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1944

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

DECLASSIFIED BY 60309 AUC TAM/MLT/CLO  
ON 7-20-2005

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**I. SIS OPERATIONS AT THE SEAT OF GOVERNMENT**

**A. Changes in Administration**

During the fiscal year of 1944-1945, a number of important administrative changes have taken place in the SIS Section at the Seat of Government. Formerly, the SIS Section was made up of three units: the Operations Unit, the South American Investigative Unit and the Caribbean Investigative Unit, each under a Unit Chief. The two last-named units have been combined and the present arrangement is an Operations Unit and an Investigative Unit, each under a Supervisor in Charge who is responsible to the Assistant Section Chief and the Section Chief. X U

Bureau Agents have been assigned to the Pacific theater in addition to Latin America and Europe. It has become necessary to establish a Supervisor to examine the material received from the Pacific theater, coordinate the information at the Seat of Government and properly distribute the material to the interested Governmental agencies and to the SIS and domestic fields. X U

Formerly, monographs were compiled by the various SIS Supervisors in addition to their regular supervisory work. A change has been made in this arrangement so that at present four Supervisors are being utilized exclusively in the work of compiling monographs. This method assures rapid completion of monographs containing up-to-the-minute material.

At present, Memoranda for all FBI Legal Attaches, instead of being printed individually, are grouped and printed each week and transmitted in these weekly communications to the Legal Attaches. X U

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3. SIS Finances

For SIS operations during the fiscal year 1945, the amount of \$5,100,000 was made available to the Bureau. This amount consisted of \$1,925,000 of unexpended funds from the 1944 allocation and a new allocation of \$1,175,000.

As of June 30, 1945, the sum of \$2,683,445.61 had been expended as follows:

Salaries		\$1,341,324.86
Living & Quarters Allowances		349,006.99
Expenses		491,837.93
Informants		465,308.39
General Expenses		11,614.89
Property	\$51,987.43	
Less:		
Miscellaneous		
Receipts	<u>2,071.87</u>	49,915.79
Entertainment		<u>1,136.86</u>
TOTAL		\$2,683,445.61

These amounts, of course, do not include amounts expended or obligated as of June 30, 1945, for which accounts had not been received at the Bureau as of that date.

For the fiscal year 1946, the Bureau has requested the sum of \$4,000,000 for SIS work.

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C. Special Projects

Monographs and Special Memoranda

Three monographs have been completed during the past fiscal year covering the following topics: a supplement on the Republic of Paraguay, a monograph on the Dominican Republic and one on the Philippine situation. In order to attain higher efficiency and cause the distribution of monograph material to interested governmental agencies, four supervisors have, during the past year, been assigned to the SIS Section to work exclusively on the preparation of monographs concerning timely and interesting subjects. Monographs will be compiled in the immediate future on the Republic of Haiti, Japanese in Latin America, Japanese Today, Communism in Latin America and Police Systems in Latin America. Other topics being worked on include Labor in Latin America, French Activities in Latin America, German Colonies and German Financial Interests in Latin America. A compilation of German espionage activities is also being prepared. X(u)

Past experience has disclosed that interested governmental agencies find of particular value topical memoranda on special situations and conditions in the Latin American countries. A great many of such memoranda have been compiled in the SIS Section for appropriate distribution. One such document concerning Communists in Latin America with European Backgrounds was submitted to our representatives in Europe. A summary on general Communist matters was submitted for the information of the United States Ambassador in Costa Rica who, prior to receiving the information, was reluctant to believe the existence of a Communist Party in that country. Separate memoranda were written on Communists in each country in Latin America for the use of United States officials at the San Francisco Conference. Of particular interest to the State Department was a memorandum of vital political importance concerning the collaboration between Bolivian, Argentine and German officials prior to the Bolivian revolution of December 1945. Political data obtained from decades of HDZ, a clandestine radio station in Argentina, corroborated investigation by Bureau representatives and verified many facts disclosed by the investigation. X u

The Emergency Advisory Committee for Political Defense has been the subject of considerable interest in the past. During 1945 the committee has been noted to be relatively inactive. A running memorandum noting all current activities and developments of the committee is being maintained in the SIS Section. X u

A detailed document was compiled in the SIS Section concerning intelligence data in Europe. This document contained information on individuals and organizations in Europe as disclosed by intelligence activities in the Western Hemisphere. Copies of the document were made available to the State Department, Justice Jackson of the War Crimes Commission and our representatives in Europe for their assistance and for use by military authorities. X u

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Mexico Conference X U

The Inter-American Conference on Problems of War and Peace convened at Mexico City on February 21, 1945. Assistant to the Director Mr. E. A. Tamm was in direct charge of security for the American delegation to the conference. Information concerning delegates from all Latin American countries was made available to Mr. Avra Warren of the American delegation for their assistance at the conference. Security supervision was undertaken particularly at the Imperial Building in Mexico City which was utilized in connection with the conference. Specific recommendations of a security nature were proposed and other surveys were undertaken by Bureau representatives of the quarters used by leading officials of the State Department for their safety. The staff of the Civil Attache in Mexico City utilized splendid informant coverage to obtain intelligence data for the American delegation. The Argentine situation held a prominent place in the agenda, and to support the State Department's position concerning Argentina a complete documented memorandum illustrating extensive Axis espionage activities and Argentina's failure to implement her commitments as a hemisphere power as presented the State Department by the Bureau was looked upon as adequate proof of the true situation in that country. X U

United Nations Conference on International Organization X U

As an outstanding project during this fiscal year, the Bureau was given the responsibility for the security of Secretary of State Edward Stettinius and for general intelligence coverage for the State Department during the recent Conference at San Francisco which took place in that city from April 25, 1945, to June 28, 1945. X U

In accordance with the wishes of Secretary Stettinius, arrangements were made by the FBI under the direction of Assistant to the Director E. A. Tamm for a security detail to fully protect the person and apartment of the Secretary during his attendance of the Conference at San Francisco. In addition, intelligence coverage was instituted not only through the domestic field offices of the Bureau but also throughout all of its SIS offices in order to procure intelligence information for the United States delegation and for the State Department which would be both timely and of value as to content for these individuals in dealing with the representatives of other nations and pressure groups endeavoring to force their viewpoint at the Conference. X U

A tremendous volume of memoranda was submitted in accordance with this program, not only affecting the general questions which arose for consideration at the Conference but in addition concerning the official and

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unofficial members of the various country delegations and individuals desiring to submit a specific viewpoint to the Conference. In addition, a large number of varied and sundry miscellaneous missions were undertaken for the Secretary of State and individual members of the United States delegation in the course of this assignment. We have been advised by the officials of the State Department of the inestimable value of the coverage procured by the Bureau in connection with this conference. X U

War Crimes Commission X U

In order to have the United States interest in the problem of prosecution of war crimes adequately presented, President Truman appointed Associate Justice Robert Jackson of the Supreme Court to function as a major prosecuting attorney with a selected staff. Conferences were held with Mr. Justice Jackson as a result of which the FBI has held in readiness Special Agent personnel for use by Mr. Jackson. In addition, the SIS Section in coordination with the Internal Security Section has furnished to Mr. Justice Jackson a detailed memorandum dealing with Axis penetration in the Western Hemisphere and a copy of the Bureau's extensive and detailed European target memoranda as an assistance to Mr. Justice Jackson in this project. X U

It might be also noted that the Bureau has received considerable praise for its cooperation and work in connection with the installation of a filing system for the War Crimes Commission. X U

Japanese Intelligence Information Furnished FEA X U

The Foreign Economic Administration during July 1944 requested the Bureau to obtain all available information in Latin America concerning the location and output of important factories in Japan as well as data relating to transportation systems, bridges and other strategic military points. A widespread survey was conducted to obtain the desired information and splendid results were attained as in one instance over 250 pounds of Japanese publications were obtained in Brazil which material was immediately furnished FEA. X U

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Survey of Greco Petroleum Corporation of Venezuela X U

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Special Agent [redacted], acting in an undercover capacity as a representative of [redacted] completed a survey of the facilities of [redacted] of Venezuela, which [redacted]. An effort was made to determine the various possibilities of sabotage to the industrial facilities of this corporation. A detailed report and over 800 photographs relating to nine oil firms were obtained. The photographs were compiled in album form and with the report formed a detailed and valuable document. X U

Indices and Records

Various special records and indices have been compiled in the SIS Section for the assistance of the supervisors and the field as a whole. The SIS photograph album of espionage agents inaugurated during 1944 has expanded until there are now photographs and descriptions of 325 known and identified espionage agents. A copy of this album has been furnished the Bureau representatives in France for their use in the interrogation and screening of German agents. Logs have been maintained on all clandestine German messages obtained from [redacted] and on all messages intercepted in the NDZ clandestine radio traffic emanating from Argentina. From this index all matters pertaining to a particular subject or containing a given name may be found in one location and thus analyzed properly. X U

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A stop notice index has been inaugurated during the past year in order that an accurate and exact record of all stop notices throughout Latin America can be maintained in one central location. X U

Fingerprints and Photographs of Axis Repatriates X U

The deportation program involving the removal of several thousand Axis nationals from Latin America to Europe necessitated a program to obtain fingerprints and photographs of all individuals repatriated when it was found that the German Intelligence Service was using such repatriates as espionage agents. Various SIS offices have assisted in forwarding to the Bureau fingerprints, photographs and identifying data of all Axis nationals repatriated or deported. This information is now available in the Bureau Files. X U

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D. Worldwide Intelligence X U

It was early recognized by the Bureau during this fiscal year that the fast-moving developments in the European Theater of war would soon necessitate a reallocation and new policy for the employment of intelligence personnel on behalf of the United States throughout the world if we were to properly continue to function as one of the "Big Three." With this basic premise in mind, the State Department, as the unit of government charged with the handling of the foreign policy of this country, was advised on September 7, 1944 that it was the opinion of the Director of the Federal Bureau of Investigation that there was an immediate necessity for the inauguration of an intelligence agency on a world-wide scale to this end. X U

This original communication to the State Department pointed out the vital need in this regard and while it set forth the peculiar qualifications of the Bureau to function in this capacity, laid stress upon the necessity for an immediate crystallization of policy in order that steps might be taken to establish and operate the proper coverage. Soon thereafter, in order to consummate this thought, the major intelligence agencies of this government were each solicited for an over-all plan, which resulted in two major viewpoints being presented as possible solutions.

In response to the request of President Roosevelt, General William J. Donovan, Director of the Office of Strategic Services, furnished a plan providing for the creation of a new agency in the Executive Office of the President, to direct the functions as an over-all control of existing intelligence agencies with respect to collection, analysis, and dissemination of world-wide intelligence information. The provisions of this plan generally provided a super-agency whose powers would not be subject to legislative control, departmental authority, jurisdiction or responsibility, but would be politically held to function in a manner so as to actually control and compete with the presently-operating intelligence agencies. This plan was taken under consideration by the Joint Intelligence Committee under the direction of the Joint Chiefs of Staff as representing the Army and Navy viewpoint, and was rejected. With this rejection a counter plan was submitted by the Joint Intelligence Committee which reflected that it was essentially the same plan as that submitted by General Donovan, with only slight changes providing for an advisory board consisting of the Secretary of State, the Secretary of War, and the Secretary of Navy, and such other members as the President might subsequently appoint, instead of the provision for the appointment of a single director as contemplated by the Donovan Plan.

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Recognizing the futility and valuelessness of such proposals, a plan was submitted by the FBI, based upon its present successful war experience, which would merely extend the FBI system presently utilized in Latin America to the world, so that the regularly-established and experienced personnel of the Offices of the Military and Naval Attaches could continue to coordinate and cooperate with the representatives of this Bureau functioning in each United States diplomatic establishment throughout the world. X U

The resolving of this problem was held in abeyance following the death of President Roosevelt and the inauguration of President Truman, during which time the pertinent officials of the agencies concerned, i.e., the State, War, and Navy Departments, as well as the presidential advisors, were fully informed by the Bureau not only as to the FBI plan but were furnished with analyses reflecting objections to the other proposed plans. A further deterrent has been the resignation of Secretary of State Edward R. Stettinius and that fact that his successor, James F. Byrnes, has not had the opportunity to consider this problem from his new position, due to the necessity for his presence at the meeting of the major powers at Berlin, Germany. At the present time no known decisions have been made by the President as to a choice of plan or a selection for responsibility in this matter for the same reason.

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SIS OPERATIONS IN THE FIELD

1. Administrative Changes

Latin America X U

During the past fiscal year, two additional SIS offices in Latin America have been opened. At the request of the State Department Legal Attaches have been attached to the American Embassies at Tegucigalpa, Honduras, and Panama City, Panama. X

In order to increase the efficiency of the SIS Division, a system of inspections of SIS offices by regular Bureau Inspectors has been instituted. Also, SIS Manuals have been issued to the various Legal Attaches and are available to all Bureau SIS representatives in order to insure uniformity in the work and administration of SIS offices in so far as is feasible and practicable. The procedures set forth in the Manual in general are in uniformity with procedures in the Bureau's domestic field in so far as is practical, but provision has been made for the problems incidental to the SIS field. X U

The Bureau has initiated the policy of allowing Bureau representatives openly assigned to foreign countries in the Western Hemisphere, and to London, England, Lisbon, Portugal, and Madrid, Spain, to have their wives and minor children accompany them to their foreign posts of assignment if they so desire. Transportation of these families is being made at Government expense. This has added materially to the morale and efficiency of the Bureau's SIS representatives. X U

Europe X U

During the fiscal year of 1945, a considerable number of changes and developments have taken place in the SIS administrative operations of our Liaison Offices on the European Continent. The normal functioning of our offices in London, England, Lisbon, Portugal and Madrid, Spain has continued under the usual assignment of Legal Attaches and Assistants to the staffs of the American Ambassadors at those posts. Similarly maintained has been our office at Ottawa, Canada in liaison with the Royal Canadian Mounted Police. The personnel of these posts has not changed beyond the assignment of an additional Assistant Legal Attaché to the staff at Lisbon, Portugal, (Special Agent [redacted]) and the authorization which has just been received for a similar additional Agent at Madrid, Spain. X U

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The major development under the Attache system of assignment to the staffs of American Ambassadors has been the institution of an office by two Special Agents [redacted] in the American Embassy at Paris, France, upon the request of Ambassador Jefferson Caffrey. Further, a Special Agent [redacted] was similarly assigned to the American Embassy at Rome, Italy. In this connection, it might be noted that the Agents assigned to Paris and Rome have been given merely the title of Attache and Vice Consul respectively, following the policy of anonymity for future operations abroad. X U

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In addition to the above normal method of assignment, a new system was implemented with the assignment of Special Agent personnel as Liaison Officers with the Army in the European Theater of Operations. As a result of this policy, an office was begun at Rome, Italy, in liaison with the Army by the assignment of Special Agent [redacted] on August 13, 1944. Agent Arvignone was replaced by Special Agent [redacted] who presently has the assistance of Special Agents [redacted] there. Invitations have been received and necessary arrangements made to send two additional Special Agents [redacted] and [redacted] to Rome to assist in that liaison work. Additional arrangements have been made for the assignment of two Bureau Agents to a United States Army Intelligence Task Force being formed in Italy, which is to be dispatched into Austria. Special Agents [redacted] and [redacted] are destined to depart on this assignment on July 10, 1945. Stenographer [redacted] is assigned to work with Agent Arvignone's group at Rome. X U b7C

A similar arrangement for Army liaison was made during 1944 in France so that an office was established at Paris on September 30, 1944, originally beginning with Special Agents [redacted] and [redacted].

These Agents, working in liaison capacity with the Supreme Headquarters of the Allied Expeditionary Force, (SHAEP), developed the office to a point where it became necessary to add additional personnel as a result of which Special Agents [redacted] and [redacted] proceeded to Paris on January 6, 1945. This number was augmented by six additional Agents, namely, [redacted] making a total of eleven. X U b7C

This assignment with SHAEP progressed favorably to the point, where in the interest of better working arrangements, the group was divided on June 7, 1945, and, under the personal supervision of Special Agent [redacted] Agents [redacted] and [redacted] moved on with Army headquarters to Frankfurt, Germany, where a temporary office is presently set up. It is expected that this liaison group with the Army will be further subdivided at an immediate future date so that a permanent office can be opened at Berlin, Germany. The personnel remaining at Paris, France is continuing to function at that point under the supervision of Special Agent [redacted] in liaison with Army Forces still resident there. Stenographers [redacted] and [redacted] are working with Special Agent [redacted] group in Germany, while Stenographer [redacted] is continuing to function with Agent [redacted] at Paris. X U

Part Last X U

As a final addition to the developments of the Army liaison arrangements, Special Agents [redacted] and [redacted] departed Washington on March 15, 1945, and instituted a liaison office at Manila, Philippine Islands with the office of G-2 of the Army Forces in the Far East. These Agents will presently be joined by Special Agents [redacted] in a similar liaison capacity. In addition, arrangements are in progress for the assignment of ten Special Agents to Manila to function in the dual capacity of Liaison Officers with the Counterintelligence Corps and the Military Police. Bureau Stenographer [redacted] has been assigned X U b7C

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to the group of [redacted] X U

In an effort to spread the net of coverage as far as possible in the Far East, where Special Agent assignment cannot be made due to the war situation, liaison has been continued with the Australian and New Zealand Security Services by a free exchange of information of mutual interest, inasmuch as these organizations have had long-standing lines of information into the Asiatic area. X U

#### Special Continental Assignments X U

In order to suitably supervise the functioning of the European offices, an inspection trip of the European Continental groups was made during the period of November 20, 1944, to February 20, 1945, by Inspectors [redacted] and [redacted] to further integrate these liaison offices into the SIS system. X U

A special liaison assignment in connection with the study of Communism was completed by the trip of Special Agent [redacted] to London, England, for the period, July 25, 1944, to August 12, 1944. During this period Agent [redacted] held a series of conferences with [redacted] at London in connection with this problem. S

In response to the request of the State Department, Special Agent [redacted] departed Washington to begin a tour of inspections for the purpose of making security surveys throughout the European Continent. Special Agent [redacted] departed Washington on April 23, 1945, for a similar assignment. Special Agent [redacted] is presently in Paris, France, while Agent [redacted] is presently in Sweden. X U

As particularly interesting examples of coverage effected by our liaison offices, it might be noted that for the period, May 2, 1945 to June 1, 1945, Special Agent [redacted] in company with [redacted] inspected the extreme western provinces of Canada, while Special Agent [redacted] visited Phillipville, North Africa from June 20, to July 6, 1945, in order to interview a subject of a German espionage case. X U

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B. Legal Attaches X U

With the establishment of Legal Attaches in Honduras and Panama during the fiscal year 1945, the Bureau had, as of June 30, 1945, representatives in all of the twenty independent countries of the Western Hemisphere, as well as in Canada, the British possession of Trinidad, and the Dutch Island of Curacao. During the fiscal year 1945, an Attache had also been dispatched to the American Embassy at Paris, France, and a Special Agent assigned as Vice Consul to the American Consulate in Rome, Italy, was preparing to leave for his post. X U

Thus, as of June 30, 1945, the Bureau had Legal Attaches assigned as follows: X U

Buenos Aires, Argentina  
La Paz, Bolivia  
Rio de Janeiro, Brazil  
\*Ottawa, Canada  
Santiago, Chile  
Bogota, Colombia  
San Jose, Costa Rica  
Havana, Cuba  
Ciudad Trujillo, Dominican Republic  
Quito, Ecuador  
London, England  
\*Paris, France  
Guatemala City, Guatemala  
\*Port-au-Prince, Haiti  
Tegucigalpa, Honduras  
\*Mexico City, Mexico  
Curacao, N.E.L.  
Managua, Nicaragua  
Panama City, Panama  
Asuncion, Paraguay  
Lima, Peru  
Lisbon, Portugal  
San Salvador, El Salvador  
Madrid, Spain  
\*Port-of-Spain, Trinidad  
Montevideo, Uruguay  
Caracas, Venezuela

\*Ottawa, Canada - Representative carries title of Liaison Officer rather than Legal Attache

\*Paris, France - Carries title of Attache rather than Legal Attache

\*Haiti and Mexico - Carries title of Civil Attache rather than Legal Attache

\*Port-of-Spain, Trinidad - Carries title of Liaison Officer rather than Legal Attache

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4. ~~SIS~~ Employees in the Field

The following chart reflects the changes in the personnel on ~~the~~ field assignment during the fiscal year 1945:

FISCAL YEAR 1945

	<u>Start</u> <u>(7/1/44)</u>	<u>End</u> <u>(6/30/45)</u>	<u>Net Change</u> <u>(or leave)</u>
Countries to which assigned:	26	32	6
Cities to which assigned:	43	12	(31)
Personnel Assigned:			
Legal Attaches	23	27	4
Special Agents	132	140	8
Special Employees	12	8	(4)
Clerical Employees	99	99	0
Radio Employees	18	20	2
Traveling Legal Attaches	1	0	(1)
Traveling Supervisors	<u>1</u>	<u>0</u>	<u>(1)</u>
TOTAL	277	302	25

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## 2. ~~US Police Liaison~~

As of July 1, 1945, the Bureau had fourteen Police Liaison Agents in ten countries of Latin America. These countries were Brazil, Chile, Colombia, Cuba, Peru, Venezuela, Guatemala, Honduras, Ecuador, and Paraguay. The assignment of police liaison representatives to the latter four countries has taken place since July 1, 1944. X U

### Police Liaison Schools

In connection with the two regular In-Service Schools which began on January 15 and May 21, 1945, there were held Police Liaison Schools of one week's duration thereafter. Fourteen Agents attended each of these Police Liaison Schools. Of the total of twenty-eight, fourteen are presently serving as police liaison representatives. The remainder are in "US" offices as Assistant Legal Attaches or are in the Domestic Field awaiting possible assignment. As can be seen from the above, the Bureau has a reserve ready in the event other countries request police liaison representatives. X U

The curriculum of the US Police Liaison Schools included general problems of police liaison in Latin America; materials available at the Bureau for use by the Police Liaison Agents; police organization and methods in Latin America (the police of other countries); technique of contacts with Latin American police officials; Bureau policy on Latin American Liaison; origin and history of fingerprinting systems; police organization in the United States; police records and a suggestion forum. X U

After the completion of the regular curriculum, several of the Police Liaison Agents have taken ten-day sound training and other laboratory subjects. All of the Special Agents who had previously functioned as Police Liaison Agents in Latin America stated that the courses were of great benefit to them, and they felt that they would be better prepared for their assignments and would have a better idea of how police liaison work fits into the Bureau's program in Latin America. X U

### Visits of Latin American Police Officials to the US X U

Since July 1, 1944, the following Latin American police officials have visited the Bureau: X U

General Leon Jimenez Salgado, Chief of Police of the Federal District of Mexico in August and September 1944.

Jorge Toriello, civilian member of the Revolutionary Junta in Guatemala in December 1944. X U

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Waldemar Brice Colman, Director of the State Prison Society of Sao Paulo, Brazil, in August 1944.

Don Mariela Olivares of the Police Laboratory, Santiago, Chile, in January 1945.

Inspector Hille Maximilian Haxberg of the Dutch Guiana National Police in March, 1945.

Mr. Carlos Fabros Cordova, Inspector General of the National Office of Investigation and Identification, Caracas, Venezuela in March 1945.

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In Brazil Police Liaison Agents are assigned at Rio de Janeiro, Sao Paulo, and Porto Alegre. Lectures have been given during the past year to the police in each of these towns by the Bureau representatives; and despite the many changes in police personnel which have occurred, friendly relations and good cooperation have been maintained. X X U

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Only one Agent is assigned to Chile specifically as a Police Liaison Agent, however, during the past year, at the request of the Chilean Government, three additional Agents were sent to assist in the investigation of ship sabotage cases. It is expected that after the completion of the sabotage investigations, the entire group will remain in Chile to work with the police in other matters. X U

Jorge Garreton who has been head of the Department of Investigation in Chile for a number of years left his office on April 30, 1945, to take a thirty-day leave of absence. He has not returned to office and it is reported that a successor to him will be appointed in the near future. X U

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The main problem which has confronted the two Police Liaison Agents in Cuba during the past year has been that of establishing effective relations with the many new police officials appointed by President Grau San Martin after his inauguration in October, 1944. Despite unfavorable conditions, this has been done successfully. Good cooperation is being obtained from present officials and at the same time friendly relations have been maintained with deposed chiefs who might possibly return to power. President Grau has openly expressed his admiration for the FBI and [redacted] Secretary of Defense, has assured FBI personnel of full cooperation. X U

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~~Colombia~~ X U

At Bogota the two Police Liaison Agents have worked closely with the Colombian National Police in its training program. Lectures have been given to groups of detectives and to students at the Police Academy. A survey of the Identification Unit was made and much material assistance has been rendered to the Traffic Department. The efforts of the Bureau Agents have been appreciated by high police officials. X U

~~Peru~~ X U

The effectiveness of the police liaison work in Peru was illustrated in connection with the apprehension of the Nazi agent Erich Gimpel in December of 1944. Gimpel had formerly lived in Peru, had married there, but was deported along with other Axis nationals, interned in the United States for a short time and returned to Germany. Following the apprehension of his associate, another German agent, William Colepaugh, the Bureau was conducting a nation-wide search for Gimpel. The only identifying information available concerning him was his name and a description which was furnished by Colepaugh. When it was ascertained that Gimpel had previously resided in Peru, our Legal Attache at Lima was immediately notified. Within a few hours, through the cooperation of the Peruvian Police, Liaison Agent [ ] had secured photographs of Gimpel, fingerprint cards, and interviewed [ ] and was en route to the United States by plane. X U

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~~Venezuela~~ X U

During the recent Von Appen sabotage ring investigation, ten sabotage agents were arrested in Venezuela. All arrests and searches were made by Manuel A. Pulido, Director of the Department of Investigation, and Police Liaison Agent [ ]. All interrogations were conducted by members of the office of the Legal Attache. X U

~~Guatemala~~ X U

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On April 16, 1945, there was inaugurated in Guatemala City a police school attended by seventy-six officers including the Director of the Guardia Civil and all his Assistant Directors. Most of the instruction at this school is being furnished by Police Liaison Agent [ ]. Considerable publicity has been given the school and its "North American Officer" instructor. [ ] has been asked for personal data to be used in a forthcoming edition of "Who's Who in Central America" and the Director of the Guardia Civil has been refused in his expression of appreciation for the work being done by him. X U

~~Honduras~~ X U

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In Honduras Special Agent [ ] formerly a supervisor in the Identification Division, is setting up an identification unit. His first job was to train two male students who began their fingerprint instruction on April 18, 1945. The preliminary course has now been completed and the fingerprinting of all persons arrested for felonies has been started. X U

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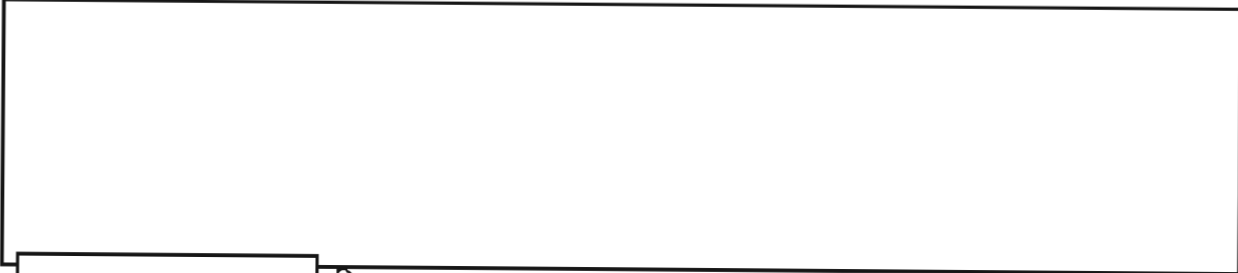
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Special Agent [redacted] was sent to Asuncion as Police Liaison Agent in March of this year. He has been well received by the Paraguayan police officials and is presently making a study of the Identification Department. X U b1

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Within the last two weeks the assignment of a Police Liaison Agent was requested by the Paraguayan Government. Approval has been received from the State Department so plans are being made to send an Agent there in the very near future. X U

Prospects for Assignment of Police Liaison Agents to Other Countries X U

It has been decided within the State Department that it would be politically unwise to send a Police Liaison Agent to La Paz, Bolivia, at this time. X U

There were indications in the first week of April 1945 that after the recognition of Argentina by the United States, the former might request that three Police Liaison Agents be sent there. Recognition occurred on April 9, however, the expected request was not made. About June 12 Ambassador Braden mentioned the matter to the Argentine Foreign Minister who was receptive and suggested the Ambassador prepare a formal memorandum for the Foreign Office. Since that time relations between Argentina and the United States have worsened and it is not known whether the Agents will be requested. X U

Plans for sending an Agent to Mexico as police liaison have been dropped for the present because the Bureau did not care to accept a proposal made by General Leon Jimenez Delgado, Chief of the Police of the Federal District of Mexico, which called for the exchange of police liaison men. X U

Because of unsettled political conditions in El Salvador, it is not believed advisable to send a Police Liaison Agent there at this time. X U

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Two Scotland Yard representatives were sent to Montevideo, Uruguay, in November, 1943, for the purpose of acting as a police mission. They left Montevideo a year later. Their visit was generally regarded in Montevideo police circles as a fiasco and it was notorious that they had devoted very little time to an actual study of police problems. The Legal Attache at Montevideo has advised that because of the fact that the Scotland Yard representatives left only a short time ago, he does not believe it advisable to assign a Bureau Agent to Montevideo as Police Liaison Agent at this time. The Legal Attache and members of his staff are working closely with the police and are furnishing a great deal of material to the Institute of Professional Instruction which was inaugurated in Montevideo on April 19, 1945. This Institute is designed to train police applicants and to furnish specialized instruction for officials of the Montevideo Police Department. *Su*

On May 21, 1945, the Legal Attaches in Haiti, Dominican Republic, Nicaragua and Costa Rica were sent instructions to the effect that in view of the changed circumstances coincident with the end of the war in Europe and the changed intelligence picture, it appears extremely important that police liaison with local authorities be extended. They were told they should endeavor to arrange for the local police departments to request the services of a Police Liaison Agent. *Su*

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E. Security Surveys

In August, 1944, the SIS office at Ciudad Trujillo, Dominican Republic, conducted a complete survey of the security measures in effect at the American Embassy in that city at the request of the Ambassador. As a result of this survey, recommendations were made to the Ambassador as to how the security of the Embassy could be improved. X U

In July, 1944, the SIS office at Asuncion, Paraguay, conducted a survey of the security of the American Embassy in that city. A further survey was made in October, 1944, and as a result, recommendations were submitted to the Ambassador for the improvement of the security of this Embassy. X U

In August, 1944, a Special Agent from the FBI Laboratory left Washington to conduct security surveys of the telephone installations of the SIS offices at Santiago, Chile; Buenos Aires, Argentina; and Rio de Janeiro, Brazil. At the request of the State Department, this Agent also surveyed the security of the telephone installations of the American Embassies in those cities. These surveys were completed in November, 1944. As a result of these surveys, the telephone security of our offices and of the Embassies in those cities was so improved that it was the opinion of both the Bureau and the State Department that the SIS offices and the American Embassies throughout the balance of Latin America should have the benefit of similar telephonic security surveys. X U

Accordingly, a Special Agent from the FBI Laboratory left Washington in January, 1945, to survey the balance of the SIS offices in Latin America, as well as all American Embassies and Consulates in which we have representatives, with regard to the security of their telephonic installations. As of June 30, 1945, such surveys have been completed in Cuba, Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Colombia, Brazil, Uruguay, Paraguay, Bolivia, and Peru. This Special Agent will survey Bureau offices and Embassies in Ecuador, Venezuela, Dominican Republic, and Haiti before returning to the United States. In connection with the survey of the telephone installations in Montevideo, Uruguay, during June, 1945, this Special Agent also conducted a complete survey of the security of the Embassy in that city. At the time of the departure of the above Special Agent, we did not have a representative assigned to the American Embassy in Panama, and accordingly that city was omitted from his itinerary. Following the assignment of a Bureau Agent to Panama, a special request was received for a survey of the security of the telephones there and therefore an additional Special Agent from the FBI Laboratory has recently been dispatched to Panama to conduct this survey. X U

The SIS office at Bogota, Colombia has also been authorized to conduct a complete survey of the security of the American Embassy in that city. X U

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### III. RECRUITING AND TRAINING OF HIS PERSONNEL

During the fiscal year 1945, selection of personnel has been made for replacements for employees removed from HIS assignment and also a few additional Special Agents have been selected for operation in Latin America, for Europe and for the Philippine Islands. S U

In the selection of personnel for HIS assignment strong consideration has been given to length of domestic field experience, and as far as has been feasible, Special Agents with at least three years domestic field experience have been selected for HIS assignment. As far as possible, the policy of selecting personnel only from volunteers has been continued. S U

A program for the retraining of HIS Agents following approximately eighteen months continuous HIS assignment outside of the United States has been continued. These Special Agents have attended an HIS in-service school of three weeks duration and have been afforded an opportunity for conferences with superiors at the Seat of Government regarding their work. In connection with the two regular HIS in-service schools held in January and in May, 1945, Police Liaison schools of one week's duration were also held. The Police Liaison schools began immediately upon the termination of the HIS in-service schools and were attended by those Special Agents who were serving as Police Liaison Agents in the HIS field, or who were to be held as a reserve for call as Police Liaison Agents at some future date. S U

In order to be adequately prepared for the possibility that additional personnel would be needed for the European and Asiatic areas, specialized schools were inaugurated to specially train and brief Special Agent personnel for prospective assignment. The first Asiatic school was held for a period of seven weeks commencing September 15, 1944, with twelve trainees and was followed by the second Asiatic school held from January 15, to February 24, 1945, at which eighteen trainees attended. Also, from January 15, 1945, to February 24, 1945, a second European school was held at which twenty trainees attended. The Special Agents trained in the first European school during the previous fiscal year have been completely utilized on assignments. The personnel attending the Asiatic and European school were able to conduct a considerable amount of research, coordination and compilation of material concerning current topics so as to provide a single source readily available within the Bureau's files concerning topics of current interest. The personnel attending the Asiatic school were able to compile information forming a basis for the Japanese Monograph. S U

A program of holding Quarterly Agents Conferences and Monthly Clerical Conferences in the HIS field has been continued. In August, 1944, and in March, 1945, training schools were held at the Seat of Government for clerical personnel which has been selected by the Administrative Division to be used as replacements for clerical personnel leaving work, as well as for additional personnel needed by the HIS offices. In these schools the clerical personnel were given intensive training in all phases of HIS clerical work, general instructions regarding all phases of the HIS program and practical work in the Chief Clerk's Office of the Washington Field Division.

