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The labor movement in Cuba continues to be dominated by Communist influences and the powerful Confederation of Cuban Workers is subjected to control and direction by prominent Communist individuals in Cuba, whose activities in this regard are being covered. *Xu*

The Communist movement in Cuba has been stimulated by the activities of diplomatic personnel attached to the Russian Legation which was installed at Havana, Cuba, in 1943, July. Presently under investigation are those Russian Legation officials known to be actively engaged in Communist activities in Cuba. The Russian Press Attache has been extremely active in work concerning front organizations and Cuban newspapers and this official has made numerous speeches to Cuban laborers and has supervised the showing of Russian propaganda films, all with a view to emphasizing Russian success in the war and the success of the Communist form of government in Russia. It is known that Russian Legation personnel have been in contact with numerous Party leaders representing various foreign nationality groups presently located in Cuba. The Russian Legation in Havana is decidedly over-staffed and observers have pointed out the Legation may be serving as a "training center" for Russian diplomatic officials who are expected to serve in Russian Legations, in those Latin American countries which recognize the Russian Government, in the future. Sources of information have been developed with a view to obtaining coverage of Russian representatives in Cuba. *Xu*

With regard to various "key figures" who are active in the Communist movement in Cuba, investigations are under way to determine the nature and extent of their participation in Communist affairs. Particular attention is being given to the activities of those prominent Communists whose power and influence indicate they are responsible for decisions of policy, propaganda, infiltration tactics, and "Party line" matters, apparently in collaboration with the program being followed by the International Communist Movement. *Xu*

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DOMINICAN REPUBLIC X U

The Spanish Falange in the Dominican Republic was officially dissolved by governmental decree of the Republic in September of 1939; however, the Dominican Republic has numerous Spanish refugees who have taken up temporary residence there and it has been necessary to maintain informants which would permit a constant coverage over the activities of that group. This included also coverage to ascertain the extent of the Spanish Minister's reported activities in furthering the interests of Franco Spain among Spanish individuals in the Republic. X U

Because of the numerous rumors which have persisted to the effect that President Frujillo of the Dominican Republic holds pro-Axis sympathies, it has been necessary to maintain good coverage on the development of political trends with the Republic. Though the Dominican Republic declared war upon the Axis in December, 1941, war is not actively carried on by the Dominican Republic and it is necessary for SIS personnel to determine the sympathies prevalent in the Republic in favor of the Axis powers. Very good coverage has been maintained along these lines through the maintenance and development of confidential informants, contacts and sources of information. X U

During the month of May, 1944, the Legal Attache in the Dominican Republic had a total of ten "espionage" cases being handled. During that month one of these cases was closed after it was determined that no espionage was present. X U

Though the Legal Attache had no "sabotage" cases during that month, he had a total of seventy-three pending "subversive activities" cases of which he closed two. X U

Comments relative to the Dominican Republic's internment program for enemy aliens are included under the section of this report devoted to that general subject. X U

Information developed to date indicates that there is no formal organization making up a Communist Party of the Dominican Republic, composed of citizens of that country. It is indicated, however, that probably some Communist "cells" exist among a few Dominican citizens. X U

Principal Communist activity in the Dominican Republic is carried out by various Spanish Communist groups made up of individuals who arrived from Europe as political refugees following the overthrow of the Spanish Republican Government by the Franco forces. X U

The attitude of the Government in the Dominican Republic toward Communist activities is definitely hostile. Our representatives in that country have succeeded in developing valuable informant coverage among the Dominican Secret Police, who are engaged in measures looking toward the suppression of Communism. X U

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It is known that Spanish Communists are taking part in political activities in the Dominican Republic and recently it was ascertained that a current opposition movement is anticipating the overthrow of the Trujillo government, and is centered in a Spanish Communist "front" organization located in Ciudad Trujillo, the capital city. This organization has succeeded in developing sympathizers and adherents among the citizens of the Dominican Republic. X u

During September, 1943, the Spanish Communist Party held a National Congress in the Dominican Republic, pursuant to instructions received from Communists in Mexico. The Party has been active in distributing various publications designed to publicize the situation of Spanish Republican refugees and at the same time promote Communist propaganda. X u

The past few years have seen a steady influx of Spanish Communist refugees arriving in the Dominican Republic and in many instances their travel has been facilitated by Mexican organizations who secure visas and supply travel funds to enable Spanish Communists to proceed to various points in Latin America, principally Cuba and Mexico. Bureau representatives have arranged coverage of this travel and information is relayed to interested offices concerning the travelers. X u

Through informant coverage developed by our representatives, Sebastiano Quintela Sazille was arrested during December, 1943, in the act of receiving from Communist leaders in the Dominican Republic, certain documents which the searier was about to take on board a vessel bound for Mexico. The reports were to be handed over to Spanish Communists in Mexico and were made up of information relating to conditions in Spain which was obtained from crew members of Spanish vessels which had previously called at ports in the Dominican Republic. X u

Information has been developed indicating that Communists have succeeded in placing members or sympathizers in Dominican Government positions, and there are indications that Spanish Communists have succeeded in infiltrating to some extent the Dominican Army and the Dominican school system. These developments are being closely followed. X u

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EQUADOR X U

It can be stated that the year 1943 has produced outstanding achievements in the SIS Program in Ecuador. The situation which at first confronted our representatives was the matter of proper coverage in all fields of activity. A working organization was soon developed which resulted in the compilation of information regarding Axis nationals dangerous to the security of the Republic of Ecuador and the Western Hemisphere; subversive political information; coverage in economic fields, particularly regarding smuggling activities which have been extensive; and in other matters relating to the security of the Allied war effort. During 1943, the work of our representatives has been directed along more definite and specific lines in the investigative fields as a result of increased informant coverage and valuable police cooperation. This development made possible a much greater scope of activity. The deportation program, as instituted in 1942, has been continued and during 1943, a total of sixty-two German nationals and 3 Italian nationals were deported for internment in the United States. X U

The Office of the Legal Attache at Quito has been directly responsible for the success of this program by reason of action in obtaining information regarding those individuals known to have been engaged in subversive activities. Through cooperation with the Embassy, the information obtained by our representatives was made available to the Ecuadorian Government which acted to expel such dangerous aliens. This program is virtually complete as only a few Axis nationals remain in the country who have been engaged in subversive activities in the past. Such persons are presently inactive and are no longer considered a danger to the country. X U

Although affirmative measures had been taken to control German activities in Ecuador, it was evident that an endeavor was being made by subversive elements to penetrate the country by means of propaganda as late as November, 1943, by means of clandestine circulation and distribution of news releases from a German news agency. In December, 1941, the Transocean News Service was closed by order of the Ecuadorian Government. This news service was known to have been subsidized through the German Legation, and news releases were known to have been forwarded to the Transocean News Service in Ecuador direct from Germany. Although the news service had ostensibly been discontinued, it was noted during the summer of 1943 that two local papers in Quito carried news items which had not been obtained from Allied news releases. Extensive investigation by SIS representatives revealed the clandestine operation of the Transocean News Service through Max Rueff, a German national employed in the Spanish Embassy. It was established that an Ecuadorian citizen, Luis Bertulfo Rivadeneira, was receiving news releases by short-wave receiver from Germany, which were being made available to radio operators employed by local newspapers who were able X U

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to include the releases along with their work, which resulted in their distribution to the public of Ecuador through the local press. X U

When information concerning the activities of Rueff was made available to the Ecuadorian authorities, he was immediately expelled from the country and transported to the United States, where he is presently interned. Seven Ecuadorian nationals were involved in the clandestine operation of this news service and, upon interview, admitted their activities had been financed by Rueff. Rueff stated to the authorities that his action in operating the news service had not been directed against Ecuador, but against the United States. This case was developed exclusively by SIS representatives, and in causing Rueff's deportation, a valuable method for the distribution of propaganda for the Germans was eliminated. The United States Ambassador at Quito called to the attention of the State Department the work performed by our representatives in this matter and highly praised their activities in this regard. X U

An important achievement in 1943 related to activity by the Ecuadorian Government in locating and confiscating assets of Axis firms which had been concealed to prevent confiscation under government regulations. This program was materially assisted by SIS representatives in Ecuador as Special Agent [redacted] received an appointment as Honorary Captain in the Carabineros from Colonel Hector Salgado for the purpose of coordinating and directing a troop of Carabineros who had been assigned to the exclusive task of locating concealed property and assets. Great benefit was received by the Bureau as a result of Agent [redacted] activities in this regard, as it placed at his disposal documents belonging to blacklisted firms and the records of Axis nationals who were suspected of subversive and espionage activities. In one instance the examination of documents belonging to Casa Tagna, a blacklisted German firm, and Saico, an Italian firm, resulted in the recovery of assets in excess of 200,000 sucres (\$14,000 U.S.) X U

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Other investigative activities by our representatives in the commercial field produced very favorable results in the case of [redacted] who was involved in the disposition of counterfeit United States currency and operating in the black dollar market in Ecuador. [redacted]

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[redacted] in Quito, was transmitting American currency from Ecuador to Panama in violation of exchange regulations. It was determined that [redacted] had obtained certain United States currency from one [redacted] a German refugee who had smuggled the money into South America from Spain. When a portion of this money was determined to be counterfeit, it was transmitted to the Treasury Department of the United States, who immediately dispatched an agent of that department to Ecuador where he obtained details of [redacted] activities through the assistance of the Legal Attache. Information obtained [redacted] assisted the Treasury Department in definitely establishing the individuals in Spain who were X U

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responsible for the counterfeit currency in question, and resulted in the confiscation of the equipment used to manufacture this money. The parties involved in counterfeiting activity in Spain were identified, and it is reported that the Spanish Government was taking action against them. X U

A possible censorship violation has been developed in this case as one [redacted] was involved in transporting counterfeit currency into the United States which had been purchased from [redacted] and upon determining that the money was of no value, he communicated with his brother in Quito, Ecuador, using an open code, requesting his brother to contact the vendor of the currency in order that a reimbursement could be obtained. X n

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It has been known for some time that the black dollar market involving United States currency has been flourishing in Ecuador. While inquiry has been undertaken to establish whether such activity was sponsored as a part of a Nazi campaign to discredit American currency, one incident involved a \$2,000 check deposited in a Quito bank by a Bureau undercover representative, [redacted]. It was later determined that his account had been credited with a check for Ecuadorian currency in an equal sum. Realizing the possibilities of Axis elements obtaining United States dollars through this means, investigation was undertaken which determined that a clerk in the bank had sold the dollar check deposited by [redacted] to an individual in the black market. In this manner, the bank employee made a profit on the dollar check deposited by [redacted]. While no Axis elements were involved in this activity, the bank employee was discharged. Authorities in Ecuador refuse to prosecute for such activity inasmuch as it is presently an every-day occurrence in that country, and this method is often used to obtain dollar credits in the United States which would not otherwise be available to merchants or individuals desiring to make purchases in this country. X U

