ DATE _____
NO. ANS _____ DATE _____
037-51

2005-52

8.) Oskar Kohnberger, Fairfield, U.S.A.,

REGISTERED MAIL
No. 485

200309

Foreign Funds File - not to be incorporated in Office of Alien Property File

REPRODUCED BY THE NATIONAL ARCHIVES

A-017-7

[Oesterr. Nationalbank]

(b) living in foreign countries:

- 8) Oskar Kohnberger, Fairfield, U.S.A.,
- 9) Auguste Oberlaender, London 45, Chalkwell,
- 10) Ernestine Patak, Tel Aviv, Israel,
- 11) Else Pollak, 736, West, New York, U.S.A.,
- 12) Helene Sessler, San Francisco 14, Noe Street, U.S.A.,
- 13) Ella Pollak, 6 Allerton Road, London Nr. 16, England,

c) Heirs whose residence is unknown or who are missing:

(For these heirs a curator absentis, Attorney-at-Law Dr. Ernst Szobissek, Wien XXI., Angererstr. 1, was appointed.)

- 14) Julius Fischl, missing,
- 15) Karl Kohnberger, residence unknown,
- 16) Dr. Kurt Wessely, residence unknown,
- 17) Trude Sladek, residence unknown,
- 18) Sister and brothers Grete, Erich and Bruno Pohl, residence unknown.

Concerning the heirs residing in this country, mentioned under 1) to 7), it can be confirmed that in the property values coming to these heirs there is no "enemy influence" in the sense of the American legislation concerning enemy property. Concerning those heirs, who are located in foreign countries or whose residence is unknown, no investigations can be made from here.

Regarding the cases 29), 30) and 31) Alois and Camillo Rizzoli, both in Linz, (report No. 0005241, 0005242 and 0006551) as well as Case 32), Odorico Susani, Graz, (Report No. 0001052) no ~~ex~~ declaration can be given whether an "enemy influence" exists in their property because the entitled persons concerned to this day have not submitted the documents required for ^{investigation.} ~~examination.~~

Yours very truly,
Direktorium der
Oesterreichische Nationalbank [2 s.-illeg.]

8.) Oskar Kohnberger, Fairfield, U.S.A.,

REGISTERED MAIL

No. 485

200310

DECLASSIFIED

Authority: VND 968403
By: JW NARA Date: 7-29

KG 131 Acc: 61-A-109

Box 27
Foreign Funds Control
Defrosting Austria

STI
PROPER
FILES

DEPARTMENT of JUSTICE
OFFICE OF ALIEN PROPERTY
Linguistic Unit

Item : letter
Language : German
Linguist : JW

Translation [X]
Summary []
Analysis []

Ref.: 0 42

Date: November 4, 1952

Sender: Oesterreichische Nationalbank
Direktorium [Directorate]
Wien [Vienna]
Postfach [P.O.B.]

Addressee: Department of Justice
Office of Alien Property
Washington, 25, D.C.

Nr. 159/1952

129789
OFFICE OF ALIEN PROPERTY
DEPARTMENT OF JUSTICE
RECEIVED JAN 5 1953
ANSB
NO 118
D 37-51

Re: Our letters of April 23, 1952, May 30, 1952 and August 13, 1952, Nr. 159/1952, concerning reports of ~~XXXX~~ assets in the United States vested pursuant to Executive Order No. 8389 (Your letters to the Austrian Ambassador in Washington of February 15, 1952, HIB:HGH:MW:mwf, 127575, and of February 28, 1952, HGH:MW:mwf, 128.108).

Supplementing our aforementioned letters we beg to inform you of the present status of our investigations concerning the still unfinished cases 20), 29), 30), 31), 32), and 33).

Case 20) Josefina Fitzgerald, deceased (report No. 0004565).

The amount in question of \$ 7,731.74 has already been transferred and paid on October 18, 1952, in shillings to the heiress, Mrs. Paula Ratkovic, by the Oesterreichische Nationalbank so that it seems that further investigations in this ~~XXXX~~ matter are no more necessary.

Case 33) Fritz Wessely, deceased (report No. 0005891)

2005-52

We wish to mention that twenty persons are heirs. ~~XXXX~~ The whereabouts of ^{persons in} seven ~~are~~ not known, some others are living in foreign countries. I will take ^{four} quite a while ~~to~~ to get all the documents ~~XXXXXX~~ which are necessary to make the

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Authority NND 968103

By JW NARA Date 7-29-99

RG 131 Acc: 61-A-109

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Defrosting Austria

desired statement. The representative of the heirs tries to procure these documents as soon as possible and we will revert to this case at the proper time.