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In October, 1944, a Special Agent from the FBI Laboratory returned to the United States after having conducted security surveys in the American Embassies at Madrid, Spain, and Lisbon, Portugal, at the request of the State Department. The State Department was so pleased with the results of these surveys that they requested the further services of this Special Agent, and he left Washington in December, 1944, to survey State Department facilities in Bern, Switzerland. Completing this survey in May, 1945, he proceeded to Paris, France, to survey our newly reopened Embassy there. X U

An additional Special Agent from the FBI Laboratory was loaned to the State Department in April, 1945, for security surveys in Europe. This Agent has to date been making such surveys in the American Embassy in Stockholm, Sweden, and in American Consulates located in other Swedish cities. The State Department presently anticipates that following the completion of these surveys in the near future, he will proceed to Oslo, Norway and Copenhagen, Denmark for surveys of the Embassies in those cities, which Embassies have recently been reopened following the cessation of hostilities in Europe. X U

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#### IV. COMMUNICATIONS AND TRANSPORTATION

During November, 1944, a Bureau radio station was established in the SIS office in the American Embassy at San Salvador, El Salvador. This made a total of eleven radio stations in the SIS network located at Havana, Cuba; San Jose, Costa Rica; San Salvador, El Salvador; Bogota, Colombia; Quito, Ecuador; Lima, Peru; La Paz, Bolivia; Asuncion, Paraguay; Rio de Janeiro, Brazil; Santiago, Chile; and Montevideo, Uruguay. By means of this radio network a total of 1,157,003 code groups was communicated during the year. The cost by cable for this traffic would have been \$285,118.32. Cable communications are still used between the Bureau and those offices not having radio stations, through the facilities of the State Department. X U

The transmittal of mail by the use of undeveloped microfilm between the Bureau and Mexico which had been inaugurated as a test measure was discontinued during January, 1945, it having been ascertained that the difficulties involved in handling the completed photographs, the illegibility of such mail, and the extra work involved outweighed any advantages to be gained. All Bureau air mail continues to be sent by the diplomatic pouches of the State Department with the exception of that for our liaison representatives with the Army in Germany, France, Italy, and the Philippine Islands, which is handled by the Army. X U

In December, 1945, the Bureau in connection with the granting of authority for sales employees on open SIS assignment to be accompanied by their families determined that the transportation of such families in connection with the transfers of the employees should be paid by the Bureau. No priorities are issued for the transportation of such families, but the Bureau assists them in the securing of passports and the arranging of transportation. X U

In connection with the authorization for families to accompany employees on SIS assignment, the Bureau also authorized the shipment of household goods and personal effects by employees in connection with transfers at Government expense. Such shipments are made in accordance with regulations established by Executive Order and are handled through the United States Dispatch Agent in New York City. X U

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V. ~~NEW YORK AIR OFFICE~~

During the fiscal year 1945, numerous valuable confidential sources of information were developed by the New York Office, such as sources [redacted] [redacted] [redacted] [redacted]

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[redacted] These contacts were of great benefit to the Special Agent assigned to the New York Office while at San Francisco for the United Nations Conference. The New York Office also maintains contact with the President of [redacted] in [redacted] in [redacted] and handles problems arising in connection with the use of [redacted] X U

Close liaison is also maintained with the New York Office of the Office of Strategic Services, United States Employees' Compensation Commission matters for Bureau employees on SIS assignment are handled with that Commission in New York on a confidential basis by the New York Office. X U

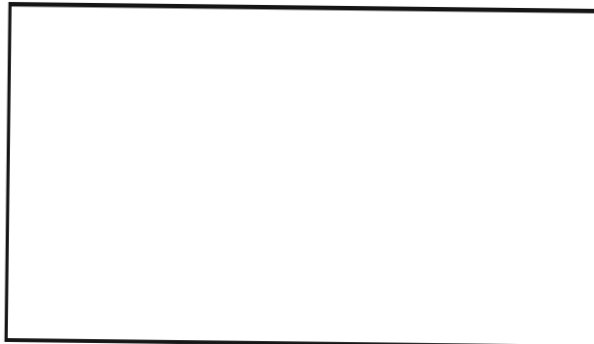
This office continues to represent the Bureau at the weekly Foreign Intelligence Conference in New York City attended by representatives of the Army, Navy, Office of Strategic Services, Office of Cable Censorship, Postal Censorship, and the Foreign Economic Administration. In numerous instances during the fiscal year, SIS contacts in New York City assisted in major investigations and furnished information in connection with vital security and National Defense matters. X U

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VI. COVERS AND COVER COMPANIES XU

During the past fiscal year, the following ten new cover companies were developed in connection with the CI program: XU



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During the year, relationship with two cover companies was terminated, resulting in a total of eighty-three large American companies being available to the Bureau for use as covers in connection with SIS work. XU

Also, during the year, preliminary surveys were made of the basic backgrounds of approximately twenty-five other large corporations with a view to approaching them at some future date for use as cover companies in connection with the Bureau's SIS program in the event additional cover companies might be necessary. XU

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VII. WAVE ACTIVITIES

A. Sabotage and Sabotage

Cipher Case - Transmission of Japanese Information  
by Microphotographic Dots X4

This case involves numerous agents in the Western Hemisphere whose center of activity is Mexico City and whose principal method of operation is the use of microphotographic dots in sending information to Germany. The principal emphasis in this case for the past year has been on attempts to bring it to a logical conclusion. After the Department stated prosecution would not be sought by the United States on the principal subjects who were active in Mexico City, a summary of the case was furnished to State, ONI, and G-2 with the suggestion that it be furnished to the Mexican authorities for appropriate action. The State Department agreed with this suggestion but G-2 and particularly ONI refused clearance to such action on the basis that publicity regarding decipherment of ciphers used in this case might cause the Germans to change their enciphering methods and thus seriously impair military operations against Germany. Thereafter, a revised summary omitting all reference to any codes or ciphers or information contained in codes or ciphers was prepared and furnished to State, ONI, and G-2. X4

After considerable delay and after the military collapse of Germany, ONI stated that if assurance could be obtained from the Mexican Government that no publicity would be given regarding codes or ciphers, they were agreeable to having the case furnished to the Mexican Government. It was pointed out to the Navy that the Bureau could not in any way control publicity issued by the Mexican Government but that the restrictions placed by ONI with regard to publicity were being pointed out to the State Department. Thereafter the State Department advised the Ambassador in Mexico of the situation. Up to the present time the Ambassador has taken no steps to turn the case over to the Mexican Government but has indicated to our Civil Attache that he desires to bring pressure to have the agents repatriated. If this occurs, they can be interrogated and possibly prosecuted. X4

After the collapse of Germany, indications were received that Georg Nicolaus, interned in the United States since 1942, might be willing to talk. Nicolaus formerly headed the ring in Mexico. He was extensively interviewed and furnished a great deal of valuable information. This information confirmed to a large extent the information previously obtained concerning the principal agents in Mexico and in addition identified several new agents, including a naturalized United States citizen, George Ulrich Ross, who is believed to be in Chicago. Nicolaus also revealed interesting connections with the Japanese intelligence in Mexico which may lead to the identification of Japanese agents. Up to the close of the war in Europe, twenty-two dot letters in the current series had been intercepted. Some of these dot letters were directed to drops in Buenos Aires, Argentina, and it was learned that thereat r important information in these letters was sent by courier or radio to Germany from Buenos Aires. Several agents in Argentina connected with this activity were identified. X4

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Another interesting development was the identification of an informant as an Argentine courier of Major Hilgert, one of the principal agents in Mexico. This informant learned a great deal about Hilgert's past activities and the policies to be met by Hilgert on a mission into the United States. However, the outbreak of the war in Europe caused Hilgert to change these plans. At the present time, no espionage activity on the part of any of the agents in Mexico is being observed. **XU**

German Agent Round-up in Argentina **XU**

In August, 1944, the Argentine authorities again started rounding up German agents operating in that country and before the round-up was concluded it resulted in the apprehension of most of the important German agents still at large in the Eastern Hemisphere with the exception of those connected with the Elag Case. The Argentine authorities had staged a spectacular round-up of German agents in February, 1944, shortly after the American Embassy presented to the Argentine Government a memorandum on German espionage in that country based on information furnished by SIS. However, these round-ups were not at all conclusive, first because they did not include the most important agents and secondly, because many of those arrested were released within a short time. During the interim, SIS continued to furnish specific information to the State Department, showing the widespread German espionage activities in Argentina. This aided in maintaining the stiff attitude of the United States toward the Argentine Government. The August round-ups resulted in the arrests of over one hundred individuals, some of whom have since been released. However, at the present time, seventy-seven known agents are in custody. Almost all of these arrested had been identified as agents or collaborators by SIS investigations. Information concerning a number of the agents had been made available to the Argentine Government by our Legal Attache in Buenos Aires through diplomatic channels. Included among those arrested was Gustav Utzinger, head of the Technical Section of the three German espionage rings operating in Argentina. Utzinger was responsible for all clandestine radio transmissions, the preparation and furnishing of secret inks, forged passports, enciphering machines, and other such technical equipment for the espionage ring. Johannes Siegfried Becker, SD chief for South America, escaped apprehension until April, 1945, at which time he was finally arrested in an apartment in Buenos Aires where he was living under an assumed name. **XU**

Equipment and money valued by the Argentine authorities at \$319,649.50 Argentine pesos or over \$300,000.00 United States, were seized during the round-ups. Also seized were seven fixed transmitting stations, ten semi-portable transmitters, thirty-two portable transmitters, eighteen short wave receivers and fourteen all wave receivers. Also three enciphering machines, machines for making and enlarging photographs, furniture, typewriters, eight automobiles and a yacht. Information received concerning the interrogations of the arrested agents confirmed our previous information that Friedrich Wolff, former German Military Attache to Argentina, headed a group of agents operating for the Abwehr. Becker headed the SD agents and Juan Rodolfo Barnish headed a third group which, while working under Becker, also reported to Germany upon the activities of all German agents operating in the country. **XU**

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detected in the round-up were Walter Buchhardt and Alfonso Chantre, and German agents who were landed in Argentina by the notorious German sailing vessel, the Santa Barbara, which vessel is also known to have landed agents in Brazil. It will be recalled that the Argentine Government as late as July, 1944, officially denied the importance of German espionage within the country. However, the landing of the above agents and the extensive round-up have effectively proved the contention of the United States Government that the Germans considered Argentina as important to their plans and as the last stronghold for agents all over South America. X U

#### Shedding the Radio HDE as Possibly Sighted X U

One of the most important results of the round-up of German agents in Argentina beginning in 1944, was the final silencing of the so-called clandestine radio HDE circuit which had been running full blast since 1942, between Berlin and Argentina. The HDE circuit consisted of numerous transmitters operating both in Berlin and Argentina, those in Argentina being under the direction of Gustav Uttinger, mentioned above. The codes used on these transmitters are extremely intricate, being deciphered by electrically wired "enigma" machines. The FBI Laboratory was able to break the messages sent up to the latter part of 1943, and these decoded furnished invaluable information concerning the activities of the agents in Argentina, Bolivia, Uruguay, Paraguay, Brazil, and Chile, both in the espionage and political fields. FBI offices in Montevideo, Uruguay, and Buenos Aires, Argentina, have recently secured technical data concerning the "enigma" machines and this data, together with continued research by the FBI Laboratory has resulted in a beginning of the breaking of messages sent after the latter part of 1943. The few messages that have already been decoded, have indicated the possible existence of still another ring in Argentina headed by an individual called Vlasch, whose identity is as yet unknown. X U

In March, 1945, signals were again heard from Germany in the HDE circuit attempting to reestablish contact with Argentina. However, after a month these efforts were abandoned by the Germans. Since it is believed that there are still some agents with transmitters at large in Argentina, the extensive efforts apparently have been discontinued and that they have been unable to function. Since the collapse of Germany, no signals of any sort have been heard and it appears that no clandestine traffic in the HDE circuit can be expected under the present situation. X U

#### The HFE Code German Courier System Between Argentina and Europe X U

For the past year until March, 1945, we have continued to obtain through a double agent in the Buenos Aires office copies of coded messages sent by German espionage agents by couriers on Spanish vessels to Europe. The double agent would receive these coded messages periodically, turn them over to the Legal Attache's office for photographing and thereafter give them to various established German couriers. Through this means we were able to identify a large number of couriers and also to verify that some of the information sent over X U

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HDZ and in dot letters in [ ] were also dispatched by courier. Through the operation [ ] we were also able to identify a number of German agents in Argentina, the most prominent of whom was Jose Valles. The codes are even more intricate than the HDZ codes and the Laboratory has not been able to break them as the "enigma" machines were also used for preparing these messages. However, negotiations with G-2 finally resulted in obtaining the decodes of some of the messages in letter codes. These decodes proved very valuable, leading to the identification of several new agents in Argentina and also revealing the extent, methods, and agents involved in smuggling strategic materials to Germany. Germans stopped using this system after March, 1945, and with the end of the war in Europe, the system became entirely dormant. We are now endeavoring to use [ ] as a means of penetrating the Japanese espionage system for the purpose of forwarding to them deceptive information. J

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Identification of Georg Buecher as a  
Prominent Agent in Argentina KU

A direct result of obtaining decodes of some of the KFF messages was the identification of Georg Buecher as a prominent German agent in Argentina. One of the decodes contained a long report signed "Drake." Drake related his activities upon his arrival in Brazil in 1941. By checking the travels of Drake as related in his report, with the travels of suspected Germans, it was found that Georg Buecher's travels coincided with Drake's. It was also found that Buecher has been engaged in smuggling strategic materials to Europe on behalf of the German Ministry of Economics, and that he was recruited and trained by the I/TL Section of the Abwehr. However, he had not actively engaged in espionage, because he found other German agents were adequately handling espionage in Argentina and Brazil. However, he held himself in readiness for his espionage mission in the event other German agents were apprehended. Buecher was arrested in February, 1944, and subsequently released for reasons unknown. He is still under investigation in Argentina. KU

My Spy - Double Agent Operation in Mexico KU

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In February, 1945, the Madrid Office was successful in recruiting [ ] who had received training by the Germans for an espionage mission in Mexico. He assigned [ ] the code name [ ] furnished details of his training and turned over to me microdots given to him by the Germans containing his instructions and plans for building a radio transmitter. He also turned over a thousand dollars which had been given to him by the Germans with the promise of four thousand dollars additional on the completion of his first successful radio transmission. He was also promised an additional five thousand dollars at the end of six months. [ ] proceeded to Mexico and the Bureau set up a transmitter at Brownsville, Texas, to communicate with the Germans in Spain. However, efforts throughout the month of June to establish contact with the Germans were to no avail, the military collapse in Germany apparently having disrupted the plans of the Germans in this case. [ ] is still in Mexico under our control for the possibility the Germans may attempt to contact him by other means. KU

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This Case - Identification of German Agent in Colombia  
Lead to Arrest of German Agent in the United States [X] U

Hermann Heinrich Hallmuen, who was arrested in Bogota, Colombia, and deported to the United States in the early part of 1944, gave a complete confession and identified Waldemar Oltner, a naturalized United States citizen, as a German agent with whom he had received radio training in Bremen, Germany. Based on this information, Oltner was arrested and confessed that he had been trained as an espionage agent, had sent approximately thirty-five secret writing letters to Europe and had attempted to set up a radio transmitter in the United States but had failed. He pleaded guilty before the Federal District Judge in Norfolk, Virginia, in July, 1944, and was sentenced to twenty years in the penitentiary. X U

Investigation in this case also led indirectly to the arrests of Simon Kodel and his daughter, Hilda, in New York City. In checking back records of Ludwig Bischoff, Fresno, California, who formerly resided in Dallas, to trace payments Bischoff had sent to Hallmuen, it was found that he had also sent similar payments to Kodel in New York. These payments were made at the direction of his cousin, Johannes Bischoff, in Bremen. Ludwig claimed that he did not know the true purpose of the money. There is a secret indictment outstanding against Ludwig. The Kodels were arrested and indicted for espionage and are presently awaiting trial. Johannes Bischoff was apprehended in Germany and is presently being extensively interrogated in England and he will probably be brought to the United States for questioning. He denies his cousin, Ludwig Bischoff, has guilty knowledge. X U

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Apfel German Sabotage Organization X4

The office of the Legal Attache at Santiago, Chile, has made continual efforts to have appropriate investigation of sabotage activities undertaken in Chile by Chilean authorities. In this connection the Legal Attache in Chile has during the past several years supplied the Office of Investigations in Chile with detailed information concerning the activities of Albert Julius von Appen, who was identified as a German sabotage leader through an analysis of the FTL Radio intercepts and through investigation by Bureau representatives in Chile. The Chilean Government, however, was reluctant to apprehend and question Von Appen and he was allowed to remain merely in relegation near Valparaiso, Chile. X4

However, with the recent shipping disasters of the Chilean mail training vessel "Lautaro" and the "Imposcha," Chilean authorities decided to press investigation of possible sabotage activities. X4

On the basis of information furnished by the Legal Attache in Santiago, the Chilean Investigaciones Service arrested and vigorously questioned the German citizen, Albert von Appen, an official of the Hamburg-American Line and who had been identified by the Bureau as the German sabotage leader "Apfel." After extensive questioning by Chilean authorities, in cooperation with representatives of the Office of the Legal Attache, Von Appen admitted that he was a German sabotage leader and confessed other facts substantiating the existence of a vast German sabotage organization in South America. Von Appen stated that as "Apfel" he was the sabotage chief for the countries of Chile, Peru, and Argentina. He stated that he had been recruited in 1938 by Joachim Rudloff, a German Army official connected with Abwehr II, and that he had been contacted in South America by Captain Dietrich Niebuhr, the notorious German espionage leader and former Naval Attache at Buenos Aires, Argentina. Von Appen stated that his associate in Peru was Kurt Bauer, and his principal associate in Argentina was Wilhelm Lange, of the Delfino Shipping organization. Bauer has been repatriated to Germany but Lange is being held by Argentine authorities. X4

Other confessions of Von Appen indicated that another sabotage associate was Boris Dreher, who was also resident in Chile as head of the Albigia Espionage Organization. Further statements by Von Appen and Dreher confirmed previous identifications of the Bureau as to sabotage agent activity in other South American countries. As a consequence of these statements in Chile as to German sabotage agents in other nations, the Office of the Legal Attache at Rio de Janeiro in cooperation with Brazilian authorities was able to effect the arrest of five sabotage agents who confessed as to their activities. The principal leader in Brazil and for the northern countries is Dr. Georg Blass and associated with him were Hans Otto Keiser, Walter Augustin, Karl Otto Gohl, and Albert Thiele. Investigation in Brazil by the Legal Attache indicated that an attempt had been made to sabotage the hydroelectric power plant at Cubatas near Sao Paulo, Brazil, but that this had been unsuccessful. It also appeared that attempts had been made to sabotage various English ships in Brazilian ports. X4

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As a result of the confessions obtained in Chile and in Brazil, it was determined that Ernst Karl Regemann of Buenos Aires, Venezuela, was the sabotage leader for that Republic and through investigation in Venezuela by the office of the Legal Attache, in collaboration with police authorities, it was determined that a sabotage organization had been organized to plan sabotage against shipping and petroleum installations important to the war effort. The investigation in Venezuela culminated in the apprehension of ten sabotage agents who confessed to their participation in this German sabotage group. These individuals are at present interned in Venezuela. *XU*

Similarly as a result of the confession of the sabotage agents, investigation in Colombia by the office of the Legal Attache along with the Colombian authorities resulted in the apprehension of four sabotage agents. These individuals are presently being held in Colombia and it is expected that appropriate action will be taken against them by Colombian authorities. These investigations also confirm the identification which the Bureau had made previously of Ernst Regemann, as a sabotage leader in Colombia. Regemann was identified as a sabotage leader through a study of the FYL intercepts and through investigations but although he has been interned in the United States several years, he has thus far not admitted his identity with this organization. He is again being questioned however, and when confronted with the statements of his colleagues, it is believed that he will admit his part in this sabotage organization. *XU*

All of these sabotage agents have denied that they actually engaged in sabotage although they admit making plans for the damage of Allied shipping. They admit experimenting in the composition of explosives and admit experimenting with various explosive bomb devices. They were supplied with adequate funds by the German government but as a result of the vigilance of representatives in South America, effective sabotage by this large group was prevented. *XU*

#### 312 Work in the Gimpel-Colepaugh Case

When Ernst Gimpel and William Curtis Colepaugh, German agents, landed in the United States by submarine in December, 1944, it was found that Gimpel at one time had lived in Lima, Peru and had been repatriated to Germany from that place in 1942. Colepaugh was taken into custody but Gimpel's whereabouts was unknown and very little data was available in the United States concerning him. The Legal Attache's office in Lima immediately began working day and night to secure all pertinent data concerning Gimpel, including his fingerprints, photograph and description, in order to aid in his apprehension. Gimpel had left Peru before the office had been set up there and for that reason very little information concerning him had been obtained other than the fact that he was a known Nazi, a trained radio operator, and a suspected agent. *XU*

The Lima Office secured very detailed data concerning Gimpel's past activities, obtained his photograph, handwriting specimens, and full *XU*

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description and show this material to the United States. Fortunately, however, Gimpel was apprehended at about the same time this material reached the United States. X U

Complete Coverage Effected in Latin America on Three Espionage Agents Scheduled to Enter the Western Hemisphere X U

Out of the Gimpel-Colspough case mentioned above there arose an intensive investigation to locate three other espionage agents described by Gimpel and Colspough as being scheduled to come to the Western Hemisphere on an espionage mission similar to theirs. These agents were Max Oscar Wilm, Max Schoemann, and Hans Kuchlenderff. It was known that Kuchlenderff was scheduled to go to Venezuela and it was believed that Schoemann was scheduled to eventually make his way to the United States after entry into Colombia where he had lived for a considerable period of time. Wilm had previously lived in Nicaragua. Considerable data was available on all three agents from their previous residence in the Western Hemisphere. This data revealed that they were all confirmed Nazis and that Wilm probably had been active as an agent before his repatriation in 1942. X U

All SIS offices were issued wanted notices, descriptive fliers, and fingerprints of the three agents and in each country complete coverage of ports, customs, immigration stations and police fingerprint files were effected by the full cooperation of the police authorities in the Latin American countries. In almost every Latin American country newspaper articles containing descriptions and full details concerning these individuals were issued. The response of the Latin American police departments in effecting coverage for the possible entry of these three agents was very gratifying and their cooperation was wholehearted. It is believed that had any of the three agents made their way to Latin America they would have been apprehended within a short time. However, it has now been almost definitely determined that the Germans gave up their plans to send these three agents out when they received word of the full publicity that had been given to their proposed missions by the Bureau. X U

Investigation to Locate Possible Japanese Espionage Agents in California and Panama X U

The interview of Georg Nicolaus during May, 1945 resulted in obtaining information which may lead to the identification of Japanese agents in California and Panama. Nicolaus, formerly a leader of German espionage in Mexico who has been interned in the United States since 1942, previously had refused to give any information. Nicolaus stated that shortly after Pearl Harbor Hugo Hatus, attached to the German Legation in Mexico City, put him in touch with the Japanese Naval Attache Ryoko Hamanaka who desired that Nicolaus furnish information the Naval Attache had obtained to Berlin for forwarding to Tokyo. Hamanaka told Nicolaus that he had an agent in California and another in Colon, Panama. He turned over to Nicolaus espionage data pertaining to troop and ship movements from California and to ship movements through the Panama Canal, which data was sent by microscopic dots to Berlin with the request that it be forwarded to Tokyo. X U

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Later meetings between Nicolson and Hamanaka were made through an intermediary, a Mexican girl friend of Hamanaka. Nicolson stated that Hamanaka did not furnish him with the identities of his agents but that he believed this former girl friend was aware of their identities. Investigation in Mexico has determined that a former girl friend of Hamanaka, Emma Estrella Garcia, whose description corresponds to that given by Nicolson, formerly resided in Mexico City but is believed to be residing in Toluca, Mexico. X U

German Agent Instructed to Work with the Japanese Agents in Mexico X U

Recently information was received from the interrogation of Joseph Herndes who was captured in Germany that he was scheduled to go to Mexico in 1942 and get in touch with Japanese agents there. Herndes had operated as an espionage agent in Mexico in collaboration with Georg Nicolson from 1940 to 1942 at which time he was repatriated. He stated that during 1944 plans were made for him to return to Mexico where he was to get in touch with a Japanese agent Matsushita connected with the Portuguese Legation. This Japanese is probably Hiroshi T. Matsuta, a Japanese who is connected with the Portuguese Legation in Mexico City looking after Japanese interests. He has long been suspected as a German agent. Through this individual Herndes was to get in touch with Benjamin Sutton, alias Durango, and Colonel Nishi, alias Nick. Sutton is a renegade American citizen who is known to have been closely affiliated with the Japanese and a suspected Japanese agent. He made a trip to Japan in 1940 under the auspices of the Japanese Legation in Mexico. Colonel Nishi, alias Nick, is probably Colonel Yoshioka Nishi, formerly the Japanese Military Attache in Mexico who was repatriated to Japan. The information furnished by Herndes would tend to indicate that Nishi was in Mexico during 1944. This could be true only if Nishi has returned to Mexico clandestinely. Surveillance of Sutton and Matsuta had been effected to determine their activities. X U

Five Sentences for PQR Radio  
Ring in Chile X U

In the early part of 1942 the Chilean Government rounded up some fifty-eight individuals in connection with the operation of the German clandestine radio transmitter PQR. This roundup was a result of information furnished by SIS concerning the principals operating PQR. During the past year hearings were held and recently Judge Luis Baquedano of the Chilean Court of Appeals pronounced convictions and sentences for twenty-six persons for espionage. The maximum sentence given was seven years for Guillermo Salas. In addition to those receiving sentences in Chile, deportation to the United States of Guillermo Salas, one of the leaders, was effected. He has thereafter interned in the United States and extensively interrogated, thus adding to our information concerning the German intelligence. X U

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Juan Alberto Bern Trabal, Montevideo, Uruguay XU

On November 7, 1945, Juan Alberto Bern Trabal was arrested by Maritime Police of Montevideo while disembarking from a night boat from Buenos Aires. He was found carrying considerable Axis propaganda and two letters indicating the existence of an espionage organization operating between Argentina and Uruguay. Trabal's arrest was reflected in HX intercepts, thus definitely connecting him with the German espionage system in Argentina. Trabal, 33 years old, son of a prominent retired Uruguayan General, Celestino C. Bove, was released from custody August 30, 1944, on the moral undertaking of his father. XU

As a result of investigation conducted by the Legal Attache at Montevideo, together with additional data received by Uruguayan Federal Judge, Julio Cesar de Gregorio, some sixteen subjects including Trabal and others were taken into custody on January 5, 1945. From signed statements obtained, it was determined that the Trabal ring in Montevideo was merely a branch organization of that headed by Anna Siegfried Becker, notorious imprisoned espionage agent in Buenos Aires. XU

Brazilian Integralist exiles, Nestor Centrairas Rodrigues and Edmundo Barbosa Lima, were ascertained as being connected with the case although after being arrested by the Montevideo Police, they were shortly thereafter set at liberty. One of the subjects, Luis Dreher Hausmann, admitted that a deceased member of the ring, Jose Pfeffer, sent to the well-known agent, Juan Gerardo Luis Harnsperger in Buenos Aires, information concerning ship movements, construction of military bases in Uruguay and import and export data. Further, it was discovered that it was Harnsperger who had given Trabal a Leica camera to be used by Pfeffer for microphotography. Rodolfo Martinez Lima, radio operator of the CAAIA Airlines, admitted having been active as a courier between Buenos Aires and Montevideo for Trabal's ring. XU

Buenos Aires and Montevideo Police authorities freely exchanged information in this case and through the efforts of the Legal Attache, a considerable amount of material was obtained from the Montevideo authorities including photographs of some ninety-two German agents and photographs of clandestine radio equipment and an enciphering machine. In addition, statements of principal subjects involved were likewise secured. Further, detailed background information was forwarded the Bureau concerning two submarine-borne German agents landed in Argentina in July, 1944, named Walter Burckhardt, German, thirty-four years of age, electrical engineer, and Alfonso Chatrain, citizen of Luxemburg, age 34 years. Through reports from London, England, it has been determined, however, that Chatrain and Burckhardt actually were brought to the shores of Argentina via a sailing vessel, which had previously served in landing two espionage agents on the coast of Brazil in 1943 and likewise German agents on the western coast of Africa. XU

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Fritz Arthur Barthold Rabe alias "Union" X U

A German agent using the name "Union" furnished a considerable number of reports from Montevideo to German principals abroad and supplied ship movement information to Federico Kempter, Chief of the former radio ring, LIR-104, which operated at Rio de Janeiro up to March, 1942. Kempter, convicted of espionage by the Brazilian Tribunal of National Security, steadfastly refused to give any clarifying details as to the identity of "Union" and the Bureau for the past three years has been intensely interested in ascertaining "Union's" whereabouts. From decoded intercepts, it was learned "Union" was probably connected with the person named Horacio Canajo Assi, inasmuch as mail had been received by him from Rio de Janeiro for J. Amelato Nocco, an alias adopted by Rabe. X U

Upon the receipt of considerable information from the Office of the Legal Attache, the Montevideo authorities on April 4, 1945, arrested numerous individuals including Fritz Rabe and Horacio Canajo Assi. Upon interrogation, Rabe broke down and admitted that he was identical with "Union." He likewise definitely implicated Assi. During Rabe's interrogation, the Legal Attache at Rio de Janeiro instituted interrogation of Kempter who explained in some detail the mechanics of a code system employed in communications exchanged between him and Rabe. Kempter further remarked that his Montevideo correspondent, Rabe, also acted as the Montevideo agent for Georg Konrad Friedrich Nasse, confessed Brazilian sabotage agent. The Bureau has been furnished the code books and techniques adopted by Rabe and Kempter in exchanging ship movement information, and it is expected that the case against Rabe and Assi will be shortly brought to trial, including well-documented material furnished by the Legal Attache and the Police at Rio de Janeiro. X U

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B. Safehaven Project X U

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

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

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

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

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

The Foreign Economic Administration also has called upon the Bureau to assist in this program and all reports received in this connection are being currently furnished to the State Department, FEA, ONI and G-2 as appropriate. According to Herbert Cummings of the State Department, thousands of tons of records have been recovered in Germany which should provide considerable material pertinent for this project, and the State Department has attempted to obtain the services of 500 investigators to send to Europe to review these records. X U

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

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

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

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

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C. Expulsions, Internments and Repatriation

Internment, deportation and repatriation programs effected by the several Latin American republics reached their peak effectiveness prior to July 1, 1944. As a result, there was a noticeable decline in activity along this line during the past fiscal year, which was apparently attributable to the fact that the various interested governments felt that Axis activities were no longer a threat to their security and that sufficient measures had already been undertaken to bring them under control. Bureau statistics compiled at the Seat of Government reflect that during the period July 1, 1944 to July 1, 1945, 24 enemy aliens were interned or relegated locally; 45 enemy aliens were deported or expelled; no aliens were moved from strategic areas, nor were there any natives of the countries concerned interned or relegated. *8u*

With the collapse of Germany, several prominent Latin American governments instituted a wholesale release of interned enemy nationals who up to that time had been held in custody as being dangerous to the security and welfare of the state. *8u*

At the present time the Bureau is compiling brief pertinent information concerning pro-Nazi individuals who were repatriated to Germany from Latin America since December 7, 1941. This information will be turned over to Bureau representatives in Germany and will likewise serve United States authorities charged with the supervision of postwar Germany, as well as interested officials in the State Department. Further, it is contemplated that certain German nationals expelled from South America and interned in the United States will be repatriated to Germany. In this connection the State Department, as well as SHAF, have requested information obtained from the screening of these individuals in the United States. All records are being reviewed and information against those nationals considered to be dangerous is being compiled for submission to those agencies. In addition, the Bureau's help has been sought by United States Ambassadors in South America concerning data affecting the expulsion and subsequent repatriation of Germans who still remain in the Western Hemisphere. United States embassies have received instructions from the State Department requesting them to prepare a list of Germans to be sent to Germany in the event the outlined program becomes practicable, using as a basis for this list (1) a list of dangerous Germans approved for internment by representatives of the Department of Justice Alien Enemy Control Unit, and (2) records of the Proclaimed List Sections of the embassies. It is contemplated that this compilation will include all known German agents, propagandists, scientifically skilled persons, and individuals qualified to hold superior executive posts, together with all other German nationals who sought repatriation during hostilities. *8u*

Brazil *8u*

According to statistics obtained by the Bureau's Liaison Agent at Rio de Janeiro from the Rio Police Department on May 3, 1945, 145 individuals who had either been absolved by the Tribunal of National *8u*