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The necessity for extensive coverage in economic matters, particularly smuggling, was evidenced by information obtained by our representatives concerning the smuggling of platinum from Colombia to Ecuador. This precious metal was sold to individuals interested in transporting the platinum to Buenos Aires, Argentina, where it was sold to Axis interests. In the case of Harold Ebury, it was established that the platinum reaching Argentina was destined for Axis consumption. With the prosecution and subsequent sentencing of Ebury to eighteen months in a federal penitentiary in United States on a Postal Censorship violation, it was possible to bring to the attention of the authorities in Ecuador the effect of smuggling platinum on the Allied war effort. Many individuals discontinued this practice upon learning that such strategic metal was destined for Axis use. However, recent investigations disclose widespread activity in this field due to the lucrative profits which are made by persons who desire to engage in this business. X U

It has been necessary for the Office of the Legal Attache in Quito to closely follow the international boundary situation which involves X U

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Ecuador, Peru, and Colombia. During 1941, the Republic of Peru invaded Ecuador because of an alleged aggression on territory claimed by Peru. This situation has been a cause for alarm inasmuch as a conflict between neighboring Latin American countries would materially effect the flow of strategic metals presently being obtained from such countries by the United States and other Allied nations. While the Government of President Arroyo del Rio arrived at an agreement with Peru which reportedly settled the boundary situation, the agreement may possibly be complicated due to the attitude of the newly established Government of Velasco Ibarra which is composed of elements who contend that the Arroyo Government had relinquished territory to Peru which rightfully belonged to Ecuador. Information has also been received indicating the desire of the Republic of Colombia to engage in war with Peru in the event that country would not relinquish territory to Colombia as agreed, or if Peru takes any further aggressive action against Ecuador. A U

During the past year, the administration of President Arroyo del Rio took every precaution possible to ward off action by revolutionary elements due to the tense political situation. Numerous reports were received that the opposition, which included a coalition of all parties known as the Alianza Democratica Ecuatoriana, would attempt to overthrow the incumbent government. With the approach of the national election to be held in Ecuador on June 2 and 3, 1944, the Government displayed a great deal of concern over pending conditions as the political situation grew more tense. Our representatives determined through reliable sources that the Government believed that a revolt was imminent and that such action would probably result in extensive bloodshed. A U

At approximately 11:00 p.m. on May 28, 1944, a revolutionary movement broke out at Guayaquil, Ecuador, supported by the Alianza, with units of the Ecuadorian Army. Severe street fighting resulted and many people were killed, including officers and men of the Carabineros unit, which was loyal to the Government. As the revolt spread throughout the republic, it was not controlled by the Arroyo administration, and as a result, the incumbent government resigned on the night of May 29, 1944. Velasco Ibarra, former president, who had been exiled by the Arroyo administration, was immediately recalled to Ecuador and placed at the head of the provisional government for the purpose of assuming control of the country. The Bureau's radio facilities at Quito were used exclusively by the American Ambassador in communicating with the State Department, which enabled the Ambassador to forward information while the revolution was in progress. The Legal Attache advised that practically all information forwarded by the Ambassador to the State Department had been furnished by the Legal Attache's Office. A U

While Velasco Ibarra has succeeded in stabilizing his Government and is now making plans for election of an assembly which will choose the individual to be the President of the Republic, current information indicates many factions within the Alianza are dissenting to the policies of Velasco and the necessity for continued coverage is apparent as the possibility of continued political unrest exists. A U

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The Legal Attache's Office at Quito has assisted the Bureau's domestic field in many ways. In one instance involving a Selective Service fugitive from Alaska, it was possible to follow his activities and advise the Bureau of his departure from Ecuador in a home-made sloop in order that he could be taken into custody and held to answer the Selective Service charge pending against him. The fugitive, [redacted] had not been heard from since January 25, 1941, until it was ascertained that he was sailing in the Pacific waters off the west coast of South America. X U

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One of the principal exports of the Republic of Ecuador to the United States is balsa wood, which is vital to the Allied war effort in the production of airplanes. Many balsa wood mills have been surveyed by SIS representatives in Ecuador, and it has been necessary to constantly guard against activities which would indicate an endeavor to sabotage this strategic war industry. One instance of an attempt to sabotage a shipment of balsa wood from Ecuador to the United States was received in September, 1943, when an employee at the warehouse of J. H. Monteth Lumber Company in New Jersey stepped on a match which ignited the sawdust and shavings in the warehouse where the balsa wood was stored. It was reported that matches were found in the bundles of balsa wood. Inquiry undertaken in Ecuador with regard to this incident disclosed the act of placing matches among the bundles of balsa wood could not have occurred in Ecuador inasmuch as the matches in question were the common kitchen-type match which is not sold in Ecuador and is not available in that country. X U

Another questionable case involving a fire which destroyed the Kaufmann Balsa Wood Mill was thoroughly investigated by our representatives, and no evidence of sabotage was found in this instance. X U

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The coverage of Communist activities in Ecuador has been unusually good because of [redacted] Pedro Saad, Communist labor leader of Guayaquil, Ecuador. This informant, [redacted] who has spent many years in Latin America and who was active in [redacted]

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[redacted] which he in turn reports to the Legal Attache. The Communist Party in Ecuador was not recognized by the Government of Arroyo del Rio, which was overthrown by a revolt instituted on May 28, 1944. Because of the sympathy of the new Government established under Velasco Ibarra, it is expected that the Party will play a much more important part in local developments. A leading Communist, Jean Mariguet, who was imprisoned by the Arroyo Government, has already been released and Communist leaders including Pedro Saad and Enrique Gil have served in posts in the provisional Government. The Communist Party was affiliated with Alianza Democratica Ecuatoriana, which organization was responsible for the overthrow of President Arroyo del Rio. X U

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GUATEMALA X u

The present SIS representation in Guatemala consists of one Legal Attache and three Assistant Attaches, and one undercover Agent. X u

Very successful relations have been established with General Ordines who has been Director General of the Guatemala National Police. The relationship was developed to such an effective degree that General Ordines insisted on personally handling all the Agents' requests, no matter how minor they may be in nature. The Guatemala Government established a new crime bureau, and a representative of the Bureau made a very thorough examination at the request of General Ordines of all facilities then existing in the crime laboratory and made recommendations of necessary minimum equipment and facilities which would be needed before the crime laboratory could operate efficiently. X u

Having agents attached to the United States Embassy in an official capacity has permitted excellent coordination between investigations in Guatemala and in the United States. There has been throughout the year a considerable exchange of information of mutual advantage. An examination of this is well shown by the case of [redacted] in which the Bureau was very interested. [redacted] had left the United States for Guatemala, ostensibly on a vacation. He was expected to remain several weeks in Guatemala and then was to proceed to Buenos Aires, Argentina, before returning to the United States. It is believed possible that he had been contacted to act as a German Agent while in Guatemala and an investigation was requested of his activities while there. This was done and evidence developed which helped to support the investigation which was going on in the United States. There were numerous instances of this kind. Undercover agents in Guatemala have also been able to secure the official records of several German organizations in that area. These records included membership lists of the NSDAP, individuals who voted in the Nazi plebiscite in 1938, lists of trusted Germans, membership lists of the German Club, and membership lists of the German School which was very closely associated and affiliated with the German Club and the NSDAP operations. X u

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Thorough surveys were also conducted by SIS personnel of French, Italian, and Japanese activities and organizations in that country. In connection with the survey of Spanish activities in Guatemala, Bureau Agents were able to secure an issue of "Amanecer," the official magazine of the Spanish Falangists in Guatemala, and also listed the leaders and most important members, many of whom were in the country and active. These papers also contained photographs of various members and set forth the oath of the Falangists and gave a list of contributors to various Falangist operations and the like. X u

The Bureau SIS representatives spent much time in the various Departments of "States" of Guatemala and secured important official records X u

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and information concerning all phases of subversive activities in those sections. These surveys were submitted to interested governmental agencies as separate projects to supplement what information they already had. SIS representatives in Guatemala played a large part in furnishing evidence which resulted in the arrest and internment of most of the pro-Nazis in Guatemala. X U

On October 24, 1943, when sixty-eight German nationals were deported from Guatemala to the United States as dangerous enemy aliens, our representatives were designated to be responsible for the over-all handling of details in connection therewith. This included arranging for arrests, questioning of all deportees, fingerprinting, photographing, providing physical examinations, and providing guards and proper detention headquarters. The deportation included 119 persons. Separate reports were submitted on each deportee and these enabled the Bureau to conduct further intelligent questioning of the subjects after their internment in the United States. As a result, the Bureau obtained further detailed information on Nazi activities in Guatemala and Central America. X U

The manner in which the SIS personnel handled this project brought voluntary praise and commendations not only from the ship's officer to whom the deportees were delivered, but also from the American Ambassador in Guatemala, a visiting United States Congressman, and Mr. Breckenridge Long, Assistant Secretary of State. The latter also commended and praised SIS activities along these lines in other Latin American countries. X U

[redacted] was one of the several Selective Service fugitives located by the SIS personnel in Guatemala after being listed as delinquent with the Selective Service Board in the United States. When the subject refused to cooperate and as he would not voluntarily return to the United States, his permit to reside in Guatemala was revoked by that Government in cooperation with SIS personnel. He was subsequently arrested and unofficially deported from Guatemala in November, 1943, and was taken into custody by Bureau Agents in Brownsville, Texas, where he was turned over to Chicago for prosecution. X U

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[redacted] a First Lieutenant in the United States Warfare Reserve, was arrested in Guatemala by Guatemalan police at the instigation of SIS personnel for failure to comply with a War Department order to report to the United States for duty. He was delivered to the Provost Marshal at the United States Army Air Base in Guatemala City for action by the War Department. X U

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During November, 1943, SIS personnel in Guatemala obtained specimens of what appeared to be counterfeit United States currency. The evidence was sent to the FBI Laboratory for examination and the suspicion of it being counterfeit was confirmed. The evidence in the case was then turned over to the Secret Service of the United States Treasury for action by them. X U

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[redacted]
[redacted] in Guatemala. Although the subject has been in Guatemala for over a year and a half, his movements and operations have been so closely covered that he has been a complete failure as a Spanish correspondent. Close contact with the subject's activities was instituted by SIS personnel after it was determined that the subject had been in Germany for several years and while there, had been very pro-Nazi and pro-Falangist. X u

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At the special request of the War Department, an investigation and surveillance of [redacted] was undertaken in Mexico and Guatemala. Lucas, an author, had been for a considerable period of time an informant for the Army and was considered by them to be reliable. He had told the Army that he had special contacts in Germany and occupied Europe and that one of his contacts was bringing to Guatemala from Germany valuable information concerning the German military picture in occupied Europe and accurate information as to the German High Command plans for the future. X u

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[redacted] was placed under continual surveillance from the time he left the United States to drive to Mexico and thereafter to fly to Guatemala City. The surveillance revealed [redacted] to be engaged in a complete hoax. It revealed that at the times [redacted] was supposed to be at certain points receiving information from his alleged German informants, he was in fact at entirely different places with his family enjoying Guatemalan life. X u