As far as the cases

29), 30), and 31) Alois and Camillo Rizzoli, both at Linz (report No. 0005241, 0005242 and 0006551) and

32) Odorico Susani, Graz (report No. ~~XX~~ 0001052)

are concerned, we have not yet received the documents necessary for our examination. Only a short time ago, we asked again to submit these documents.

Very sincerely yours,

Directorate of the
Oesterreichische Nationalbank

[Two illegible signatures]

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Incorporated in Office of Alien Property Files**

**Foreign Funds File - not to be
Incorporated in Office of Alien Property Files**

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DECLASSIFIED

K6131 Acc: 61-A-109

Authority NND 968103
By JW NARA Date 7-29-99

Box 27
Foreign Funds Control
Defrosting Austria

[Translation from German original by CCB]

AUSTRIAN NATIONAL BANK
Management
Address: Vienna I/1, P.O.B.

Vienna, May 30, 1952

No. 159/1952

To the
Office of Alien Property,
Department of Justice,
Washington 25, D.C.
U.S.A.

Re: Letter to the Austrian Ambassador in Washington
of Feb. 15, 1952, HIB:HGH:MW:mwf, 127.575,
and of Feb. 28, 1951, HGH:MW:mwf, 128.108,
concerning Reports on 38 Assets still blocked
in USA according to Executive Order No. 8389.

Referring to the above-mentioned communications received by us through the media-
tion of the Austrian Embassy, Washington, we beg to inform you, following our letter
of April 24, 1952, of the present status of our investigations concerning the cases
15.) to 34.) still pending at your end.

With regard to the following cases:

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- 17.) John Deutsch, Graz,
- 18.) Theresia Dorner, Mattighofen,
- 21.) and 22.) Egon Haas, Paris,

we can confirm, on the basis of the proof submitted to us, that there is no "enemy"-
influence within the meaning of the American enemy property laws with respect to the
assets concerned. In addition, We supplement our remarks regarding the cases 21.) and
22.) to the effect that the entire estate left by Egon Haas who died on May 8, 1945
was given to the heiress-mother Josefina Haas, Vienna IX., Seegasse 9.

With regard to the following cases:

- 15.) American Medical Society, Vienna,
- 19.) Hans Ehgartner, Vienna,
- 28.) Rudolf Knips, Vienna, and
- 33.) Helene Thomas, deceased,

we make the following comments:

ad 15.): The American Medical Society, Vienna IX., was cancelled in the Register of
Societies in 1947. We are not in a position to ascertain what persons might have an

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Box 27

Foreign Funds Control
Defrosting Austria

interest at present in the actual assets.

ad 19.): Hans Ehgartner denies that he owned a dollar account in the USA during the 2nd World War, and he assumes that the instant case is concerned with a credit balance from current account with his business partner, the Firestone International Co., Akron 17, Ohio, which was started only after the 2nd World War and therefore cannot be subject to the American enemy property laws. If additional comments from the Austrian National Bank are required in this matter, we suggest to let us know whether the above statements are true.

Ad 28.): According to our investigations, Rudolf Knips died in Vienna on May 13, 1948. The sole heiress Barbara Knips resides in Canada. If another statement from the Austrian National Bank in this matter concerning possible enemy interests is desired, such statement could be given only with regard to the person of the above-mentioned deceased.

ad 33.): Helene C. Thomas died in Salzburg on May 11, 1940; her heirs reside in the U.S.A., therefore we believe that it is no longer necessary for us to work further on this matter.

With regard to the following cases:

- 16.) Alwin Cranz, Mallnitz,
- 20.) Josefina Fitzgerald, deceased,
- 23.), 24.) and 25.) Ella Herrmann, Vienna XVIII., and Pauline Preiter, Innsbruck,
- 26.) and 27.) M.C. Hutter, deceased, or Marianne Hutter, deceased,
- 29.), 30.) and 31.) Alois and Camillo Rizzoli, both in Linz,
- 32.) Odorico Susani, Graz, and
- 33.) Fritz Wessely, deceased,

we have to inform you that not all the documents were submitted to us yet which are required by us in order to make the desired statements.