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Security of charges of violations of war-time statutes, or who were interned as a security measure, were still in custody at various penal institutions of the Federal District. Between December 1, 1944 and May 3, 1945, 114 of these individuals were released. Of that number 29 were crew members of the German vessel "Montevideo", 8 were crew members of the Yugoslav vessel "Sloga", and 8 were crew members of various Italian vessels who had deserted ship at Brazilian ports. Responsible police authorities have stated that the policy which has been established by the new Chief of Police, Jeno Alberto, is that all persons who were under confinement in the Federal District as a war-time measure and who had not been convicted and sentenced by the Tribunal of National Security will be placed at liberty, even though many of them have overstayed their residence permits and are subject of expulsion proceedings. These proceedings have been reported as being placed in an inactive status pending a decision from higher authorities (such as the President, Minister of Foreign Affairs, or Minister of Justice). As each of these individuals has been released from prison, he has been provided with a provisional identification document in substitution for a passport. X U

Chile X U

A German sabotage network encompassing practically all of South America and discovered to have been organized by the Abwehr II branch of the German High Command became the subject of intensive Bureau inquiry in March, 1945 upon the discovery of sabotage agents in Chile, Brazil, Argentina, Peru, Venezuela and Colombia. Several of the sabotage agents in Chile, such as Albert von Appen, Boris Dreher, and Heinrich Hallbauer (Von Appen's aide in preparing explosive materials), were, through government decree, expelled and interned in the United States in May, 1945. They have been classified as dangerous aliens and will be repatriated to Germany. X U

The ten sabotage agents who have confessed to their participation in this organization in Venezuela are now interned in the town of Rubio, Venezuela, inasmuch as Venezuelan authorities are of the opinion that there are no existing statutes covering their illegal activities so that they may be prosecuted. As a result, an executive decree ordered their internment. X U

Four confessed agents in Colombia are presently being held in internment, although no definite action has been taken against them for their participation in the activities of the sabotage organization. X U

In June, 1945, the Chilean Government decreed the expulsion of the prominent German national Auguste Siebrecht to the United States. Siebrecht, whose activities have been of considerable interest to the Bureau, was head of the Chilean organization of the German A.E.G. Electrical Company. As a Nazi, Siebrecht cooperated with some of the worst German elements in Chile and in view of his prominent economic X U

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position was able to maintain sufficiently strong political contacts to prevent any action being taken against him. At present he is at Fort Stanton, New Mexico and is to be interrogated by Bureau representatives in an endeavor to secure explanatory data with respect to German economic penetration in South America. ~~SECRET~~ X U

One of the most active German espionage groups discovered in Chile was the organization of Ana Bradenkamp de Hellemann and Albrecht Heise. Ana's husband, Guillermo, who was party to his wife's activities, was deported to the United States in the fall of 1944 and interned at Gloucester City, New Jersey. X U

Colombia X U

In November, 1944, the Colombian National Police, having previously interned some 106 individuals considered dangerous enemy aliens, demonstrated to the Legal Attache in Colombia considerable interest in the cases of some 37 additional candidates for internment. However, no definite action has been reported taken by the police in this regard. X U

Cuba X U

In May, 1945, shortly after the termination of hostilities in Europe, the Cuban Government released numerous German internees who had previously been relegated to the Isle of Pines off the south shore of Cuba, where the Cuban Government maintained a modern, well-run internment camp. Many of these internees had been incarcerated at the specific request of American authorities and their upkeep had been paid by the American Embassy in Havana, but the Cuban Ministry of Defense did not deem it necessary to consult American officials concerning the releases effected. Subsequently, the Cuban Ministry of Defense released additional internees until at present there are only a few German nationals left on the isle. The S.I.A.E. Division of the Cuban National Police, which had primary responsibility for the internal security of the country, was not consulted in the matter and evidence has been received that high Cuban officials have enriched themselves through money extorted from the internees in exchange for their freedom. The head of the Cuban National Police has issued a basic statement that all dangerous German nationals will be under surveillance. No credence is given to this statement, however, inasmuch as the police have taken no security measures whatsoever regarding the former internees, some of whom are already reportedly active in organizing an anti-Semitic campaign in Havana. X U

Ecuador X U

Through efforts of the Legal Attache at Quito, Leopoldo Adolfo Brauer (Gehin), prominent German who went to Germany in 1939 and thereafter returned to Ecuador where he was active as a member of Hitler Youth and the Nazi Party, was arrested on August 24, 1944. He was thereafter turned X U

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over to United States Army authorities who transported him to Mexico via Army transport plane for subsequent internment in the United States. *XU*

Mexico *XU*

The Mexican Government released all German nationals on May 31, 1945 who were interned in that country because they had been considered dangerous to the security of the state. These individuals totaled 193, all of whom were relegated to a fortress in Perote, Veracruz, Mexico. Most of them were German sailors and officers of German ships, which were interned by the Mexican Government in the early days of the war. Upon their release each was given 1,000 pesos (approximately \$200.00) as a fund to be used for living expenses until they might satisfactorily establish themselves in Mexico. There have been no indications that any of these Germans will be required to return to Germany and information concerning them indicates that few, if any, will return there of their own volition when travel conditions permit. *XU*

As a result of the repatriation program carried on by the United States State Department, there were repatriated from Mexico to Germany in December, 1944 a group of 102 German nationals, many of whom were women and children, aged and infirm, who were considered less dangerous in Germany than in the Western Hemisphere. Some of those who applied for repatriation were not allowed to return, as a result of information furnished by the Bureau. Those not permitted to go back were deemed more dangerous to the United Nations war effort because of the particular information they had access to as a result of their close contact with members of an active espionage ring in Mexico. *XU*

Paraguay *XU*

Based primarily upon information furnished by the Office of the Legal Attache at Asuncion, the Paraguayan Government, after two and one-half years of dilatory reluctance, finally took affirmative action with reference to the deportation of eight German nationals considered dangerous to the security of Paraguay. These nationals, all of whom were members of the Nazi Party or its affiliates, together with their families, were scheduled to proceed from Asuncion to Recife, Brazil via two United States Army transport planes at the close of June, 1945 for subsequent internment in the United States and ultimate repatriation to Germany. *XU*

Peru *XU*

Peru has carried on in the past a rather extensive program of expulsion of German and Japanese nationals. She recently deported for internment in this country Peter Michaelson, Charles N. Spoelt and *XU*

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Carlos Yoketaro Matsuda, Michaelson, a Nazi, was active in propaganda and commercial activities, while Specht was involved in an attempt to forge documents of United States Rubber Reserve. Matsuda, a fanatical member of the Japanese colony, endeavored to use his political influence to avoid deportation. It is expected that these three individuals will be ultimately repatriated to their native lands. *XU*

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**D. Smuggling**

In view of the Bureau being charged with general intelligence coverage in Latin America, numerous investigations have been conducted in connection with the smuggling of strategic materials to the Axis powers and to Argentina. These investigations which involved primarily platinum, diamonds and rubber, were of particular interest to the FSA, ONI and G-2, and information developed was distributed to these agencies as well as the State Department. *XU*

Upon the termination of hostilities in Europe the Bureau contacted proper authorities of the Foreign Economic Administration, War, and Navy Departments to ascertain their desires with reference to the continued investigation of smuggling activities in Latin America. The Navy Department advised that it desired to continue to receive reports based upon investigation of the smuggling of strategic materials from Latin America to the Axis powers. The War Department advised that despite the fall of Germany it was still interested in the smuggling of strategic materials to Argentina, since the existence of this activity would tend to indicate the intention of Argentina towards waging war against other countries in the Western Hemisphere. The FSA informed that it was interested more than before with reference to the smuggling of commodities to Argentina. The consensus of opinion was that there was little likelihood of materials being smuggled to Japan. All legal attaches have been apprised of the interest of these agencies and have been instructed to continue to conduct investigations accordingly. *XU*

Platinum Smuggling *XU*

Platinum, which is used as a catalyst for the manufacture of nitric acid and in connection with electrical equipment, is found in considerable quantity in the Choco district of Colombia. While the Colombian Government has attempted to control the traffic of platinum of that country, its efforts have not always been effective. *XU*

In view of the large quantities of platinum which were being smuggled out of Colombia, obviously with Germany the ultimate destination, the American Ambassador to Colombia in April, 1944, requested through the State Department that four additional Bureau agents be dispatched to Colombia to carry on concentrated investigation of platinum smuggling in Colombia with a view toward stamping out this activity. Through the efforts of these agents it is believed that all individuals engaged in platinum contraband activities in Colombia have been identified. Also, as a result of information developed, the American Ambassador was able to present evidence to the Colombian Government which resulted in four aliens being designated for deportation, four aliens being declared persona non grata, and denaturalization proceedings being initiated against a naturalized Colombian. Furthermore, because of information furnished the Colombian *XU*

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Government, a Presidential Decree was promulgated, which established a more rigid control of platinum production and traffic. ~~SECRET~~ *XU*

As a result of the investigation of one particular case, approximately one-hundred pounds of contraband platinum were accounted for and over eight pounds of platinum with a black market value of approximately \$8,000 were recovered. Due to the satisfactory progress of the war, these four agents were recalled from Colombia in October, 1944. *XU*

Typical of the results of Bureau investigations in Colombia is the case of [redacted] who together with two female accomplices was apprehended in Peru in the latter part of June, 1944, as a result of information furnished the Peruvian officials by SIS representatives. *XU* b7C

At that time [redacted] gave a signed statement in which he admitted smuggling diamonds from Brazil to Colombia in August, 1943 and using the proceeds of the sale to purchase 10 pounds of contraband platinum which he transferred to Rio de Janeiro, Brazil where the commodity was sold to [redacted]. He also admitted having transported 45 pounds of platinum to Brazil in February, 1944, with the assistance of Ines Martinez, one of the individuals with whom [redacted] was arrested, and [redacted] a Colombian diplomat who lost his diplomatic status because of his complicity in this activity. *XU* b7C

Another interesting and exemplary smuggling case was that in which the SIS representatives in Ecuador obtained some fourteen kilos (30.8 pounds) of platinum through a ruse from [redacted] and Ecuadoran national, which was believed to have been smuggled from Colombia to Ecuador during the months of June, July and August of 1944. The black market value of this platinum was approximately \$35,000. in United States currency. *XU* b7C

It was ascertained that [redacted] had entered into a contract with [redacted] an Ecuadoran, who presumably was acting for unknown German firms in Buenos Aires, Argentina, whereby [redacted] was to furnish [redacted] with 22 pounds of platinum. With the knowledge of the SIS representative, [redacted] was permitted to sell five kilograms of platinum to [redacted] for thirty-six thousand Argentine pesos (\$9,000. U. S.) and a check for fourteen thousand Argentine pesos (\$3,500. U. S.) in payment thereof. Prior to [redacted] departure from Ecuador, he was arrested upon authority of the Ecuadoran government and upon interrogation admitted having had previous dealings in contraband platinum. *XU* b7C

Arrangements were made whereby the Foreign Economic Administration was permitted to negotiate for the purchase of the fourteen kilos (30.8 pounds) of platinum in order that the United States would obtain the benefit of the platinum while depriving the Axis powers of this commodity. *XU*

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Diamond Smuggling X U

It has been estimated that Germany needed 500,000 carats of diamonds per year to maintain her war industries. This commodity is a necessary component of high precision tools and certain types of drilling equipment. It has been estimated that Latin America produces approximately 5% of the world's production of diamonds, with Brazil having an estimated annual output of 400,000 carats and French Guiana and Venezuela furnishing some 40,000 carats yearly. Due to the Allied control of nearly all diamond mining sources it was felt that the Germans would be compelled to rely heavily on the production of Latin America. While the Brazilian and Venezuelan governments have attempted to exercise control of this commodity, efforts have not been too successful and smuggling of diamonds has taken place. X U

Antonio Prio Socarras, an employee of the Spanish Banco Celata, Havana, Cuba, and brother of a Cuban Senator, advised a Bureau informant that 25,000 to 30,000 carats of industrial diamonds have been smuggled from the United States into Mexico and that he had contacts in that country to secure large quantities of this gem. The source of diamonds in the United States was said to have been workers in defense factories who stole the industrial diamonds and sold them in the black market. Prio offered to secure 2,000 carats in Mexico and indicated that the courier operating for him might possibly be the Dominican diplomat Hernan Henriquez Urena who was attached to the Dominican Mission in Mexico City. X U

Surveillance of Urena has been conducted and in the latter part of November, 1944, he came to the United States from Mexico, at which time it was believed that he would obtain diamonds to smuggle to Mexico upon his return to that country. Authorities of the Dominican Republic advised the State Department that Urena's trip to the United States was for personal reasons only and, in view of this information, the State Department suggested that the Bureau search Urena upon his departure from the United States. The activities of Urena have been followed by the Washington and New York Field Divisions and arrangements were made with border offices whereby a search would be instituted upon his departure from the United States. He has not yet departed for Mexico. X U

b7C

[redacted] who is discussed under platinum smuggling above was apprehended on June 19, 1944, as a result of information furnished the Peruvian authorities by the SIS representatives. At that time Farías furnished a signed statement in which he admitted smuggling diamonds from Brazil to Colombia in August, 1943, and using the proceeds of the sale to purchase 10 pounds of contraband platinum which he smuggled into Brazil. X U

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Rubber Smuggling X U

Due to the lack of rubber sources in Argentina coupled with the program of the United States Government in purchasing exportable surpluses of rubber from Latin American countries, the Argentine nation was severely handicapped by a rubber shortage which resulted in a scarcity of tires for private automobiles and a general breakdown of bus transportation facilities. This caused the Argentine government to use all means at its disposal to obtain rubber from Bolivia, Ecuador, Brazil and Peru. X U

In January, 1945, the Office of the Legal Attache, Asuncion, Paraguay, advised that rubber and automobile tires were being imported from Brazil which were being exported to Argentina. The Paraguayan Government appeared to have little interest in these activities since customs taxes were being paid. It was learned that on December 18, 1944, 13 tires of various sizes and 3 inner tubes entered Paraguay at Pedro Juan Cabaleiro which had been purchased by [redacted]. A tire, size 9.75 x 13 which costs an equivalent of approximately \$315.00, including customs tax, in Paraguay could be sold in Argentina for an equivalent of approximately \$425.00 a tire. At the same time it was learned that crude rubber was being brought into Paraguay from Brazil which was being exported to Argentina. This activity was facilitated through the efforts of [redacted] Asuncion, now [redacted] In one deal there was involved 22,200 pounds of crude rubber which was to have been obtained in Paraguay for an equivalent of \$55,000 and was to have been sold in Argentina for \$95,000. [redacted] was to have received an equivalent of approximately \$20,000 for his efforts. X U

b7C

On March 14, 1946, an informant of the Legal Attache at Quito, Ecuador advised that while inspecting a cargo being shipped out of Guayaquil, Ecuador on the SS "Pericles" it was noted that 20 barrels which contained castor oil consigned to [redacted] Buenos Aires, were similar to barrels stored on the premises of [redacted] who was under suspicion by Ecuadorian authorities. Examination of these barrels disclosed that while they contained castor oil, a false bottom had been constructed in these barrels in each of which was concealed 110 pounds of raw rubber. Investigation by the Office of the Legal Attache disclosed that the false bottoms had been constructed by [redacted] Guayaquil, Ecuador who was arrested by local authorities who then admitted that he had been employed by [redacted] to do this work. The Quito and Buenos Aires offices ascertained that [redacted] had been able to escape from Ecuador and is presently living in Buenos Aires with his family. X U

b7C

Another example of efforts made to smuggle rubber to Argentina is that of the attempt of [redacted] This individual, a [redacted] was en route to Argentina on a diplomatic mission on X U

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April 17, 1945, when four of his trunks were seized on the train on which he was riding by Bolivian customs officials at Villazon, Bolivia. These trunks contained 876 pounds of rubber. & U

Investigation revealed that Hugo Baldemar, Administrator of Customs and Antonio Jofre, Chief of Custom Guards at Valson, and other customs officials conspired to conceal the ownership of the seized rubber. Also Indarra attempted to bribe and even threatened certain customs officials in order to cause a clearance of the rubber and conceal its true ownership. Investigation by the Buenos Aires Office indicated that six additional Bolivians and four Argentinians were also involved in what appears to be a huge smuggling ring. & U

As a result of this particular case, the Bolivian Government is undertaking a wide-spread clean-up in Villazon, Bolivia and information received to date indicates that malpractices and illegal combinations among Bolivian customs officials, merchants and railway employees have been quite prevalent in Bolivia. & U

The Bureau for some time has been receiving reports that the Argentine Government has despatched agents to various Latin American countries for the purpose of smuggling tires, rubber, and strategic materials to Argentina. It was ascertained that [redacted] was sent to Bolivia [redacted] in part for the purpose of smuggling commodities to Argentina. It was definitely ascertained that on one occasion he stated that he was given the responsibility of filling a minimum quota of 50 tons of rubber per year. Also a report was received in late March, 1945, that [redacted] was furnished with a sum of money equivalent to \$250,000 through the Argentine Embassy which was to be used to purchase and ship rubber from Bolivia to Argentina. & U b7C

#### Miscellaneous

Decodes of some of the so-called ETE messages, which are coded material sent by courier by German agents in Argentina to Germany, revealed positive information that a vast amount of smuggling of strategic materials was carried on between Argentina and Germany. As many as four shipments of strategic materials a week were sent to Germany through clandestine methods, primarily by means of Spanish couriers aboard Spanish boats. & U

These decodes reflected that the smuggling was undertaken by undercover German agents and the officials of the German Embassy in Argentina until the time the Embassy was closed. One of the principal means employed was the sending of strategic materials camouflaged in packages under bills of lading reflecting the contents to be other than strategic materials. The three principal individuals responsible for this work for the Germans in Argentina were Juan Frank Langer, Jose Mella Alfageme and Jose Valen Cruz. & U

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## E. Campaign

A major development in SIS activities during the past year has been the expansion of coverage in the field of Communism. Latin America, by reason of its economic and social background, has always been a fertile field for Communist penetration. With the cessation of hostilities in Europe and the open reestablishment of European Communist Parties, new stimuli have been injected into the Party organizations of the South American continent. Prestige has been acquired by the Soviet Union through diplomatic recognition by numerous Latin American republics. New hopes spring from the acceptance of Communists in countries heretofore hostile to them. X U

SIS representatives effectively obtained information regarding Communist organizations, and are regularly following the activities of Communist elements in penetrating the fields of politics and labor. Investigations have disclosed that the Communists, by reason of their newly-acquired liberties in several countries, have attained a success never before achieved by them. X U

Today, Communist forces have won recognition as legal parties in Chile, Colombia, Costa Rica, Cuba, Ecuador, Mexico, Uruguay, and Venezuela. Although considered illegal under the constitution of Peru, the Communist Party in that country is allowed to operate openly with few restrictions. In Brazil, where the Vargas Government has strenuously endeavored to suppress Communist activity since the unsuccessful revolution of November, 1935, there are increasing signs of an weakening of open Communist activities, stimulated by the release from prison of the Communist leader Luis Carlos Prestes in April, 1945. In Argentina, the Farrell-Peron Government has followed a policy of severe suppression of Communist activities in any form, resulting in the dissolution of Communist-dominated labor federations, the imprisonment of some Argentine Communist leaders, and the expulsion of others, who fled to Uruguay and Chile. The Government of Paraguay has also followed a policy of restricting Communist activities, and Communists have met similar opposition in Haiti, the Dominican Republic, El Salvador, Guatemala, Nicaragua, Honduras, Bolivia, and Panama. X U

In many respects the Communist picture in Latin America has not materially differed from that in the United States. There is evidence that certain Latin-American Communist Parties have looked to Communist leaders in the United States for inspiration if not actual direction, in formulating and applying programs of action to accomplish Party objectives. Moreover, aid and support have been received from Soviet diplomatic representatives, who have supplied counsel, money, and propaganda material to Communist Party organizations in various countries of Latin America. X U

## Changes in Names and Policies

Certain Communist Parties in Latin America have modified the organizational structure originally prescribed by the Communist International. X U

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substituting larger "Committees" for the Cells, so as to broaden the bases of the Parties and obtain the affiliation of greater numbers of people. New affiliates have been sought who, although in sympathy with Communist objectives, have previously been reluctant to be identified with an international movement whose leaders have called for the establishment of a classless society through the instrumentality of world revolution. Nevertheless, there is secretly maintained intact a framework of trusted old-line "militants" who function as the true Communist Party. Some organizations have changed the name of the Party to one believed to be more illustrative of the progress and principles now being expounded by Party leaders. In this connection, leaders have urged the necessity for cooperation with capitalistic elements in order to maintain national unity and unity of action against Fascism. ~~SECRET~~ U

#### Political Activities

The application of the principles set forth by the Seventh World Congress of the Communist International in 1935, particularly with regard to the endeavor by every means to establish a united front on a national as well as an international scale, has resulted in immediate gains for some Communist Parties. By 1945 the increasing strength of Communism in Latin America was particularly evidenced by the Party's political achievements. ~~SECRET~~ U

In Chile the Communist Party took steps to effect coalition with other political parties in a "popular front" movement, obtaining forty thousand votes in the 1937 general elections and winning six seats in the national legislature. Following the March 4, 1945 elections, it was announced that the Communist Party held seventeen seats in the lower house and six seats in the Chilean Senate. The Communist Party in Chile is considered in that country to be one of the best organized political parties, and its action in effecting coalition agreements with other political parties, has resulted in increasing prestige and power for the Communist Party, with a corresponding reduction in the power of conservative political groups of the right. ~~SECRET~~ U

In Cuba there is seen an additional illustration of the effectiveness of the Communist Party policy in the political field. In that country, the Communist Party, beginning with its entrance into a four-party coalition in 1940 to support the presidential candidacy of Fulgencio Batista, has succeeded in placing a number of its members into public office. Today, leading members of the Party are serving in the Cuban National Congress, three in the Senate and seven in the House of Representatives. ~~SECRET~~ U

In Ecuador, following its participation in the successful May, 1944 revolution, the Communist Party not only was allowed to operate openly, but was also able to place twelve Communist Party members in the national legislative assembly. By September, 1944, the Party could count ~~SECRET~~ U

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four members holding important public offices, including that of Minister of Government, Minister of Education, Sub-Comptroller, and Private Secretary to the President. As of March 1, 1948, the only active member of the Communist Party of Ecuador holding an important executive office in the Government was Enrique Barroeta, Sub-Comptroller of the nation. X u

In other countries of Latin America, Communist forces have been following a policy of collaboration with other political parties, including parties of the governments in power, in a successful effort to extend Communist influence into the political structure of the various countries. This has been particularly evident in Colombia, Costa Rica, Uruguay and Venezuela. X u

#### Infiltration of Organized Labor

The rise in power and prestige on the part of Communist Parties in Latin America may be largely attributed to the successful application of the policies formulated by the Communist International with respect to infiltration and domination of organized labor. Communist control of labor is best revealed in the directorates of federations of labor which have been organized in several important countries of Latin America. An international aspect of this Communist control is lent by the fact that the central federations of labor in the various countries are in important instances affiliated with the Confederation of Workers of Latin America, whose President, Vicente Lombardo Toledano, claims that his organization represents approximately three and one-half million workers. This is possibly an exaggerated claim. X u

In Cuba, the affiliate of the Confederation of Workers of Latin America is the Confederation of Workers of Cuba, which, since its formation in 1939, has been led by its Secretary General, Lazaro Pena, a prominent and influential member of the Communist Party in that country. Under the leadership of Pena the Communist Party of Cuba has succeeded in establishing control over the Central Labor Federation comprised of important labor unions representing a large majority of all workers in the country. X u

As in Cuba, the Communist Parties of other Latin-American countries have succeeded in obtaining an important measure of control in central federations of labor. Such is the case in Chile, Colombia, Costa Rica (where all members of the governing body of the Confederation of Workers of Costa Rica are members of the Communist Party), Ecuador, Uruguay, and Venezuela. X u

#### Communist Party Schools

In Chile and Cuba, where are located two of the most advanced Communist Parties in Latin America, there has been developed a system of affording local and foreign Party members instructions in Marxist doctrines and other matters. Selected Party members, often those who are active in X u

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labor organizations, are given regular courses of study designed to better equip the students to take a leading part in advancing Communism. One such school is maintained in Havana for the purpose of instructing Communists from other Latin American countries. In Chile the Central Committee of the Communist Party has completed plans for the establishment of a school of instruction in radio construction, repair and techniques, as well as codes, photography, military photography, and shorthand. X U

#### Soviet Diplomatic Activities X U

There are today only six countries in Latin America which have not recognized the Soviet Union. However, at the present time, diplomatic missions have been exchanged with the Soviet Union by only Chile, Colombia, Cuba, Mexico and Uruguay. Although the Soviet Union has directed quantities of propaganda literature to Communist outlets in Latin America, particularly since 1939, a more direct method of exerting Soviet influence has been made possible through the installation of Soviet foreign missions. X U

In Cuba, Soviet diplomatic personnel have been active in sponsoring projects in conjunction with Communist Front organizations, for the purpose of improving Soviet-Cuban cultural relations, with the result that such publicity has been given to Soviet achievements in government, economics, art, betterment of social conditions, and education. Stress has been laid on the military power of the Soviet Union and the benefits derived from its form of government. X U

The Soviet Legation in Bogota, Colombia, has evidenced to Colombians a willingness to lend advice and material aid in developing natural resources. In the adjoining country of Venezuela, Communist leaders have made statements indicating that the Communist Party there receives orders from the Soviet Legation in Bogota in matters of policy and procedure. X U

The late Constantin A. Oumansky, as Soviet Ambassador to Mexico, played an important role in Soviet-Latin-American relations. Oumansky utilized propaganda facilities of his embassy, and his own energies in advancing the cause of the Soviet Union in Mexico and Central America. He maintained contact with the Latin-American labor leader Vicente Lombardo Toledano and with other prominent figures. He, with members of his staff, collaborated with Spanish Communists in Mexico, one of whom served as a director of the embassy's "Information Bulletin," a propaganda organ which was supplied to Communist Parties and labor federations in various Latin-American countries. Oumansky was killed in a plane crash at Mexico City on January 25, 1948, while en route to San Jose, Costa Rica, to present his credentials as Minister of the Soviet Union to the Government of Costa Rica. X U

The Soviet Legation in Montevideo, Uruguay, has taken part in Communist activities in that country. Funds have been furnished to finance the official paper of the Party, and a member of the diplomatic corps has advised Uruguayan and Argentine Communists to prepare for a campaign to be directed against United States and British business interests in Latin America. X

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F. SIS Statistics

Persons Identified, Apprehended, Prosecuted, etc.

Fiscal Year 1945      July 1, 1940  
through  
June 30, 1945

Espionage Agents

Identified.....	18	306
Apprehended.....	5	327
Prosecuted.....	"	77 convictions
		1,252 yrs. sentence
		1 death sentence
		1 interned

Propaganda Agents

Identified.....	6	230
Apprehended.....	2	60
Prosecuted.....	"	1 conviction
	1 interned	1 yr. sentence
		1 interned

Sabotage Agents

Identified.....	6	20
Apprehended.....	3	13
Prosecuted.....	"	"

Smugglers of Strategic War Material

Identified.....	25	175
Apprehended.....	12	60
Prosecuted.....	2 convictions	5 convictions
	1 indefinite sentence	2 yrs. sentence
	\$194 fine	\$124 fine
		2 interned
		1 indefinite sentence

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P. SIS Statistics (continued)

Persons Identified, Apprehended, Prosecuted, etc.

	<u>Fiscal Year 1945</u>	<u>July 1, 1940 through June 30, 1945</u>
<u>Other Foreign Agents</u>		
Identified.....	2	93
Apprehended.....	3	33
Prosecuted.....	-	1 conviction 2 yrs. sentence
Apprehensions, Convictions, Sentences, or Other Persons Under Law of Local Country.....		
	20 apprehensions 12 convictions 1 interned	89 apprehensions 21 convictions 30 yrs. sentence 1 interned \$700 fine
Aliens Moved From Strategic Areas....		
	-	7,064
Aliens Interned or Religated Locally.		
	24	1,992
Aliens Deported or Expelled.....		
	48	4,324
Natives Interned or Religated Locally		
	-	30
United States Fugitives Located.....		
	7	30
Firms or persons Placed on List of Blocked Nationals.....		
	11	1,545
Investigations Conducted at the Request of the U. S. Government Agencies.....		
	2	2

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F. SIS Statistics (continued)

Radio Stations Located and Radio Equipment Confiscated

	Fiscal Year 1945		July 1, 1940 through June 30, 1945	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
Clandestine Radio Stations Located.....	-	-	24	-
Clandestine Radio Transmitters and Related Equipment Confiscated.....	2 trans- mitters \$430.00(1)	-	30 trans- mitters 12 radio tubes	7,155.50 <sup>(2)</sup> 200.00
Clandestine Radio Receiving Sets Confiscated.....	-	-	10	2,017.50

(1) Value of 1 transmitter not known.

(2) Does not include value of one transmitter  
recovered during the fiscal year 1945.

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F. SIS Statistics (continued)

Other Material Recovered or Confiscated

	Fiscal Year 1945		July 1, 1940 through June 30, 1945	
	Quantity	Value	Quantity	Value
Currency.....	-	310	-	\$ 247,677
Precious Stones.....	(1)	4,538	(1)	4,538
Platinum.....	39 lbs.	39,509	101.2 lbs.	197,919
Tires.....	46	3,236	46	3,236
Rubber.....	1,760 lbs.	4,200	10,920 lbs.	9,800
Tarpaulins.....	5	1,000	5	1,000
Tagua Buttons.....	6 sacks	1,538	6 sacks (2)	3,092
Totals		\$54,381		\$1,066,253 (3)

- (1) Not given.
- (2) Does not include quantity of tagua buttons recovered for the fiscal years 1941 - 1944.
- (3) The total value of material recovered or confiscated in the amount of \$1,066,253 represents the value of all recoveries since the instigation of the SIS program. This figure includes the recovery of such items as diamonds, silver, mercury, fire arms, books, magazines, propaganda material and medicinal supplies.

Recent activities just prior to the close of the fiscal year will result in additional statistical data which will be recorded in the first quarter of the next year. To be included in future statistics are the convictions of 26 espionage agents in the Circuit Court of Appeals at Santiago, Chile, with sentences ranging from one to seven years in each instance.