Despite the fact that [redacted] report to the Army appeared to be of the highest authenticity, information obtained showed clearly that everything he said or did was false, causing the Army to reprimand [redacted] for his activities and to discontinue his use as an informant. X u

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~~HAITI~~ X U

On June 24, 1944, approximately forty enlisted men of the Garde d'Haiti were imprisoned in Port-au-Prince on the charge of plotting to overthrow the Haitian Government. At that time it was indicated that no officer had yet been implicated but that unknown civilian conspirators were involved even though they had not yet been identified. X U

Information of the above type is valuable to the Bureau and to other United States Government agencies as it helps to give a well-rounded picture of activities in the Republic. This comprehensive picture is necessary if the American Government is to deal intelligently with the foreign country involved. X U

In Haiti, as well as in other Latin American countries, SIS personnel have been of considerable assistance to the Bureau in its investigations within the United States. Probably the type of investigation which gives the most examples of SIS assistance and collaboration is Selective Service matters. Though SIS personnel in Haiti have not been able to be of as much assistance as in Cuba for instance (because the same situation of Immigration between Haiti and the United States does not exist as between Cuba and the United States), they have been successful in securing the necessary information when requested to do so. One of the most recent cases of this type, wherein the facts have only just been furnished to our office in Haiti, is the case of [redacted] who has been delinquent with his Boston draft board since September of 1942. Information has been secured that a relative of the subject saw the subject during the past three months presumably some place in Haiti and this matter has been furnished to our office in Haiti so that the subject's whereabouts may be determined. X U b7C

During the early months of 1943, the Special Agent operating as Assistant to the Civil Attache at Port-au-Prince, Haiti, conducted a training school for a selected group of Haitian police in jujutau and practical disarming methods. This instruction course was very valuable in developing excellent relations with the Haitian police. During the past several months a high degree of cooperativeness has existed between the Haitian police and the Office of the Civil Attache. Recently, the Special Agent who directed and trained the Haitian police as mentioned above, has been returned to Haiti as Civil Attache and it is anticipated that relations with the Haitian police and the Haitian Government will be further improved. X U

Haiti, compared with our offices in the larger countries of Latin America, has considerably less cases covering sabotage, espionage and subversive activities. For example, in May of 1944, the office at Haiti had only three pending "espionage" cases of which none were closed during the month. During that same month, there was only one "sabotage" case pending in Haiti and a total of only twenty-nine "subversive activity" cases of which eleven were closed. X U

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A Central Intelligence File is maintained under the jurisdiction and administration of the Office of the Civil Attache in Haiti. This file is made up of reports of an intelligence nature submitted by the Embassy, Military Attache, the Naval Attache and the Civil Attache. Its purpose is to provide: 1. A means whereby each contributor is kept currently informed regarding the intelligence activities reported by the other contributors, and 2. A depository for the reports submitted in order that these reports may be readily available for reference purposes to any qualified officer of the contributing office. *RU*

Comments relative to Haiti's internment program for enemy aliens are included under the section of this report devoted to that general subject. *2/8*

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HONDURAS XU

At the present time the Republic of Honduras is the only Latin American country in which the Bureau has no representative in an official capacity as Legal Attache. Inasmuch as such official capacity is through the courtesy of the United States Ambassador in a country, the Bureau has been unable to maintain its usual Latin American system because the Ambassador has not desired a Bureau representative as a member of his staff. As a result, the SIS coverage in Honduras has been confined to undercover activities and at the present time the Bureau has one representative in this capacity with another Special Agent being processed to assist him in the near future. XU

Due to the physical conditions and status of communications presented by the Republic of Honduras, our work in that country is limited. However, in spite of such difficulties, Bureau's SIS Division has been able to furnish considerable information relative to the amount of pro-Axis activities which are being conducted in Honduras at the present time inasmuch as 129 persons suspected of such activity were deported from Honduras during 1942 and 1943. XU

As a result of information furnished by our SIS representatives, several individuals and firms still functioning in Honduras and of Axis sympathy have been placed upon the United States Proclaimed List of Certain Blocked Nationals. Further, our representatives have been able to develop informants in order to be fully apprised of the main problems of subversive political activities in the country for the benefit of the State Department. XU

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MEXICO *KU*

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Mexico is the largest Spanish-speaking country located in the Western Hemisphere. In view of this fact, it is necessary for Bureau representatives to give widespread coverage of activities in this country. The Civil Attache, who directs the Bureau's work, has under his jurisdiction seventeen Special Agents, two Special Employee Agents and a cryptographer originally assigned to Mexico to give assistance to the Postmaster General there. He serves as a liaison representative and directs cryptographic work with the Military Police, Navy and Mexican Central Intelligence Bureau. *KU*

Coverage in Mexico under the SIS Program is confronted with difficulties unknown in other republics in Latin America. Its very size, plus the lack of proper means of transportation, create a problem. Because of the nearness of Mexico to the Panama Canal and the United States and because of the assistance given in exporting mineral and agricultural products, Mexico's significance and importance to the United States during either war or peace is great. The Mexican Government has ordered all Axis nationals to be concentrated in the interior of the country. The result of this policy was to send a large number of Japanese and German nationals into Mexico City and a number of Japanese into Guadalajara, the second largest city in Mexico. There is almost unhampered travel between Mexico and the United States. All a United States citizen needs to travel to Mexico is a visitor's permit. As a result, numerous criminals from the United States seek to escape into Mexico. Consequently, many leads were set out for SIS coverage in Mexico by field offices in the United States during the past year. *KU*

As the result of work done by the SIS Division in the Republic of Mexico, many security measures were undertaken by the Mexico Government which would not have been done otherwise. Because of the result of adequate SIS coverage throughout Mexico and because of the result of extensive contacts of informant coverage, the SIS representatives in Mexico City have been able to directly influence the adoption of the necessary measures with regard to Axis and other nationals in Mexico who are deemed to be a source of danger. *KU*

Specific examples of this are as follows: *KU*

1. The Mexican Espionage Law, which became effective on November 14, 1941. *KU*
2. A series of decrees and orders designed to protect the internal security during the time of the war went into effect at the time that the President of Mexico requested a declaration of war against the Axis powers in May, 1942. *KU*
3. A decree of the Mexican Government requiring all foreigners resident in Mexico to register with the Department of Gobernacion. *KU*

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4. A Presidential order calling for the removal of all Axis nationals from the coastal areas to the internal regions of Mexico. X u

5. A Presidential decree calling for the forfeiture of citizenship of naturalized natives of Axis countries who might be acting against the interests of the Republic of Mexico. X u

6. The apprehension by Mexican authorities through work done by the SIB of a number of espionage agents shortly after Mexico entered the war, which work continued during the past year. X u

Among those apprehended and sent out of Mexico were the following Germans, all well-known espionage agents or active in the German penetration of Mexico: Werner Barke, Ewald Bork, Joseph Ruellen Herakes, Wilhelm Hesselmann, Federico Hay, Georg Nicolaus, and Pablo Rubach. Included in this group of important internees is Carlos Retelsdorf, Jr. who operated a clandestine radio station in Mexico which was utilized by German espionage agents. X u

Outstanding Achievements in Mexico X u

[Redacted] X u

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This twenty-five-year old draft dodger was a member of the R.O.T.C at the University of Illinois in 1938 and 1940. With the permission of his draft board, he went to Mexico City to attend summer school and then refused to return to the United States in order to comply with the Selective Service law of this country. Through the Bureau's contacts with the Mexican Department of Gobernacion, [Redacted] was deported from Mexico as an undesirable alien and was arrested by Bureau agents when he crossed the border at Laredo, Texas. He later was sentenced to a four-year prison term by a court in St. Louis. X u

[Redacted] u

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Out of twenty-three members of a "policy racket" gang indicated at Cleveland, Ohio, on April 26, 1939, there remained at large only [Redacted]

[Redacted] It was his boast that the G-Man would never catch up with him. Investigation reflected that the subject had fled to Mexico and escaped detection. Through a surveillance of an elaborate apartment in Mexico City rented by one of the Cleveland hoodlums and a friend of the subject, it was learned that the subject was working in a wine shop in Mexico City. The Bureau Agent visited this establishment under pretext and identified the subject as the salesman in the store. Through contacts of the Bureau, subject was apprehended and sent to the United States as an undesirable alien. He was tried in Cleveland where he pled guilty to the Ohio State charge of extortion by threats of violence. He was convicted and sentenced to serve from one to five years by the local court. Sx u

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FBI Undercover Agent in Falange Uncovers
Communist Undercover Agent in Falange X u

A Bureau representative was successful in obtaining membership in the Spanish Falange in the city of Mexico. Among the members of this organization was a Venezuelan post, Leon Alfonso Pino, who professed to be a loyal Falangist. The Bureau Agent, who was also posing as a loyal Falangist, noticed that Pino carried with him everywhere a briefcase which he never permitted to get out of his sight. This aroused the curiosity of the Bureau Agent and through a confidential source he secured access to the contents of the briefcase and learned that among other interesting documents there was a letter from the Communist Party of Mexico to the Communist Party of Venezuela certifying that Leon Alfonso Pino had been in direct contact with the Communist Party in Mexico and was presently engaged in espionage work among the Falangist members on behalf of his own Communist Party. The Bureau representative became so active in Falangist circles that he was placed under the surveillance of the Mexican National Police and thus it was necessary that he be removed in August, 1943. X u

[redacted] X u

This subject was [redacted]

[redacted] He disappeared from [redacted] at which time it was ascertained that there was a shortage of [redacted] in the bank's accounts. This shortage was traced to the disbursement of [redacted]. An intensive investigation by the Bureau reflected that the subject was probably in the Republic of Mexico. Through the SIS Division, this subject was located in Mexico, where he was employed as a clerk in a flour mill in Amecameca, Mexico. Through pretext, specimens of his handwriting were secured and transmitted to the Bureau for examination by the FBI Laboratory. Laboratory results reflected that the handwriting was identical with that of the subject. Photographs of the suspect were also secured by the Bureau's undercover representative and presented to witnesses in Phoenix, who definitely identified him. Efforts are now being made to have the Department of Gobernacion deport the subject to the United States. X u

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[redacted] X u

This subject was reported delinquent by the local draft board in Chicago for failure to report for induction on March 21, 1941. Investigation reflected that the subject might possibly be in the Republic of Mexico. Through the services of the SIS Division, inquiries were made in Mexico and [redacted] was located and pointed out to Mexican Government officials and apprehended by them on October 14, 1943. The subject was then delivered by Mexican authorities to Bureau Agents in Laredo, Texas, where he waived removal proceedings and was arraigned before the United States Commissioner there. In December, 1943, [redacted] was released by the United States X u

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plans are now being made through the Mexican Department of Gobernacion to have the subject deported to the United States in the near future, where he will be arrested and subsequently tried for his crime. X U

[redacted] X U

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The subject is a Selective Service fugitive who escaped across the border from United States to Mexico for the express purpose of evading service in the United States Army. He was located by SIS Agents in Mexico City and subsequently incarcerated by Mexican authorities. His deportation is expected in the near future.