With regard to the cases 16.) and 33.), not even the addresses of the interested parties or their legal successors could be ascertained so far.

We shall continue to do our best in order to bring the cases still open to an early solution, and we ask you to extend the time limit given us for issuing our statements until July 31, 1952.

Yours very truly,
THE MANAGEMENT of the
AUSTRIAN NATIONAL BANK
/s/ [2 illegible signatures]

AIR MAIL
REGISTERED

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guthaben bei seinem Geschäftspartner, der Firestone

054

./.

200314

Authority NND 968103
 By JW NARA Date 7-29-99

Box 27

Foreign Funds Control
 Defrosting Austria

UNITED STATES GOVERNMENT

[Translation]

[Kerr/JK/lw/LS]

Oesterreichische Nationalbank
 Directorate
 ad No.159/1952

Office of Alien Property,
 Department of Justice,
 Washington 25 D.C.

Vienna, April 24, 1952.

Subject: Letters addressed to the Austrian Ambassador in Washington on February 15, 1951, HIB:HGH:MW:mwf, 127.575, and on February 28, 1951, HG:MW:mwf, 128.108, concerning reports on 38 assets in the U.S.A. which are still blocked in accordance with Executive Order No.8389.

With reference to the above-mentioned letters which we received through the Austrian Embassy in Washington, we wish to state the following with regard to the attached reports received by us on April 18, 1952:

In the following cases (1-4), statements within the meaning of General License No. 95 have already been issued and we enclose photostats thereof.

1. Berta Bettlheim, Vienna III (report No.0002073 - received by you on November 15, 1950),
2. Olivia Larisch, nee Fitz-Patrik, Vienna I (report No.0000254 - received by you on November 3, 1950),
3. Professor Eduard Ludwig, Vienna XIX. (report No. 0002470 - received by you on November 15, 1950),
4. Katharina Messaritsch, Vienna XVI., (report No. 0005529 received by you on November 20, 1950).

In addition, a certificate was issued in connection with an application for release of assets belonging to

5. Mrs. Maria Giovanelli-Suschinsky, Vienna VIII. (report No. 0002501 - received by you on November 15, 1950),

which assets were vested pursuant to Vesting Order 2717; a photostat of this certificate is also enclosed.

With regard to the cases

6. Marianne Preuschen, Salzburg (report No.0006917 - received by you on April 10, 1951),

Authority NND 968103
By JW NARA Date 7-27-77

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Defrosting Austria

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7. and 8. Johann Girmindl, Vienna V., (reports Nos. 0004286 and 0006714 - received by you on November 16, 1950 and November 17, 1950, respectively) and

[page 2 of original:]

9. Estate of Alfred Vonwiller (report No. 0003243 - received by you on November 16, 1950),

we wish to state the following:

ad 6. On the basis of records submitted by Mrs. Preuschen, the Oesterreichische Nationalbank confirms that Mrs. Preuschen cannot be regarded as an "enemy" within the meaning of General License No. 95 (the only reason why a statement has not yet been issued is that the above-mentioned person could not produce evidence to prove her claim to the assets in question; we now consider that such evidence has been furnished by the report of the bank keeping the account).

ad 7. and 8. No application for release of the assets listed in reports Nos. 0004286 and 0006714 has up to now been submitted to the Oesterreichische Nationalbank. However, the Oesterreichische Nationalbank has already issued a statement within the meaning of General License No. 95 for Mr. Girmindl, in connection with an application for release of other blocked assets; a photostat of this statement is attached.

ad 9. In connection with an application for deblocking submitted to the Swiss Clearing Office, Zurich, the Oesterreichische Nationalbank issued on August 14, 1948, a cross-statement showing that Mrs. Irma Chamare, of Kammer on the Attersee, is not considered an "enemy" within the meaning of General License No. 95. Whether and to what extent the above-mentioned person has a claim to the assets in question cannot be judged from here, as no records on this point are available.