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VIII. ACCOMPLISHMENTS BY COUNTRIES

A. Argentina X U

Espionage

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

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

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

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

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

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A group of espionage agents known by the name HX ring were disclosed to be working concurrently with a group referred to as members of the Clog ring. [redacted] who has been in periodic contact with a subject in the HX case, received for forwarding a photographic negative which bore the sketch of a radiotherapy device. X U

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

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

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

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

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

The crew members of the German battleship Graf Spee, previously considered and treated as internees by the Argentine government were, <sup>u</sup> X

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

#### Deportation

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

#### Smuggling

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

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

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

#### Political

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

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

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

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

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

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

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

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

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

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

#### Important SIS Activities

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

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

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

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

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

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

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

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A recent illustration of effective work of SIS was the location in Buenos Aires of one [ ] who is under indictment in New York City for violation of the Passport Laws. X U

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

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B. Bolivia X U

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

Kidnapping of Fin Magnate Hechschild X U

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

Activities of Major Elias Belmonte X U

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

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Rubber Smuggling from Bolivia to Argentina X U

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

Safe Haven - Flight of Axis Capital X U

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

Communist Activity

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

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

#### Police Liaison

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

#### Revolutionary Attempts

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

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

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C. Brazil X U

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

Political

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

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

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

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

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

Espionage

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

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

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

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

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

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

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

The British at London, England, have agreed to our interrogating [redacted] b7C [redacted] for the purpose of determining b7D the activities of subject, Frederick Wilhelm August Oscar Langwehr, in whose possession at Rio de Janeiro was found a complete list of warships, setting forth the tonnage of the navies of the United States, Great Britain, and b7C Holland. Subject was acquainted with [redacted] who was sentenced in December 1943, in absentia by a Brazilian court, to a prison term of 27 years and six months. *Xu*

A German agent under control in England named [redacted] b7C [redacted] has been operated notionally by the Bureau from the United States b7D Another agent having the same superiority as [redacted] was identified as being Acacio Strecht, who went to Rio in August, 1944. It was recently believed that an informant of the Rio office might be able to turn Strecht into a double agent; however, with the collapse of Germany, Strecht lost all desire to continue his espionage work and the case will probably be turned over to the Brazilian police. *Xu*

#### Sabotage

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

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

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

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

#### Foreign Nationality Groups

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

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

b7C

b7D

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

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

#### Communism

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

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

#### Economics

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

Fernando Simoes Ferreira is accused of having sold 260 tons of falsified fish oil to a firm in Lisbon, Portugal, knowing the same was intended for the United States Commercial Company and the United Kingdom Commercial Company, with a loss to these agencies of \$260,000. The Legal Attaches in Lisbon and Rio de Janeiro have been asked to bring Ferreira to Justice and his signed statements were taken in Rio wherein he admitted selling oil valued at \$90,000 to \$100,000 but denied knowing the same to be false. He said that he went to Rio in order to visit his mother and not to escape any threatened prosecution. No extradition treaty exists between Brazil and Portugal by virtue of which subject could be returned without considerable difficulty. Plans are under consideration, however, whereby Ferreira will be informally placed upon a Portuguese ship for deportation to Lisbon. XN

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

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D. Chile X U

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

The Apfel Sabotage Ring X U

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

Deportations

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

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

#### The P-2 Clamorous Radio Case XN

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

#### Police Liaison

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

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

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

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Heavy Trade - Espionage X N

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

The Mapocho and Lautaro Shipping Disasters X N

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

Safe Haven - Flight of Axis Capital X

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

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

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

#### Communist Activities

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

#### Political Trends

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

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the Spanish Falange and originally developed as an organization of young conservative Catholics. During recent years, however, this Party has moved continually to the left until at the present time it represents youthful liberal Catholic elements completely divorced from the influence of the Reactionary Conservative Party. It appears that the present Chilean Government will continue without untoward incident and will be characterized by more stability than the governments of its neighboring Republics. However, as in the past, it appears improbable that the Rios regime will be characterized by active progressive operations. The office of the Legal Attache, through extensive political informant coverage, has during the past year supplied the American Ambassador continually with confidential information which has been of great value to him. Ambassador Bowers has expressed to the Legal Attache his appreciation for the information supplied to him regarding political activities in Chile. *87*

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E. Colombia X U

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

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

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

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

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

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

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

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

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

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

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

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

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F. Costa Rica. ~~S~~ U

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

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

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

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

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

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

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0. Cuba. X U

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

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

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

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

Throughout the year, numerous cases within the primary jurisdiction of the Bureau have been referred to SIS personnel in Havana. During the last eight months of the fiscal year, twenty-four Selective Service cases have been forwarded to Cuba for investigation. Other Federal violations which have been handled by SIS personnel in Cuba included White Slave Traffic Act cases, Passport and Visa matters, Impersonation, Customs Laws and Smuggling, NSPA, UFAP, Servicemen's Dependence Allowance Act, Illegal Wearing of the Uniform, Theft of Government Property, Federal Reserve Act, Censorship Violations and others. In February, 1945, one [redacted] b7C

[redacted] was apprehended by Cuban National Police at the request of our Legal Attache, due to the numerous conflicting stories he had told concerning his background and because he had in his possession documentation made out in several different names as well as both R.C.A.F. and United States Naval uniforms. Inquiry of the Bureau reflected [redacted] was a fugitive from process issued by the United States Commissioner at Newark, New Jersey, for illegally wearing the uniform of a friendly power, i.e. Canada. Further investigation at Miami, Florida, reflected subject had stolen the United States Naval property, had illegally worn the uniform of a Canadian officer in Florida and had married [redacted] of Summit, New Jersey, under an alias and succeeded in getting his wife to withdraw her savings of approximately \$1200 which subject promptly spent. Arrangements were made to return the subject to the United States, where he was sentenced to sixteen months' imprisonment by the Federal Court at Miami, Florida on June 1, 1945. Deportation proceedings are pending against the subject after he serves his prison sentence. *SN* b7C

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

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

In the field of subversive activities, the SIS personnel in Cuba has handled several espionage cases which originated with [redacted] b2

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

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

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H. Curacao, N.W.I. § 21

A Bureau agent was assigned to the American Consulate at Curacao, Netherlands West Indies, on August 23, 1944. This agent has been successful in establishing close liaison with Dutch, British and American authorities operating in that territory. The importance of the Netherlands West Indies to the war effort is based on the fact that practically all of the output of the numerous Venezuelan oil fields is refined in these Dutch Islands. It is recalled that the refineries in Aruba, N.W.I. were shelled by a German submarine in early 1942 and the security of these islands has been of primary importance to the Allies since the war began. § 21

The Legal Attache in Curacao has been particularly effective in maintaining close relations with Dutch officials. Considerable information of value concerning the Netherlands has been obtained from these sources for the SIS European Desk. In addition, several Dutch officials presently in Curacao who formerly served in the Netherlands East Indies, have been contacted by our SIS representative and have expressed their favorable regard for the Bureau. They advised they would be ready and willing to cooperate with Bureau representatives in the future. These officials eventually expect to return to their former posts of assignment in Java, Sumatra, Dutch Borneo and other oriental possessions of the Netherlands and in the event of world-wide intelligence coverage by the Bureau, it is believed they will prove to be valuable sources of information. § 21

The SIS representative in Curacao has also conducted investigations relating to smuggling, espionage, sabotage, Selective Service and Communist activities. A Communist inspired strike against the Raymond Concrete Pile Company [redacted] in Curacao was of special interest because of the allegation that a Communist leader from the United States had been sent to Curacao to foment trouble among the workers employed in a construction project of this company. § 21

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I. Dominican Republic X U

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

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

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

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

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J. Ecuador *Xu*

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

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

#### Alleged Pro-Nazi Employee in Embassy

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

#### Police Liaison

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

#### Communist Activities

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

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

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

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

#### Safe Haven - Flight of Axis Capital XN

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

#### Rubber Smuggling from Ecuador to Argentina XN

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

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

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

#### Political Trends

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

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K. Guatemala 82

In Guatemala SIS personnel, which during the past year has consisted of a Legal Attache with one assistant and a Police Liaison Agent, has continued to maintain an effective coverage of all political movements. As a result, our SIS representatives were able to make accurate predictions as to the revolutions which occurred there during the past fiscal year. 82

On July 1, 1944, after having been in power for thirteen years, General Jorge Ubico, President of Guatemala, was forced to submit his resignation as the result of agitation against his regime by political opponents. General Federico Ponce was appointed First Designado and as such exercised the presidential authority. The rule of General Ponce, however, was short-lived as on October 20, 1944 a second revolution occurred which resulted in the overthrow of General Ponce and his cabinet and their subsequent exile to Mexico. A provisional Government was then established which maintained order until the elections of December 17-19, 1944 at which time Juan Jose Arevalo was overwhelmingly elected to the Presidency. As reported by SIS representatives Arevalo had resided for years preceding in Argentina where he had adopted Argentine citizenship without giving up his status as a citizen of Guatemala. He was known as an anti-Fascist and had associated with Communists but was not known to be pro-Communist in his views. 82

On January 22, 1945 the newly formed government issued a decree breaking relations with Spain for which Arevalo was praised by the Communist leaders of Central America. Opposition to the Arevalo government, however, has continued led principally by Colonel Carlos Padilla y Padilla and other military men. A revolution was plotted by them but failed to materialize and on April 7, 1945 Colonel Padilla was exiled from the country along with other prominent oppositionists. SIS representatives report that since that time Colonel Padilla has been traveling throughout the other Central American countries attempting to enlist the aid of various revolutionary groups in his crusade to overthrow the Arevalo government. 82

It has been reported by SIS representatives that General Roderigo Anzueto, a member of the Guatemalan cabinet during President Ubico's regime, is the brains behind the present revolutionary movement. General Arevalo is at present in the United States but is kept informed on any developments in Guatemala. A considerable portion of the Guatemalan army is reportedly ready to assist Colonel Padilla in his revolutionary plans. 82

The SIS Legal Attache's office reports that during the regime of General Ubico Communism in any form was suppressed Communist opposition 82

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

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

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

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

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L. Haiti ~~u~~

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

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

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

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

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H. Honduras X u

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

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

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

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

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

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

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

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

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M. Mexico *82*

### Espionage

During the course of the past year, extensive investigations have been conducted in Mexico with reference to German espionage activities. The major portion of the investigation of such activities has been of the Cleg Case. This investigation has centered in Mexico and has been continued for several years during the course of the war. Ramifications of the case have necessitated investigations in a large number of countries throughout the Eastern Hemisphere, particularly Argentina, Chile, Brazil and Mexico. The group of German agents operating in Mexico has utilized every known means of communication of espionage information during the years they have operated. However, they have primarily used what is known as a microscopic dot attached to envelopes directed to various drop boxes in Argentina and European countries. *82*

More than a year ago the facts of this case were presented to the Department of Justice for a decision as to possible prosecution of these agents in United States courts on the basis of conspiracy with other German agents who have operated in the United States. A decision was reached that no prosecution would take place in the United States but that consideration would be given to the presentation of information in this matter to the Mexican Government. During the current year, the matter of revelation of information developed in this matter has been before the War, Navy and State Departments and as a result it has been agreed that the information may be given to the Mexican Government with certain limitations as to the revelation of code material involved in this matter. Specific objections were made by the Navy Department to the giving of coded material to any other government. The agents in this case have not been as active during the past year as they were previously but, nevertheless, it has been necessary to follow the activities of these German agents very closely. *82*

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

Although extensive investigations have been made for the possible uncovering of Japanese espionage activities in Mexico and a concerted effort has been made to develop confidential sources who could provide information concerning any possible Japanese espionage, these efforts have failed in definitely establishing the existence of any Japanese espionage group in Mexico. Recent information indicates that a German apprehended in Europe following the unconditional surrender of Germany expected to travel to Mexico and to take up connections with both German and Japanese espionage agents. A continued and concerted effort is being made to establish whether in fact there is existent in Mexico a Japanese espionage agent or organization. *82*

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Fourth Inter-American Conference  
of Foreign Ministers *KU*

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

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

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

Assistance to Mexican Law Enforcement Officials *KU*

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

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

Another example of cooperation with Mexican authorities has been the class in cryptanalysis conducted by a Special Employee of the Bureau   in the Post Office Department of the Republic of Mexico. *b7C*  
This class has been conducted with the backing of Postmaster General Jose Maria Tapia, who has shown great interest in its organization and progress. The purpose has been to train a group of cryptanalysts to serve during the present emergency and also to serve as a nucleus to train others in the event of some future emergency or necessity for their services. The class was composed of twenty-three students, all of whom were employees of the Post Office Department and some of whom found it necessary to discontinue the class because of the demands on them in their ordinary duties. Two of the students may be said to be fully qualified and well equipped to handle cryptanalysis work and eight have kept abreast of the class work but are not as yet fully qualified. A course of training included substitution ciphers of all types, regular transposition, preparation of original frequency tables of the Spanish language, letters, bigrams and trigrams, polyalphabetic substitution, irregular transposition and codes. This Special Employee has in addition served the Mexican Government as a censor of mail and has been given a censor's number. As a result of this, he has obtained considerable valuable information for the Bureau, particularly in connection with espionage activities. *X u*

#### Proclaimed List of Certain Blocked Nationals *X u*

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

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

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

#### Selective Service

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

#### Deserters

Numerous deserters from the armed forces of the United States have fled to Mexico and, as a result, our Civil Attache has conducted many inquiries upon request of the Bureau to locate and, in certain cases, effect, if possible, their return to the United States. Considerable success has resulted in these investigations. An interesting example has been the cases involving [redacted] and [redacted]. b7C

[redacted] These subjects were confined and subsequently escaped from the Texas Naval Air Station, Corpus Christi, Texas, on May 2, 1945. They stole two .38 caliber revolvers from guards at the Naval Air Station at the time of their escape and fled to Mexico. [redacted] was apprehended and through the cooperation of the Ministry of Gobernacion, Mexico City, was deported to the United States and, upon interview, provided information concerning the whereabouts of the other two subjects. Based on this information, the Civil Attache conducted an investigation in Mexico which resulted in their location and apprehension by Mexican authorities and their deportation to the United States. *Su*

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Escaped Prisoners of War

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

Violators of Other Laws of the United States X U

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

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

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

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

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

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

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

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

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#### Spanish Activities in Mexico X u

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

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

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

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

#### Communist Activities in Mexico *XN*

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

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

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

#### Political Activities

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

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0. Nicaragua XN

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

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

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

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

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

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identification cards. He was interested in the fingerprint system used by the Bureau and stated that he desired to take a set of fingerprints in connection with each identification card issued. Lieutenant Iguirre was shown a copy of the Bureau's Spanish publication on how to organize a small identification unit, and a copy of this prospectus has been forwarded to the SIS Legal Attache at Managua for personal delivery to Lieutenant Iguirre. It is anticipated that within the coming year, it will be possible to establish an SIS Liaison officer in Nicaragua. X 26

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P. Paraguay \$u

### Political

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

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

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

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

### Government Action to Control Axis Nationals

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



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

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

#### Kapitulation

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

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

#### German Activities

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

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#### Communism

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

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

#### Smuggling

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

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Through the efforts of the Legal Attaches at Asuncion, Paraguay, and Rio de Janeiro, Brazil, a smuggling ring has been recently uncovered in Paraguay headed by [redacted] [redacted] group hid the XN

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

In addition to the finished product, rubber has been brought into Paraguay from Brazil in crude form. This activity has been facilitated through the efforts of [redacted]

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[redacted] In one deal involving 10,000 kilos of rubber (approximately 22,000 pounds), costing \$55,000 in Paraguay, the rubber was said to have been sold in Argentina for \$95,000. X u

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C. Panama XN

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

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

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

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

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

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

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

#### Political Coverage

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

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

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

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

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

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

#### Gimpel-Colepaugh Ramifications XN

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

#### Japanese Activities

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

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#### Communist Activities

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

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

#### Safe Haven - Flight of Axis Capital X u

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

#### Police Liaison

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

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### Axis Nationals Deported

The Office of the Legal Attache has been successful in effecting the expulsion of numerous Axis nationals from Peru. As a result of investigation and the compilation of data reflecting the danger of certain German and Japanese nationals and through the cooperation of the American Embassy and Peruvian authorities the most dangerous Axis nationals no longer are resident in this Republic. Recently in this connection three Axis nationals were deported from Peru and have been interned in the United States. Two of these are Germans and one Japanese. One of the Germans, Charles M. Specht, had previously resided in Peru for several years and had worked in connection with rubber and oil developments in that country. Recently he was involved in an attempt to forge documents purporting to be recommendations of the United States citizen in Peru. As a result of investigation on the part of the Office of the Legal Attache these frauds were uncovered and he was found to be a German national dangerous to the security of the Hemisphere and subsequently deported. \$2



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### 3. El Salvador

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

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

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

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

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

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

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I. Trinidad *8u*

The Bureau has continued to maintain a Liaison Agent at Port-of-Spain, Trinidad. *8u*

Imperial Censorship and British Contraband Control has submitted numerous reports of value to the SIS Field and to Bureau operations in the United States. The bulk of these reports deal with passengers and crew members of Spanish and Portuguese vessels which are routed through the British control point at Trinidad. Many of these individuals are destined for the United States, and their interrogations are of considerable interest to the Bureau. The interrogations are made on the basis of derogatory information in British files, and data forwarded by the Bureau to the Liaison Agent. *8u*

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As an example of the type of work performed, the Bureau representative was requested to obtain complete interrogation reports on four passengers on the SS "Marques de Comillas" which transited Trinidad May 3-6, 1945. One of these passengers was a Spaniard, who was known to have been contacted by German espionage representatives in Spain to carry out a mission in Cuba; another was a suspected German courier; another was an American woman who had been the mistress of a German official in Paris, France until April, 1942; another was an ex-Honduran diplomat in France who had issued Honduran documentation to numerous European nationals, including two known SD agents. In addition to these subjects, our Trinidad representative reported on numerous passengers destined for Latin America, whose interrogation revealed derogatory data. *8u*

During the time when neutral vessels were logically suspected of being used to smuggle strategic war materials to the Axis, the Bureau Agent in Trinidad was able to keep in close contact with developments effected by British authorities in Trinidad. *8u*

This agent has also been referred cases falling within the primary jurisdiction of the Bureau, including Selective Service, Crimes on the High Seas, Communist Activities in the West Indies and others. On one occasion, he was instructed to proceed to the French penal colony at Devil's Island to ascertain if five prisoners had recently escaped. This request emanated from a report by Naval authorities that five men had been sighted in an open boat off Key West, Florida and it was believed they were possibly German agents who had attempted to land from a submarine. It was ascertained these five men were actually escaped prisoners from Devil's Island who had successfully journeyed to Cuba and were attempting to proceed to Mexico via open boat from there. *8u*

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

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

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U. ~~Uruguay~~ X U

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

#### Espionage

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

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

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

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

#### Political

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

#### Communism

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

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

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

#### French Activities X U

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

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V. Venezuela *XU*

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

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

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

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

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

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

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

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In April, 1945, a report and photographic album entitled "Facilities of Creole Petroleum Corporation of Venezuela" were distributed to interested agencies at the Seat of Government. This survey was prepared by Special Agent [redacted], who has been in Venezuela in an undercover capacity as [redacted]

[redacted] The purpose of the survey was to determine the various possibilities of sabotage to the industrial facilities of this corporation. The survey covered nine oil fields, the port facilities and the division offices of the Creole Petroleum Corporation of Venezuela, which at the present time is one of the largest oil producing concerns in the world. The photographic album and detailed report were of considerable value and interest to the governmental agencies to whom distributed. *XU*

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H. Canada X U

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

b7C

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

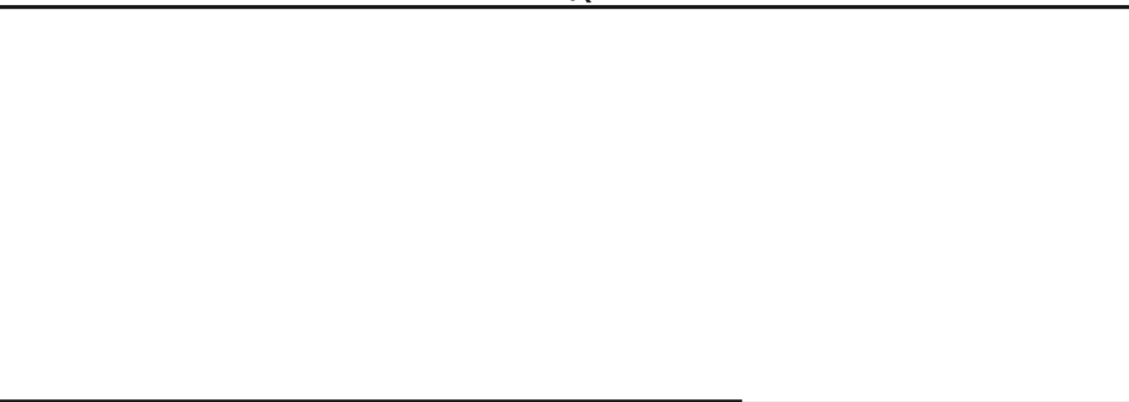
I. England X U

b7C

During the past year Legal Attache [ ] and Assistant Legal Attache, [ ] have continued to function in a liaison capacity for the Bureau in London. X U

b1

b7D



Also, had we not had an office in London and been able to make arrangements to review [ ] material we should have received little or nothing from this most valuable source. [ ] successful efforts to obtain the decodes made by the British or German Radio Intelligence messages in spite of the objections of [ ] and of our own Army and Navy departments. X U

(S)

b1

b7C

b7D

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

b2  
b7D  
b7C

More than 200 enemy espionage agents of various nationalities were secretly held by the British at Camp 020 outside of London throughout the war. These men were held without judicial process and served as the British Intelligence Service's ambulating reference library. They were continuously interrogated and their reports compared and from them the British developed most of their information about the German espionage system. Through our London office the Bureau was able to arrange for receipt of all reports emanating from this camp, many of which contained extremely valuable information for use in our espionage investigations in the Western Hemisphere. Because these men were held without judicial process the British have advised that it is necessary to turn them loose as soon as possible. In fact some have already been returned to their native countries in Europe. There is an undetermined number in the Camp who are natives of certain Latin American countries. The Bureau is negotiating with the British at the present time for complete information relative to these agents so that we will be fully apprised and can in turn inform the Governments of Latin American countries involved prior to their return. X u

#### Special Cases

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

b7C

Likewise it was possible for our Assistant Legal Attache, [ ] to travel with British Intelligence officials to Germany recently to interview Hans Kaltenbrunner, important German espionage agent, recently captured by the Allied forces. X u

b7C

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Political

Legal Attache [ ] because of his wide range of acquaintances among British officials was brought back by the Bureau from London for the San Francisco Conference of the United Nations for International Organization. Special Agent [ ] was in San Francisco for several weeks and was of considerable assistance to the Bureau through his contacts with British Foreign Minister Anthony Eden and other members of the British delegation. \$U

b7C

Y. France \$U

The Bureau's Army Liaison unit in France was established in September, 1944 with Special Agents [ ] and [ ] Inspector [ ] who inspected the Paris office in December of 1944 reported that these agents have done excellent work in France. \$U

b7C

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

b7C

Espionage

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

Treason

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

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

b7C

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

#### Communist Investigations

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

#### Assistance to the U. S. Army

The considerable assistance rendered by our Paris office to the Army has warranted and resulted in a written letter of appreciation from [ ] 1-2, SHAEF. As an example, an Army code truck containing top secret code apparatus used by the Communications Division of the Army was stolen in April, 1945, from an Army Headquarters in France. The Army feared that it had fallen into the hands of the enemy. [ ] inquired into the steps taken to recover the truck when he was called into the case by the Army. He noticed that several fundamental investigative procedures had not been adopted by the Army. He pointed these out and the truck was located shortly thereafter. These fundamental steps included search by air for the truck, road blocks, contacts with local police officials in nearby French towns, etc. X U

b7C

#### 2. Germany X U

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

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

#### Spying

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

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

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

#### Treason

b7C

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

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AA. Italy X U

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

b7C

#### Espionage

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

b7C

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

b7C

#### Treason

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

#### Assistance to the Embassy X U

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

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

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SS. Portugal X u

b7C

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Special Agent [ ] was appointed Legal Attache to the United States Embassy in Lisbon, Portugal in August of 1943. He was later furnished with an assistant, Special Agent [ ] X u

b7C

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

#### Espionage

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

b7C

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

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

[ ] has had several conversations with [ ] who appears anxious to cooperate in every way possible with the Allies. [ ] is the former [ ] Ambassador to Argentina who recently was repatriated but who went [ ] rather than Lisbon. He has furnished considerable information about the espionage activities of Germans in Buenos Aires during the war and about the Germans who have been repatriated. Much of this information corroborates material already furnished the Bureau by our Legal Attache in Argentina. X u

#### Effective Liaison

The British recently secured in Portugal German microdot and X u

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

CC. Spain X u

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

This was attested to by Inspector [ ] who inspected the Madrid office in January of 1945. X u

b7C

#### Espionage

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

As an example of his work in this type case his activity in the SPANIP Case is referred to. [ ] was operated in the United States as a double agent by the Bureau. His principal in Madrid was [ ]

Because of unsatisfactory developments in this case [ ] was urged to return to Spain and strengthen his setup with the Germans. [ ] decided to interview [ ] and he obtained from him the admission that [ ] had set up an elaborate system of fictional agents which he represented to the Germans and the Japanese as being operated by him in the Western Hemisphere. Actually his only real agent had been [ ] X u

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

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Effective Liaison

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

b7C

Political

b7C

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

b7C

DD. Philippine Islands X u

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

b7C

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

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ANNUAL REPORT  
SPECIAL INTELLIGENCE SERVICE  
FEDERAL BUREAU OF INVESTIGATION  
UNITED STATES DEPARTMENT OF JUSTICE  
1945-1946

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I. SIS OPERATIONS AT SEAT OF GOVERNMENT

A. Changes in Administration

During the fiscal year of 1945-1946, the SIS Section continued to operate with two Units, Operations and Investigative, each under a Supervisor responsible to the Assistant Section Chief and Section Chief.

During the war, there was in SIS a desk handling special major espionage cases. Most of the major cases were wound up shortly after the close of the war, and the special desk was eliminated. This desk had been handling, of course, cases originating principally in Latin America. \$ 7

Because of the over-increasing importance of Communist coverage in Latin America, the group of Supervisors in SIS handling Communist reports was increased from three to four during August, 1945. \$ 7

In October, 1945, the former Espionage Unit of the Security Division was reduced to two Supervisors and was moved into the SIS Section for administrative purposes. The Monograph Unit within SIS which was composed of four Supervisors continued at full strength until June, 1946 when it was abolished in view of the fact that SIS may not continue its operations on a permanent basis.

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B. SIS Finances

For SIS operations during the fiscal year 1946, the amount of \$2,946,357.00 was made available to the Bureau. This amount consisted of \$175,000.00 of unexpended funds from the 1945 allocation and a new allocation of \$1,325,000.00 received on July 6, 1945, and \$1,446,357.00 received on December 4, 1945.

As of June 30, 1946, the sum of \$2,791,409.44 had been expended as follows:

Salaries		\$1,481,758.97
Living and Quarters Allowances		380,320.51
Expenses		524,747.92
Informants		386,058.22
General Expenses		8,262.46
Property	\$11,725.75	
Less:		
Miscellaneous		
Receipts	<u>4,494.70</u>	7,229.05
Entertainment		<u>3,033.31</u>
Total		\$2,791,409.44

These amounts, of course, do not include amounts expended or obligated as of June 30, 1946, for which accounts had not been received at the Bureau as of that date.

For the fiscal year 1947, the Bureau has available the sum of \$3,000,000.00 which has been included in the regular Bureau's appropriation.

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C. Monograph Unit

The Monograph Unit was established as a result of a favorable recommendation contained in the Executive Conference memorandum dated January 16, 1945, and subsequently approved by the Director. At its inception four men were assigned to this work. When it appeared that SIS would curtail its activities, the Unit was reduced in number to one man. On subsequent expansion of SIS it was increased to the original number.

The Monograph Unit has been engaging in assembling, classifying, evaluating and composing in permanent book form vast quantities of investigative data provided by SIS men on foreign assignments. In addition to this, detailed reviews of Bureau records are made to secure any valuable supplementary information gathered from diverse sources. *SN*

On completion the Monographs are distributed to such people as the President, the Attorney General, the Secretary of State, the Secretary of War, the Secretary of the Navy, Military Intelligence, Naval Intelligence, Director of the new Central Intelligence Group, Royal Canadian Mounted Police, British Intelligence, the Commissioner of Police for New Zealand, Director General of Australian Secret Service and all Legal Attaches. *SN*

The Unit has prepared, written and distributed during the past year such Monographs as "The Police in Latin America," "Haiti," "The Japanese in Latin America," "The Communist Movement in Latin America," and "German Espionage in Latin America." *SN*

The Monograph Unit has also finished the following Monographs, which are currently in the process of being printed: "Communism in Cuba," "The French in Latin America," "Labor-Communism in Mexico," "Labor-Communism in Central America," and "Labor-Communism in Cuba." *SN*

In view of the impending curtailment of SIS activities the Monograph Unit was closed in June, 1946.

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D. World-wide Intelligence ~~U~~

After the end of the war and prior to the fiscal year, the principal proposal for the establishment of world-wide secret intelligence for the United States Government had been made by General William J. Donovan, the Director of the Office of Strategic Services. His plan was to create a new agency in the Executive Office of the President to direct and control all intelligence work by supervising the existing intelligence agencies and by establishing its own field force where desired. The Joint Chiefs of Staff had a similar plan except that the agency would be under the control of a board consisting of the Secretary of State, Secretary of War and the Secretary of Navy. Both plans were exceedingly objectionable in that the agency created would not be subject to legislative control, departmental authority, jurisdiction or responsibility. The Bureau's plan, of course, was the extension of the present SIS system with the addition of a high-ranking member of the State Department to the intelligence board, composed of the Directors of ONI, G-2 and FBI, and the establishment of a research and analysis section in the State Department. ~~U~~

After the death of President Roosevelt, the Donovan Plan was definitely discredited. President Truman issued an order dissolving the Office of Strategic Services, transferring the Research and Analysis Branch to the State Department and the Field Forces to the War Department. The Office of Strategic Services in the War Department was then placed under an Assistant Secretary of State and not under G-2 and was relabeled the Strategic Services Unit.

It was learned confidentially that on December 3, 1945, Alfred McCormack, Assistant Secretary of State, who was transferred to the State Department with the Research and Analysis Branch of OSS, proposed the establishment of an intelligence agency which should be governed by a board consisting of the Secretary of State and the Secretaries of War and Navy. The Executive Secretary of the Intelligence Agency was to be appointed by the Secretary of State and was to be an official of the State Department. McCormack proposed the establishment of numerous advisory boards, committees, etc. This plan while preserving all the objectionable features of the Donovan plan was even more obnoxious.

While the McCormack plan was being prepared for presentation to the President, the President issued an Executive Order establishing the National Intelligence Authority and the Central Intelligence Group dated January 22, 1946. This plan basically provided for the NIA composed of the Secretaries of State, War and Navy and a representative of the President to be the governing board. The Central Intelligence Group was to be a coordinating agency and was not to operate in the field. The personnel of the CIG was to be obtained from State, War and Navy and no authority was given to the CIG or NIA except over the State, War and Navy Departments. The President, however, instructed the other governmental agencies to cooperate with the CIG. ~~U~~

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After numerous surveys by the Central Intelligence Group, the Planning Board finally prepared a proposed directive in which the FBI would extend its system presently in operation in Latin America throughout the world. On May 20, 1946, after consultation with the Attorney General, the Planning Board was advised that the FBI did not desire to extend its operations into the Eastern Hemisphere. (S) (u)

At the end of the fiscal year, the CIC was readying a directive to be issued by the NSA which would give the CIC the authority to establish a world-wide field operational force of its own. (S) (u)

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## II. SIS OPERATIONS IN THE FIELD

### A. Administrative Changes

#### Latin America *X 74*

Because of the fact that after the close of the war their value to the Bureau had decreased to a considerable extent, the offices in Port-of-Spain, Trinidad and Curacao, N. W. I., were closed and Bureau personnel withdrawn. This took place during December, 1945. *X*

#### Europe *X 74*

During the fiscal year 1946, the normal functioning of our offices in London, England, Lisbon, Portugal, Madrid, Spain, Paris, France and Rome, Italy has continued. There is presently assigned one Agent to each of the following posts: London, Rome, Lisbon and Madrid. Two Agents are assigned to Paris. *X 74*

The major change in the European picture occurred in October, 1945, when all Agents assigned to Army liaison in Europe were recalled. At the beginning of the fiscal year, 1945-1946, two Agents were assigned to the Army in Vienna, five to the Army in Italy and a group of eleven Agents were divided between Army liaison in Paris, France and Frankfurt, Germany. However, in October, 1945, General Edwin L. Sibert requested that the number of Bureau Agents assigned to the European Theater in a liaison capacity be reduced to two men. Since the Bureau felt that it was impossible to maintain effective liaison according to the Bureau standards of efficiency under these circumstances, it was decided to withdraw all our personnel who were assigned to the European Theater in a liaison capacity. *X 74*

#### Far East *X 74*

At the beginning of the fiscal year 1945-1946, there were four Agents assigned to the Philippine Islands attached to General MacArthur's staff. When MacArthur moved on to Tokyo in September, 1945, our personnel in Manila was reduced to one representative, Special Agent [redacted] who continued in that post until June, 1946. It was decided to close the Manila office in June, 1946, because the Philippine Islands were scheduled to receive their independence on July 4, 1946. Consequently, there was no valid reason for maintaining liaison representation with the Army in Manila after that date. *X 74*

b7C

In September, 1945, Special Agent [redacted] arrived at Yokohama with the first echelon of General MacArthur's staff. A short time thereafter he was joined by Special Agent [redacted] Special Agent [redacted] returned to the United States in December for a special assignment at the Seat of Government. In March, 1946, Special Agents [redacted] and [redacted]

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[ ] departed for Tokyo. At the present time these two men are representing the Bureau in Tokyo in a liaison capacity with General MacArthur's staff. Special Agent [ ] was recalled in June, 1946. X

Special Continental Assignments X

b7C

Special Agents [ ] and [ ] b7C, who were in Europe at the request of the State Department for the purpose of making security surveys in the American Embassies throughout the European Continent have now returned to the United States. These Agents traveled through practically all of the capitals of the European Continent including Scandinavia. X U

On May 8, 1946, SIS Supervisor [ ] traveled to Germany with a State Department representative, at the request of the State Department, in order to interrogate members of the German intelligence service, "Stay Behind" group, which had been repatriated from Argentina to Germany. Agent [ ] was in Europe for approximately six weeks. During this time he worked closely with [ ] since most of the persons whom he desired to interrogate were located in the British Zone. X (5)

b1

b2

B. FBI Legal Attaches X U

With the closing of the Bureau offices in Caracas, H.W.I. and Port-of-Spain, Trinidad and the establishment of our office in Tokyo, Japan, the Bureau has Legal Attaches assigned as follows, as of June 30, 1946: X U

Buenos Aires, Argentina  
La Paz, Bolivia  
Rio de Janeiro, Brazil  
\*Ottawa, Canada  
Santiago, Chile  
Bogota, Colombia  
San Jose, Costa Rica  
Havana, Cuba  
Ciudad Trujillo, Dominican Republic  
Quito, Ecuador  
London, England  
\*\*Paris, France  
Guatemala City, Guatemala  
\*\*\*Port-au-Prince, Haiti  
Tegucigalpa, Honduras  
\*\*\*Rome, Italy  
\*Tokyo, Japan  
\*\*\*Mexico City, Mexico  
Managua, Nicaragua  
Panama City, Panama  
Asuncion, Paraguay  
Lima, Peru  
Lisbon, Portugal  
San Salvador, El Salvador

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Madrid, Spain  
Montevideo, Uruguay  
Caracas, Venezuela

\*Representative carries title of Liaison Officer rather than Legal Attache

\*\*Representative carries title of Attache rather than Legal Attache

\*\*\*Representative carries title of Civil Attache rather than Legal Attache

\*\*\*\*Representative carries title of Vice Consul rather than Legal Attache.