The Soap Case
Spanish Aviator Recruited as German Agent X U

From [redacted] it was learned that a Spanish aviator had been recruited by the Germans in Madrid to engage in an espionage mission in Mexico and later the United States if possible. Some descriptive data of the Spanish aviator was also given and after intensive study of various suspects, it was finally established that the aviator was [redacted] of Madrid, Spain, married to a well-to-do Mexican woman. X U

[redacted] arrived in Cuba on the SS "Magallanes" in November 3, 1943, and was immediately placed under discreet surveillance. It was found that he was in contact with a number of prominent Spaniards in Cuba including some known to be Falangists. He then traveled by plane together with his family to Mexico City where he is residing at the present time. He has been under continuous surveillance and information as to his contacts is being developed. X U

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[redacted] has given several different stories as to his reasons for leaving Spain and coming to Mexico. He claims to be a monarchist and to be entirely against the Franco regime in Spain. However, from several independent sources, information has been received that he is in fact very favorable and closely connected with important officials of the Franco Government. [redacted] carried a letter from an assistant United States Naval Attache in Madrid to the Naval Attache in Mexico City requesting aid in getting [redacted] connected with a United States Aircraft Manufacturing Company. Appropriate arrangements have been made with the Naval Attache in Mexico to handle this matter with [redacted] but to date [redacted] has not seen fit to bring the letter to the Naval Attache. X U

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[redacted]
German Espionage Agent X U

Through a confidential source it was determined that the German Sicherheitsdienst was interested in arranging for the return to France of a Mexican named [redacted] who, it was stated, may have been among those X U

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Attorney in Chicago to the Military Police to be court martialed for desertion from the United States Army in 1937. X U

Gerhardt Wilhelm Kunn X U

This subject was the former national fuhrer for the German-American Bund. On June 10, 1942 he fled from the United States with the intention of returning to Germany. He had been indicted by the Federal Grand Jury at Hartford, Connecticut, on charge of attempt to violate peacetime espionage laws. Through the SIS Division he was located in Mexico and was arrested through the cooperation of the Mexican authorities at Boca del Rio, Veracruz, Mexico. He was subsequently deported to Brownsville, Texas, where he was apprehended by Bureau Agents. He pled guilty to the charge and was sentenced to fifteen years in the penitentiary. X U

[REDACTED] X U

This subject was a Selective Service fugitive who was described as "America's Number Two Nazi." In August, 1944, he entered Mexico under a false name in order to avoid compliance with the Selective Service laws. Through SIS Agents he was located in Mexico and through the cooperation of the Mexican authorities he was deported to Laredo, Texas, where he was arrested by the Bureau Agents. On October 13, 1943, he was sentenced by the Federal District Court of New York to three years' imprisonment on a Selective Service violation. X U

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[REDACTED] X U

This subject was a Selective Service fugitive who skipped from his employment with the Ford Motor Company in Detroit, Michigan, to proceed to Mexico for the purpose of evading his Selective Service obligations. The subject was subsequently located on the shores of Lake Patzcuaro, Mexico. Through the contacts of the SIS and the Mexican Department of Gobernacion, the subject was apprehended and expelled to the United States, where he was taken into custody by the Bureau Agents at Laredo, Texas, and taken back to Chicago to await trial on draft evasion charges.

[REDACTED] X U

This subject is another Selective Service fugitive located by SIS representatives in Mexico on January 4, 1944. He was deported and prosecution was declined by the United States Attorney at Los Angeles, California, whereupon the complaint was dismissed. X U

[REDACTED] X U

This subject is a fugitive out of the Unlawful Flight to Avoid Prosecution statute and was wanted by the Police Department of Pittsburgh, Pennsylvania. Through SIS representatives, he was located in Mexico and X U

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Mexicans repatriated from Europe to Mexico on the SS "Gripsholm." Actually there was a repatriate on the "Gripsholm" by the name of Jesus Rogel who was listed as a Mexican diplomatic official. He returned to Mexico by way of the United States and claimed to have connection with the Mexican Foreign Office, but refused to give any detailed information relative thereto. It was later determined that [redacted] had no official connection with the Mexican Government but had been listed as a Mexican diplomat solely in order to facilitate his repatriation to Mexico. At the present time, investigation is being conducted to determine whether or not [redacted] is identical with Rogel in whom the Sicherheitsdienst is interested. X U

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Ink Case X U

[redacted] and his wife were traveling en route to Mexico by way of Cuba. During an examination of personal effects of the travelers, numerous articles were found which could be successfully used for secret writing. A check of the Bureau files and investigation by our SIS representatives indicate that the subject's associates appear for the most part to be Spanish republicans, giving rise to the possibility that subject may be a Communist agent. The subject is presently in Mexico and his activities have been closely followed with a view to determining his true status in that country. X U

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Case One X U

This case is an outgrowth of a matter involving Janos Salamon and Sandor Meenan, German espionage agents who operated a clandestine radio transmitter in Brazil. Investigation in Mexico reflected that Bernardo Sternfels Llerena of Mexico City was connected with these two German espionage agents. The investigation by SIS representatives in Mexico reflects that Sternfels and his associates were actively cooperating with the two aforementioned German espionage agents. At the present time Sternfels is extremely ill in Mexico City, and efforts are being made to interview him and obtain further evidence relative to his pro-Axis activities. X U

[Redacted]

Selective Service Fugitive X U

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This subject for a number of years was a representative of the Seagram's Liquor Company in Latin America with a salary of [Redacted] a year. Allegations were received by the New York Office to the effect that he was pro-Nazi. It was known that he made statements that he would not voluntarily enter the United States Army and refused to enter the United States through Mexico where he was employed for fear of being inducted. Through SIS Agents, he was located in Mexico City where he was unofficially deported to the United States. Upon his arrival he was apprehended by Bureau Agents at Laredo, Texas, on May 24, 1944. He is presently awaiting prosecution in the United States for violation of the Selective Service laws. X U

The De La Reguera Family X U

Investigations in this case has been recently considerably advanced by the location of Manuel Fernandez de la Reguera in Mexico City. Manuel is the brother of Luis Fernandez de la Reguera who is known to be active in the recruiting and dispatching of agents from Barcelona, Spain, to the Western Hemisphere. Manuel, who is believed to be in active collaboration with his brother, has been missing for a considerable period of time despite considerable investigation to locate him. X U

Investigation and examination of correspondence of Luis and Manuel's mother, Maria Horuega de la Reguera, has also been made and her mail was watched for a considerable period of time since it is known that Maria Horuega de la Reguera has acted and was supposed to act as a mail intermediary for German agents in the Western Hemisphere including the United States in the forwarding of mail in Germany. X U

Manuel is now under surveillance in order that all of his activities can be ascertained. X U

The Mexican Microscopic Dot X U

A great many developments have taken place in the investigation of this case during the past year. The case involves a vast closely coordinated espionage ring engaged in furnishing the German Military High Command vital information. X U

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concerning the war effort of the United States and her allies. The ring is operating in every important nation in the Western Hemisphere with Mexico City as the center. X U

The group has utilized in the past all the known methods of communication in transmitting espionage data including clandestine radios, secret inks, codes, ciphers, couriers, and regular mail and cable routes. The principal method of communication, however, is by the use of microscope photographic dots attached to the flaps of envelopes. By this means pages of information can be sent by dots that are hardly detectable by the naked eye. X U

Seventeen east bound letters addressed to drops in Europe and Buenos Aires have been intercepted to which have been attached approximately four hundred dots. Two west bound dot letters from Europe to Mexico City have been intercepted together with a number of open code cables and letters passing between the agents in Mexico, Chile, and Argentina. X U

At the present time four individuals connected with this ring in the United States are in custody. Approximately fifteen known agents are located in Mexico City and Latin America and have comparative freedom in their operations. However, all of the important agents in Mexico City have been under a continual surveillance during the past year. X U

In February, 1944, a summary memorandum was furnished to the Attorney General and to the Criminal Division of the Department of Justice for consideration as to the course of action that might be taken in the case. The possibility of a trial on conspiracy charges of the individuals at large was considered. However, the Department decided against prosecution on the basis that as a matter of security a public trial might reveal our knowledge of the German code systems and further that the Mexican Government had given no indication that it would be willing to turn the subject over to the United States for prosecution. X U

It was suggested that the facts of the case be made available to the Mexican Government for such action as they deem appropriate. Consideration is being given to this step as is the feasibility of sending fictitious messages to the Germans for the purpose of deception. X U

Communist Activities in Mexico X U

Bureau representatives in Mexico are presently giving close coverage to a wide variety of manifestations of the Communist movement in that country. The Communist Party of Mexico itself is well organized and is active in propaganda, political, "front" group and labor organization matters. In addition to the Party in Mexico, the activities of various foreign nationality groups, under the influence of Communist forces, are also under investigation. X U

Under the leadership of Dionisio Encina, the Communist Party of Mexico is taking active steps to extend its influence throughout the field of Mexican labor. From May 12 to May 19, 1944, there was held in Mexico City a convention of the Party, attended by 148 official delegates, four fraternal delegates from

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among the foreign nationality groups in Mexico. The foreign delegates included Benjamin J. Davis, ^{Tr.} a member of the Communist Party of the United States and a New York City Councilman as well as Communist Party leaders from Colombia, Chile, and Cuba. The head of the Confederation of Workers in Mexico declared to the convention that henceforth his organization and the Communist Party of Mexico will follow the policy of strict cooperation. As a part of the business handled at the convention, special attention was given to the Party program having to do with the activities of Communist youth and women's groups. Plans were formulated for the enlargement and improvement of the Party newspaper "La Voz de Mexico," which presently has a circulation of 10,000 weekly. ~~SECRET~~ X U

Dissension within the Communist Party of Mexico was evident during November of 1943, at which time certain dissident members of the Party were expelled, following their attack on the policies of Pucina, the Party leader. The expelled group announced that plans were underway to establish a new "Popular Front Party" based upon Marxist principles. It is to be noted, however that the regular Communist Party of Mexico has continued to seek increased membership and to enlarge its activities and influence, particularly throughout various industries and labor groups. ~~SECRET~~ X U

It has been ascertained that the Party in Mexico is considering a change of its name to the "Socialist Party," a tactic which has been observed in other Latin American countries where the Communist Parties are seeking to popularize their organization by removing any ostensible connections with international Communism. ~~SECRET~~ X U

Various foreign nationality groups in Mexico have been identified with the Communist movement. Mexico has for several years been a place of refuge for Spanish and other political exiles and at the present time the influence of international Communism is to be seen in the activities of the "Free Germans," "Free Yugo-slavs," "Free Italians" and other groups who are being organized in Latin America by Communist forces, apparently as part of a Russian foreign policy program which seeks to Sovietize certain of the liberated countries of Europe. Of particular interest are the activities of Spanish Communists in Mexico who are not only concerned with the political future of Spain, but are playing an important role in the furtherance of Latin American Communism and have allied themselves with Communist Party organizations in Mexico. Bureau representatives have developed information showing that Spanish Communists in Mexico are also connected with Communist underground activities which have ramifications in the United States. ~~SECRET~~ X U