As regards the cases

10. State Government of Lower Austria, Vienna (report No. 0004632 - received by you on November 16, 1950),
11. Seminary of the diocese of St. Poelten and parish of Wieselbruck on the Erlauf (report No. 0004006 - received by you on November 16, 1950),
12. NEWAG Niederoesterreichische Elektrizitaetswerke A.G., Vienna I (report No. 0005831 - received by you on November 27, 1950) and
13. and 14. TIWAG Tiroler Wasserkraftwerke A.G., Innsbruck (reports Nos. 0005785 and 0005786 - received by you on November 27, 1950),

- 3 -

it is a question of one public and one ecclesiastical agency, and two exclusively state-owned Austrian enterprises (owned by the State of Lower Austria and by the State of Tyrol, respectively), so that the procedure of issuing a statement is not necessary. It can, therefore, be confirmed without further ado that these agencies (or enterprises) are not subject to any "enemy" influence within the meaning of the American Enemy Property Laws.

As regards the following cases, no applications for release have as yet been submitted to the Oesterreichische Nationalbank, so that the bank will first have to get in touch with the persons concerned, as far as their addresses are known, and request them to furnish evidence showing that statements may be issued on their behalf. However, it will be pointed out to the parties concerned that the matter must be dealt with as speedily as possible:

15. Amerikanische Medizinische Gesellschaft [American medical society], Vienna IX. (report No. 0003026 - received by you on November 16, 1950),
16. Alwin Craz, Mallnitz, (report No. 0005995 - received by you on December 1, 1950),
17. John Deutsch, Graz, (report No. 0002698 - received by you on November 15, 1950),
18. Theresie Dorner, (report No. 0003673 - received by you on November 16, 1950),
19. Hans Ehgartner, Vienna I. (report No. 0005709 - received by you on November 22, 1950),
20. Josefina Fitzgerald, deceased (report No. 0004565 - received by you on November 16, 1950),
21. and 22. Egon Haas, Paris (report Nos. 0002955, 0006773 - received by you on November 16, 1950 and January 1, 1951, respectively),
- 23., 24. and 25. Ella Herrmann, Vienna XVIII., and Pauline Preiter, Innsbruck (report Nos. 0001278, 0001980 and 0001981 - received by you on November 14, 1950, and November 15, 1950, respectively),
26. and 27. M.C. Hutter, deceased, and Marianne Hutter, deceased (report Nos. 0001112 and 0001167, both received by you on November 14, 1950),

- 4 -

28. Rudolf Knips, Vienna (report No. 0004686 - received by you on November 16, 1950),
- 29., 30., and 31. Alois and Camillo Rizzoli, both of Linz (report Nos. 0005241, 0005242 and 0006551 - received by you on November 17, 1950 and December 18, 1950, respectively),
32. Odorico Susani, Graz (report No. 0001052 - received by you November 13, 1950),
33. Helene Thomas, deceased (report No. 0004744 - received by you on November 16, 1950), and
34. Fritz Wessely, deceased (report No. 0005891 - received by you on November 29, 1950).

It must, however, ^{be} added that in the cases 15., 28. - 31., 33. and 34., the addresses of the persons concerned or their legal successors will first have to be ascertained, which will probably take a certain time.

[page 4 of the original:]

After these cases have been clarified, the Office of Alien Property, Washington, will be directly informed whether and to what extent the above-mentioned applicants must be regarded as "enemies" within the meaning of the American Enemy Property Laws.

As regards the remaining reports, i.e.

35. Emma Bischof, Sister Candida (report No. 0006111 - received by you on December 1, 1950),
36. Heinrich Taeni (report No. 0000818 - received by you on November 13, 1950),
37. Dr. Alfred Rie, administrator of the estate left by Amalie Lowenstein (report No. 0002099 - received by you on November 15, 1950),
38. Karl Schiänzel, Rochester (report No. 0005188 - received by you on November 17, 1950),

the Oesterreichische Nationalbank sees no chance of finding the persons concerned. The reports relating to the cases listed above will therefore be returned u.e. [? unter eingeschrieben = registered] to the Office of Alien Property.

ad 35. In the case of Emma Bischof, (Sister Candida) the property in question may, in spite of the above-mentioned being an

Austrian citizen, possibly be regarded as German property from the point of view of the American Property Laws, as the owner has her residence in Germany. No place called Schmaltenberg can be found in the gazetteer of Austria. The place in question is probably Schmallenberg in Westphalia (Western Germany). If in order to obtain the release it will be necessary to provide a certificate showing that the above-mentioned was an Austrian citizen, we would ask you to inform us accordingly and once more send us back the relevant reports, so that we may, if need be, get in touch with the above-mentioned person and request her to furnish the required records.