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C. SIS Employees in the Field

The following chart reflects the changes in the personnel on SIS Field Assignment during the Fiscal Year 1946:

FISCAL YEAR 1946

	<u>Start</u> <u>(6/30/45)</u>	<u>End</u> <u>(7/1/46)</u>	<u>Increase</u> <u>(Decrease)</u>
Countries to which assigned:	32	27	(5)
Cities to which assigned:	42	35	(7)
<u>Personnel Assigned:</u>			
Legal Attaches	27	22	(5)
Special Agents	148	109	(39)
Special Employees	8	7	(1)
Clerical Employees	99	93	(6)
Radio Employees	20	25	5
Traveling Legal Attaches	0	0	0
Traveling Supervisors	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	302	254	(48)

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D. SIS Police Liaison

Since July 1, 1945, Police Liaison Agents have been assigned to San Jose, Costa Rica; Quito, Ecuador; Guayaquil, Ecuador; Panama City, Panama; and Lima, Peru. The Police Liaison Agent in Costa Rica was recalled in February, 1946, at the request of the Ambassador, who stated that he felt that the work of the Police Liaison Agent had been completed and that there was no necessity for him to remain in that country. As of June 30, 1946, the number of Police Liaison Agents was sixteen in eleven countries, namely Brazil (3), Chile, Colombia, Cuba, Ecuador (2), Guatemala, Honduras, Panama, Paraguay, Peru (3), and Venezuela. *82*

While the war lasted the activities of the Police Liaison Agents were limited mostly to working with the Police on such matters as espionage, sabotage, and subversive activities. Since the end of the war, many of the Police Liaison Agents have been requested to organize schools and give lectures pertaining to regular criminal matters. *82*

Colombia *52*

In Colombia, during the period between August 20 and September 4, 1945, Police Liaison Agent [redacted], at the request of the Departmental Governor, conducted a police school in Medellin, Colombia. Ninety students, including detectives, officers, and agents of the Departmental and Municipal Police, attended the classes which were held for eight hours each day. At the inaugural and closing session of the school, ranking governmental and police officials made speeches lauding the Bureau and the Director and expressing appreciation for the value of the school given by Agent [redacted]. *82*

b7C

On his return to Bogota from Medellin, Agent [redacted] was requested to give a series of lectures to a select group of detectives in Bogota. He gave an hour lecture each day over a period of three weeks. This school was also extremely well received. *82*

b7C

Costa Rica *82*

During the latter part of October, 1945, Special Agent [redacted] was transferred from Colombia to Costa Rica. His arrival in San Jose was heralded by complimentary news articles accompanied by pictures of Agent [redacted]. When he was introduced to Costa Rican police officials, the latter were extremely enthusiastic and appeared to be genuinely interested in receiving whatever help, suggestion and guidance Mr. [redacted] might be able to offer them. Colonel Daniel S. Gallegas, Sub-Secretary of the police, requested [redacted] to spend two or three weeks making a survey and study of the police system in Costa Rica in order that a suitable curriculum might be selected for a school. This was done and on December 3, 1945, the school was inaugurated. Honorary guests at the inauguration ceremony included the President of Costa Rica, Teodoro Picado; United States Ambassador, Hallett Johnson; and high ranking officials of the Costa Rican Government. The school was attended by approximately two hundred students and it lasted twelve days. At the termination of the school, *82*

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President Picado expressed his appreciation for [ ] work and the leading police officials stated very strongly that the school had been of inestimable value to their organization. X 21

b7C

Guatemala X 21

Shortly after his arrival in Guatemala City, Police Liaison Agent [ ] was requested to conduct a school. This school was inaugurated on April 16, 1945, and lasted until July 18th. It was attended by seventy-six students, including the Director of the Guardia Civil and all the Assistant Directors. Another similar school was given by Agent [ ] during the period between January 15 and April 15, 1946. The latter school was attended by eight-two students. X U

b7C

At the opening and closing ceremonies of the schools at Guatemala the Guatemalan officials were very effusive in expressing appreciation to the Bureau for having sent Agent [ ] to Guatemala. Colonel Sandoval, Head of the Guatemalan Police, recently sent a letter to the Director stating that the services of Agent [ ] had been of great value and assistance to the Guatemalan Police. Plans are already being made by Colonel Sandoval, the Guatemalan Minister of Justice, and Agent [ ] for another school, which will begin in the very near future. X U

b7C

Honduras S

During the early part of 1945, the Honduran National Police made inquiry concerning the possibility of having a Bureau Agent sent to Tegucigalpa for the purpose of establishing an identification unit for the Honduran Police. The request was sent through formal diplomatic channels and Agent [ ] was selected for this assignment. He arrived in Tegucigalpa on April 5, 1945. After conferences with the head of the Honduran National Police and with President Tiburcio Carías Andino, Agent [ ] assisted in the selection of two students who were to begin the study of fingerprints. Formal classes were started on April 15, 1945. Each day was divided into classroom instruction and actual practice in the classifying and taking of fingerprints. While instruction continued, work was completed on the necessary file cabinets and other furnishings for the identification unit. On May 18, 1945, the two students were believed to be sufficiently qualified to begin practical work, and on that date a program was started whereby all persons arrested by the police in Tegucigalpa on felony charges were fingerprinted. X U

b7C

Shortly after July 1, 1945, three additional students entered this school to be trained by Agent [ ]. In addition to being instructed in the system of classification, they were also given training in the use of the iodine fuming cabinet, the process of dusting for latent fingerprints, and the use of the fingerprint camera. X U

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On January 24, 1946, another identification office was opened in San Pedro Sula, second city of the Republic of Honduras. One of the employees from Tegucigalpa who had been trained by Agent [ ] was placed in charge of the office in San Pedro Sula and was aided in getting it started by Agent [ ] who remained in San Pedro Sula for about ten days. X 2

b7C

The Honduran National Police now intend to establish fingerprint offices in the capitals of all the departments of the country. The National Congress has already appropriated a sum sufficient for this purpose. In order to take care of this expansion, it will be necessary to train sixteen more employees. The greater part of this training will be given to them by Special Agent [ ] X 2

The officials of the Honduran Police are very appreciative for the work which has been done by Agent [ ] and General Reina, Director General, has already advised Mr. Hoover of the success of the efforts of Agent [ ] X 2

b7C

Panama X 2

During the period between January 21 and May 4, 1946, Police Liaison Agent [ ] conducted a training school for the detectives of the Panamanian National Secret Police. This school was attended by fifty-five detectives. The President of Panama, as well as United States Ambassador Hines, showed a lot of interest in the organization of the school and Agent [ ] was praised highly for his work in connection with the training program. The Head of the National Secret Police has already made plans for a school to be conducted by Agent [ ] on the other end of the Isthmus in Colon. [ ] has already begun these classes, and it is expected that this class will last until the latter part of July. X 2

b7C

President Jimenez personally expressed his thanks to Agent [ ] and has told him that he considers that the Bureau has rendered inestimable service to the Government of Panama in allowing Agent [ ] to provide instruction for the local secret police. X 2

Peru X 2

b7C

During the last week in December, 1945, Ambassador William D. Pawley, who was then in the United States, came to the Bureau and personally requested that two Bureau Agents be sent to Lima, Peru to act as instructors and advisors to the Department of Investigations. Ambassador Pawley emphasized that he had a strong personal interest in this request, since he wished to demonstrate to the Peruvian Police that he was anxious to assist them in any way possible. Two agents, [ ] and [ ] were selected and trained for this assignment and arrived in Lima around the first of April, 1946. Since their arrival they have been studying the setup X 2

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of the Peruvian Police with the wholehearted cooperation of the Minister of Government and Chief of Police. It is expected that within the very near future they will begin giving classes to the detectives of the Department of Investigations. [ ] and [ ] are experienced Bureau Agents and have received many of the specialized courses given by the Bureau in training qualified police instructors. It is believed that the courses which will be offered to the Peruvian Police will be of great value. X u

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b7C

Venezuela X u

At the request of the National Police of Venezuela, Police Liaison Agent [ ] is presently conducting two classes a week at the National Police School before a group of 151 students. Fifty-one of these students are being trained for work with the Department of Investigations, and the remaining number will become employees of the Venezuelan National Guard, which is a uniformed police body. Since the Revolution in Venezuela during the latter part of 1945, the new police officials have been very friendly with Bureau representatives and have appeared anxious to improve the efficiency of their organizations. X u

Other Countries X u

Although no schools have been given in the other Latin American countries where the Bureau has Police Liaison Representatives, the latter have continued to work closely with the local police in matters of mutual interest. Despite many changes which have taken place in various countries among the police officials, Bureau representatives have been able to make friends quickly with the incoming officers and have been called upon often to furnish advice as to investigations, reorganization plans, etc. X u

Visitors to the Bureau

There are being listed below the names of prominent police officials from other countries who have visited the Bureau since July 1, 1945. X u

Major Frederico Mindello Carneiro Monteiro - Former Director of the Division of Political and Social Police of the Federal Department of Public Security in Rio de Janeiro, Brazil, now Assistant Military Attache at the Brazilian Embassy in Washington. Close friend of Police Liaison Agent [ ] He was given a tour of the Bureau on August 3, 1945.

b7C

Joaquin de Oliviera Sampaio - Representative of the Brazilian Chief of Police, on a purchasing mission to the United States, was given a special tour of the Bureau on August 4, 1945. X u

Mr. E. J. Van der Kroeg - Formerly in charge of the Dutch Police in Curacao, N.W.I. He was in the United States for a few weeks

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on route to Australia and Dutch East Indies to act as Commissioner of Police in one of the major cities. He was given a tour of the Bureau on July 27, 1945.

Chief Gilbert B. Brook, Sr. - Lago Oil and Transport Company Police, Aruba, N.W.I. He was given a tour of the Bureau and Armory on August 22, 1945.

Captain Santiago Barbosa - Formerly commanded the Fourth and Fifth National Police Divisions in Bogota, Colombia; now Assistant Military Attache at the Colombian Embassy in Washington. He was a valuable contact of the office of the Legal Attache in Bogota and rendered important assistance in the "Apfel" case. He was given a tour of the Bureau in October, 1945.

Major Abel Modesto Quintero - Formerly Inspector General of the Panamanian Secret Police; now Military Attache at the Panamanian Embassy in Washington. He was given a tour of the Bureau on December 6, 1945.

Ambassador Joaquin Vellarino - Panamanian Ambassador. He accompanied Major Quintero, above, on a tour of the Bureau on December 6, 1945.

Brigadier General Ramon Jimenez Belgado - Chief of the Police of the Federal District of Mexico. He was invited to attend the graduation exercises of the FBI National Academy held on March 29, 1946. The General accepted and was accompanied to the United States by Captain Jorge Kattlain and Colonel Carlos Espinosa, Head of the Identification Division of the Police of the Federal District of Mexico. The party was in the United States for approximately seven days and was accompanied at all times by Bureau Agents acting as escorts. General Jimenez was a guest of honor at the graduation exercises. He and the other members of his party were very grateful for the entertainment and other courtesies provided them during their stay in the United States.

During the first quarter of 1946 the following individuals visited the Bureau and were given tours of the facilities in Washington:

W. A. Calver - Scotland Yard

Captain Gonzalo Ruiz - Guardia Civil of Ecuador

Lt. Col. C. M. C. Henderson - Formerly British Security Officer in Kingston, Jamaica

Colonel F. Seal Coon - Former British Security Officer at Trinidad

Felipe Gomez Mont - Professor of Penal Law at the Technical Institute of the Judicial Police of Mexico. He was given a tour during the afternoon of May 28, 1946.

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### B. Security Surveys

During July, 1945, a Special Agent from the FBI Laboratory left Washington to conduct a security survey of the telephone installations in the Embassy at Panama, R. P. This Agent in September, 1945, made a general security survey of the Embassy in Lima, Peru. S

In July and August, 1945, at the request of the State Department, a Special Agent of the FBI Laboratory conducted detailed technical security surveys of the telephone installations in the Embassies in Rio de Janeiro, Brazil and Buenos Aires, Argentina. This Agent then proceeded to Haiti, Dominican Republic, Curacao, N. L., Venezuela and Ecuador where similar surveys were made. As a result of these surveys, recommendations were made to the appropriate Ambassadors for improving the security of those Embassies. X

As a result of the successful surveys made in Latin America, the State Department requested the Bureau to conduct complete surveys of the Embassies in Europe. Accordingly, between July 1, 1945 and July 1, 1946, two Special Agents from the FBI Laboratory conducted complete security surveys of the facilities and practices in the Embassies and Consulates located in the following countries: X

Finland	Switzerland
Norway	Poland
Turkey	The Netherlands
Egypt	Italy
Greece	Belgium
Denmark	France
Bulgaria	Luxembourg
Romania	
Yugoslavia	
Czechoslovakia	
Austria	
Hungary	

X

One of these Agents also conducted a complete security survey of the facilities for the Big Four Paris Conference. X

During the time these surveys were being made, separate reports for each survey were given to the State Department with appropriate recommendations and suggestions. A final and complete report of these surveys will be submitted in the near future.

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During the early part of 1946, a special request was received from the State Department that a general and complete security survey be made by the Bureau of the facilities and practices in the Embassy at Buenos Aires, Argentina. Accordingly, on May 18, 1946, a Special Agent from the Bureau Laboratory proceeded to Argentina to conduct this survey. As of June 30, 1946, the survey had not been completed. It is contemplated that it will be finished in the very near future. 82

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### III. SELECTION AND TRAINING OF SIS PERSONNEL

On August 13, 1946, there was begun an SIS In-Service School for Agents which was attended by fifteen Agents from the SIS field and approximately thirty from the domestic field. This school lasted for two weeks. The Agents from the domestic field were volunteers who had expressed a desire for SIS assignment. Many of these Agents have now been sent to SIS posts. § 21

During the period between May 8 and May 17, 1946, a school was held for approximately thirty clerks and stenographers from the domestic field. All of these clerical employees had expressed a desire for SIS assignment and the school was designed to train them for such assignment. Many of this group have already been sent to SIS offices. § 21

Plans were made for another SIS In-Service School for Agents to be held during May or June. However, this school is being held in abeyance until the future status of SIS is more definitely determined.

The Legal Attaches were formerly required to hold Agents' Conferences quarterly and Clerical Conferences monthly. However, during April, 1946, in line with similar changes in the domestic field, the Legal Attaches were instructed to hold these conferences semi-annually in the future. § 21

In the selection of personnel for SIS assignment, strong consideration has been given to length of domestic field experience, and as far as has been feasible, Special Agents with at least three years domestic field experience have been selected for SIS assignment. As far as possible the policy of selecting personnel only from volunteers has been continued. §

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#### IV. COMMUNICATIONS AND TRANSPORTATION

During January, 1946, a Bureau radio station was established in the SIS Office in the American Embassy at Managua, Nicaragua. This station commenced operation February 5, 1946. During March, 1946, a new station was installed in the American Consulate at Guayaquil, Ecuador and started operation on March 20, 1946. This station is used only as an emergency measure for communication only with Quito as the commercial cable facilities between the two cities are unsatisfactory. No messages are transmitted directly between the Bureau and Guayaquil. XN

During the early part of April, 1946, a new Bureau radio station was installed in the SIS Office at Caracas, Venezuela. This station started operation on April 29, 1946. XN

Early in 1946, the Ambassador at Bogota, Colombia, suggested that the Bureau install in his home an emergency radio transmitter so that he might be able to communicate with Washington in the event of trouble during the forthcoming elections which were scheduled to be held on May 5, 1946. Accordingly, on May 1, 1946, a low-powered portable emergency transmitter was installed in the Ambassador's home. Although it was not necessary to use this transmitter during the elections it is still being retained in the Ambassador's home for his and Bureau's use in the event of political trouble in Bogota. XN

As of June 30, 1946, a total of fourteen radio stations in the SIS network were in operation. These are located at the following places: XN

La Paz, Bolivia  
Bogota, Colombia  
Havana, Cuba  
Lima, Peru  
Montevideo, Uruguay  
Quito, Ecuador and Guayaquil, Ecuador  
Managua, Nicaragua  
Asuncion, Paraguay  
Rio de Janeiro, Brazil  
Santiago, Chile  
San Jose, Costa Rica  
San Salvador, El Salvador  
Caracas, Venezuela

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The Bureau mail between the Bureau and SIS Offices continues to be transmitted by means of the Diplomatic Air Pouch and Diplomatic Air Courier Pouch with the exception of mail for our Liaison Representative in Tokyo, Japan, which is handled by the Army. *8u*

In connection with the transmittal of mail, it was felt that there was always the possibility that someone outside the Bureau might find occasion to open surreptitiously the Diplomatic Pouch. Accordingly, there was developed, by the Bureau Laboratory, a system of tamperproofing the envelopes containing Bureau mail in such a way that subsequent examination of these envelopes by the Laboratory would indicate whether or not an attempt had been made to open them. This system of tamperproofing has been of great value in safeguarding the security of Bureau mail. On several occasions the Laboratory has been able to develop strong indications that Bureau mail has been tampered with. *8u*

With the cessation of hostilities the system of priorities for travel was discontinued. Most of the travel by the Bureau employees in the SIS Field is performed by air. However, with the increase in the commercial air facilities and the beginning of regular schedules by the steamship companies, the travel of employees has been greatly facilitated. Bureau employees are occasionally permitted to travel by boat where it has been ascertained that the cost of such travel is cheaper than air travel. *8u*

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#### V. NEW YORK SIS OFFICE

During the latter part of 1945, the New York SIS Office was moved from its former address at Rockefeller Center to the office of the New York City Field Division in the United States Courthouse, Foley Square, New York City. This change was considered feasible as an economy move in view of the uncertainty existing as to the Bureau's future in the foreign field. X  
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During the past fiscal year, contact has been made with leading executives of news services and considerable information as well as assistance has been realized from these sources. Close liaison has been maintained with top ranking officials of Government agencies as well as with informants who have been able to furnish valuable information concerning foreign intelligence activities. During the past year, a very cooperative relationship has existed between the New York SIS Office and the United States Employees' Compensation Commission, and appropriate compensation to Bureau personnel who have become ill on official Bureau assignment has been awarded. An efficient procedure for handling these cases has now been perfected and all claims are passed upon by the Commission at a minimum loss of time. X  
21

The New York SIS Office continues to represent the Bureau at the Foreign Intelligence Conferences attended by representatives of the Army, Navy, Foreign Economic Administration, Customs and Immigration Service. Through attendance at these conferences, the Bureau has been able to learn about the intentions and plans of these agencies in foreign intelligence fields as well as to pick up incidental foreign intelligence information which is of interest to the Bureau. X  
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VI. COVERS AND COVER COMPANIES *XU*

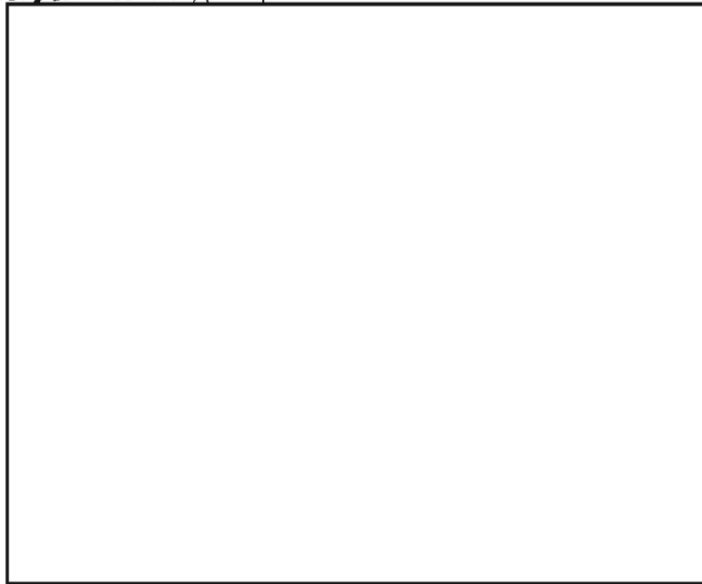
At the present time there are eighty-six large corporations which are available as covers for Agents and of these, nineteen are presently being used. Three new cover companies have been developed during the past fiscal year and these are listed below: *XU*



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b7E

In addition to the above, there are presently being used as covers the following corporations: *XU*



b7D

b7E

It is believed that the above companies are sufficient in number to provide all the covers necessary for Bureau personnel under existing conditions. However, should the Bureau find it necessary to enlarge its undercover program, considerable more corporations could be developed for use as SIS cover companies and the New York SIS Office is constantly alert in probing the potential of other companies in this connection. *XU*

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## VII. MAJOR DEVELOPMENTS

### A. Espionage and Sabotage

#### Espionage

The German and Japanese Intelligence Services deteriorated in efficiency along with the deterioration of the military position of their respective countries. Thus by the end of 1944, neither German nor Japanese Intelligence was very efficient or successful in the Western Hemisphere. A number of cases were brought to a logical conclusion by Agents working in Europe, Japan and the Western Hemisphere. The HDZ, EPE and Clog cases were brought to a logical conclusion and the overwhelming majority of the personnel in these cases who had not previously escaped to Europe or to Japan were incarcerated. Since it was the final refuge, most of the arrests took place in Argentina although some few individuals, particularly in the Clog case, remained in Mexico. The outstanding developments in the general espionage field during the period are the successful conclusion of these cases, the effective detention of some one hundred forty actual espionage agents in the Western Hemisphere, the denouement of the so-called "Unternehmen Bolivar" (the landing of agents on the southern coast of Argentina by sailing vessels), and the detention and repatriation of the members of the OIS "stay behind" group in Argentina. The last mentioned development needs a little amplification. X 71

One Ernst Schleuter, active in Chile as a German espionage agent, fled to Argentina at the time of the original PYL arrests in Chile. Schleuter put himself in touch with General Friedrich Wolf, German Military, Naval and Attache for Air and the ranking Intelligence Officer in South America. Wolf trained Schleuter in espionage methods and prepared him to take over the OIS in Argentina when it became necessary for Wolf, as well as all other German diplomats, to be repatriated to Germany. Schleuter was financed by Wolf in the following manner. Shortly before the departure of the Embassy group from Argentina to Germany, Wolf distributed sums of money among various "good" Germans. Wolf delivered 80,000 pesos (\$20,000.00 U. S.) to Ludwig Freude, a very prominent businessman in Argentina. Like sums were turned over to Dr. Conrad Riedel and Hans Laetters. Forty thousand pesos each were turned over to Friedrich Frohwein and Albert Meiser. Meiser was an early associate of Franz Sackmann, a principal member of the Clog case in Mexico City. All of the depositaries were given instructions that they were to surrender any sum of money up to the total of the amount deposited with them to a person who would come to them with the password "die dogge diara". Actually it appeared that only Schleuter and one Horst Busse ever withdrew any funds from the depositaries and at the time the case was broken up, the subjects had withdrawn and expended slightly in excess of one hundred thousand pesos. X 71

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Schleuter's principal assistants were Horst Busse, Rolf Waeling, Hans Thomas, Kurt Linde, Frank Holzman, Hans Grotowold, Alberto Mirkin, and Armando Rosari. XN

Information concerning Schleuter and his group was furnished to the Argentine government on a confidential basis by both the American and British governments. Numerous members of the organization, including the financiers were detained by the Argentine police between April, 1945, the last date upon which there was any real activity on the part of the group, and September, 1945. By September, 1945, Busse, Hans Thomas and Schleuter were still at large. The Argentine police approached the Legal Attache for assistance in securing the detention of these individuals. An informant of the office of the Legal Attache (through highly creditable work on the part of Special Agent [redacted] was instructed to "set up" Thomas and Schleuter for the Argentine police. This was done. The only member of the organization who has not been detained to date is Rolf Waeling. Schleuter and most of his assistants who had German nationality or birth were repatriated to Argentina on the "SS Highland Monarch" in February of 1946. The entire group was interrogated in Germany by an SIS Agent at the urgent request of the State Department. XN

b7C

Arnold Starck, an assistant of Schleuter, is credited with having operated the last clandestine radio station in the Western Hemisphere. In late January and early February of 1945, unidentified, untraced radio signals were heard. Through interrogation of Schleuter it was learned that these signals were being sent by Arnold Starck under instructions from Schleuter. At a cost of some 7,000 pesos (\$1,750.00 U. S.) Starck had constructed a clandestine transmitter for Schleuter who was most anxious to reestablish radio contact with Germany. Under the nose of the Argentine police, Starck and Schleuter managed to secure from Gustav Utzinger, who was in jail in Buenos Aires for his work in radio station HUZ, full details about hours of transmission, call letters and wave lengths for maintaining contact with the German station. The calls heard in January and February of 1945, were never answered and Starck and Schleuter have both asserted that they were completely unable to establish a contact with the German station. XN

After the failure of Unternehmen Bolivar, the SD became frantic to get some sort of coverage in the Western Hemisphere. Their frantic efforts can to some extent be illustrated by a recital of a few of the facts in the case of Johannes Christian Zuehlendorf. Zuehlendorf was trained in a SD espionage school in Germany along with Colepaugh, Gimpel, Schneemann, and Billas, all of whom were consigned to the Western Hemisphere. After a considerable period of floundering around in Europe, attempting to get to the Western Hemisphere, Zuehlendorf found himself in Barcelona, Spain, with a fraudulent Argentine passport in the name of Juan Vicente Collins, after the European war had ended. It is not without interest to note that the passport which had been prepared by the Document Forging Section of the SD XN

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had expired prior to the date Zuehlendorf had arranged for his departure from Europe. Accordingly, Zuehlendorf went to the Argentine Consulate in Barcelona to get his passport revalidated and renewed. Instead of renewing Zuehlendorf's passport, the Argentine Consul issued Zuehlendorf a new one on the basis of the fraudulent document presented by him. With this document and well supplied with funds and paraphernalia, Zuehlendorf boarded a Spanish passenger liner for South America. He was recognized by a British Port Security Captain in Trinidad, taken off the ship and is now in New York awaiting repatriation to Germany. Zuehlendorf has made lengthy statements about his activities. X U

A number of statements made by the notorious Johannes Siegfried Becker since his detention in April of 1945, have been received. Becker, who is generally regarded as the most capable of the German agents in the Western Hemisphere, has filled in some of the missing links in the GIS picture, but as yet it has not been possible to obtain from his details about the motivation and technicians employed by the SS in penetrating the Argentine government and throughout the governments of countries adjoining Argentina. X U

It will be recalled that one of the most successful operations of the GIS in the Western Hemisphere was the successful Bolivian Revolution of December 20, 1943. The German clandestine radio traffic supplies the evidence which proves that Major Blas Belmonte (Pabon), a notorious German agent, was the director of this revolution. Although there has been considerable agitation for a declaration that Belmonte is a war criminal because of his activities on behalf of the Germans, the good people of the altiplano in one of the Congressional Districts elected Belmonte "in absentia" to the Bolivian Chamber of Deputies on May 5, 1946. There is at present a vigorous campaign calling for the return of Belmonte to Bolivia in order that he might take his seat in the Chamber of Deputies. Unless a firm stand is taken by the United States it seems most likely that Belmonte, an ardent German agent during the war and an unreconstructed enemy of the United States will return to prominence in Bolivia. X U

The activities of Rafael Casau (Jurado), an individual thought to be a German agent en route to Cuba, were covered extensively by SIS but it has not been possible to connect him with espionage activities. X U

The Liaison Office in Lisbon developed information showing the close collaboration between the Portuguese secret police and the GIS. X U

The activities of the Liaison Agent in Madrid were devoted largely to the handling of double agents and developing information about the degree of cooperation between officials of the Spanish police and the GIS. Naturally Spain was a focal point for much of the information brought to light contemporaneously at the end of the war. X U

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Although Fritz Arthur Berthold Kabe was arrested in April of 1945, it was not until June and even later of the same year that accurate information concerning his activities was received. Kabe confirmed the information that he was employed by the GIs in 1940, and communicated with Federico Kempter, operator of radio station LIT in Brazil. Kabe implicated Horacio Camejo Assi, as well as numerous other individuals, most of whom were detained in April of 1945. Kabe established contact with the German Embassy in Buenos Aires after his connection with Kempter was broken. After the departure of the German diplomats and as a matter of fact even after the detention of Kabe himself by the Uruguayan police in April of 1945, Kabe maintained contact with the German "stay behind" group in Argentina through Marta Pintos and Ernesto Brito. Recently Kabe has furnished information to the Uruguayan police about his relations with a

[redacted] known to Kabe as [redacted] It is anticipated that the Uruguayan police may become sufficiently active that they will arrange for the detention of [redacted] 87

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#### Sabotage

In mid 1945, the so-called "Apfel" sabotage case was finally brought to a logical conclusion. Albert Julius Von Appen (Gestmann) confessed to the Chilean police that he was "Apfel", the sabotage leader of all serious German sabotage in Latin America. Von Appen stated that he contacted Dietrich Niebuhr, former Naval Attache of Germany, in Buenos Aires, in January of 1940. Niebuhr told Von Appen not to proceed with active sabotage until he received specific instructions. Von Appen advised that his group included Kurt Heur of Lima, Peru, Boris Dreher of Santiago, Chile, Bruno Johannsen, Oscar Roengen, and Alfred Peltzer. The principal assistant of Von Appen in Brazil was Dr. Blass, alias Braun. Blass admitted to the Brazilian police that he participated in the sabotage ring and that the equivalent of \$80,000.00 U. S. was made available to him and another subject named Karl Gohl. This money was for sabotage purposes. Blass' assistants in Rio de Janeiro were Albert Thiele, Walter Augustin, and Hans Otto Meier. Gohl and two assistants actually, on one occasion, went to the site of the Cobra Tio power plant with a sack of dynamite. It was impossible for these individuals to complete the dynamiting of this plant and their dynamite was left in the suburbs of Sao Paulo, Brazil. 87

There were ten subjects connected with the Apfel organization in Venezuela. They confessed that they were aware of the plan and had been recruited to execute sabotage, but since there was no actual sabotage there were no provisions of Venezuelan law to prosecute these individuals. Accordingly, they were interned in Rubio, Venezuela. Dr. Lange, the Argentine subject of the Apfel group, committed suicide in Buenos Aires. 87

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B. Contribution to Argentine Blue Book *YN*

Throughout the war the only serious obstacle to Pan American solidarity was the incorrigible addiction of the Argentines to the totalitarian states. The United States Government was never able to win the active cooperation of Argentina in the war against Germany and Italy. It was felt in the State Department in the closing days of the war that hemispheric solidarity was and would become a most important part of United States foreign policy. It was reasoned in the State Department that if it were not possible to obtain from Argentina firm commitments and action against aggressors from outside the hemisphere, it would be necessary to obtain support from the other Latin American countries for a United States policy excluding Argentina, and through this action impel the Argentine people to oust pro-totalitarian leaders and choose leaders who would have their own volition, bringing Argentina back into the family of the American hemisphere. *YN*

At Mexico City in February and March of 1945, efforts were made to bring Argentina back into the family or failing that to line up the support of the other Republics behind the United States. The efforts at the Mexico City Conference failed and in October of 1945, the State Department determined that it would make a matter of public record the activities of Argentina and her leaders in support of the Axis powers. Assistant Secretary of State, Spruille Braden, requested assistance from the Department of Justice and from the FBI for the preparation of a document showing Argentine cooperation with the Axis powers during the war. Special Agent Francis E. Crosby was designated to represent both the Department and the Bureau. The Bureau contributed very heavily in the preparation of espionage and political intelligence material for the State Department. The Bureau analysis of German clandestine radio messages, decoded by the Bureau Laboratory, formed the backbone of the State Department's case against Argentina which appeared on February 12, 1946, under the title "Consultation Among the American Republics with Respect to the Argentine Situation". This volume is more commonly known as the "Blue Book" and represented a departure by the United States Government in its dealings with Latin American countries. The persuasive character of this book rested upon the Argentine-Nazi complicity, Argentine-German efforts to subvert governments of neighboring countries, Argentine-German negotiations for military assistance to Argentina, Argentine preservation of German economic power, and the totalitarian character of the Argentine regime. In addition to the intelligence and espionage material contributed by the Bureau to the State Department for this project, a very exhaustive memorandum on German schools and organizations in Argentina was prepared by Supervisor [redacted] on the basis of material forwarded by the Legal Attache in Buenos Aires. *YN*

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The "Blue Book" which was frankly designed to result in the defeat of Juan Domingo Peron (present President of Argentina) in the elections which *YN*

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were held in Argentina on February 24, 1946, actually backfired badly and in the opinion of many observers the book contributed heavily to the election of Peron. X U

Nevertheless, the Department continues to adhere to its position, strongly supported by the revelations in the "Blue Book", that it will not permit Argentina to become a signatory to Hemisphere-wide mutual defense treaties until it has given clear indications that it has broken with the former Axis. X U

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C. Expulsions, Internments, and Repatriation

On February 16, 1946, eight hundred fifty Graf Spee sailors were repatriated from Argentina to Germany on the SS "Highland Monarch". This ended the saga of the principal remnants of the crew of the German battleship Graf Spee which was blown up in the harbor of Montevideo, Uruguay in December of 1939, after a battle of several days with three British cruisers, the Ajax, the Exeter, and the Achilles. Throughout the stay of these crew members, many of them highly skilled technicians, the Legal Attache in Buenos Aires kept considerable contact with them. Several members of the Graf Spee crew, who had been interned in Uruguay, were also repatriated on the "Highland Monarch". Sailors from the SS "Tacoma", tender of the Graf Spee, were also returned to Germany. XN

Negotiations are proceeding for the repatriation of some two hundred Germans thought to be dangerous from Uruguay. This repatriation has become a political issue in Uruguay and the eventual disposition of the pending requests for repatriation in that country can not be predicted. XN

A situation similar to that in Uruguay prevails in Paraguay where the number of Germans still to be repatriated is some thirteen. XN

On the whole the innumerable repatriations of dangerous Germans from Latin American countries was completed by the end of 1944, with the close cooperation of the Legal Attaches in the various countries. XN

There are extensive negotiations going on between the United States Government and Argentina for the repatriation of some four or five hundred dangerous Germans who are still in Argentina. Apparently, as a token performance some twenty-seven German Agents were repatriated on the SS "Highland Monarch" on February 16, 1946. The people collected for repatriation were all minor espionage subjects with the exception of Ernst Schleuter. The measure of sincerity on the part of the Argentine government to cooperate with the other countries in the Western Hemisphere will be determined by the degree of compliance with her obligations which Argentina exhibits in the course of the pending negotiations for repatriation of Germans. XN

Two shipments of Japanese, largely diplomatic personnel, have been returned to Japan from Argentina. In general it can be said that most countries have done more toward repatriating Japanese than was done in the field of German repatriations. XN

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D. Economic Matters

Safehaven Project XN

In early 1945 the Department of State requested the assistance of the Bureau in the carrying out of the so-called Safehaven Project which was inaugurated for the purpose of investigating and checking, if possible, the flight of Axis capital from Europe to places of safety in neutral or non-belligerent countries throughout the world. This project included investigations involving reports that Axis technicians and scientists were attempting to flee to Latin America after it appeared obvious that Germany would lose the war. Through the respective offices of the Legal Attaches, the Bureau representatives assisted considerably in the Safehaven Project by the investigation of numerous reports and allegations concerning the flight of Axis capital or technicians and with the submission of comprehensive reports which were distributed to the State Department, ONI, and G-2, and the Foreign Economic Administration, which was also vitally interested in such matters up until the time it ceased operations in December, 1945. XN