At the present time Bureau representatives in Mexico are investigating the "Alto" case, which has to do with the activities of a Communist underground group presently concerned with the obtaining of the release from a Mexican prison of Frank Jackson, convicted murderer of Leon Trotsky. Members of the underground group in Mexico have exchanged communications with a similar group in the United States, using secret ink messages forwarded through the mails by courier. Jacob Epstein in Mexico has been identified as the writer of certain ink messages in this case, and it is known that a member of the Russian Legation in Mexico has been associated with one of the principal subjects of this investigation. Evidence developed to date strongly indicates that activity in this ~~SECRET~~ X U

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case is linked with Russian Communist espionage operations. X U

Investigation conducted by Bureau representatives in Mexico has resulted in the identification of a Spanish Communist and his involvement in a series of secret writing letters which have been mailed from New York to Antonio Collantes in Mexico City. On April 6, 1944, there was mailed in New York City a letter addressed to one Antonio Pacheco, a Spanish Communist residing in Mexico City. Examination of the letter at the Bureau disclosed that this letter was written by the same person who had prepared the open portions of the previously intercepted Collantes letters containing secret writing. Our representative in Mexico City covered the postal delivery of the letter addressed to Pacheco who immediately examined the letter and took it unopened to the offices of a business firm which is known to have been previously located at an address mentioned in one of the secret writing messages in the "Alto" case. Delivery of this letter to the business firm gives reason to suspect certain of the firm members and investigation is continuing to ascertain the nature and extent of their activities in connection with the operations of the Communist underground in Mexico. X U

Investigation is being conducted by Bureau representatives who are covering the activities of Italian Communists in Mexico, who are formally organized into the "International Giuseppe Garibaldi Alliance for the Liberation of Italy." It has been ascertained that this organization is under the leadership of Mario Montagnana, Francesco Frola and Vittorio Vidali, all of whom are Italian Communists seeking to promote unity among anti-Fascists in Latin America and are attempting to exert influence with the hope of having a voice in the establishment of a new government in Italy. Information concerning these individuals which has been developed by Bureau representatives, has been referred to the State Department for consideration in connection with applications which these Italian Communists have filed, seeking entry into the United States in transit to North Africa and Italy. X U

With the establishment of a Russian Embassy in Mexico and the assignment of Constantin Guzansky as Russian Ambassador, Communist investigation conducted by Bureau representatives has increased considerably for the reason that Russian diplomatic personnel in Mexico are taking part in local Communist affairs. It is reported that a large printing press has been established in the Russian Embassy for the purpose of supplying Russian propaganda to Communist organizations and "front" groups. Information has been developed indicating that the Russian Embassy in Mexico also is giving active support and encouragement to the activities of Spanish Communists. X U

Our representatives in Mexico are giving close coverage to all manifestations of the Communist movement in that country and particular efforts are being made to increase confidential informant coverage to obtain complete information concerning the activities of Mexican and foreign nationality Communist groups, with particular attention being given to Russian diplomatic personnel who are participating in Communist affairs in Mexico. X U

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~~From Security Handbook~~ X U

The outstanding group among the so-called "Free movements" in Mexico is the Alemania Libre organization, also known as Free Germany and Freies Deutschland. This movement has been described as an attempt at a United Front of German Communists in Mexico. The organization is composed of anti-Nazi Germans in Mexico, many of whom are internationally known authors, former Communist Deputies in the German Reichstag, politicians from the Fatherland, and professional men. The governing nucleus of the group is composed of Paul Herber and Erich Jungmann, former German Deputies elected on the Communist ticket, and Ludwig Kern, who, although he is a descendant of an aristocratic Prussian family and served on the Imperial German General Staff during the first World War, worked closely with the German Communist Party and fought with the International Brigade in Spain. X U

Alemania Libre maintains a voluminous correspondence with other Communist groups throughout Latin America and the United States and propagandizes itself through the medium of radio program, public meetings, posters and self-published periodicals. Alemania Libre controls a publishing house in Mexico City known as "El Libro Libre" (The Free Book), which has printed a number of books which have enjoyed a financial success, as evidenced by large numbers of intercept submissions reflecting sales of the volumes throughout Latin America and the United States. At least three of the books published thus far have directly eulogized the U. S. S. R., while others written in a fictional vein are of a more subtle type of Communist propaganda. X U

Among its satellite organizations Alemania Libre numbers the following: Accion Austriaca Republicana, a "Free Austrian" movement in Mexico; the Heinrich Heine Club, which caters principally to liberal thinkers among the professional and white-collared classes of Germans in Mexico who are not communists; and Asociacion Pro-Refugiados Politicos de Habla Alemana en Mexico (Association of Political Refugees of German Tongue in Mexico), which presumably assists German and Austrian political refugees in Mexico in representing these persons in dealings with the Mexican Government, but which actually has served to a certain extent to restrict the entrance into Mexico of German refugees not subscribing to Leftist political philosophies. X U

In order to make their movement more far reaching, the Free Germans of Mexico, May 1943, initiated steps whereby anti-Nazi groups in other Latin American countries could be coordinated into one body which would be known as the Latin American Committee of Free Germans, with the heads of these various groups as Vice Presidents of the central body, but the leadership and control in the hands of Ludwig Kern and Paul Herber, leaders of the Free German Movement of Mexico. The project has been fairly successful; however, there has been a conflict with another group—La Oltre Alemania, which has branches in several of the countries and which is headed by Dr. August Siemsen, a German socialist who has been residing in Argentina for several years. The two organizations have been unable to come to an understanding, apparently because of Dr. Siemsen's reluctance to accept the Communist ideology of the Free Germans. X U

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NICARAGUA X U

SIS representation in Nicaragua is limited at the present time, to one representative in the capacity of Legal Attache; however, an additional Special Agent is expected to be assigned to that country in the immediate future as to be of assistance in the continuance of present coverage. During 1943 a Special Agent was assigned as Liaison Representative to the president of Nicaragua, in which position excellent coverage of a great amount of activity was able to be maintained. However, this assignment was discontinued at the president's request due to the political situation. X U

During 1943 the Axis nationals had been brought very much under control either by deportation or by restrictive measures and there was very little subversive activity during that year. There is no instance of enemy directed sabotage. SIS representatives in Nicaragua developed the information that the President though formerly anti-Communistic later for political reasons permitted inroads to be made in Nicaragua by the Communists. X U

SIS representation in Nicaragua has done and is doing much work in securing information concerning various Axis nationals in that country. As the result of this work and their influence in the Nicaraguan Government, it is made necessary for all enemy aliens to carry an identification book with them at all times. A measure was also put into effect causing enemy aliens to register and providing heavy penalty for those failing to. Similarly, laws were passed prohibiting deportation and importation of currency in coins minted in the United States. As a result of this law, the Nicaraguan Government was able to exercise considerable control over the movement of Axis funds within the country. X U

In the field of Selective Service, [redacted] a delinquent with the Selective Service Board of Chicago was located in Nicaragua by SIS personnel. Inasmuch as he would not voluntarily return to the United States and subject himself to provisions of the Selective Service law, his permit to reside in Nicaragua was revoked by that Government in cooperation with SIS representatives and his passport was revoked by the United States Embassy there. Shortly thereafter he returned to Brownville, Texas, where he was arrested by Bureau Agents and subsequently prosecuted in Federal Court in Chicago, receiving three years. X U

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PANAMA X U

While the Republic of Panama is primarily the responsibility of the representatives of Military Intelligence and is not under the jurisdiction of the Bureau in accordance with the delimitation agreement, it has been found necessary to maintain three confidential undercover representatives in Panama at Panama City in order to provide necessary sources of information and for them to function as an intricate part of the SIS system throughout Latin America. X U

Such undercover employees have been able to very materially aid in the Bureau's communication network and to provide the coverage necessary for SIS matters in the Republic of Panama efficiently and without embarrassment to the Bureau under the delimitation agreement jurisdiction. X U

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PARAGUAY \$U

Internal Security

The Union Germanico del Paraguay was founded in Paraguay in September, 1916. In 1933 the Union and all the members thereof became aligned with the Third German Reich and were closely associated with the German School Society. Extensive investigation by Bureau representatives revealed that the Union's policies were in accord with the objects of the German Third Reich and that the organization was regarded by many of its members as being identical with the National Socialist German Workers Party. In 1942 the membership totalled 1,656. \$U

On October 20, 1943, the Ministry of Interior of Paraguay by resolution ordered the Union Germanico del Paraguay, also known as the Deutscher Volksbund fur Paraguay, dissolved. Interventors were appointed by the government authorities on October 25, 1943, to supervise the liquidation of the organization. This action on the part of the Paraguayan Government is considered a major development in the elimination of subversive elements in that country and resulted largely from the close cooperation between Bureau representatives in Paraguay and the Paraguayan Ministry officials. \$U

Subsequent to Paraguay's breaking of diplomatic relations with the Axis Powers, the Germans in Paraguay formed a social group known as the Asocion Aleman de Ayuda Social to safeguard and continue various non-political German organizations in Paraguay. The Society was authorized to function by the Asuncion police on April 25, 1942. The ostensible purpose of this society was to aid needy Germans, the German hospitals, schools and cultural institutions. Extensive investigations by SIS representatives not only disclosed that the members were, with few exceptions, violently pro-Nazi, but that the Society was probably the source of much subversive and propaganda activity in Paraguay. \$U

A summary of information obtained by SIS representatives concerning this organization, which was made available to the Paraguayan Government through appropriate diplomatic channels, resulted in the appointment of Interventors by the Paraguayan Government in order that the activities of the organization would be subjected to close scrutiny. It is understood that the Paraguayan Government plans to institute additional intervention in connection with the activities of the organization, and it is the ultimate aim of the Paraguayan authorities to dissolve it. \$U

On October 2, 1943, the Paraguayan Government began intervention proceedings against Banco Germanico de La America del Sud, Asuncion, Paraguay. The authorities entered the institution and confiscated all records, both bank and private, which were believed to be of value, for subsequent study. This act climaxed the investigation instituted by SIS representatives. Intervention of the bank was planned by the Paraguayan Ministry of Finance and representatives of the American Embassy in Asuncion, including the Legal Attache. \$U

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This move by the authorities was a complete surprise to the Germans and will be of utmost importance in the investigation and control of German activities in Paraguay. The most significant result from the appointment of an Interventor by the Paraguayan Government is the apparent willingness to cooperate with the United States in the suppression of subversive activities by enemy agents. This German bank of Asuncion had long been suspected of being the seat of Nazi activities in Paraguay. X U