- ad 36. As far as the Taeni case is concerned, the law firm of Walter, Burgis & Co., London, which is mentioned on the reverse side of the report, might possibly be able to give information about the present whereabouts of the person concerned.
- ad 37. With regard to the case of Dr. Rie we wish to state that the attorney Dr. Helmut Rosenthal, Vienna I, who is designated as the person authorized to accept service, dissolved his office shortly after the occupation of Austria, i.e. as early as 1938, as has been ascertained by inquiries addressed directly to the Vienna Bar Association. His present whereabouts are unknown.
- ad 38. The whereabouts of Karl Schinzel are likewise unknown.

Yours very truly,

Directorate of the
Oesterreichische Nationalbank

(s) [two illegible signatures]

Various enclosures.

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109669

APR 27 1948

Dear Mr. Winterstein:

This is to supplement the letters of December 27, 1946 and January 8, 1947 exchanged between the Secretary of the Treasury and Minister of Finance Zimmermann respecting procedures under General License No. 95 with respect to Austria.

As you know, this government has been concerned for some time with problems relating to the certification of assets belonging to persons who are not citizens of the countries in which they seek certification. In order to deal with this problem this government is seeking certain assurances from the governments of countries admitted to the privileges of General License No. 95 in order to preserve the objectives of the United States in connection with the certification of blocked assets. Accordingly, and in accordance with conversations previously held with you, it is understood that your government is prepared to give its commitment in the following terms:

"With respect to every certification issued by the Austrian National Bank after April 19, 1948 every national of a foreign country designated in the Order, as defined in General License No. 95, who has at any time between the effective date of the Order and the date of the certification had any interest in the property to which the certification relates is either:

- (a) a citizen of Austria residing in Austria;
- (b) a person who has continuously resided in Austria since before June 1, 1947 and who on that date was in possession of an appropriate document issued by Austria or any sub-division or agency thereof authorizing him to reside in such country;
- (c) a person with respect to whose interest in the property the Austrian National Bank has received from the appropriate foreign government the assurances required by numbered paragraph (d) of the letters dated December 27, 1946 and January 8, 1947 exchanged between the Secretary of the Treasury and Minister of Finance Zimmermann;

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Authority NND 968403
By JW NARA Date 7-2-99

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(d) a person resident in Austria who is not a citizen of any country specified in General License No. 95 other than Austria, Czechoslovakia, Finland, Poland, Switzerland or Liechtenstein; or

(e) a person resident in Austria who is a citizen of a country specified in General License No. 95 other than Austria, Czechoslovakia, Finland, Poland, Switzerland or Liechtenstein and who has not continuously resided in Austria since June 1, 1947, provided (1) such person is in possession of an appropriate document issued by Austria or any subdivision or agency thereof, authorizing him to reside in such country; (2) such person agreed prior to the issuance of the certification that the Austrian National Bank notify the designated agency, within the meaning of General License No. 95, of the government of his country of citizenship of the nature and amount of his blocked property in the United States for which he seeks certification from the Austrian National Bank on the representation to that office that he has permanently emigrated from such country; and (3) the Austrian National Bank did so notify the designated agency, within the meaning of General License No. 95, of the government of that country.

(f) a partnership, association, corporation or other organization organized under the laws of Austria in which the proportion of interests held by nationals of countries designated in the Order, as defined in General License No. 95, other than such nationals specified in (a), (b), (c), (d) or (e) hereof is less than 25%.

For your information, the licensing operations of my government are being conducted along lines substantially similar to the arrangements set forth above.

Will you please advise me in writing without delay that on behalf of the Government of Austria and with full authority in the premises you accept without reservation the commitment set forth above.

Sincerely yours,

(Signed) Rella R. Shwartz
Rella R. Shwartz
Acting Director

Dr. Claus Winterstein,
Attache, Legation of Austria,
1706 Twenty-first Street, N.W.,
Washington, D. C.