Through the efforts of Bureau Agents assigned to Europe, information was developed concerning the German economic penetration in Latin America, which information was later developed and supplemented by the SIS Offices through additional investigation. The identities and activities of various firms in Latin America which had been used by the German Intelligence authorities as covers for their activities were also revealed as a result of these investigations. XN

The Foreign Economic Administration also requested the Bureau to furnish data concerning Japanese holdings in Latin America. Based upon this request, the Legal Attaches in the principal countries having Japanese colonies prepared reports setting forth the nature and extent of Japanese economic penetration. These reports, which were furnished to the interested authorities, revealed that Japanese commercial institutions, except in Argentina, were unable to carry on successfully as the war progressed and their sources of supply were cut off. All the principal Japanese firms were out of business as the majority of the officers and directors of these firms were repatriated along with Japanese diplomats from such countries as Chile, Peru, and Mexico. XN

In all countries in Latin America where there were large German holdings, a survey was conducted by the SIS Offices to identify, locate, and evaluate all German capital in that particular country prior to the outbreak of hostilities and the amount of capital still invested in the country as of the date of the report. These reports were of material assistance to the State Department and the Foreign Economic Administration in their Safehaven program. It was revealed that Germany had extensive holdings in the principal Latin American countries and actually controlled. XN

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to a great extent, the economy of the country. As the war progressed, however, and the effect of the United States and British "Black Lists" became more noticeable, most of these firms were greatly reduced in size and a good portion of the capital invested by the Germans was lost or considerably diminished. XN

In connection with this same Safehaven program, the Bureau prepared at the request of the State Department, a complete summary of all pertinent information contained in the files relative to some fifty individuals in the Western Hemisphere who may have been instrumental in transporting stolen art objects and materials from Germany and other Axis countries. This information was furnished to the Roberts Commission which compiled a voluminous report on all persons known or suspected to have engaged in illicit transactions involving stolen art treasures from Europe. XN

Another way in which the Offices of the Legal Attaches assisted in the Safehaven program was through the preparation and submission during the latter part of 1945 and early 1946 of reports outlining all decrees, resolutions, and laws promulgated by the various Latin American Republics between 1941 and 1945, inclusive, directed toward the control of Axis firms or capital located in each country. This type of information had been requested by the State Department in order to complete its files on the action taken by the respective Latin American countries in an effort to control Axis capital already located in those countries and to prevent the influx of such capital through clandestine means from former Axis countries. XN

During the war and for several months subsequent thereto the Allied Governments were giving full cooperation to the Governments of the several Latin American Republics in their programs for replacement of undesirable Axis spearhead firms and the intervention and subsequent nationalization of many other Axis firms of lesser importance. In this type of work, the Bureau was also able to be of considerable assistance in gathering information concerning the holdings of such firms and their true ownership. To assist in this project a number of Special Agent Accountants was sent to Latin America to work with the State Department Coordinating Officers in the Safehaven Project. These Agents were of material assistance in reviewing the records of former German banks and commercial institutions. This information, in turn, was furnished to the local Governments through the State Department and provided in many cases the real basis for the control and subsequent replacement or nationalization of the Axis firms. XN

In some instances the Offices of the Legal Attaches were able to show the laxity of the controls exercised by the Latin American Governments upon the intervened German firms and financial institutions. For example, although Uruguay passed a series of decrees in December, 1941, and September and October, 1942, designed to liquidate the operations of the Montevideo branch of the Banco Aleman Transatlantico, this banking institution XN

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continued to prepare reports on economic matters for submission to Germany as late as 1945. Examination of the ~~State's~~ records by Uruguayan authorities in 1945, disclosed that reports concerning economic developments, sessions of the legislature, new legislation, ship movements, investigation and prosecutions of persons engaged in anti-national activities, appropriations for military purposes, and construction of air bases were being prepared by the Banco Aleman Transatlantico. X u

Particularly in Argentina was the extent of German interests of particular importance to the United States Government. Due to the pro-German sympathies of many influential Argentine political figures, it was extremely difficult to secure adequate cooperation from the Argentine Government in promoting effective control of economic operations of German elements. The Bureau's representatives reported the growth of German influence in Argentina even as late as the latter part of 1945. This growth of influence was attributed principally to the work of Ludwig Freude, a prominent German businessman and known espionage agent. Although the Argentine Government ostensibly intervened several German firms in keeping with commitments made to the Allied Nations at the Mexico City Conference, it was asserted that various individuals connected with the Argentine Intervention Program were protecting Ludwig Freude and Ricardo Staudt, a prominent German-Argentine businessman. X u

All during the course of the Intervention Program the Legal Attache in Buenos Aires assisted the American Embassy by conducting investigations to determine the effectiveness of the control. The Legal Attache was able, through the Embassy, to furnish the Argentine Government concrete evidence of the extent of German control in various firms, which was utilized by the State Department in its efforts to secure Argentine cooperation in this program. X u

#### Smuggling of Strategic Materials

Toward the end of the war and especially after the cessation of hostilities in Germany, the smuggling of strategic materials to the Axis Powers came to a virtual standstill. Both Military and Naval Intelligence authorities, however, expressed their continued interest in all information concerning the smuggling of these strategic materials into Argentina in order that this country might be fully cognizant of the Argentine military potential. The SIS Offices, consequently, continued to report any information coming to their attention concerning the smuggling of rubber, platinum, automobile and truck tires, etc. into Argentina from neighboring countries. Also, information developed by SIS Offices with reference to smuggling to articles into the United States, such as narcotics, money, jewels, etc. was furnished to the Treasury Department, as well as to other interested governmental agencies. X u

One of the most important articles of which there was a scarcity in Argentina was rubber, virtually needed for the production of automobiles X u

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and truck tires. Throughout the war reports were received from the Legal Attache in La Paz, Bolivia, and in Buenos Aires, Argentina, concerning clandestine shipments of rubber from Bolivia, where the legal price was 46¢ a pound under a contract made by the Bolivian Government with the Rubber Development Corporation of the United States, to Argentina where the black market price offered was frequently as high as \$9.00 a pound. According to reports of the Legal Attache in Buenos Aires, it was ascertained that in excess of 990 tons of contraband rubber was shipped from Bolivia to Argentina between January, 1942, and January, 1946. From investigation of these highly lucrative smuggling activities, it was learned that the Bolivian Customs authorities and Police officials were very indifferent to the situation and actually many Government officials were found to have collaborated directly or indirectly in rubber smuggling to Argentina. XN

During the latter part of 1945 and in early 1946, largely as a result of considerable pressure brought to bear by the American Embassy in La Paz, based on information received from investigations of the Legal Attache's Office and the Rubber Development Corporation inspectors, the Bolivian Government passed a decree establishing a Special Rubber Police and thereby instituting more stringent controls at the Bolivian-Argentine border. These measures were successful in reducing to some extent the amounts of rubber smuggled and at least 87 tons of contraband rubber were confiscated and turned over to the AAC. XN

The Office of the Legal Attache at La Paz compiled a comprehensive summary report of rubber smuggling from Bolivia to Argentina between 1942 and 1946 in which more than 400 known smugglers were identified. This list included numerous Bolivian Customs and Police officials as well as several Cabinet Ministers and Congressmen. In Argentina, a report was prepared concerning the identities of numerous firms and individuals in Argentina who received this contraband rubber, a considerable amount of which was turned over to the Argentine Government for the use of the Army. XN

Another strategic material which found a ready market in Argentina during the war and for several months thereafter was platinum. Through the combined efforts of Bureau representatives in Colombia, Peru, and Bolivia, two clever platinum smugglers were apprehended on a train near Cochabamba, Bolivia, by Bolivian Special Customs Inspectors. The smugglers were two Colombian citizens, [redacted] and [redacted] Rios, who had succeeded in hiding their contraband platinum by sealing it in cleverly concealed compartments underneath the lining of four leather suitcases which they were carrying. A very thorough search of their baggage revealed eight kilograms and 260 grams of crude platinum in granular form, which was confiscated and turned over to the Bolivian authorities. The platinum was deposited in the Banco Central of Bolivia and through the cooperation of the Legal Attache, the Foreign Economic Administration was given the opportunity to purchase the platinum. XN

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### Activity in the Atomic Energy Field

In the atomic energy field, attention has been directed to Latin America primarily because certain radio-active minerals which could be utilized in the production of atomic energy are to be found in several different countries. Several firms in Argentina, France, Czechoslovakia, England, and Belgium, as well as in the United States, have expressed an interest in Brazil's monazite deposits. Monazite sand is a mineral which contains thorium, a radio-active element. The Manhattan Engineering District has requested the Bureau to furnish all information concerning the purchases of this mineral which comes to the attention of any of the Latin American representatives of the Bureau. XN

Through a well-informed source, who himself owns some monazite deposits in Brazil, the Legal Attache in Rio de Janeiro has received considerable data concerning shipments of monazite from Brazil and prospective purchasers, both in Europe and South America. The Commercial Attache of the French Embassy in Brazil approached the informant in April, 1946, with a request for his cooperation in facilitating monazite shipments to France which the informant refused to do at the time. The Manhattan Engineering District has sent two specialists to Brazil to study the extent of the deposits of this mineral in that country and also to see that Brazil lives up to a secret agreement between that country and the United States prohibiting the export of certain minerals, including monazite, except to this country. This information was revealed in the strictest confidence to the Legal Attache. XN

Arrangements were made in Rio de Janeiro for the informant to contact the Bureau's representative in Paris, France, while traveling through Europe for the purpose of liquidating his interests with certain firms there who have been seeking to purchase monazite. On June 26, 1946, the informant advised that the French firm "Societe Miniere Et Industrielle Franco-Bresilienne" was interested in the production of atomic energy on a commercial basis as a substitute for electricity but the firm was unable to purchase the necessary raw materials. For this reason the French company is endeavoring to arrange for the importation of monazite from Brazil. It was reported that the company has no direct connection with the French Government but anticipates no difficulty with the Government in arranging for these imports. XN

The first meeting of the Atomic Energy Commission of the United Nations Organization took place in New York on June 14, 1946. This Commission is composed of representatives from eleven major countries in the world in addition to the United States. In keeping with the Bureau's practice of furnishing background information on all delegates and representatives to the international conferences, the Office of the Legal Attache in Mexico City supplied memoranda on that country's representatives. The XN

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principal delegate from Mexico to the Commission was Dr. Manuel Sandoval (Vallarta), a prominent Mexican physicist known to have a high regard for the USSR. Dr. Sandoval was invited by the then Russian Ambassador to Mexico, Constantin Oumansky, to the 220th Anniversary Celebration of the Russian Academy of Science in Moscow on March 7, 1944. It is believed that all expenses of this trip were paid by the Russian Embassy in Mexico City. Upon his return Dr. Sandoval commented on the scientific progress in Russia in laudatory terms, and, off the record, indicated that he considers Russia as an example to be followed by the countries of Latin America. XN

#### Miscellaneous Economic Matters

[redacted] who has direct connections with [redacted], the Legal Attache has received and reported to the American Embassy valuable information relative to Brazilian-Argentine commercial agreements. These agreements have been concerned primarily with the exchange of Argentine wheat for Brazilian rubber tires. [redacted] was able to furnish all major developments in negotiations between the Argentine and Brazilian Governments. This information was of particular interest to the State Department in view of commitments previously made by both the Argentine and Brazilian Governments to this country and to various international organizations relative to rubber tires and wheat, both of which are still very short in the world supply. XN

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[redacted] has also reported on arrangements being completed by the Argentine and Brazilian Governments relative to the establishment of a Joint Technical Commission for the purpose of studying water power possibilities on the Iguassu River, located on the Argentine-Brazilian border. XN

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The Legal Attache in Lima, Peru, received information [redacted] to the effect that President Jose L. Bustamante, in conferring with Communist leaders of Peru, upheld his Administration's policy of permitting the Peruvian petroleum resources to be exploited by American capital. The President explained that these interests could not be exploited by Peruvian capital and that the oil is daily decreasing in value on the world market. At the same time, the President insisted that neither himself nor the Aprista Party in Peru is being controlled by "imperialists." He compared Brazilian policy in this regard with that of former Peruvian President Prado, concluding that Peru is less respected in the United States than is Brazil due to the "absurd policy" pursued during the war in the matter of oil and other national resources. XN

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An undercover representative of the Bureau [redacted] submitted a report concerning the prospects of the [redacted] in the immediate future. The information was gathered from experts in the employ XN

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of [redacted] operating in Colombia  
and [redacted] stated that there are in reality [redacted] of any great size  
in that country. This is contrary to the opinions expressed by experts  
in this field previously and has led to a change in the plans of [redacted]  
[redacted] in Colombia. This information of a  
general economic nature was furnished to the Department of State as of  
interest to the Economic Section.

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## E. Communism

With the close of the Second World War coverage of Communist and related activities became a paramount objective of SIS. But along with an extensive increase in the efficiency of the Bureau's operations in this field, Communist penetration of Latin America also became more extensive. The Communist Party ceased to emphasize unity against European and Asiatic Fascism and began to criticize strongly United States and British "imperialism." Assisted by counsel, propaganda, and funds from Soviet Embassies springing up in Latin America, Communist Parties made good use of an increasing liberal attitude and made themselves felt as a powerful political force. X

Among the most important Communist advances was that which took place in Argentina in August, 1945, when a government amnesty decree permitted the Communist Party to reopen legally. The party leaders returned from exile in Chile and Uruguay, held huge public rallies, and began open publication of Communist newspapers, books, and pamphlets. The party joined a democratic coalition opposing the candidacy of Juan Peron for President of Argentina. Although the party was unsuccessful in securing any participation in the government after the election of February 24, 1946, it ceased open opposition to Peron and is attempting to collaborate with his so-called labor party. X

Another highly important expansion of Communist power in Latin America occurred in Brazil. Released from prison in April, 1945, Communist leader, Louis Carlos Prestes, quickly gathered a following of some forty to fifty thousand Brazilian Communists. The party polled almost 600,000 votes in the presidential election of December 2, 1945, which secured one Senator and fourteen Representatives in the National legislature. Although the administration of President Eurico Gaspar Dutra has indicated its intention of restricting or suppressing Communism in Brazil, such activities continued to flourish as of July, 1946. X

The overthrow of the Lescot Government of Haiti on January 11, 1946, brought forth two Communist political parties in that country. One remained very small and was looked upon with disfavor by other Latin American Communist parties. The other organized by veteran Haitian Communist, Max Hudicourt, became known as the Popular Socialist Party and received favorable Communist support elsewhere. Hudicourt himself was elected to the Haitian Senate. X

During late 1945 and early 1946, the formation of Communist Parties in the Dominican Republic and Bolivia was announced. It soon developed, however, that both were fictitious parties supported by the Villarreal and Trujillo Governments for the purposes of disorganizing liberal opposition and giving an appearance of tolerance to those Governments. Both parties X

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were widely denounced by Communist parties elsewhere and received no substantial support within their respective countries. The leader of the Dominican group became discouraged and began collaborating with labor leaders instead of the government as a result of which he was arrested in January, 1946 by Dominican Police and is still in custody. The only serious setback to Communism in Latin America occurred in Ecuador where the Communist Party was poorly controlled and by the spring of 1946 was in its weakest condition since the revolution of May, 1944. XN

#### Change of Policy

The publication in May, 1945, of an article by the French Communist, Jacques Duclos, criticizing Earl Browder of the United States Communist Political Association for his "revisionism" in collaborating with capitalist elements during the Second World War, caused considerable uncertainty among Latin American Communist ranks. The Duclos article specifically mentioned Cuba and Colombia as being open to criticism on this score. Latin American Communist groups issued statements to the effect that the Duclos accusations had no application to them and insisted that their "national unity" programs did not constitute capitalist collaboration. Gradually it became certain that Duclos had the complete support of the Communist Party in the Soviet Union and Latin American Communist parties had to reverse their stand admitting that they too had erred in abandoning the revolutionary theories of Communism during the war. On August 5, 1945, Vicente Lombardo Toledano, leader of the Confederation of Latin American Workers, analyzed the world situation from a Marxist point of view and reached the conclusion that "peaceful coexistence of Socialism and Capitalism was impossible." During the months immediately following, practically all Latin American Communist leaders joined in support of Duclos and very obediently accepted severe criticism of their own lack of foresight in not "seeing the light" earlier. From December, 1945, to June, 1946, Communist Congresses and Confederations were held in Chile, Argentina, Cuba, Peru, and Colombia. All of these adopted programs and resolutions criticizing United States and British "imperialism", praising Soviet foreign policy, and demanding the removal of American troops from occupied areas in Latin American military bases. The parties also began to give consideration to abandoning party names adopted during the war to emphasize their national rather than their international character. Some even began to speak of reorganizing a sort of international Communist organization to replace the Third International. XN

#### Propaganda

The most outstanding and obvious change in Communist strategy during 1945-46 was the accentuation of the anti-United States and pro-Soviet line of propaganda which began to appear in the summer of 1945 after the fall of Germany. This propaganda appeared in the speeches of Latin American Communist leaders, in their newspaper and magazine articles and editorials, XN

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and in the radio programs sponsored by Communist parties and front organizations. In 1946 Latin American Communist media devoted to this campaign included thirty-four "official" party publications of which eleven were daily newspapers having a circulation of up to 30,000 copies each. At least forty-three other publications were known to be Communist controlled or dominated. There was also a considerable increase in the distribution of Soviet literature in both the Russian and Spanish languages. Many of these were shipped directly from the Soviet Union while others were printed on Communist controlled presses in Cuba and Uruguay. Communist use of the radio as a propaganda medium was also vastly increased. In addition to the powerful radio station, *El Dia*, owned by the Cuban Communist Party, the Party in Chile assumed virtual control of the station *Nuevo Mundo* in Santiago. The other countries' Communist Parties purchased more and more radio time for the broadcast of pro-Soviet and anti-American programs. In these efforts assistance was rendered by Press and Cultural attaches in the Soviet Embassies which were being installed in Latin America. These individuals brought with them funds to bolster the financial structure of newspapers and publishing houses and in many instances assisted in the preparation of articles, editorials, and script. XN

#### Communist Party Schools

Cuba and Chile continued to be the centers of Communist educational activity during 1945 and 1946. They furnished instructions in Marxist doctrines and policies to leaders in their own country and in other Latin American Communist Parties. They included courses in leadership, government, and such matters as the operation of public utilities and communication facilities in the event of strike or uprising. Supplementing these schools were local classes in the various countries for party leaders and labor organizers and additional small schools for the primary instruction of new party members. XN

#### The Communist Labor Movement

The labor movement in Latin America built around the Confederation of Latin American Workers controlled by Vicente Lombardo Toledano continued to be the main structure supporting Communism in the Western Hemisphere. The Confederation itself claimed a following, perhaps exaggerated, of approximately four million workers organized in eighteen confederations embracing the principal countries of Latin America. With few exceptions these confederations are directed by known Communists who are able to control the policies of those federations in spite of the fact that in many instances the actual membership is predominantly non-Communist. The principal addition to the Latin American Communist labor picture during the year was the United Movement of Workers (UMT) of Brazil. This organization grew quickly along XN

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with the Brazilian Communist Party and in November, 1945, was admitted to the CTAL at a meeting in Paris, France. In the spring of 1946 it was declared illegal by the Brazilian Government but has continued to function and to participate actively in the development of labor policy in Brazil. XU

Communist controlled unions in Brazil and in Chile particularly were able to engineer strikes during early 1946 which virtually paralyzed port facilities, many railroads, and mining operations in those countries. In both countries Government troops were used to maintain order and perform duties normally handled by the strikers. Considerable tension between the troops and workers resulted and in one instance in Chile, police fired into a crowd killing and wounding several. Closely related to this was an incident occurring on May 23, 1946, in which Communists attending a mass meeting in a downtown Rio de Janeiro square in the face of a police prohibition were fired upon resulting in two deaths and twenty-eight injuries. XU

Although communist labor made important advances in Colombia, Cuba, Brazil, and the oil fields of Venezuela, the entire labor picture was not so favorable to Communism. In Bolivia the Confederation of Workers remained under the control of the PIR which, although a Marxist Party, denies any Communist connection. In Peru Communist control gave way to the Aprista movement, a leftist organization violently opposed to Communism. In Chile differences over the necessity of strikes in 1946 caused a wide rift between the Socialists and Communists composing the Confederation of Chilean Workers. As a result both factions suffered a loss of prestige and indications are that the Confederation may be reduced to two virtually powerless factions, one Communist and the other Socialist. XU

Lombardo Toladano continued to exert a powerful influence in the labor world and was prominently associated with meetings of the World Federation of Trade Unions in the United States, France, England, and Russia. His preoccupation with world labor affairs restricted his participation in Latin American labor movements to a minimum. Although not successful in making himself head of the WFTU, Lombardo did increase his prestige considerably and became one of the most active opponents of the United States Government in the Western Hemisphere. Comparatively unsuccessful efforts were made by officials of the American Federation of Labor to organize a Latin American group in opposition to the CTAL and one group of anti-Communist labor leaders proposed that Lombardo be replaced by the Chilean Socialist labor leader, Bernardo Ibanez, [redacted] b7C

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#### European Refugee Movements

1945 and 1946 brought forth vastly increased movement on the part of European exiles who wished to leave Latin America and return to their native XU

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countries after the close of the European War. Spanish Communists from Chile, Colombia, Cuba, Mexico, Uruguay, and Venezuela gathered in Montevideo, Buenos Aires, and Rio de Janeiro for return to France to assist the Communist leader, Dolores Ibaruri, in overthrowing the Franco regime in Spain. In the spring of 1946, they were followed by Austrian, German and Italian Communists who likewise wished to take a leading part in the government of those countries. At the same time there was a considerable increase in Communist domination of Polish, Slavic, and Balkan refugee organizations in Argentina, Brazil, and Chile. Strategic positions in these organizations were filled with Communists and publications prepared by them revealed a definite Communist tone. In Argentina the Polish Communist group became so large that it was organized into a separate section of the Communist Party of Argentina. XN

#### Soviet Activities XN

Only one Latin American country, namely Argentina, established diplomatic relations with the Soviet Union between July 1, 1945, and June 30, 1946. This occurred on June 6, 1946, immediately after the inauguration of President Juan Peron and brought to fifteen the number of Latin American countries recognizing Russia. Peru which was expected to make such a move continued to withhold recognition as did Haiti, Honduras, Panama and Paraguay. XN

Of considerably greater significance was the installation of new Soviet Embassies in Brazil, Chile, and Venezuela, all important Communist strongholds in Latin America. Indications were that under Ambassador Dimitri Zhukov, the Soviet Embassy in Chile would assume the direction of Communist policy on the Continent of South America and particularly on the West Coast of that Continent. Reports from Ecuador in early 1946 revealed that efforts were being made to establish rapid and secure means of communications between this Embassy and South American Communist Parties. Of almost equal importance was the new Embassy in Rio de Janeiro under Jacob Gurita, a veteran Soviet diplomat. The rapid rise of the Communist Party in Brazil and the increasing industrial importance of Brazil points toward the fact that the Soviet Union will exert every effort to make this Embassy an effective means of spreading Soviet good will. The Embassy in Caracas was established in February, 1946 and has begun to make use of Communists in that country to gather information of interest for the Soviet Union. Arrangements were made to have "qualified persons" employed as newspaper correspondents throughout Venezuela for the Communist controlled newspaper, "El Nacional," which persons, in addition to normal newspaper duties, were to collect intelligence information concerning economic, political and social matters. The Embassy likewise took an intense interest in the development of Venezuelan oil deposits and endeavored to offset United States influence in that field. XN

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The four Soviet missions already existing in Latin America in early 1945 have added numerous officers to their personnel lists and have expanded their operations considerably. All these installations have endeavored to spread Soviet good will in Latin America and at the same time make commercial arrangements with those countries in order to reduce their dependence upon the United States. It has become obvious that one of the paramount aims of the Soviet Union is to destroy United States-Latin American unity in order to prevent these countries from voting as a bloc on major matters brought before the United Nations. XU

The extent of Soviet commercial activity in Latin America is exemplified by the Soviet Commercial Delegation which arrived in Buenos Aires, Argentina, during April, 1946. This group has perfected negotiations with the Argentine and Uruguayan Governments for the purchase of oils and strategic materials formerly sold almost exclusively to the United States. They have been assisted by Pavel Malkov, Commercial Attache of the Soviet Legation in Colombia who recently made a trip throughout South America offering Soviet economic aid and making contracts for the purchase of goods needed by the Soviet Union. Indications are that the same mission or similar economic missions will be sent to other South American countries in the near future, and that their duties will be both economic and diplomatic in nature. XU

Increased activities of the Soviet Union in the Western Hemisphere brought a corresponding increase in Soviet news coverage in that area. Beginning with one representative in Mexico, the official Soviet news agency, TASS, during recent months has installed offices in Brazil, Argentina, Chile, and Uruguay. In addition to their news reporting these offices are of intelligence interest in view of previous experience indicating that TASS representatives often perform intelligence and information gathering functions. These representatives have assisted greatly in securing a favorable attitude toward the Soviet Union and in arranging for favorable publicity. In Argentina, Yuri Dashkevich, offered as much as \$500 per article to Peron controlled newspapers for publicity praising the Soviet Union and advocating establishment of relations with her. XU

Soviet intelligence activities in Latin America covered by the Bureau during 1945 and 1946 included investigation of Ursula Wasserman, a contact and intermediary of several Soviet agents involved in the transmission of secret United States Government data to the Soviet Union. After spending some time with relatives in Argentina from March to June, 1946, she collected considerable information regarding Argentine economic matters and returned to the United States. Another individual connected with the same group of Soviet agents was [redacted] who went to Buenos Aires from the United States in May, 1946, to become a Latin American representative for the [redacted]. Prior to 1943 he had been connected with Soviet intelligence activities and was [redacted] b7C

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[ ] Reports were received that a Yugoslav shipping agency under clandestine Soviet influence with Headquarters in Italy would open offices in New York City during the summer of 1946 and extend branches throughout Latin America. Indications are that the shipping agency may serve as a cover for Soviet intelligence operations. 87

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F. Soviet Trade Activities in Latin America XN

During the latter part of 1945 and early 1946, it became increasingly apparent that Russia intended to compete with the United States and Great Britain for South American trade. The most significant development in this regard was the sending of a Soviet Trade Mission to Buenos Aires, Argentina. Russia also displayed considerable interest in Venezuelan petroleum and in various raw materials and other products to be found in Brazil, Colombia, and Mexico. XN

Argentina XN

Commercial negotiations between Soviet Russia and Argentina date back to November of 1945 when a special envoy was sent to Moscow by Juan D. Peron, now President of Argentina. In the latter part of December, 1945, Russia reciprocated by sending Pavel Malkov, Commercial Attache of the Soviet Legation at Bogota, Colombia, to Buenos Aires where he began negotiations for the purchase of food oils which are vitally needed in Russia. XN

Early in 1946, Malkov laid the groundwork for the arrival of the Soviet Trade Mission which actually arrived in Buenos Aires on April 11, 1946. This group consisted of seven persons headed by Constantin Shevelev, who came with their families as if to remain for a considerable period of time. The avowed purpose of the Mission, as given in the statement to the Press upon its arrival, was to purchase materials for Russia and to study the economic structure of Argentina with a view of discovering wherein Russia and Argentina might carry on large scale commercial relations. As a result of discreet investigations through reliable informants, it was ascertained by the Office of the Legal Attache in Buenos Aires that the real reason for the presence of the Mission in Argentina was to lay the groundwork for the establishment of diplomatic relations between the two countries. Considerable sums of money were spent for propaganda purposes, such as purchasing of advertising in local newspapers and propaganda films, which were circulated through Artkino Motion Pictures, the official outlet for Russian films in Argentina. XN

After the arrival of the Mission, it was learned that various members of the group were in almost constant contact with Argentine Government officials discussing products which could be interchanged and the necessary financial arrangements. The Trade Mission was successful, after considerable difficulty, in loading on May 15, 1946, 9,500 tons of edible oils, on Russian ships which called at Buenos Aires, where they were forced to remain in port for several months before arrangements were completed with the assistance of the Russian Purchasing Mission in Washington, D. C., and the United Nations Relief and Rehabilitation Association. XN

It was ascertained through informants of the Legal Attache that the Soviet Trade Mission intends eventually to send steel and coal to Argentina obtained from Russian occupied areas in exchange for oils, blankets, shoes, and creamery products. Pavel Malkov and the Russian Trade Mission are XN

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in the process of organizing two companies in Buenos Aires which will handle Russian trade with Argentina; the Yugantorg Company to handle imports, and the Amtorg Company to deal with exports. X U

The efforts of the Soviet Trade Mission apparently were crowned with additional success when it was announced on June 6, 1946, that the Governments of Argentina and Russia had agreed to the establishment of diplomatic relations. This move was heralded by a Soviet spokesman as first and most important step toward increased trade between the two countries. It is widely rumored in Argentina that Constantin Shevelov, head of the Trade Mission, will be named Soviet Ambassador to Argentina. X U

#### Brasil X U

In January, 1946, a firm known as the "Brasil-Uniao Sovietica Intercambio Comercial, S.A." (Brazilian Soviet Commercial Exchange) was organized in Rio de Janeiro. The firm announced that it was established for strictly non-political and solely commercial aims, the primary purpose being to establish a commercial exchange between the countries of Brazil and the USSR. Although it was planned to have agencies in all major Brazilian cities and in several other countries, investigation as of the end of June, 1946, has failed to indicate that such agencies have been established. X U

Through a reliable, confidential source it was ascertained that the company intends to import wheat, automobiles, bicycles, and machinery within the next three months and within the next eight to ten months it plans to open stores in principal cities of Brazil to sell Russian merchandise exclusively. Apparently this firm has thus far been unsuccessful in arranging for imports of Russian merchandise and is awaiting the establishment of the Russian Embassy in Rio de Janeiro in order to complete the necessary arrangements. X U

#### Venezuela X U

It has been reliably reported that the Soviet Embassy which was established in Caracas, Venezuela, in February, 1946, has made informal overtures during the past few months to the Venezuelan Government with regard to purchasing all Venezuelan petroleum. The Russians further agreed to supply technical assistance as required by the Venezuelans. (Most of the petroleum technicians presently in Venezuela are Americans.) According to the War Department, the Soviet Embassy asked the American Embassy in Caracas how much information could be given to Russia concerning the American oil companies in Venezuela. It is also significant to note that the new Soviet Ambassador to Venezuela, Foma Trebin, was a former professor and research expert on petroleum matters in Moscow. X U

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Mexico

XU

Commercial activities of the Soviet Embassy in Mexico City are under the direction of Alexander P. Malkov, Commercial Attache, and his Assistant, Karill Alexseev, the former being accredited to the Mexican Government as a diplomat. During the first half of 1946 both of these Russian officials were active in the promotion of trade between Russia and Mexico. From discreet investigations and inquiries conducted through informants of the Legal Attache, it has been ascertained that the Soviet Government is primarily interested in exporting to Russia henequin, pineapple, bananas, and other tropical fruits and vegetables. To date, the principal Russian product known to have been imported by Mexico is caviar. Although the Russian Commercial Attache in Mexico City is not known to receive orders from Amtorg in New York City it is known that Amtorg has communicated with Malkov through a courier. XU

The Legal Attache in Mexico is continuing to receive and report information concerning the trade activities of the Russian Embassy in Mexico which is, in turn, supplied to the Department of State and other interested governmental agencies. XU

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## G. SIS Statistics

## SIS STATISTICS

Table 1 - Persons Identified, Apprehended, Prosecuted, etc.

	Fiscal Years 1941 - 1945	First Three Quarters Fiscal Year 1946	TOTAL July 1, 1940 through March 31, 1946
<u>Espionage Agents</u>			
Identified .....	806	62	868
Apprehended .....	327	45	372
Prosecuted .....	77 convictions 1,252 yrs. sentence 1 death sentence 1 interned	28 convictions 88 years, 6 mos. -- sentence	105 convictions 1,340 yrs., 6 mos. sentence 1 death sentence 1 interned
<u>Propaganda Agents</u>			
Identified .....	280	1	281
Apprehended .....	60	-	60
Prosecuted .....	1 conviction 1 yr. sentence 1 interned	-	1 conviction 1 yr. sentence 1 interned
<u>Sabotage Agents</u>			
Identified .....	20	10	30
Apprehended .....	13	7	20
Prosecuted .....	-	-	-
<u>Smugglers of Strategic War Material</u>			
Identified .....	175	47	222
Apprehended .....	68	7	75
Prosecuted .....	5 convictions 2 yrs. sentence 1 indefinite sentence 2 interned \$194 fines	6 convictions \$10,210 fines	11 convictions 2 yrs. sentence 1 indefinite sentence 2 interned \$10,404 fines
<u>Other Foreign Agents</u>			
Identified .....	93	-	93
Apprehended .....	33	-	33
Prosecuted .....	1 conviction 2 yrs. sentence	-	1 conviction 2 yrs. sentence
<u>Apprehensions, Convictions, Sentences, of Other Persons Under Laws of Local Country .....</u>			
	89 apprehensions 34 convictions 30 yrs. sentence 1 interned \$700 fine	2 apprehensions - - -	91 apprehensions 34 convictions 30 yrs. sentence 1 interned \$700 fine
Aliens Moved from Strategic Areas ...	7,064	-	7,064
Aliens Interned or Relegated Locally.	1,932	239	2,171
Aliens Deported or Expelled .....	4,924	21	4,945
Natives Interned or Relegated Locally	80	-	80
United States Fugitives Located .....	30	47	77
Firms or Persons Placed on List of Blocked Nationals .....	1,545	-	1,545
Investigations Conducted at the Request of the U. S. Government Agencies .....	2	1,238	1,240
Investigations Conducted for other than U. S. Government Agencies ....	-	2	2

SIS STATISTICSTable 2 - Radio Stations Located and Radio Equipment Confiscated

	Fiscal Years 1941 - 1945		First Three Quarters Fiscal Year 1946		TOTAL July 1, 1940 through March 31, 1946	
	Number	Value	Number	Value	Number	Value
Clandestine Radio Stations						
Located .....	24	-	-	-	24	-
Clandestine Radio Transmitters and Related Equipment						
Confiscated .....	30 transmitters	\$7,155 <sup>(1)</sup>	-	-	30 transmitters	\$7,155 <sup>(1)</sup>
	12 radio tubes	\$200	-	-	12 radio tubes	\$200
Clandestine Radio Receiving Sets						
Confiscated .....	18	\$2,818	-	-	18	\$2,818

(1) Does not include value of one transmitter recovered during the 1945 fiscal year.