The Japanese Colony at Ybytymi, Paraguay, was founded May 15, 1936, upon authority of the Paraguayan Government dated April 30, 1936, which permitted entrance into Paraguay of 100 Japanese families. A subsequent decree authorized the Paraguayan Development Corporation, S. A. to bring into Paraguay, 1000 families of Japanese agriculturists within a period of five years. These colonies are so located that they, together with German colonies, could, if they so desired, completely disrupt the main transportation facilities of Paraguay. X U

Subsequent investigation by SIS representatives in Paraguay revealed that the Japanese Consulate and the Yokohama Specie Bank in Buenos Aires were financing the Japanese Colony. The Japanese Overseas Immigration Association opened a branch at Asuncion on May 15, 1943, in charge of Shigeto Kishi. It was revealed that this organization performed certain consular functions and was established as a result of the closing of the Japanese Consulate in Asuncion in March, 1942. It was also revealed that the Japanese Colony at Ybytymi, Paraguay, was remitting 700 Argentina pesos to the Japanese Military and Naval Attaches in Buenos Aires for inclusion in the fund for relief of Japanese soldiers and sailors. X U

A summary memorandum containing information obtained by SIS representatives was presented to the Paraguayan authorities through appropriate diplomatic channels and as a result an Interventor was appointed to control the activities of the Japanese residents in the Colony. The action of the Paraguayan authorities in appointing an Interventor was considered of major significance in connection with the suppression of subversive activities among the Japanese. X U

About 2:30 a.m. on January 26, 1944, a small group of reserve officers, followers of Colonel Arturo Bray, captured the police station and telephone building in Asuncion. Simultaneous moves to take the cavalry and air corps failed to materialize due to the nonappearance of one officer. Consequently, insurrectionists in the city of Asuncion were forced to withdraw from their positions and were later captured. One officer and four privates were killed and many others wounded. Government agents by torturing the dying officer obtained information which led to wholesale arrests, including many of the organizers of the coup. Many persons have been confined to concentration camps and others were deported to Argentina. X U

The political situation in Paraguay has been closely followed by SIS representatives, and informants believe that the present fanatical X U

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persecution of the members of the Liberal Party by the existing totalitarian regime seems likely to unite the opposition into a further coup d'etat. ~~RU~~

Subsequent to the attempted revolution in Asuncion on January 26, 1944, which was executed in an effort to overthrow the Morinigo Government, the Legal Attache through several informants was able to secure information concerning a general strike to be called in Paraguay by the railway workers and possibly other labor groups protesting government persecution and intervention in connection with the labor union. On February 10, 1944, 250 workers of a large vegetable oil plant called a strike, and as a result approximately thirty individuals were arrested by the authorities. On February 15, 1944, it was reported that street car workers, railway workers and bricklayers went on a strike, and in this connection a considerable number of persons were arrested by the police. The international telephone lines were cut on two occasions by the strikers and it was also reported that approximately nine railroad branches had been sabotaged by the workers in protest of government interference. ~~RU~~

Espionage

Information received by Bureau representatives during the summer of 1943 from a highly delicate source involved Major Pablo Stagni, Chief of the Paraguayan Air Force, with a clandestine German radio ring (HDZ) centered in Argentina. Stagni has been known to SIS representatives as an admirer of Germany and as uncooperative with the Allies. Our inquiries to date have revealed that he is in touch with one "Jony", a collaborator in the ring, and one "Gustav" in Buenos Aires, believed to be a radio operator in the ring. Through Stagni the German Intelligence Service in Buenos Aires arranged for several agreements favorable to the Axis to be made between the Argentine and Paraguayan presidents when they conferred in Buenos Aires in December, 1943. SIS investigation has now disclosed that Stagni is undoubtedly deeply involved in an extensive black market involving some 30,000 gallons of aviation gasoline furnished the Paraguayan Government by the United States under Lend-Lease agreements for use in its Air Force equipment. He has further been accused of causing Lend-Lease equipment to be damaged in such a manner that it will appear to have been the result of poor workmanship. ~~RU~~

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For some time the Bureau has been following the correspondence of [redacted] in Spain with his paramour, [redacted] in Asuncion, Paraguay. [redacted] in late 1943 [redacted] a naturalized Paraguayan of Russian descent, left his job with [redacted] in Madrid, and returned to South America ostensibly to marry [redacted] In December, 1943, he sent a letter to Spain containing a secret writing message regarding stamps. It has since developed that he is in possession of valuable stamps which constitute an espionage payment [redacted] in New York. Through SIS contacts in the Paraguayan Post Office, arrangements have been perfected for communications between [redacted] in an effort to have the stamps sent to the United States. Meanwhile, the activities and associates of [redacted] in Paraguay and Argentina have been checked carefully by SIS representatives. ~~RU~~

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Liaison with Paraguayan Government Officials * 2

Through the efforts of the Legal Attache's office in Asuncion, it has been possible to establish close liaison with various high Paraguayan government officials. It is believed that the most important contact which has been established was made with [redacted] b7C

[redacted] Through the very friendly cooperation extended by [redacted] to the Legal Attache, it has been possible for the Bureau to obtain highly important data relating to the activities of Axis individuals in Paraguay which otherwise could not have been secured. Through [redacted] efforts action has been taken by the Paraguayan government in an effort to control subversive activities within the country and among the most important measures inaugurated were the interventions of the Union Germanica de Paraguay, the Banco Germanico de la America del Sur, and the Asociacion Alemana de Ayuda Social. * 2

The former Chief of Police in Paraguay Mutshuito Villasboa, was extremely pro-Axis in sympathy, making it difficult for the Legal Attache to obtain any cooperation from the Police Department. However, a new Chief of Police has been appointed, Lieutenant Colonel Francisco Shaves (Del Valle), who is pro-Allied and is very cooperative with the Legal Attache. Shaves has informally discussed with the Legal Attache the possibility of a liaison officer-police officer being assigned to assist the Paraguayan Police. * 2

[redacted] the Legal Attache within the Paraguayan Post Office Department and through this individual it was possible to obtain any and all mail directed to any individual within the country who was suspected of engaging in subversive activities. * 2 b7C

Liaison was also established with other censorship officials within the country and arrangements were perfected whereby the Legal Attache was informed concerning suspected correspondence emanating from or directed to any individual in Paraguay. * 2

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PERU X U

The major part of the SIS program in Peru prior to 1943 was directed toward the extension of informant coverage in all fields of activity. Many valuable contacts were established which enabled subsequent activities of our representatives to be directed along more specific and well defined lines. The Peruvian Government, although cooperative, had no means of taking affirmative action against Axis elements that were seeking to penetrate the security of the country. It was, therefore, apparent that the deportation of Axis nationals was by far the most successful means of controlling the activities of Axis elements. The assistance given by SIS representatives in the continuation of the expulsion program resulted in the deportation of a total of 568 Japanese and 124 Germans during 1943. This action is believed to have removed the threat of Axis penetration through espionage propaganda and subversive activities in the Republic of Peru. X U

Associated with the effort to remove certain Axis nationals from the country were many Peruvian officials who were found bribed by Japanese nationals subject to deportation. After the deportation of a few Japanese nationals, it was determined that [redacted] b7C

[redacted] and [redacted] had extorted rums and merchandise in excess of 137,000 soles (\$20,000 U.S.). These individuals would contact Japanese subjects and advise them that their deportation was eminent; however, they would be protested upon the payment of a specified sum. In many cases the merchandise and money was paid and the individuals would later be apprehended and deported by the government. X U

Activities of three members of the political section of the Prefectura in Lima was carried out along similar lines in that they extorted 100 soles (\$15.50 U.S.) each from five Japanese employed on a hacienda near Lima. They threatened the Japanese with deportation unless the payments were made. These individuals impersonated officers of the Division of Investigaciones. The Peruvian Government upon learning of such activities immediately dismissed the individuals involved. X U

Peru has been affected to a great extent through the efforts of reactionary elements to overthrow the incumbent government. The unsettled political situation in South America during 1943 has been a definite threat against the solidarity of the continent with the Allied cause. A source available to the Office of the Legal Attache made available the first information regarding a plan sponsored by the Argentine Government for the overthrow of the various governments of Latin America. [redacted] b7C

[redacted] made this information available and described the purpose of the plan as being an attempt by the Argentine Government to form a block against the United States and the Allied nations which would be favorable to Argentina. X U

This information was deemed very important by the State Department of the United States and investigation throughout South America was instituted. X U

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immediately to determine the exact attitude and role being played by Argentina in its endeavor to cause political unrest and revolutionary actions throughout the continent. X U

While the Government of President Prado is not popular, it has continued to support the United States and the Allied cause as well as to assist in the war effort wherever possible. Numerous reports have been received indicating the possibility of a revolt against the government at various times throughout 1943. One such report was received indicating a revolutionary attempt was scheduled to occur on December 31, 1943. This movement was allegedly planned by the Union Revolucionaria with the support of German and Japanese elements. X U

While it has been definitely proved through laboratory examination that the documents used to establish the authenticity of the activity of reactionary elements was false, other facts indicated that the advance notices received by the Peruvian Government enabled them to take precautionary measures in sufficient time to prevent an attempt being made to overthrow the government. German and Japanese nationals allegedly involved in this plot including [redacted] [redacted] have been removed from the country and are interned in the United States. X U

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It is known that there is rivalry between Marshal R. Benavides, Peruvian Ambassador to Argentina, and General Eloy Ureta, Peruvian Army Inspector General for the nomination by the Aprista Party for President in the forthcoming elections to be held in 1945. It has been reported that army superiors of General Ureta have indicated a desire to seize the government and later install General Ureta as provisional president as it is feared that Marshal Benavides upon his return to Peru will replace high-ranking army officers favorable to Ureta, thus preventing Ureta from obtaining any appreciable support from the army at a later date. X U

When Peru broke relations with the Axis, diplomatic officials of the German, Japanese, and Italian countries departed for their native land. The Spanish Embassy at Lima then took over the management of Axis affairs. The idea was conceived for a wastepaper coverage on the Spanish Embassy and after being established it was possible to obtain a great deal of information which has been of material assistance to the State Department of the United States as well as of assistance in following activities of a subversive nature in South America. X U

In one instance a communication from the Spanish Ambassador addressed to the Foreign Minister of the German Reich related to the shipment of German gold by means of the Spanish diplomatic pouch from Peru to Germany. This gold, described as the property of Agencia Maritima Kosmos, was reported to be in the possession of the Spanish Embassy, and it had not been inventoried inasmuch as it was kept in seven sealed bags as it had been originally delivered to the Embassy. The Spanish Ambassador advised that it would not be shipped by the X U

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Spanish unless he was requested to do so because of the uncertainty of shipping channels. The Kosmos agency mentioned in this communication was known to have been involved in the PYL espionage ring which had operated in Valparaiso, Chile, and was in constant contact with numerous espionage agents throughout South America. *XU*