RRShwartz:ebb 4/26/48

Box 27

Foreign Funds Control
Defrosting Austria

FEB 25 1947

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102899

My dear Dr. Kleinwachter:

On March 2, 1947 the United States controls under the Trading with the enemy Act are being eliminated so far as current transactions between persons in the United States and persons in Germany and Japan are concerned through amendments to Treasury General Licenses Nos. 94 and 95, Public Circular No. 25, and General Ruling No. 11A. Property in the United States which, on December 31, 1946 was blocked by reason of the interest of any of the following and income subsequently accruing on such property continue to be blocked and subject to the provisions of General Ruling No. 11A:

- (a) The Government of Germany or Japan, and any agent, instrumentality, or representative of either Government;
- (b) Any individual who is a citizen or subject of Germany or Japan and who at any time on or since January 1, 1945 has been within the territory of any country against which the United States has declared war (Germany, Italy, Japan, Bulgaria, Hungary and Rumania);
- (c) Any partnership, association, corporation, or other organization which is organized under the laws of, or which at any time on or since January 1, 1945 has had its principal place of business in, any territory of Germany or Japan;
- (d) Any partnership, association, corporation, or other organization which is organized under the laws of any foreign country other than Germany or Japan and which is a national of Germany or Japan by reason of the interest therein of any Government or persons specified in (a), (b) or (c) above.

Property acquired by such persons after December 31, 1946, however, will not be blocked. In addition, property which, on December 31, 1946, was blocked by reason of the interest of any other blocked national residing in Germany or Japan on that date will remain blocked as will income accruing on such property but such property or income will not be subject

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- 2 -

to General Ruling No. 11A.

The elimination of the controls over current transactions does not mean that persons in the United States will be free to enter into uncontrolled dealings with persons in Germany and Japan but merely that the only approval thereafter required will be that of the appropriate military authorities in Germany and Japan and that any restrictions on such transactions will be imposed and enforced by these authorities.

In addition, citizens or subjects of Germany or Japan who, on or since January 1, 1945, have not been within Germany, Japan, Italy, Hungary, Rumania, or Bulgaria will not be treated as enemies by this Government unless they are or may be scheduled for deportation to Germany or Japan or are otherwise treated as enemies by the country in which they reside. Property accruing to such persons after December 31, 1946 will automatically be freed and their existing property will be unblocked in accordance with whatever unblocking procedure is applicable to other individuals residing in the same countries.

The attention of your Government is also invited to the fact that paragraph (3) of General License No. 95 will on the same date be amended to read as follows:

"(3) Application of license to certain nationals of countries specified herein. This license shall not apply with respect to any national of a country specified herein who is a national of another foreign country designated in the Order and not specified herein, provided, however, that for the purposes only of this license the following shall be deemed nationals only of a country specified herein:

- (a) Any individual residing in a country specified herein;
- (b) Any partnership, association, corporation, or other organization, organized under the laws of a country specified herein."

As a result of the amendment set out in the preceding paragraph, your Government thereafter may certify in the usual manner property of individual Germans and Japanese residing in your country except in cases where any such individual has been in Germany, Japan, Italy, Hungary, Rumania, or Bulgaria on or since January 1, 1945. The cooperation of your Government is, however, requested in not certifying property of any German or Japanese individual who is or may be scheduled for repatriation or deportation to Germany or Japan or otherwise treated as an enemy by your Government.

In addition, your Government may certify property belonging to organizations organized under the laws of your country which are nationals

- 3 -

of Hungary, Rumania, or Bulgaria by reason of the interest of persons residing in those countries. In this connection, your Government may thereafter consider that paragraph three of the basic letter of assurances to the Secretary of the Treasury is amended by deleting the words "Bulgaria, Hungary or Rumania" from that paragraph and by inserting the word "or" between the words "Germany" and "Japan".

It should be noted, however, that General License No. 95 does not include a waiver of General Ruling No. 11A. It will not be possible for your Government to certify the property of any organization organized under the laws of your country which is a national of Germany or Japan by reason of the interest of persons specified in categories (a) through (d) in the first paragraph above.

I will be glad to discuss with you any questions you may have concerning the effect of the amendments discussed herein.

Sincerely yours,

John S. Richards

John S. Richards,
Acting Director

Dr. Ludwig Kleinwachter, H.E. and H.P.,
Legation of Austria,
Washington, D. C.