## SIS STATISTICS

Table 3 - Other Material Recovered or Confiscated

	Fiscal Years 1941 - 1945		First Three Quarters Fiscal Year 1946		TOTAL July 1, 1940 through March 31, 1946	
	Quantity	Value	Quantity	Value	Quantity	Value
Currency .....	-	\$247,677	-	\$12,477	-	\$260,154
Precious Stones .....	(1)	4,588	-	-	(1)	4,588
Diamonds .....	12	30,000	6	2,600	18	32,600
Platinum and Industrial Diamonds .....	(1)	84,466	-	-	(1)	84,466
Platinum .....	101.2 lbs.	197,919	18.6 lbs.	8,112	119.8 lbs.	206,031
Silver .....	220 lbs.	2,300	-	-	220 lbs.	2,300
Mercury .....	(1)	347,000	-	-	(1)	347,000
Metal Drills .....	92.4 lbs.	5,000	-	-	92.4 lbs.	5,000
Copper Transmission Wire .....	1	100	-	-	1	100
Welding Rod Wire .....	-	-	1	20	1	20
Radio Tubes .....	258	230	-	-	258	230
Pistol .....	1	50	-	-	1	50
Gas Gun .....	1	25	-	-	1	25
Auto Wheels, Tires and Accessories ...	4	200	-	-	4	200
Tires .....	46	3,236	6	486	52	3,722
Intertubes .....	-	-	4	30	4	30
Rubber Raft with Cars, Life Jacket and Trench Shovel .....	1	(1)	-	-	1	(1)
Rubber .....	10,940 lbs.	8,800	41,019 lbs.	19,088	51,959 lbs.	27,888
Tarpaulins .....	5	1,000	-	-	5	1,000
Sacks .....	-	-	897	448	897	448
Diplomatic Codes .....	1	(1)	-	-	1	(1)
Code Books .....	3	(1)	-	-	3	(1)
Pages of Code .....	241	(1)	-	-	241	(1)
Cotton Balls for Secret Ink .....	6	(1)	-	-	6	(1)
Paper Clips for Secret Ink .....	8	(1)	-	-	8	(1)
Microfilms of Code, Instructions, Blueprints, etc. ....	9	(1)	-	-	9	(1)
Miscellaneous Microphotos .....	30	(1)	-	-	30	(1)
Films and Film Negatives .....	3,177	(1)	-	-	3,177	(1)
Cameras and Photographic Equipment ...	45	10,000	1	200	46	10,200
Propaganda Books and Magazines .....	87	50	-	-	87	50
Books .....	45	20	-	-	45	20
Pharmaceutical Goods .....	(1)	100,000	-	-	(1)	100,000
Urotropina (a drug) .....	110 lbs.	150	-	-	110 lbs.	150
Insulin .....	2.2 lbs.	1,800	-	-	2.2 lbs.	1,800
Aspirin .....	246.4 lbs.	215	-	-	246.4 lbs.	215
Sulfathiazole .....	249.7 lbs.	1,800	-	-	249.7 lbs.	1,800
Sodium Salicylate .....	121 lbs.	140	-	-	121 lbs.	140
Nicotinic Acid .....	98.6 lbs.	1,300	-	-	98.6 lbs.	1,300
Shellac .....	-	-	25,000 lbs.	12,500	25,000 lbs.	12,500
Tagua Buttons .....	6 sacks(2)	3,092	-	-	6 sacks(2)	3,092
Bonds .....	-	3,000	-	-	-	3,000
Phoenix Safe .....	1	100	-	-	1	100
Motorcycle .....	-	-	1	575	1	575
Typewriter .....	-	-	4	280	4	280
Gas Pumps .....	-	-	2	45	2	45
Land .....	-	-	(1)	600	(1)	600
Building .....	-	-	1	1,153	1	1,153
Concealed Miscellaneous Property of Black-Listed Firms .....	(1)	12,000	-	-	(1)	12,000
Clothing .....	-	-	-	295	-	295
Miscellaneous Property .....	-	-	-	1,190	-	1,190
TOTAL .....		\$1,066,258		\$60,099		\$1,126,357

(1) Not given.

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

VIII. ACCOMPLISHMENTS BY COUNTRIES

ARGENTINA

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During most of the period covered by this report the bulk of the work in the office of the Legal Attache in Buenos Aires has consisted of keeping the Embassy informed of political developments in Argentina as they relate to the continuing close relations between Axis elements in Argentina and the desire of the United States Government to secure political unanimity in matters affecting the defense of the western hemisphere.

On June 4, 1946, the Third Anniversary of the successful military revolution which brought him into power, Juan Domingo Peron was inaugurated President of the Argentine Republic. The efforts of the United States to secure Peron's defeat at the polls ushered in a new epoch of uncertainty in the relations between the United States and Argentina. Illustrative of the real feeling of the ultra nationalist elements in Argentina toward the United States was the booning of the newly arrived United States Ambassador to Argentina, George Messersmith, on his way to Peron's inaugural ceremonies.

Among his first steps on the diplomatic front Peron, announced the resumption of diplomatic relations with Russia, interrupted during the course of the Russian Revolution of 1917. At approximately the same time he sent former Chief of Staff, Carlos von der Becke to the United States to confer with General Eisenhower in order, apparently, to exploit what he had undoubtedly been told was a difference of opinion between the United States Army and the State Department on what United States policy toward Argentina should be, and in the process to assure for Argentina a place in the program uniformity of arms and armed forces in the Western Hemisphere.

The von der Becke mission failed when Acting Secretary of State Dean Acheson informed Peron's emissary somewhat bluntly that United States policy toward Argentina was that there would be no arming of Argentina until Argentina fulfilled her obligations toward the other Latin American Republics in the field of effective action against remaining Nazi strength in Argentina.

There is still no indication of what Peron's real policy toward the United States is. He remains undisputed master of the political situation in his country. Minor breaches in the Party organization which brought him into power are not regarded as serious by most observers. He is moving apace toward the creation of a one Party system.

The Argentine intention to take over remaining German assets in Argentina, prosecute German Agents and repatriate dangerous Germans from Argentina seems no nearer to fulfillment than it was prior to the election on February 24, 1946.

The American trade position in Argentina has deteriorated along with the increasing complicity of diplomatic relations between the two

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countries. Inroads upon United States trade have been made by expanding negotiations between Argentina and Russia on the one hand, and Argentina and Great Britain on the other. Large trade delegations from both countries are in Argentina at the present time. X u

In the meantime diplomatic prestige throughout Latin America lost by the United States as a result of its publication of the Argentine "Blue Book" and Peron's victory at the polls, continues at a low ebb. X u

It may be said that internally the situation in Argentina is completely tranquil for the first time in several years. Abroad, due to its honest election, its open defiance of the United States and its strategic importance to the entire civilized world in the present period of universal famine, Argentina's prestige is at a new high. X u

Throughout these stormy political developments the office of the Legal Attache has played an increasingly important part in keeping the State Department currently and accurately informed on developments. X u

Contributions made by the Bureau to the preparation of the Argentine "Blue Book" have been described elsewhere. X u

One of the results of the "Blue Book" was the publication by President Peron on February 20, 1946, of a so-called "Blue-White Book" in which he revealed the alleged activities of American Intelligence Agencies in Argentina throughout the war. This "Blue-White Book" reflected a certain limited amount of information about the activities of the office of the Legal Attache in their investigation of Axis activities in Argentina. The book displayed a lack of real knowledge about the Bureau's activities in Argentina. In striking contrast to this, the "Blue-White Book" set out a carefully documented exposure of one of the informants of the Military Attache in Buenos Aires. This exposure purportedly showed the effort on the part of the American Military Attache to obtain information about the disposition of Argentine arms and troops. X u

There was no indication of Japanese espionage after August of 1944, in Argentina. In March of 1946, most of the Japanese diplomats and quasi diplomats were repatriated. They cleared through the west coast of the United States and were interrogated by STS Agents in the Los Angeles Field Office. X u

The cooperation between personnel of the office of the Legal Attache and the Economic Branch of the American Embassy in Buenos Aires was always very close. However, after the arrival of then Ambassador, now Assistant Secretary of State, Spruille Braden, relations between the Legal Attache and the Economic Counselor were intensified. Numerous projects were undertaken at the request of the Ambassador. These included X u

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examination of codes and accounts of the German banks, a review of books of the extensive Benberg Interests in Argentina, the books of Fritz Mandl, a former Austrian munitions manufacturer, certain of the work of the Argentine Committee intervening Axis firms and a very thorough study and review of the archives of the former German and Japanese Embassies in Buenos Aires. X U

Extensive work was done to maintain the security of the Ambassador by the office of the Legal Attache and in the course of Mr. Braden's stay there, the Legal Attache became the sole Intelligence Agency of the Embassy in Buenos Aires. X U

Many investigations were conducted by the Legal Attache in Buenos Aires of allegations concerning the arrival in Argentina of Axis technicians, personnel and funds. Characteristic of this type of investigation was that conducted after two German submarines, the U-530 and the U-977 arrived in Argentina in late June of 1945. Because of the circumstances surrounding the arrival of these U boats, particularly the U-530, it was thought possible that ranking Nazi officials and Nazi funds might have been aboard. All investigations conducted in this field resulted negatively. X U

Numerous personnel in the office of the Legal Attache have devoted considerable time to the preparation of biographical data and summaries of evidentiary material against individuals of German nationality located in Argentina, whose repatriations to Germany are being sought by the United States State Department in implementation of its policy to remove from the Western Hemisphere all individuals who were connected with German intelligence and subversive activities during the war. X U

Extensive investigation was conducted by the office of the Legal Attache into the activities of the French Intelligence Service (the DGER) in Argentina. X U

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~~BOLIVIA~~ *W*

Previous deportation of objectionable and dangerous Axis nationals and the institution of a replacement program of Axis-owned properties substantially removed the menace of Axis influence in Bolivia. However, constant vigilance on the part of the Bureau's SIS employees in Bolivia was required to prevent a possible resurgence of this element. The majority of the nineteen firms owned by Japanese nationals had been either liquidated or replaced as of November, 1945, through the application of existing decrees and other legislation. *W*

Over an extended period of time reports have been received that Major Elias Belmonte, German collaborationist, might endeavor to return to Bolivia from Europe. It has been feared that Belmonte would institute a Nazi type of government in Bolivia in the event that he should return. This matter has required close investigation by SIS representatives in South America and Europe. Due to the great interest of the State Department in this case, a special memorandum was prepared by the Bureau based principally on decoded German radio traffic sent by the HUX ring in Argentina clearly showing Belmonte's collaboration with the Germans during the time he was in Berlin during the war. It was definitely proved that Belmonte was a paid employee of the German Sicherheitsdienst. Early in 1946 the Bolivian Minister of Foreign Affairs advised the American Charge d'Affaires that the Bolivian Government which had been furnished with paraphrased decoded messages concerning Belmonte would not take any action against him because of possible embarrassment created by the prospects of punitive action. In addition, the nature of the evidence was such that it could not be disseminated in any action against Belmonte. *W*

Major Belmonte was elected "en absentia" to the Bolivian Chamber of Deputies in the May 5, 1946, Congressional elections. Immediately thereafter a propaganda campaign sponsored by the pro-administration press urged the return of Belmonte to Bolivia in order that he may take his seat in the Chamber of Deputies. It is still believed possible that Belmonte may endeavor to return to his home country in the near future. *W*

The present revolutionary government of Gualberto Villarroel has survived a series of serious political and economic crises, the gravity of which has required the close attention of the Bureau's representatives in that country. On April 29, 1946, the Bolivian Government announced the discovery of a widespread revolutionary movement and numerous arrests were made. On May 30, the Government announced the existence of a state of siege for the entire country as an outgrowth of the discovery of a revolutionary plot. For seven hours on June 13, 1946, an attempted revolution took place led by Colonel Humberto Illanes, Major Carlos Lopez, Willi Gutierrez and Jorge Ballivian. Although this revolt was suppressed by Government forces, there is serious doubt that the present Government is sufficiently stable. *W*

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and unified to withstand future attempts at a coup d'etat. *87*

Extremely serious disruptions to the national economy of Bolivia resulted from a general railroad strike which commenced on June 2, 1946, and spread to the street car operators in the City of La Paz. On July 3, 1946, the Bolivian Government dismissed over fifty per cent of the teachers in Bolivia, many of whom were arrested. This action was taken because the teachers involved were members of the Leftist Revolutionary Party (PLR) and "incompetent". At the present time, teachers are endeavoring to enlist the support of railway workers for the institution of a general strike. It is reported that many railroad workers failed to receive an increase in wages and are receptive to reinstituting the strike. *87*

An interesting ramification occurred in the latter part of 1945 when the Bolivian Minister of Foreign Affairs requested the Office of the Legal Attache to assist in radio monitoring to determine the location of a clandestine radio station in Bolivia. As this radio station was apparently concerned exclusively with local political affairs, no active investigation was made for the Bolivian Government. However, monitoring was conducted and some check was made for the benefit of United States officials who expressed interest in this matter. *87*

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BRAZIL X U

The GIB was never able to recover from the blow dealt its organization in Brazil by Brazilian authorities cooperating closely with the office of the Legal Attache in Rio de Janeiro. After August of 1943, it may be said that no coordinated German intelligence activities occurred in Brazil. X U

The activities of nationals of a number of countries including Latvia, Lithuania, Poland, Rumania and France, all of whose relations with Brazil were upset as a result of the outcome of the war, have been investigated by the Legal Attache in Rio de Janeiro. It was also possible to obtain complete coverage of the Falange and to secure a copy of instructions in July of 1945, to the Falangists in Brazil from their headquarters in Spain. In these instructions the Falangists were ordered to discontinue their previous Falange activities. X U

The reaction to V-J Day in Brazil in the Japanese Colony was violent. It appeared that the Japanese at first refused to believe announcements of the surrender. On August 21, 1945, several hundred Japanese held a public demonstration in Belo Horizonte, State of Sao Paulo. The demonstrators marched through the streets carrying Japanese banners and flags denouncing the United States and Brazil. Since this demonstration there has been considerable activity among the Japanese remaining in Brazil requiring constant attention from the Brazilian police and the office of the Legal Attache. It appears most likely at this date that activities which have been widely reported by the Military Attache from Rio de Janeiro as being "black dragon" activities are in reality racketeering activities on the part of local Japanese and are not related to or inspired by Japan. X U

The Brazilians went to the polls for the first time in fifteen years for a free election on December 2, 1945. This election greatly altered the internal situation of Brazil but contributed little toward a change in the good relations existing between the United States and Brazil. X U

A very important field of activity for personnel of the office of the Legal Attache in Rio de Janeiro has been investigation of rubber smuggling between Brazil and Argentina. Moreover intricate economic negotiations between these two countries have kept the Legal Attache extremely occupied in keeping abreast of developments. X U

Recently considerable interest has been shown by the representatives of various Nations in Brazil in the deposits of Brazilian monazite. Monazite is a mineral from which thorium, a radio active substance is extracted. Considerable investigation has been conducted in this field X U

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and a naturalized Brazilian, Boris Davidovitch, said to be the owner of all known monazite deposits in Brazil, [redacted] in developments in this field. & u

As a practical matter, relations between Argentina and Brazil are extremely important to the United States and it is imperative that the United States Government be informed of the relations between these two countries. The Legal Attache [redacted]

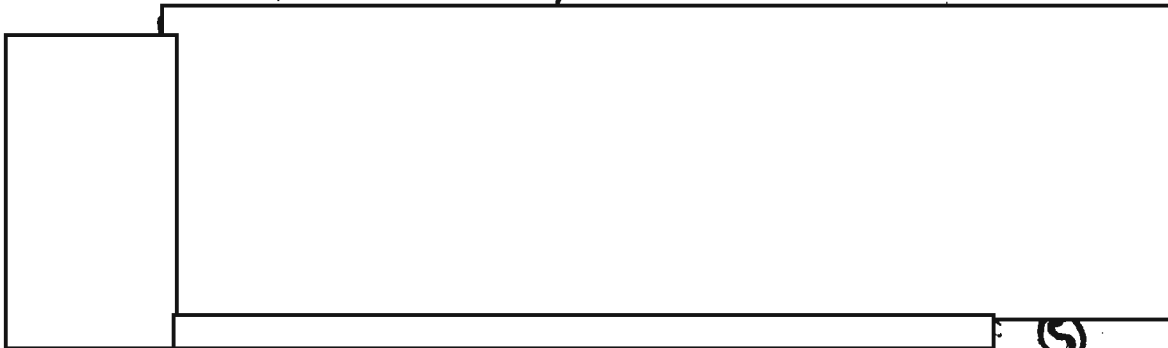
[redacted] in Rio de Janeiro. This [redacted] b7C  
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[redacted] some of his information has been of a startling nature. & u

Much attention has also been devoted to the activities of the Constituent Assembly working on a new Constitution in Brazil. & u

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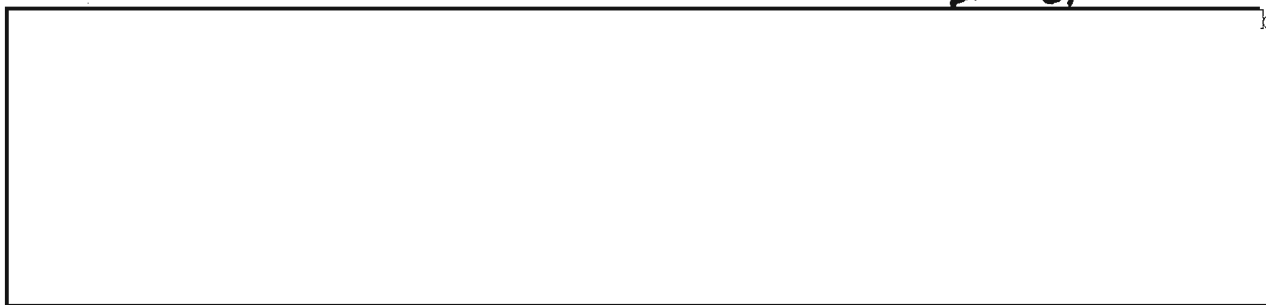
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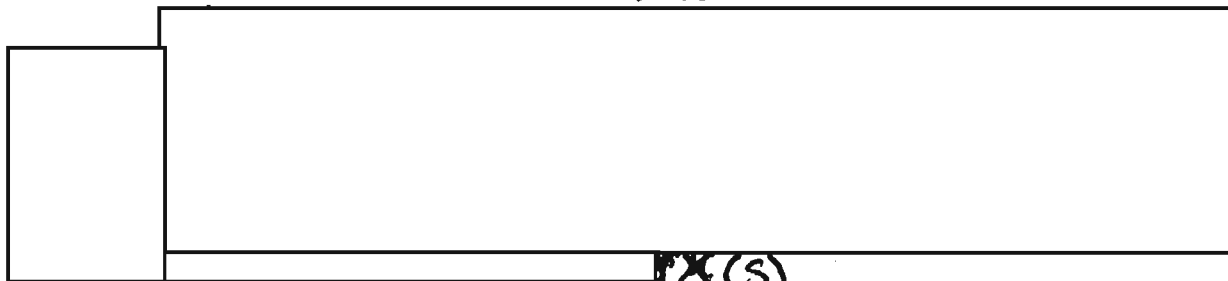
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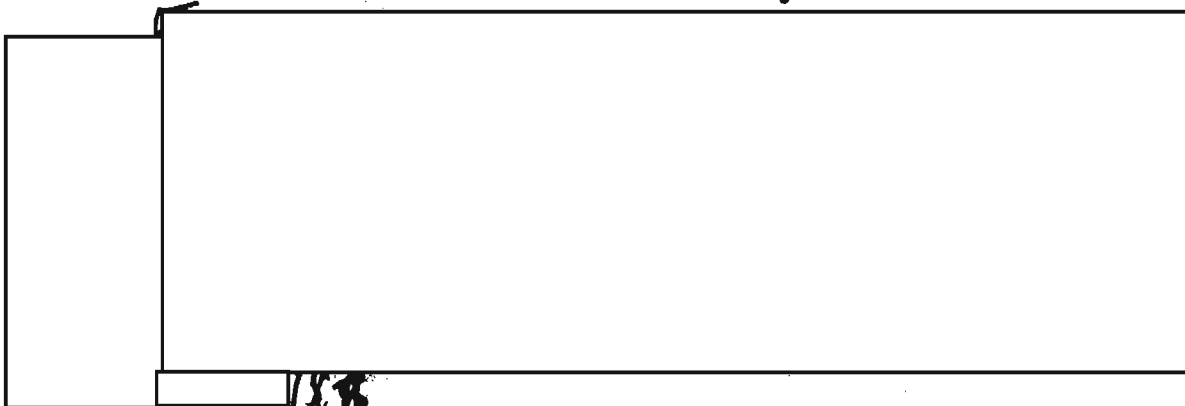
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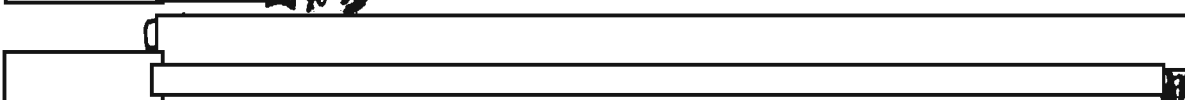
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CHILE X U

Although apprehensions, convictions and expulsions concerning the major subjects involved in the PYL and PQZ radio cases occurred a considerable time ago, investigations of these cases continue at the present time due to the complexity and vast scope of these cases. Both cases had important international ramifications requiring extensive investigation by numerous SIS offices. Each step in the investigation, detention and prosecution of the subjects of these cases resulted from the work of the Bureau's representatives who, at the request of the Chilean authorities, assisted the latter in every instance. X U

As in other SIS offices, the Bureau representatives in Santiago assisted materially in the review of the archives and records of the former German Diplomatic Mission in Chile. A tremendous volume of work was encountered in this project, which, however, was handled in a minimum of time. The findings of the Bureau's representatives were of considerable interest to the State Department and other agencies and materially assisted the State Department in its discussions with the Chilean authorities concerning the control and nationalization of German schools in that country. X U

The Santiago office reported late in 1945 the formation of the "Committee for Aid to Italy", the purpose of which evidently was the collection of funds and other material for the underprivileged in Italy. Investigation reflected that a number of individuals participating in this movement had manifested pro-Fascist tendencies in the past. X U

Recurrent political crises in Chile necessitated the continuous investigation of political developments in that country. The long illness of President Juan Antonio Rios which culminated in his death on June 27, 1946, gave rise to considerable political uncertainty and unrest in Chile. As the Chilean Constitution calls for a Presidential election within sixty days after the death of the President, it is expected that the Presidential campaign will greatly accelerate and intensify the political situation in that country. Even prior to the death of President Rios, a great deal of political maneuvering on the part of prominent political parties was observed. Radical Senator Alfredo Duhalde (Vasquez), Vice President and Acting Chief of State, actively endeavored to gain control of the Radical Party in order to promote his candidacy for the Presidency. Former President Arturo Alessandri is also expected to make a powerful bid for the Presidency. If Alessandri is named as the liberal candidate, it is expected that Jaime Larrain will be the candidate of the Agrarian-Laborite Rightist elements. As yet, Duhalde has not publicly announced his candidacy but it is expected that this step will be taken in the very near future, in which event he is expected to appoint as Chief of State the present Minister of Public Works, General Manuel Tovarías. X U

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COLOMBIA *XU*

General Political Situation

Following various revolutionary attempts against the Government of former Colombian President Alfonso Lopez and the continuance of a state of unrest, Lopez declared Bogota to be in a state of siege, and on July 31, 1945, he resigned the Presidency. The selection of Alberto Lleras (Camargo) to succeed him restored the political situation to comparative quiet, although Lleras (Camargo), when Foreign Minister had been a steady target for many Leftist elements in Colombia. In a regular election on May 5, 1946, Dr. Mariano Ospina (Perez), who represents the Conservative Party in Colombia, was elected President. This Conservative Party victory was made possible because the Liberal Party elements divided into two camps: those who followed Dr. Gabriel Turbay, and those who followed Jorge Gaitan. This Liberal split was bitter, and acts of violence occurred between Gaitan followers and Communist elements which had supported Turbay. The election of Ospina (Perez) is regarded as a blow to present Communist aspirations in Colombia. *XU*

The rapidly changing political situation in Colombia was efficiently followed and reported by the Office of the Legal Attache. As a further note of interest it is pointed out that United States Ambassador John C. Wiley depends to a large extent upon the Legal Attache for political information. *XU*

The Office of the Legal Attache in Bogota has, through its Police Liaison agents, achieved close cooperation with the Colombian National Police in the covering of investigative leads of interest to the Bureau and to a great extent the Liaison Agents have been able to maintain political coverage [redacted] *XU*

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PYL Case - "Apfel" Sabotage Group *X*

Albert Julius von Appen (Costmann), who, as a result of investigation and in the light of various PYL radio intercepts, appeared to be the individual known as "Apfel," a German sabotage leader for South America, was apprehended for the second time on March 24, 1945, by the Counter-espionage Section of the Chilean Investigations Service. On March 24, 1945, Von Appen confessed that he was "Apfel", the Sabotage leader, and that he had secured instructions in sabotage in Germany in 1939. He further admitted having headed a group of sabotage agents which included Boris Dreher of Santiago, Chile. Dreher was subsequently arrested by the Chilean authorities, and admitted being assistant to Dr. Frederick Blass, alias "Dr. Braun," of Rio de Janeiro, who was in charge of the Von Appen espionage group which operated in the northern countries of *XU*

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South America. It was ascertained that Dr. Blass and Max Draher had traveled to Colombia during the early part of World War II and recruited the following Germans in Colombia: Bruno Johannsen, Oscar Poesagen, Hans Lahrius, Dr. Roggemann, and Harold Von Krogh. *SN*

Immediately following the receipt of this information by SIS operatives in Colombia, investigation was instituted by Bureau Police Liaison Agents, with the result that the information secured by the Bureau from Von Appen in Chile was verified. Through the cooperation of the Colombian National Police, the Police Liaison Agents were, under favorable conditions, able to secure signed statements from Hans Lahrius, Bruno Johannsen, Wilhelm Streipke and Hans Fieck, all of whom had admitted their recruitment by Dr. Blass, and gave details concerning the sabotage group. Dr. Roggemann and Von Krogh were located in other countries. *SN*

It is interesting to note that the persons who furnished statements confessed to having taken oaths of allegiance and obedience to Hitler's Reich, and in spite of this oath had used for personal advantage funds given to them by Dr. Blass. *SN*

Lahrius, Johannsen, Streipke and Fieck were already interned at the time of their interrogation relative to the Von Appen case. The Colombian authorities failed to consider further punishment of these individuals. It is felt, however, that the evidence gained by admission to the effect that these men had taken an oath of loyalty to Hitler's Reich at a time when Colombia was cooperating with the Allied Nations in the prosecution of the war, will serve to place them under the observation of the Colombian Government as long as they live in that country. *SN*

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COSTA RICA *XN*

With the termination of the war against Germany and Japan there was a marked change in the intelligence situation in Costa Rica. The threat of German and Japanese subversive influences was for all practical purposes ended and the domestic political struggle assumed the position of highest importance from the intelligence standpoint. *XN*

Because of the increase in Communist activity in Costa Rica through the medium of the Vanguardia Popular, which was formerly known as the Communist Party of Costa Rica, the Bureau's coverage of political activities and Communist trends was extended. This coverage has been excellent and has furnished an insight into the political maneuverings which have occurred in Costa Rica. *XN*

As the result of its coverage in Costa Rica the Bureau has also been able to secure valuable information concerning the political activities of various neighboring countries such as Nicaragua. Exiles from these countries have taken refuge in Costa Rica and, therefore, information which would not have been available to the Bureau in Nicaragua itself has been secured through coverage in Costa Rica. *XN*

Likewise, the Bureau's coverage in other countries has been helpful in obtaining a well-rounded intelligence picture of Costa Rican activities. For example, in April, 1946, when it became known that opposition elements in Mexico were planning an armed revolution against the administration, President Picado despatched the leader of the Vanguardia Popular, Marmel Mora Valverde, to Mexico to investigate the revolutionary plot. Through its coverage in Mexico the Bureau was able to ascertain Mora's activities while there which included several visits with Vicente Lombardo Toledano, prominent Mexican labor leader. *XN*

Intelligence coverage has reflected the influence exercised over the Picado Government by Communist elements. One indication was Picado's entrusting Mora with the aforementioned assignment to Mexico and another lies in a recent incident in which Colonel Daniel Callegos, Sub-secretary of Public Security and a close personal friend of the President, resigned his office on May 6, 1946, subsequent to his refusal of a strong request made of him to cooperate with Marmel Mora and the Vanguardia Popular. *XN*

For a short period of time a Police Liaison Agent was stationed in San Jose, Costa Rica, in an extension of the Bureau's coverage. There is no Police Liaison Agent in Costa Rica at this time. *XN*

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CUBA X 2

### General Political Situation

Following the election of Dr. Ramon Grau (San Martin) as President of Cuba, the Cuban political situation continued to be turbulent in character. Many changes in Grau's administration have occurred. Numerous rumors and information from reliable sources up to the present have indicated that ex-President Fulgencio Batista is desirous of returning to Cuba and becoming again an important factor in Cuba's political life. However, despite various alleged revolutionary plots reportedly headed by Batista, no evidence has been obtained to date which would indicate that Batista has been or is now interested in re-entering the Cuban scene by the use of force. X 2

It is estimated that since Dr. Grau (San Martin) became President, between thirty-five and forty political murders have been committed by revolutionary groups in Cuba who are presently friendly to the Grau regime or had previously been associated with it. None of these murders have been successfully investigated to date. One of them, involving the death of Eugenio Lanillo, is reliably reported to be connected with graft on the part of high dignitaries of the Grau regime, including Paulina Alsina, Viuda de Grau (the First Lady of the Republic). Juan de Cardenas, former head of the Cuban Bureau of Investigation, reliably reported to be the murderer of Lanillo, was allowed to escape to Mexico because of his threat to expose the various Grau officials. This information is indicative of the degree of law and order maintained in Cuba at the present time. X 2

President Grau and his followers, who had openly criticized the Communist Party in Cuba, namely, the Popular Socialist Party, began, immediately following Grau's installation as President, a program of cooperation with the Communist elements in Cuba. The Grau-Communist cooperation program is admittedly causing dissatisfaction within the ranks of Grau's party, the Autentico Party, and in other segments of the Cuban population. Reliable sources have indicated that Communist influence in Cuban affairs is practically uncontrollable. X 2

On June 1, 1946, Manuel Fernandez (Superviella) was elected Mayor of Havana. This post, according to reliable political observers, is second in importance only to the Presidency of Cuba. Fernandez was chosen by the political forces under the leadership of President Grau, mainly the Autentico Party, which reportedly traded the support of the Cuban Communist Party for Manuel Fernandez in return for Autentico support of various Communist candidates. X 2

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At 2:00 A.M. on May 17, 1946, approximately forty civilians armed with machine guns attempted to seize Camp Columbia, the Cuban Army Headquarters, located on the outskirts of Havana. The Cuban Army had previous notice of this attempt and it was promptly suppressed. It is interesting to note that reports from Bureau representatives in Cuba were the only ones among those submitted by United States Government agencies which promptly reported the true situation in all its details. This coup d'etat was planned by the Cuban Revolutionary Legion, "Legion Revolucionaria," and by followers of Abelardo Mancebo, a revolutionary leader. Also involved was Mario Salabarría, the former head of the SIAE Section of the Cuban National Police, and present leader of the "Legion Revolucionaria." Salabarría has been opposed to the Grau Government ever since he was removed as Chief of the SIAE for a report in which he accused several Grau Government officials of graft. This revolutionary attempt was classed as "completely unsuccessful." The SIS representatives in Cuba were able to state definitely that Fulgencio Batista was not connected with this affair, thus obviating extensive investigation of another of the various rumors of revolutionary plotting involving Batista which have originated in Cuba and have been circulated in the United States. *SN*

The high lights of the political scene as discussed above were promptly and efficiently reported by SIS representatives in Cuba, in spite of the high fluidity of the Cuban political situation, which demands constant attention to the development and maintenance of reliable informants, and efficient investigation. *SN*

In addition to achieving up-to-the-minute coverage of the Cuban political situation, Bureau representatives have kept other United States Governmental agencies in Cuba adequately apprised of important developments. *SN*

Many investigations have been conducted by the Bureau at the request of these agencies and of Ambassador Norweb. As a result of Bureau operations in Cuba, various selective service cases and criminal matters of interest to the Bureau have been followed to their logical conclusion. In many of these cases the Bureau's Police Liaison Agents have been able to secure the cooperation of Cuban police agencies despite the frequent changes of police personnel and the generally poor standards of police efficiency in Cuba. *SN*

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July 1, 1946

DOMINICAN REPUBLIC *XU*

Internal Political Trends.