Other Spanish activities in Peru worthy of note included the visit to Lima by Isidro Granica Recheverria, who associated with prominent Spaniards formerly influential in Falangist activities in the country. He was alleged to have visited Peru for the purpose of uniting Falangist subjects and to solicit the support of high Peruvian officials for the cause of Franco's Government. *XU*

Through a source within the Spanish Embassy and by following the trash coverage from the Embassy it was determined by our representatives that Francisco Borras (Vanaclocha) was a Spanish police representative who was handling matters for the Office of Security in Lima. Various reports submitted by Borras to the Director General of Security in Madrid were obtained which indicated he was engaged in obtaining material of commercial, economical, and political nature and that he had complete files on the Spanish Colony in Peru, which activity was in violation of diplomatic agreements between the countries involved. At one time it was being considered by the State Department to provide this information to the Peruvian Government; however, Borras was transferred to another post and this action was never taken. *XU*

In view of the large Japanese Colony located in Peru it has been necessary to closely follow the activities of all Japanese elements. The deportation of several hundred Japanese nationals by no means completed the work of our representatives. It has been estimated that there are between twenty-five and thirty thousand Japanese residing in the country which make this colony the second largest Japanese Colony in South America. The personal habits and commercial activities of those Japanese remaining in Peru have been affected by the deportation program as they have expressed fear of being expelled from the country in the event they violate local control regulations. *XU*

During June 1943 Nobu Yatch, a Japanese national, was removed from Bolivia for repatriation at the request of the Japanese Imperial Government. Upon his arrival at Lima, Peru, en route to the United States, it was ascertained that he had undoubtedly acted as an espionage agent for the Japanese during his visits in the United States, Central America, and South America from 1939 until the time of his departure from Bolivia. The names of numerous contacts and associates were obtained from him, and it was ascertained that he had submitted reports from Bolivia to Hagoichi Hiramatsu in Buenos Aires, Argentina. The communications reflect political and economical information was being transmitted to Hiramatsu and as the letters were numbered 20 and 21 respectively, it was believed that they were a series of communications being submitted by Yatch. *XU*

As the result of correspondence transmitted by Usaburo Maeki and Hitomi Moki, Japanese nationals who were deported to the United States for internment, to individuals in Peru concealed assets in the amount of \$7,132.30. *XU*

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as well as other property of value was recovered which was hidden to defeat efforts of governmental liquidation regulations. The correspondence mentioned the contents of a certain safe which was allegedly in the possession of a Japanese national, and it reflected a desire that the authorities not obtain possession of this item. SIS representatives in cooperation with the Peruvian authorities conducted an extensive investigation which resulted in the safe being located and the property seized by the government. *Xu*

Further evidence of Japanese activities detrimental to the Allied cause was disclosed by action taken by our authorities and our representatives in the case of Kinzetsu Tamashiro. It was determined that Tamashiro, a Japanese national residing in Lima, possessed a rubber stamp, which was reported to be the stamp of the Chinese consulate in Peru. The stamp was allegedly used for correspondence for the purpose of deceiving postal authorities and censors. It was determined through Chinese officials that the stamp was not used by such authorities, but had been falsified by Tamashiro to serve in transmitting communications through the mails. The stamp was seized by the authorities. *Xu*

The activities of Kazuki Tateishi, a Peruvian citizen of Japanese descent who was employed as a translator in the Spanish Embassy, were followed by SIS representatives for a long period of time. Tateishi was employed by a Japanese language newspaper and information indicated that he had written numerous pro-Japanese editorials for this publication. He was later employed in the Spanish Embassy, and it was alleged that anyone who did not act in accord with Tateishi's desires would immediately be placed on the list of those individuals who were to be repatriated to Japan. While Tateishi was removed to the United States for internment and interviewed at the internment camp, he denied that he was engaged in any activity of a subversive nature or that he possessed information concerning the activities of the Japanese Colony in Peru. *Xu*

Investigation at Arequipa, Peru, disclosed that [redacted] a German national, was receiving communications from Germany from one [redacted], a "Graf Spee" internee in Argentina. The activities of [redacted] had previously been of a suspicious nature, and it had been established that he had been in contact with Wilhelm Neugebauer as a German Consul in Arequipa. It was ascertained that [redacted] had been handling correspondence received from Germany through [redacted] and that he had forwarded correspondence through [redacted] directly to Germany. By this means an open line of communication was available for individuals who desired to communicate with Germany. [redacted] has since been removed from Peru for internment in the United States. *Xu*

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In cooperation with the Peruvian authorities investigation was undertaken by our representatives concerning the activities of Robert Leitgeb (Ruber), a German national, who was known to be residing in the southern part of Peru. Leitgeb was apprehended by the authorities when it was believed that he was engaged in espionage activities in view of his known frequent contacts with Neugebauer and with Paul Detgen. Leitgeb admitted that he had been assigned as a secret agent of the German Government to work in Chile and had only recently been deported from Peru and is presently confined to an internment camp in the United States. *Xu*

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Acting on information made available by our representatives through the American Ambassador, the Peruvian authorities detained Hans Blank Vogel for suspected espionage activities. Blank admitted he had been assigned by his superiors to obtain information regarding the air base, San Marcos, and to obtain reports on movements of troops. As no affirmative action of a prosecutive nature was instituted against him by the Peruvian authorities, he was included among those to be removed from the country by deportation and is presently interned in the United States. X2

The Communist Party has made little headway in Peru as compared with other countries in Latin America. However, they have recently launched a membership drive which has for its apparent purpose the development of as large a party as possible. An informant of the Legal Attache has managed to obtain party membership, through which action it is expected that information of value will be received regarding Communist activity. X2

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EL SALVADOR X U

Because of the fact that the physical area of El Salvador is so small, it has been necessary to have only a small number of SIS representatives in that country. At the present time our SIS representation consists of one Legal Attache. However, it is expected that an Assistant Legal Attache will be shortly assigned as an assistant to him. X U

Comparatively speaking, there has been little active enemy espionage activity in El Salvador. However, as a result of the work done by our SIS representatives, El Salvador has effected laws relating to its internal security which has given rise to the claim that there have been no known instances of enemy inspired sabotage or real espionage to date. There have been 98 persons deported from El Salvador since that country declared war upon the Axis immediately following Pearl Harbor. X U

Bureau personnel in El Salvador contributed a good deal of information as partial basis for such deportations and has also under the present conditions, submitted a large quantity of information relating to financial and commercial transactions of Axis Nationals as a result of which, it is believed any real continuous activity on the part of such nationals has been completely curtailed. X U

As the result of these deportations, SIS inquiry has been able to be concerned with a survey of French and Spanish activities and organizations which are active. In this connection it is to be noted that Bureau representatives were able to secure two of the Spanish diplomatic codes being utilized by that country. In addition, general coverage has been developed to the point where Bureau representatives are able to be informed not only of travel to and from El Salvador, but to have information concerning the political and general subversive activities with which the country is confronted. X U

Exceedingly close harmonious relations have been established not only with the other United States agencies, but with the El Salvador government which has looked to the Bureau personnel assigned to the American Embassy for leadership and guidance in its control of Axis activity. X U

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URUGUAY #71

Internal Security

Paul Klaas and many of his associates were arrested by the Uruguayan authorities on February 15, 1944, as a result of information obtained by SIS representatives, which was made available to the Uruguayan police through appropriate diplomatic channels. Klaas was formerly Chief Engineer of the Mechanical Division of the Port of Montevideo and was recognized and characterized as an active Nazi. Klaas was subsequently dismissed from his position at the Port but still maintained contact with many individuals employed by the Port authorities. The SIS representatives are presently cooperating with the Uruguayan authorities in interrogating Klaas and his confederates. #71

Piero Consarelli, an Italian Army officer who came to Uruguay in 1940, has been the subject of an investigation by SIS representatives for a considerable time. Recently the Uruguayan authorities conducted a raid of the premises of Consarelli and found numerous documents together with photographs of Consarelli in an Italian Military uniform. Badges of the Fascist Party and several receipts indicating payment of dues to the Fascist Party of Uruguay in 1941 were also found. Some of the documents which were alleged to be in the handwriting of Consarelli, placed undying faith in the Fascist Republican Government. #71

Juan Carlos Mendieta (Stochever), an Argentine citizen, was arrested by the Uruguayan police during September, 1943, on charges of distributing pro-Nazi and anti-U. S. propaganda in Paraguay, which had been imported from Argentina. The arrest of Mendieta subsequently led to the discovery of a widespread anti-Allied propaganda ring in Paraguay. Jacobo Rismann, a confederate of Mendieta who acted as courier on the boat from Buenos Aires to Montevideo, was also arrested. The Bureau representatives assisted in this case. #71

Arnold Fuhrman, together with seven other Germans, was arrested by the Uruguayan authorities for conspiring against Uruguay. Fuhrman was described as a leader of an organization which was formed to execute the so-called "Fuhrman Plan", under which Germany was to take Uruguay by force and convert it into an agricultural province. SIS representatives cooperated with the Uruguayan authorities in investigating this matter, and it was recently learned that Fuhrman was sentenced to 13 years in prison and five of his associates were sentenced to terms amounting to 43 years. #71

Juan Bove Trabal, the son of a retired Uruguayan General, was arrested by the police on November 8, 1943, upon his return from Buenos Aires by boat. A search of Trabal's possessions reflected a considerable amount of pro-German propaganda which he stated was to be distributed among the Uruguayans. It was later learned that the Argentine Foreign Minister had made a proposal to the Uruguayan Ambassador in Buenos Aires suggesting #71

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also competition between the two countries. In connection with the investigation there, early action was believed to indicate that Argentina feared that developments in the matter would involve many high Argentine political officials. Trabal's arrest eliminated an investigation conducted jointly by the Uruguayan police and SIS representatives. X U

Espionage

Paul Joseph Henning, an employee of the Harbinger Administration in Montevideo and presently in charge of repairs of the former German steamship "Tacoma", has allegedly been corresponding with Thelo Martens, a known German agent and saboteur in Buenos Aires. Martens was arrested by the Buenos Aires authorities on February 16, 1944, in a round-up of German espionage agents. Martens was the Argentine representative of the North German Lloyd Steamship Line and a prominent member of German aristocracy. He was a frequent visitor of the German diplomats and was apparently the leader of an organization engaged in obtaining espionage information. Reports indicate rather definitely that he was for a time concerned with the setting up of a sabotage agency in Argentina and Brazil. Investigation concerning Henning's activities is being conducted by SIS representatives, and U. S. Naval authorities have taken extraordinary precautions to guard against any possible sabotage by Henning. X U

As a result of information obtained by SIS representatives, which was later made available through appropriate channels to the Uruguayan police, the residence of Shukicki Sagara, a Japanese National, was searched on the morning of March 17, 1944. At the time of entry Sagara was listening to a radio program from Tokyo and taking notes in Japanese. A secret compartment was found in the floor of the house and another in the wall containing two thousand pesos and numerous documents in Japanese. It was also determined that Sagara receives a Buenos Aires-Japanese newspaper concealed inside of a Buenos Aires newspaper. Further action against Sagara is dependent upon results obtained from an examination of the documents found in the secret compartments in his home. X U