TPNelson:am 2-12-47

Authority NND 968103
 By JW NARA Date 7-2-99

Box 27

Foreign Funds Control
 Defrosting Austria

LETTER FROM AUSTRIAN MINISTER OF FINANCE ZIMMERMANN TO
 SECRETARY OF THE TREASURY SNYDER

December 27, 1946

My dear Mr. Secretary:

In recent discussions held between representatives of my Department and members of the United States Treasury, it was indicated that your Department is now prepared to institute a procedure for the release of Austrian assets now blocked under Executive Order No. 8389 and the U.S. Trading with the Enemy Act of 1917 as amended. During these discussions, it was emphasized that in the exercise of its control over Austrian assets in the United States your Department has been inspired by the principles and aims which were solemnly set forth in the United Nations Declaration of January 5, 1943 and Resolution No. VI of the United Nations Monetary and Financial Conference, principles and aims which the Austrian Government is endorsing.

I have studied General License No. 95 of your Department which it has been suggested might be made applicable to Austria. After consultation with my colleagues I confirm in this connection my agreement on the following points:

1. The competent Austrian authorities will assume the responsibility for carrying out the procedure of certification provided for by the license. No property will be certified until the Austrian Government has ascertained, by an appropriate investigation, that the property is not excluded from the benefits of the license. Moreover, in regard to certain accounts which may from time to time be specifically designated by your Department, the Austrian Ministry of Finance will consult with your Department prior to making the certification provided for in the proposed license.

2. It is understood that within the framework of the general license no certifications will be issued which:

- a/ would facilitate the completion of transactions which would further the interests of an enemy of the United States or persons acting upon behalf of such an enemy;
- b/ would change the status quo of blocked property in the United States in which an enemy of the United States has an interest, direct or indirect.

3. As to the property of any partnership, association, corporation or any other organization, established in accordance with the laws of Austria, which by reason of the interests of persons not resident in Austria, is also a national of another country designated in the freezing order, within the meaning of General License No. 95, no certification will be made until full assurances have first been obtained from the Government of the other country to the specific effect that no national of Germany, Japan, Bulgaria, Hungary or Rumania is involved in the ownership or control of such interests. For reasons of simplification, however, the Austrian authorities may, on their own responsibility, certify property of any organization in which the proportion of such interests is less than 25%.

With respect to any property not covered by the preceding paragraph in which

any other country specified in General License No. 95 or any national thereof has an interest, my Government will not certify until full assurances have been obtained from the other Government that such interest itself is entitled to certification under the license. It is understood, however, that it will not be necessary to obtain such assurances where the value of the property involved is less than \$1,000.

4. If property in which there is an interest of an enemy of the United States is transferred under the American license inadvertently or by mistake, your Department will be consulted and, at its request, appropriate measures will be taken to ensure that such property or its equivalent will be restored to the account in which it was held before being transferred, or to such other account as you may designate, but only to the extent, however, to which such property or its equivalent may be found in the assets of the acquirer or of the original owner.

5. The competent Austrian authorities and the United States Treasury Department will make joint efforts with a view to investigating and controlling all German and other assets in which any enemy of the United States may have an interest, both in the United States and in Austria, in order to deprive war criminals and potential leaders of the underground of any such enemy of means of existing and of jeopardizing the peace. In particular, the Austrian Ministry of Finance and the United States Treasury Department will take all steps necessary to prevent the financial facilities which our two countries will grant each other from being utilized by any person subject to Austrian or American jurisdiction in such a manner as might allow enemies of the United States or their agents to conceal assets in the United States or Austria, or any other country. To this end our two countries will exchange all information required to carry out this task and in particular the Austrian Government, which has already undertaken a vigorous program to eliminate economic and financial interests in Austria, directly or indirectly controlled by enemies of the United States, will keep yours fully informed with regard to property held in the United States under an Austrian name in which it has reason to believe that there is any such enemy interest, direct or indirect. The Austrian Ministry of Finance will likewise furnish your Department with all information concerning Austrian institutions which hold in the United States property in which an enemy of the United States might have an interest.

6. It is understood that nationals of the United States holding assets in Austria shall be authorized to administer such assets and their income, within the framework of the controls and regulations of the Austrian Government, without the application of measures to them which would be discriminatory in relation to nationals of any other country.

The sequestration measures imposed during the German occupation of Austria on property, rights and interests belonging to nationals of the United States have been removed in all important particulars and any that still remain will immediately be terminated.

Except for particular cases in which the Austrian authorities have reason to believe that the maintenance of control is necessary to prevent transfers of assets in which any enemy of the United States might have an interest or to avoid the completion of transactions which might directly or indirectly be to the benefit of such an enemy, the Austrian authorities, with regard to assets in Austria of nationals of the United States, will also abolish all restrictions imposed for the purpose of controlling property in which an enemy interest might have existed.

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Box 27

Foreign Funds Control
Defrosting Austria

Transfers within Austria and other internal dealings in assets of United States citizens blocked as foreign assets pursuant to the Foreign Exchange Act of September 14, 1946, will be authorized upon the filing of an application requesting such action in all cases where this would not have an adverse economic effect on the Austrian economy. With reference to the Austrian Schilling Law (Schillinggesetz) of November 30, 1945, assets of United States citizens will be accorded as favorable treatment as is now or will hereafter be accorded the assets of any citizen of any other foreign country.

7. Concerning transfers from Austria to the United States it is the intention of my Government to pursue a policy of liberalizing exchange control restrictions to the fullest extent that the Austrian foreign exchange position will permit. Insofar as the Austrian foreign exchange position will permit, the competent Austrian authorities will give sympathetic consideration to requests for current payments from Austria to the United States of profits, dividends, interests, royalties, payments for purpose of duly authorized commercial transactions and other payments relating to current business, including balances accrued from the same sources during the war.

The competent Austrian authorities will authorize persons residing in Austria who without having violated Austrian law owe dollar obligations to any governmental agency, individual or firm in the United States, to settle their indebtedness on maturity and to provide insofar as the Austrian foreign exchange position will permit the foreign exchange necessary to that end.

The competent Austrian authorities, moreover, will examine carefully requests for transfers of capital from Austria to the United States when transfers of that type might serve a useful economic or commercial purpose and where transfers of small amounts are of substantial importance to the interested parties. They will examine in the same spirit requests for transfers of funds to the United States filed by American nationals residing in Austria.

It is understood that all commitments made by me in connection with the inclusion of Austria in General License No. 95 are subject to the advice in the form of supervision and guidance which may be furnished my Government by the Allied Commission for Austria.

Accept, my dear Mr. Secretary, the expression of my highest esteem.

(Signed) George Zimmermann

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Authority NND 968103
By JW NARA Date 7-29-99

Box 27
Foreign Funds Control
Defrosting Austria

**LETTER FROM SECRETARY OF THE TREASURY SNYDER TO
AUSTRIAN MINISTER OF FINANCE ZIMMERMANN**

January 8, 1947

My dear Mr. Minister:

I am pleased to have received the assurances contained in your letter of December 27, 1946, concerning the general license which representatives of the Austrian Ministry of Finance and representatives of my Department have been discussing. In view of the statements contained in your letter, I am happy to inform you that on January 16, 1947, by amendment to General License No. 95, Austria will be added to the countries covered by that license. Enclosed for your information are a copy of the license and of the amendment thereto.

Sincerely yours,

JOHN W. SNYDER
Secretary of the Treasury

Dr. George Zimmermann,
Minister of Finance,
Vienna, Austria.

Authority NND 968103
 By JW NARA Date 7-29-99

Box 27
 Foreign Funds Control
 Defrosting Austria

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Vienna, Austria
 August 5, 1946

No. 1551

SUBJECT: Austrian Defrosting Negotiations

The Honorable
 The Secretary of State,
 Washington.

Sir:

1/ I have the honor to enclose, for transmission to the Treasury Department, the original copy of a report and recommendations prepared by Mr. Matthew J. MARKS, United States Treasury representative, on his negotiations in Vienna for defrosting Austrian assets in the United States. A copy of the report for the Department's information is also enclosed.

Mr. Marks has worked out procedures for including Austria under General License No. 95 whereby the Austrian Government assumes responsibility for determining what Austrian assets in the United States are free of enemy interest and may safely be released. It may be noted that the report and recommendations contain provisions, not included in the assurances given by other countries benefiting from the License, for controls by the Austrian government of assets in the United States in which there is an Austrian Nazi interest.

Of particular interest in the objective of restoring the Austrian economy is the discussion of dollar assets transferred from Austrian to German name after the Anschluss and before Germany was blocked by the United States in 1941. It appears probable that assets to the value of between ten and fifteen million dollars, rightfully belonging to the Austrian state or to Austrian institutions, are now blocked in the United States as German assets.

In view of the complete absorption by Germany of the economy and administration of Austria, the negotiations in this case involved special difficulties not present in the case of

the other

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