Sabotage

As a result of information obtained by SIS representatives, Edgard Khlen was arrested by the Uruguayan authorities on a charge that he threatened that the SS "Tacoma", which is presently being repaired in Montevideo, would never leave the Montevideo harbor. Khlen, a German, is a former cook aboard the German ship SS "Olinda". Also arrested and detained were two of Khlen's associates who were alleged to have been present at the time the sabotage threat was mentioned. X U

Uruguay might be considered as the South American country wherein the Communists are presently most active. Although the local Communist Party itself has not displayed any outstanding achievements, there are a number of refugee Communists who have found refuge in Uruguay from the hostile governments of Argentina and Paraguay, as well as the Nazi dominated countries of Europe. X U

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During the latter half of the past fiscal year, the Russian Government was recognized by Uruguay and has established a Minister there who has brought a large staff with him. Although the Russian Legation has not yet become organized on a permanent basis, numerous local and refugee Communists are known to have called on the Minister and he has appeared at local meetings in Free Slav groups. X u

All possible steps are being taken in Uruguay to adequately cover all types of Communist activities there, including the use of informants who formerly resided in Argentina, and representatives of the Polish Intelligence. X u

The local Communists held 14,000 votes in the last election which is 2% of the country's votes, and they now have two representatives in the Uruguan parliament. X u

The C.F.A.L. or Federation of Latin American Workers, which is headed by Vicente Lombardo Toledano of Mexico, controls the majority of labor organizations in the various Latin American countries. It might be stated that all of these labor unions are controlled or predominately influenced by the Communists in the various countries. The C.F.A.L. held a convention in Montevideo in February of 1944 which consisted of three open sessions and at least two secret sessions. All of the resolutions adopted by the convention followed the usual Communist Party lines which included fighting the Franco regime and other such elements which are working to undermine democracy and destroy the unity of the people. This convention was adequately covered by SIS representatives and all pertinent information obtained was transmitted to the interested governmental agencies of the United States in Washington. X u

Liaison with Maritime Police X u

Through the efforts of the Legal Attache in Montevideo, a close liaison has been established with the Maritime Police officials. Through this close liaison and cooperation, it has been possible in the past to have individuals removed from Spanish vessels docked in the Port of Montevideo where information has been developed indicating that these individuals may possibly be engaging in smuggling diamonds, platinum, or other articles of interest to the Axis. X u

The Bureau's representatives in Argentina have recently experienced considerable difficulty due to the Argentine Secret Police who have recently been conducting a campaign of arrests of our informants which action is seriously hindering their activity. In view of the close liaison and cooperation which has been previously established by the Legal Attache with the Montevideo Police, it has been possible to make arrangements whereby several of the Bureau's important informants in Argentina could leave that country and take haven in Uruguay until such time as it was believed safe for them to return to Argentina. In some instances informants have left Argentina and proceeded to Uruguay only to find that an order for their arrest had been requested by the Argentine Police. In those instances where informants have been arrested by the Uruguayan authorities, it has been possible to secure their release through the intercession of the Legal Attache in Montevideo. X u

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Political Activity

Considerable information has been received in the recent past indicating the possibility of a coup d'etat in Uruguay. The general political situation in Montevideo is described as being tense and the police have undertaken strict precautionary measures in order to cope with the possible revolution. Through several confidential sources information has been developed to the effect that the activity of Luis Alberto Herrera and his Nationalists seems to be one of the main causes of discontent within the country. It is said that the President of Uruguay has openly described Herrera as a Nazi. Additional information developed indicates that Herrera is intriguing with Marina Rios (President of the Senate's Constitutional and Legislative Committee) who is also an avowed enemy of President Amegaga. The Herrerista obstructionist political tactics are said to greatly impede the government's functioning. They have recently been attempting by political coercion to force the government to form a coalition with them and in return they offer to withdraw their opposition to the conscription law. A close relationship is also known to exist between the Herrerista extremists and various Argentine Nationalists. SIS representatives are maintaining a constant coverage of the political activities of Herrera and his followers. X2

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VENEZUELA \$u

During the past year SIS operations in Venezuela have become increasingly effective as the Legal Attache's Office, with a complement of a Legal Attache and eight Social Agents, procures more complete control over intelligence activity in the country. Relations between the Embassy and the Legal Attache's Office have been of an excellent nature and a previous bad situation involving minor usurpation of the Bureau's jurisdiction by the Naval Attache has been eliminated. The Bureau's relations with the Venezuelan police are presently better than at any previous time. A better working arrangement is being maintained with the British Intelligence Service as a result of the recall of one of their representatives who had assumed an uncooperative and antagonistic attitude toward the Bureau. \$u

The coverage in all phases of intelligence activity has been increased. Considerable effort has been expended by the Legal Attache's Office in developing coverage over diamond smuggling activities in the country. Extensive investigations and informant coverage over this matter have resulted in the identifying of the principal individuals involved in diamond traffic in Venezuela. NSA representatives have stated that due to the excellent control over the movements of possible smugglers there seems to be little activity in the transfer of diamonds from Venezuela to the Axis. \$u

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By virtue of the development of [redacted]

[redacted] the Legal Attache's Office, there presently exists available to the Legal Attache an unofficial censorship of all incoming and outgoing postal communications. This coverage has been particularly advantageous to the Legal Attache's Office, and as an example of the type of coverage maintained over mail in Venezuela, may be cited the interception during the early part of the month, 1943, of a letter addressed to the Quimica Bayer-Weskott drop box in Venezuela from a fictitious individual in Argentina, indicating that a large shipment of drugs would be sent to Venezuela from Argentina. It will be recalled that the Quimica Bayer-Weskott and Company and the Bayer Company in Argentina are subsidiaries of the I. G. Farbenindustrie, a firm which has attempted to continue its operations in South America. The information was immediately brought to the attention of the United States, and immediate steps were taken to intercept the shipment or to prevent its reaching the Quimica Bayer firm in Venezuela. The goods were scheduled to arrive in Venezuela aboard the SS "Rio Grande" during the month of October, and through a scheme worked out in connection with [redacted] SS "Rio Grande", the goods were prevented from being unloaded in Venezuela. Upon the arrival of this vessel at Puerto Rico, the shipment was seized by Customs officials at San Juan on October 18, 1943, on an order signed by the Alien Property Custodian. Pharmaceutical goods and vaccines amounting to \$23,691.20 were the results of such seizure. \$u

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Coverage of political and economic events have also been very good. Reliable information has recently been developed by the Legal Attache in Caracas indicating that representatives of Swedish interests are interested in introducing into Venezuela two hundred and fifty millions of dollars for public improvements in exchange for shipments by the Venezuelan Government of petroleum to Sweden over a twenty-five or thirty year period. X U

As an example of the coverage of this matter, according to a reliable informant, contacts have been made with the Venezuelan Ambassador to the United States, Diogenes Escalante, by [redacted] a naturalized American citizen of Swedish origin [redacted]

[redacted] Philadelphia, Pennsylvania, [redacted] recently arrived in Venezuela and shortly thereafter had an interview with President Medina, together with [redacted] a Swedish national of New York who also recently arrived in Caracas. It is also known that [redacted] had an extended interview with President Medina on June 9, 1944. It has been reported that President Medina favors the proposition, although he hopes it can be effected without damaging relations with the United States Government and business interests. X U

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The United States Embassy in Caracas and the State Department have indicated a very definite interest in this matter, and the State Department has requested that an investigation be conducted of the activities of Andres Daniel Hogfeldt in New York. X U

In the field of espionage and subversive activities, the Legal Attache's Office in Venezuela has achieved some notable results. During the summer of 1943, Walter Madanovsky, a Nazi Party leader and the individual who handled German affairs for the Spanish Legation and who was also undoubtedly connected with espionage activities in Venezuela was interned as a result of the information developed by the Legal Attache's Office. Madanovsky was the Manager of Quinica Bayer-Werkott and Company, a German firm and was a prime force behind Nazi activities. X U

Pedro Alfonso Acero, a former diplomatic official of the Venezuelan Government in Hamburg who returned to Venezuela to serve as an agent of the Sicherheitsdienst, as a result of investigation conducted by the Legal Attache's Office, was rendered entirely useless to the German Government. As a consequence of information furnished to the Venezuelan National Police organization, Acero was interrogated by Bureau representatives, and although he admitted no espionage activities, he did admit that he had been approached by the Germans to act as an agent for them. No action, however, could be taken because of his Venezuelan nationality and friendship with the Venezuelan authorities. Luitpold Heigert, a fanatical Nazi who attempted to collaborate with Acero was also interrogated, and because there were definite indications that Heigert was a dangerous Nazi, the Venezuelan Government decided to detain him in the interior of the country. X U

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Communism in Venezuela X 2

The Communist Party of Venezuela has become increasingly active and influential and is well organized. On June 20, 1944, the Venezuelan Senate approved a proposal amendment to the National Constitution which would legalize the Communist Party. X 2

Effectual confidential informant coverage developed by Bureau representatives in Venezuela has produced valuable information showing the extent and scope of the Communist movement. The basis of the party structure has been determined to be the "Cell" and during the past year, it is estimated that approximately three hundred new Cells have been created by the Party which has been concentrating its organizational efforts principally among labor groups and front organizations. X 2

It has been ascertained that the Party in Venezuela was first organized in New York City around 1925 by Communists who had been expelled from Venezuela by a Presidential administration which followed the policy of complete suppression of Communism. Aurelio Portocarrero Fricono, the founder of the Communist Party of Venezuela, left the country in 1923 and remained in Russia until 1926, at which time he returned to Venezuela as a delegate from the Third Communist International. For a time the Party was compelled to act in secret under directions from Communists in Berlin, Germany, where the Western Section of the Third Communist International was then located. The Party was thereafter successful in obtaining additional members and sympathizers and at the present time, while the Party is not legally recognized in Venezuela, it operates openly under the leadership of Juan Bautista Suarez. X 2

National Congresses have been held by the Party in secret session each year since 1930 and are convoked by the Central Executive Committee under the guidance of the Political Bureau of the Party. It is known that there is a division of opinion existing within the Party and the opposing groups are led by Salvador de la Plaza and Eduardo Machado. It is believed that the differences between these two factions are actually the result of ambitions of De La Plaza and Machado who are both seeking supremacy of leadership. X 2

Bureau representatives have obtained information indicating that President Medina of Venezuela has maintained liaison with the Communist Party for some time, based on a secret understanding between President Medina and the Party to the effect that the President make an effort to amend the Constitution of Venezuela so far as it relates to the prohibition of Communist activity. X 2

The Party has been active in disseminating propaganda through the medium of Party publications and the establishment of bookstores to serve as an outlet for Communist propaganda of all description. This phase of Party activity is also being followed by Bureau representatives. X 2

The Communist Party of Venezuela has been particularly active in organizing the laboring classes, particularly in the oil companies. Investi-

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