Since 1941 Dominican Republic political leaders living in exile have been plotting the overthrow of the Trujillo government, but only recently have their activities been of particular interest. Extensive coverage by informants of the Legal Attaches in the Caribbean area, who are connected with the revolutionary elements has enabled the Bureau to carefully follow developments in coup d'etat efforts. To date the revolutionary factions in opposition to President Rafael Leonidas Trujillo do not seem to possess sufficient strength to engage in any positive action against Trujillo. Trujillo apparently maintains effective control of the Dominican Republic and reports of suppression of dissident elements within the country by various measures, including murder, have been reported to the Bureau. *XU*

The United States State Department is interested in denying the sale of arms to either the Dominican Republic or its sister country of Haiti because it is considered likely that the availability of arms either to the Dominican Republic or Haiti will result in bloodshed, revolution or war between these two countries. Through Bureau representatives in the Dominican Republic and the other Latin American countries the Bureau has been able to report information of interest concerning the efforts of Colonel Rodolfo Bosch (Pearson), Inspector General of the Dominican Army, and Salvador Gobian (Parra) to obtain arms for the Dominican Republic in Brazil, Argentina and Chile. It was ascertained that the Dominican corvette, the SS "Colon" arrived at Rio de Janeiro, Brazil, on March 30, 1946, and was loaded with arms and ammunition destined for the Dominican Republic. Bureau observers noted that this ship was loaded with 300 cases of rifles and 1200 cases of ammunition and that the shipper of this consignment was listed as the Brazilian Ministry of War. Some of the cases were marked for the General Supply Headquarters of the Dominican Army. This shipment of arms reached Ciudad Trujillo in the Dominican Republic on April 25, 1946. Bureau observers in the Dominican Republic noted that Salvador Gobian (Parra), a Dominican Republic Army major also arrived with the shipment aboard the "Colon." Colonel Rodolfo Bosch who is suspected of having engineered the above deal is presently reported to be in Santiago, Chile, for the purpose of purchasing more munitions for the Dominican Republic. This information was promptly forwarded to the interested United States government agencies and SIS agents are continuing to follow this matter. *XU*

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EQUADOR *XU*

Deportations early in the war of influential German and Italian nationals resulted in the substantial elimination of Axis influences in Ecuador. It was necessary, however, for the Bureau's SIS representatives in that country to be continually on the alert for evidence indicating a possible resurgence of Axis influence. *XU*

Due to the highly unstable nature of the Ecuadoran Government, it has been necessary for the Bureau's representatives to follow all political developments extremely closely. *XU*

Throughout the incumbency of President Jose Maria Velasco Ibarra in Ecuador, a turbulent political atmosphere has been prevailing, aggravated by serious economic dislocations. Recurring crises and rumors of imminent revolutionary plots culminated in a threat early in 1946 to depose the present government by an undercover military leadership headed by General Alberto Enriquez, Provisional President of Ecuador in 1937 and 1938. On March 30, 1946, the Ecuadoran Government arrested and exiled General Enriquez and twelve other opposition leaders. By governmental decree President Velasco Ibarra was vested with all the power necessary to maintain public order, which in effect, suspended the constitutional guarantee of habeas corpus and trial by jury and established the President as a limited dictator. *XU*

Although the Spanish Falange in Ecuador has not been active for a considerable period and investigations on the part of the Bureau's representatives failed to disclose pro-Axis activities on the part of the Spanish Mission in Ecuador, it was learned that early in 1946 the Spanish Legation in Quito was instructed by its foreign office to institute a propaganda campaign directed to combat accusations made against the Spanish Government at the United Nations Conference. The Spanish Mission was directed to refute accusations that (1) thousands of Germans still reside in Spain, (2) Germany is experimenting on atomic energy in Spain with the consent of the Spanish Government and (3) there are international political ramifications connected with the closing of the Spanish frontier.

In the latter part of 1945, a French Mission which had been traveling throughout Latin America spent considerable time in Ecuador. Investigation by the Bureau's SIS office reflected that the primary purpose of the visit which received favorable publicity was to establish good will and to propagandize the position and achievements of the French. *XU*

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[redacted] subsequently furnished the Bureau with summaries on the movements of two of the subjects in that case, Julius Joseph and John Abt, both of whom were recently in London traveling to the continent. In addition to the cooperation rendered in specific cases, Special Agent [redacted] has furnished a volume of information on individuals seeking permission to enter the United States from Great Britain. Some of these people are known members of the Communist Party and possess a subversive background. *A*

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Special Agent [redacted] in London secured surreptitiously a highly secret G-2 report prepared in France which was reported to be an analysis of coded messages between French intelligence headquarters in Paris and French agents in the United States. This report identifies several French agents in the United States. It contains several indications that the French plan to establish an espionage system in the United States had the blessing and was being forwarded by several OSS officials. Of particular interest is frequent reference to one [redacted]

[redacted] in Washington

[redacted] has since returned to France. So far as the G-2 report indicated [redacted] never revealed to his superiors in France his contacts with the Bureau. *A* 21

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Axis espionage agents held at Camp 620, London, by the British, are being gradually returned to their native countries. Through [redacted] the Bureau has secured information on a number of these prisoners who will be returned to Latin America. Thus the Bureau is in a position to notify the countries in question to the arrival of these former enemy representatives. gk

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FRANCE *87*

In October, 1945, the Bureau's Army liaison in France was recalled along with other Army liaison units throughout Europe. This left Special Agents [ ] and [ ] representing the Bureau in Paris in a liaison capacity with the American Embassy. These two Agents took up their duties in July, 1945, and both men have been in Paris since that time, although Special Agent [ ] is presently Acting Local Attache in London, England during the absence of Special Agent [ ] who has returned to the United States temporarily. *87*

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During the time that the Bureau was represented by its Army liaison unit, that group devoted considerable effort to following the activities of the Communist Party and Communist agents in France. Several effective informants were developed who demonstrated that they were in a position to furnish our representatives with accurate and detailed information concerning the progress and development of Communism within France. *87*

Upon the recall of the Army liaison unit in October, 1945, the Agents assigned to the Embassy took up the task of following and reporting on Communism in France. They have been able to furnish the Bureau with valuable information concerning the activities of the Soviet Repatriation Mission and the Union of Soviet Patriots, both of which are presently functioning in France. Recently a report was received from our Paris office concerning the work of the Soviet Repatriation Mission, which is engaged in a man hunt for Russian nationals who are to be returned to Soviet Russia. Information has also been submitted concerning the personnel of the Russian Military Mission presently functioning in the South of France in close liaison with members of the Spanish Communist Party. The Spanish Communists are known to be congregating in the city of Toulouse in the South of France for the purpose of directing their efforts toward the overthrow of the Franco Government in Spain. The Bureau has been advised by its Paris office that most of the leading Communists who were recently in the Western Hemisphere are now operating in and around Toulouse. *87*

The Paris office submitted a summary report setting out the background of the principal Spanish refugee groups in France, as well as the activities, organization, and leaders of the Communist Party of Spain and its close relationship with the Communist Party of France. *87*

In January, 1946, the Bureau's representative in Paris was able to have a check made of the files of the Police Judiciarie in Paris for the purpose of determining whether George Mink, the subject of an Internal Security - R investigation in the Bureau, had resided in Paris in 1935. *87*

Information has also been furnished to the Bureau by the Paris office concerning some of the individuals involved in the case of the Red Orchestra. Between 1936 and 1943 Soviet Russia operated an extensive espionage organization in Germany, Holland, Belgium, France and Switzerland, the *87*

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personnel of which included agents of the Red Army Intelligence, the Comintern, and the NKVD. The Bureau has received information on the individuals involved in this case from both London and Paris. *SN*

The Paris office has also conducted a complete investigation into the background of the two principal figures in the Go Case, Dindane Costes (Tom X) and Paul Jean Marie Cavailles (John Y). Costes and Cavailles lived in Paris for many years and through interrogation of friends and acquaintances, as well as examination of Police records, it was determined that Costes, as the Bureau had understood, did not collaborate with the Germans during the occupation of France except on the surface. In fact he was able to slow down the workings of the factories with which he was connected to such a degree that at one time the Germans threatened to have him executed. As far as Cavailles was concerned, his collaboration with the Germans was confirmed. *SN*

Another example of the type of information furnished by the Paris office concerning members of the Communist network in Europe is a report recently submitted concerning General Ljubo Mlich, who is scheduled to come to the United States as a diplomatic representative for the Yugoslav Government. This report describes Mlich as a Comintern agent who has worked for the Soviet Government in Spain, France and Yugoslavia. He is described as a protégé of Marshal Tito with large and varied experience in clandestine operations on behalf of the Soviet Government. *SN*

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GUATEMALA

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As a result of its coverage the Bureau has been able to closely observe the various political undercurrents against the Arevalo Administration. At one time it was reliably reported that five separate revolutionary organizations were planning the overthrow of the Government. The last outbreak occurred in late June, 1946, at which time a revolution was attempted by a group of young Army officers led by Jorge Palacios. The plot allegedly called for the assassination of the President, of the Chief of Police and of the Chief of the Armed Forces, and for the kidnapping of the Commander of the Guard of Honor. The plot was abortive and was successfully checked by Guatemalan Police. Approximately 100 persons were arrested as a result of the outbreak. Had the plot not been so poorly organized, there is strong indication that a stronger opposition group, led by Carlos Padilla y Padilla, would have joined the movement. The Padilla group, however, had planned to join in the uprising only if it clearly appeared that the outcome would be favorable. XU

The Bureau has followed closely Spanish activities in Guatemala. It will be recalled that Guatemala broke relations with Spain on January 22, 1945. It was not, however, until September 10, 1945, that Guatemala recognized the Spanish Republican Government in Exile. Spanish Falange activities in Guatemala have been clandestine and on a small scale. The former Minister of Spain continues to reside in Guatemala, although he has been declared persona non grata. The Falange is not operating any front organizations in Guatemala, although it is alleged that about \$800 a month is received from Spain through the Spanish Legation in El Salvador. Inasmuch as the border between El Salvador and Guatemala is open for crossing without search, it would be possible for this money to enter Guatemala for the carrying on of Falange activities. XU

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HAITI X U

The political situation in Haiti has been extremely unfavorable during the past two years. The possibility of revolution brought about by dissatisfied political elements has been constantly present. In addition, the government of former Haitian President Elie Lescot had to cope with interference on the part of revolutionists of the Dominican Republic. Bureau representatives followed these activities carefully. X U

On January 7, 1946, students and professors of Port-au-Prince schools struck in protest to the closing by the government on January 4, 1946, of the student radical newspaper, "La Ruche," and also in protest against the continuance of President Lescot in office. By January 11, 1946, this strike had spread throughout the entire republic of Haiti and gathered widespread support. On January 11, 1946, President Lescot was forced to resign and a Military Commission assumed control of the government. President Lescot and his family departed from Port-au-Prince on a chartered Pan-American Airways plane and arrived in Canada a few days later. Various members of Lescot's cabinet also fled from Haiti. X U

On passing through Miami, Florida, President Lescot stated that Communists had caused the overthrow of his government. However, investigation revealed that these statements were false because the demonstrations against the Lescot government were joined by the Communists rather than initiated by them. X U

Political matters in Haiti have been constantly followed by the Legal Attache and matters of interest are distributed to the Embassy and to the Bureau. X U

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HONDURAS X 21

While the regime of President Tiburcio Carías Andino has remained one of the most stable Governments in Latin America, there has been some political undercurrent against it. In May, 1945, a group of Honduran women gathered at a public place in Tegucigalpa, ostensibly to celebrate the surrender of Germany. During the meeting the Carías administration was attacked and demands were made for the release of political prisoners. The National Police dispersed the crowd and arrested 28 of the leaders. At the San Francisco Conference in 1945, a protest was made against the dictatorial regime of Carías with the request that "this bloody dictatorship be eliminated from the Americas." X 21

The Bureau has effected excellent coverage in Honduras and has thus been kept advised of the various movements and undercurrents. X 21

While some observers have indicated that President Carías, who is advancing in age, would like to resign from office at the height of his popularity, there is no indication other than that he will serve out his full term which expires January 1, 1949. In recent months, oppositionist activity has increased. On May 9, 1946, a group of women held a public meeting in protest against Carías. On May 16, 1946, the cuartel which houses the Government garrison in San Pedro Sula caught fire and was completely burned. The arms and ammunition stored in the building were destroyed. Informed sources stated that oppositionist activity will probably be increased with the resignation of Carías as its central demand. X 21

It is to be noted that in January, 1946, Carías requested the Congress to lift the state of siege which had been invoked immediately following Honduras' declaration of war against Japan on December 9, 1941. Under the state of siege the Government was enabled to keep oppositionist activity at a minimum. X 21

On June 20, 1946, two exiled Honduran Generals, Santos Chinchilla and Torivio Ramos, were suddenly arrested by Salvadoran Police and an attempt was made to deport them to Costa Rica. Costa Rica, however, refused to admit them and the Generals were returned to Salvador on the following day and were set free. This incident indicates the active support of the Honduran administration by the Salvadoran Government. A possible significance of this incident may lie in an unconfirmed report to the effect that the Honduran Government, fearing potential revolutionary activity against it, actively solicited the assistance of the Salvadoran Government against these two exiles in Salvador. X 21

On June 24 and 25, 1946, rumors circulated indicating that President Carías was dead. These rumors were unfounded. X 21

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ITALY X 2

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On July 10, 1945, Special Agent [ ] was sent to Rome as our liaison representative with the American Embassy. He holds the title of Vice Consul. Our Italian representative has been able to furnish information concerning the activities of Palmiro Togliatti, head of the Italian Communist Party, with particular emphasis on Togliatti's reaction to the recent Italian elections. He also furnished reports reflecting Togliatti's adherence to the Communist Party line concerning the possession of Trieste which is being disputed by the Italians and Yugoslavians at the present time. X 2 b7C

In April, 1946, Special Agent [ ] in Rome furnished a report concerning thirteen Communist propaganda agents who had received passports issued in a highly secretive manner on the direct orders of Giorgio Amendola, Undersecretary to the Presidency of the Italian Council of Ministry. It appears that Amendola had been a member of the Communist Party for a number of years and the passports were issued to enable the thirteen Italian Communists to proceed to France. This report furnished also contained photographs and identifying data on these thirteen individuals. X 2

Our Rome representative has also conducted numerous investigations on many individuals who claim American citizenship and who desired to return to the United States. X 2

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JAPAN

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At the present time there are two Bureau Agents and one stenographer assigned in a liaison capacity to General MacArthur's staff in Tokyo, Japan. These Agents are [redacted] a third Bureau Agent who had been in Tokyo, Special Agent [redacted] was recently recalled but not replaced. The first Bureau Agent arrived in Tokyo in September, 1945, proceeding from Manila with the first echelon of the Counterintelligence Corps. u

The cases of most immediate interest to the Bureau in Japan were those involving treasonable activity against the United States on the part of American citizens residing in Japan. These cases include the investigation of Kuko Toguri, popularly known as "Tokyo Rose." This woman's activities in the broadcasting of Japanese propaganda to American Armed Forces have received wide publicity in the United States during the war. Toguri was interviewed by Bureau Agents and a signed statement was secured from her setting forth her background and the history of her work with the Japanese in their propaganda efforts. It is expected that Toguri may be prosecuted by the United States Attorney at Los Angeles, California. Another treason case of interest is that of [redacted] who collaborated with the Japanese during the period of his internment at Camp Surugadai and Bunke in Japan. Bureau Agents have furnished a complete report which has been submitted to the Criminal Division of the Department of Justice. [redacted] recently arrived in the United States. In addition to the foregoing treason cases, there are about twenty other treason investigations pending in the Tokyo office at the present time. X N

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In April, 1946, the Bureau's representative at Tokyo secured information from the [redacted] passports were being sold to alleged members of the Russian Intelligence Service. This report included the identity of the persons alleged to be engaged in the sale of these passports. Subsequently, another report was submitted setting forth the names of four individuals believed to be potential Russian espionage subjects. These four, all of whom are Soviet citizens, are known to have secured Portuguese passports for the purpose of coming to the United States. X N

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In the field of German-Japanese espionage activity, the Bureau's representatives at Tokyo have been able to secure a considerable quantity of information concerning the Sunset Case, which originated at Lisbon, Portugal, and which involved members of the Japanese Diplomatic Staff in that city. One of those involved was Masutaro Inoue. This man was interviewed by a Bureau Agent in Tokyo in May, 1946. During this interview, he admitted his connection with Fritz Cramer, also implicated in this case. X N

Another espionage case of interest to the Bureau in Japan was the Spanip Case. In connection with this investigation, a Bureau Agent at Tokyo X N

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interviewed Tadaichi Joe Hirasawa in February, 1946, and Isamu Yamazaki, formerly Chief Secretary, Overseas Section, Radio Tokyo. These men were questioned concerning the radio scripts used in the broadcasting of propaganda for the Japanese during the war. They were also specifically interrogated concerning the nature of the "Hello, Hilarie" messages which were transmitted by the Japanese. *SN*

The Tokyo Office has also submitted a report, together with newspaper items from Tokyo, dealing with the telephone conversation between Dr. Mori at Honolulu and a representative of the Yomiuri Shinbun in Japan on December 3, 1941. It has been alleged that through the medium of this conversation Dr. Mori was able to transmit to Tokyo certain intelligence information concerning the United States fleet at Honolulu. *SN*

By letter dated May 24, 1946, Agent   at Tokyo transmitted to the Bureau a memorandum covering the events in Japan from 1931 leading up to the war with the United States. He also included a copy of a signed statement of Shigenori Togo, Minister of Foreign Affairs in the Tojo Cabinet from October 18, 1941, to September 1, 1942. Togo's statement is interesting in connection with the Pearl Harbor inquiry in that he covers the negotiations between the United States and Japan from his knowledge as Minister of Foreign Affairs. His statement outlines the course of action followed by the Japanese during the negotiations leading up to the attack on Pearl Harbor. Of particular interest in this statement is the reference to the note of Cordell Hall on November 26, 1941, which, Togo says, was accepted by the Japanese as an ultimatum from the United States. *SN*

b7C

In addition to the information furnished on the foregoing cases which are of primary interest to the Bureau, our representatives at Tokyo have also secured a volume of material concerning general intelligence matters such as the Communist Party of China, the Communist Party of Japan, the personnel and activities of the Soviet Military Mission in Japan, and data concerning the Japanese intelligence system during the war. *SN*

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MEXICO ~~X~~ u

Espionage

During the past year the investigation of espionage activities centered mainly around the Mexican microscopin dot case which is also known as the Clog Case. This investigation, of course, has been carried on for the past five years. ~~X~~ u

The most important development during the past year was the presentation of the facts in the Clog Case to the Mexican authorities on January 26, 1946. It will be recalled that great delay was encountered in the presentation of the case due to the attitude of the United States Ambassador to Mexico and also because of the attitude of the United States Navy because of possible revelation of our possession of the German code. The case was received by the Mexican authorities with great interest and they advised that the case would be reviewed by the Mexican Cabinet. The Mexican Foreign Office verbally consented to the repatriation to Germany of all the subjects in the Clog Case who are of German citizenship. The Foreign Office also indicated that those who had become naturalized citizens of Mexico would be denaturalized and then repatriated to Germany. To date, however, no further action has been taken by the Mexican authorities and the disposition of the case is dependent upon their final decision with respect to the action to be taken. ~~X~~ u

George Nicolaus, one of the leading subjects in the Clog Case, was deported from New York City on December 22, 1945. He arrived in Frankfurt, Germany, January 9, 1946, at which time he was turned over to the custody of the United States Provost Marshal General. It is interesting to note that after Nicolaus' arrest and internment in March, 1942, he refused to divulge any pertinent information concerning the espionage activities of his group. However, upon being interviewed subsequent to the fall of Germany and the reported death of Hitler, Nicolaus explained that he felt his oath to Hitler was no longer binding and he willingly furnished detailed information concerning the complex and multitudinous operations of the Clog Case. ~~X~~ u

Another of the original subjects in the Clog Case, Frederick Karl Von Schlebrugge, was recently located at Peking, North China, where he was interviewed by a Bureau Agent. It will be recalled that Von Schlebrugge fled from Mexico in 1941, leaving George Nicolaus in charge of the espionage ring's operations. The interview of Von Schlebrugge revealed no information not previously secured through the Bureau's investigative efforts. ~~X~~ u

Selective Service and Desertions

Because of its proximity to the United States, Mexico has become ~~X~~ u

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the principal haven of refuge of United States fugitives. The ease with which the border between the United States and Mexico may be crossed has made it possible for numerous criminals to evade police authorities. *SU*

The accomplishments of the Bureau in Mexico with respect to Selective Service violators and deserter fugitives have been excellent. Operating with limited personnel during the ten-month period from July, 1945, to April, 1946, 45 Selective Service fugitives and 67 deserter fugitives were located. This investigative activity in Mexico has made it possible to bring to a logical conclusion a large number of these types of cases. *SU*

#### Other Criminal Violations

In addition to the Selective Service violators and deserter fugitives the Bureau has handled a large number of criminal cases in Mexico, representing a crosscut of the Bureau's criminal classifications. The office of the Civil Attache in Mexico has more pending cases than any other of the Bureau's SIS Offices. *SU*

The Bureau's liaison with Mexican police officers has been excellent and through this relationship the Bureau has been able to bring to justice many badly wanted fugitives. Because of the extradition treaty now in force between the United States and Mexico, which is based upon a treaty signed in 1899, the list of extraditable offenses does not include many important criminal offenses under the Bureau's jurisdiction. Thus, fugitives who have committed some of these offenses cannot be made available to the United States authorities through extradition proceedings. Through our liaison with Mexican police, however, the arrest of a wanted fugitive who has been located by Bureau personnel can be arranged and the fugitive is then expelled from Mexico at a point where FBI Agents are able to take the fugitive into custody immediately. *SU*

Through its police liaison the Bureau has been instrumental in awakening Mexican police officials to the possibility of international police cooperation. *SU*

#### Escaped Prisoners of War

The Office of Civil Attache has located a large number of escaped prisoners of war and, as an example, for the 10-month period from July, 1945, to April, 1946, 13 escaped prisoners of war were located. In a more recent case in which approximately 27 Italian prisoners of war escaped from a United States vessel which had docked at Acapulco, Mexico, the Office of Civil Attache was instrumental in locating approximately ten of these prisoners of war. *SU*

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### Political Activities

The Bureau's political coverage in Mexico has been very adequate and has kept the Bureau well informed on the various movements in Government circles. Preceding the Presidential elections which took place on July 7, 1946, there was intensive political activity throughout the Republic. The present indications are that Miguel Aleman, the candidate backed by the incumbent Avila Camacho administration, will win the election. Results tabulated to date show that Aleman holds a large lead over his most serious rival, Esequiel Padilla, former Foreign Minister of Mexico. *SN*

In addition to the political activities concerning Mexico itself, the country has continued to be a haven for revolutionists of other countries such as Honduras, Nicaragua and Costa Rica. Because the leading revolutionists and oppositionists to the incumbent Governments in these countries have been, in many instances, exiled to Mexico, it has been only through the Bureau's adequate coverage that a composite well-rounded picture of the internal politics of these other countries has been secured. In recent months, President Teodoro Picado of Costa Rica despatched Manuel Mora Valverde to Mexico City for the purpose of learning the details of a revolutionary plot against the Costa Rican Government which was being hatched in Mexico. With the Bureau's effective coverage the activities of these Costa Rican revolutionaries were ascertained and were made available to the Legal Attache in Costa Rica and to appropriate Government agencies. Until recently, two of the leading oppositionists to the Somoza administration in Nicaragua, General Carlos Pasos and former Nicaraguan President Emiliano Chamorro, were exiled in Mexico. Thus, political coverage in Mexico has been of assistance in keeping the United States Government informed on activities not only in Mexico but also in other countries. *SN*

### Spanish Activities *SN*

The Spanish colony in Mexico numbers approximately 100,000 persons. It is stated to be the most influential foreign colony in Mexico both from an economic and social standpoint. It exercises virtually complete control of the food industry and has considerable influence in the fields of finance, textiles and metallurgy. The majority of the Spanish colony in Mexico are of conservative, strong Catholic sympathies. The Spanish colony contributed heavily to the Franco cause during the Spanish Civil War and a branch of the Spanish Falange was established in Mexico. Prior to 1941 the Falange was extremely active and closely collaborated with German Nazi activities. At the present time a nucleus of the Falange continues to exist in Mexico and is composed primarily of special representatives sent from Spain who are supported by the strongly conservative and wealthy Spanish residents. *SN*

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NICARAGUA *XN*

During the past year, as a result of the termination of the war, activities in Nicaragua became more or less restricted to the internal political undercurrents, particularly those against the administration of President Anastasio Somoza. *XN*

The Bureau has effected adequate coverage of political activities in Nicaragua through its various contacts and sources of information. By this means appropriate Government agencies have been kept advised of the latest developments. *XN*

In addition to keeping abreast of Nicaraguan politics, the Bureau's coverage has made it possible to secure valuable information concerning oppositionist plans against neighboring Central American Republics due to the exile in Nicaragua of leading oppositionists of these countries. *XN*

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PANAMA X U

The Office of the Legal Attache in Panama was established on May 4, 1945, and has been operated for the purpose of liaison with the various governmental agencies in Panama, including the Embassy, Military Attache, Naval Attache, G-2, Provost Marshal, Civilian Intelligence groups and local police organizations. This function of the Legal Attache serves a very useful purpose in that the Bureau receives much closer cooperation from these agencies which is essential to complete intelligence coverage of the Western Hemisphere. Since the Panama Canal Zone is under the exclusive jurisdiction of the Army the Bureau must be dependent on military authorities for all types of information from that area for both the domestic and SIS field offices. X U

One of the most productive features of the liaison work of the Legal Attache's office is that of police liaison work which will be described in detail in another section of this memorandum. X U

Through his personal and liaison contacts in Panama the Legal Attache has been of considerable assistance in covering leads both for the SIS and domestic field offices in applicant cases, Internal Security matters, espionage, selective service and in many types of criminal cases. During the last quarter of 1945, twenty-seven requests from other Legal Attaches were handled by the Panama office. X U

The Legal Attache has also interviewed merchant seamen wanted as subjects or witnesses by the domestic field who regularly arrive at Panama but who might not return to the United States for many months. X U

b7C

Three special employees in the Canal Zone, [redacted], and [redacted] have, through their connections in Latin America, [redacted] of extreme value in the past. [redacted] and an important public figure in that country, is a relative by marriage of [redacted]. The [redacted] are used periodically for trips to Buenos Aires and other points to secure information from leading Latin American diplomats. Due to their prominence in Panama and their personal acquaintances with Panamanian affairs their value in that regard is great. X U

The Legal Attache in Panama has an arrangement whereby he can secure passage on shipside, airplane passage for personnel who do not have reservations below Panama. This has, of course, effected a substantial saving in time and money and has also assisted the Bureau in meeting urgent personnel requirements of other SIS offices. X U

Arrangements were made by the Legal Attache so that he can secure supplies through the Army Commissary in the Panama Canal Zone, thus permitting the Bureau to secure critical supplies which on many occasions would not be available elsewhere. X U

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The United States Governmental maintains in the Panama Canal Zone a modern, up-to-date and well equipped hospital of the type which is certainly lacking in some of the South American countries. On numerous occasions the Legal Attache has arranged for personnel from other Latin American countries to receive treatment in the Hospital in the Panama Canal Zone and he has been able to look after our personnel during periods of critical illness. X u

The Bureau's SIS office in Panama had occasion to interest itself in the activities of the Spanish Charge d'Affaires, Manuel Onco de Plandolit at the time when the local authorities endeavored to acquire the German Archives in the possession of the Spanish Mission. This individual is reliably reported to have burned some of the German records held by him and it is alleged that he operated an intelligence organization in Panama and also that he possesses open pro-Nazi sympathies. As a result of his activities Onco was declared "persona non grata" by the Government of Panama and was recalled to Spain. X u

The Office of the Legal Attache has periodically reported on important political developments in the Republic of Panama. The return of the former deposed President, Arnulfo Arias, on October 13, 1945, was a political development of considerable importance. The activities of Arias and his followers, particularly with relation to the present administration under the leadership of President Enrique A. Jimenez, have been closely followed by the Bureau's SIS representatives in Panama. X u

At the specific request of the Provost Marshal's office in the Panama Canal Zone a Bureau agent working under the cover of a captain in the Intelligence Office investigated, in the latter part of 1945, numerous thefts which occurred at various air fields in the Canal Zone during 1945. Through his inquiry the Bureau's representative successfully eliminated as suspects several army officers who were previously suspected as having been implicated in the thefts. In addition, while there have been previously many such burglaries, each week a sharp decline in the number of these crimes resulted and morale among the various units substantially improved. Upon the completion of this inquiry various Army officials in the Canal Zone expressed their appreciation. X u

As was the case in many other SIS offices, the Bureau's agents in Panama participated in a review of the records and archives of the German Mission in Panama. The results of the project which represented a considerable amount of work were gratefully received by the State Department and other United States agencies. X u

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PARAGUAY *XN*

In spite of the Paraguayan declaration of war against the Axis in February of 1943, conditions prevailing in various German colonies in Paraguay apparently have persuaded the Paraguayan Government not to press the matter of repatriation of Germans. In fact Paraguayan authorities freely state that since the Germans are their best colonists they would even welcome additional German immigrants. Such control in Nazi influences as has been possible in Paraguay was largely made so by the efforts of the Legal Attache there. *XN*

In August of 1945, Paraguayan Government expropriated all German and Japanese schools in Paraguay. All property of these organizations became subject to the control of the Minister of Education. This action was based upon information furnished by the Legal Attache at Asuncion to the American Embassy which in turn made it available to the Paraguayan Minister of Education. *XN*

A good deal of the clandestine smuggling of raw rubber and rubber tires from Brazil to Argentina went through Paraguay. This field provided extensive employment for personnel and informants in the office of the Legal Attache in Asuncion. *XN*

The office of the Legal Attache in Asuncion has always been extremely well informed about political developments in Paraguay. Moreover due in a large measure to the presence in Asuncion of a Bureau radio station, during the course of frequently recurring internal disturbances it has been possible for the Legal Attache to get the news of developments in Paraguay to the United States when all other methods of communication are cut off by the Paraguayan Government. Illustrative of both points is the case of the abortive military uprising by Colonel Viteriano Benitez Vera, Commander of the principal military establishment, Campo Grande, on June 8 and 9, 1946. The Legal Attache reported advanced information that the uprising was going to take place and gave a shot by shot account of the uprising as it progressed and failed. *XN*

As of June, 1946, negotiations were still going on between the Paraguayan and American Governments for the repatriation of certain German nationals. Information on these individuals has been made available to the Ambassador by the Legal Attache. *XN*

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PERU 87

As the Government of Peru effected the deportation of many prominent and dangerous Axis nationals early in the war, the Axis menace was substantially removed from Peru. It was necessary, however, for the Bureau's SIS representatives to be constantly alert for any evidence indicating a resurgence of Axis influence in that country. 87

In Peru as in other Latin American countries a tremendous amount of work was encountered by the Office of the Legal Attache in the review of files and archives of the former German Diplomatic Mission in that country. The results of this project were extremely gratifying to the State Department and other interested governmental agencies. 87

Ferdinand Westhoff who was interned in the United States following his deportation from Peru as a dangerous enemy alien filed an injunction suit in the middle of 1945 in order to prevent his repatriation to Germany. To support his suit Westhoff claimed Peruvian citizenship. Positive information that Westhoff had acted as a German spy in Peru and as an integral part of the PTL radio ring was obtained from decodes of PTL radio messages. Westhoff's own statements that he is a German and documents found in his possession, including a German passport, refute his claim to Peruvian citizenship. Detailed information concerning this individual was furnished to the Department for use in the injunction suit. 87

Although the Japanese Colony in Peru numbers about thirty thousand, the great majority came to Peru some years ago as common laborers. Throughout the war, however, continuous investigation was conducted concerning possible Japanese espionage, sabotage and related activities. There was no evidence to indicate that the Japanese were participating in such activities principally because the important Japanese leaders had been deported from Peru. Constant vigilance on the part of the Bureau's representatives was necessary, however, and in fact, was responsible for the discovery of a surprising development early in July, 1946. It has been ascertained that the secret Japanese organization entitled "Aikoku Doshi Kai" has recently been formed within the Japanese Colony in Lima by a former Japanese Army officer who arrived in that city from Brazil in June, 1946. This officer reportedly is clandestinely contacting small groups of Japanese whom he advises that the war is not over and that the Japanese are still fighting. Approximately twenty thousand Peruvian soles have been collected for the organization. Japanese who have resisted joining the organization are reported as fearful of reprisals and indicate that the organization is evidently comprised of fanatics and operates for terroristic purposes. A translation of the name of the society is said to be "Society of Patriots of our Country of Peru". 87

As in the other countries, it has been necessary for the Bureau's representatives in Peru to follow closely the developments of a political 87

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nature, particularly in view of the rapidly changing political scene which culminated in Peru's Presidential election on July 28, 1945. The pre-election campaign as well as the post-election developments were closely followed by the office of the Legal Attache in Lima, Peru. *X H*

On April 13, 1946, a riot occurred in Lima when a mob of approximately twenty-six hundred dispersed a group of Peruvian women representatives of the "Union Revolucionaria". Although the riot was blamed on the Apristas, the actions appeared to be the result of a mob decision rather than a pre-organized plan. *X H*

A further indication of the current unrest in Peru was the emergency mobilization of the Lima Police on May 1, 1946, at which time a large public demonstration was scheduled. It was feared that the Aprista Party might utilize the May Day demonstration to further its political aims. *X H*

Two handbills published and distributed by the Lima weekly "Hoguera", which is edited by Julio Luna, severely criticized the present administration as well as the Aprista Party and former United States Ambassador William D. Pawley for having granted oil concessions in Northern Peru to the International Petroleum Company. *X H*

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PHILIPPINE ISLANDS X U

In July, 1945, there were four Bureau Agents assigned to General Douglas MacArthur's Headquarters at Manila in a liaison capacity. However, this number was reduced in September, 1945, when General MacArthur moved his Headquarters to Tokyo. In June, 1946, the Bureau's representation in Manila was terminated in view of the forthcoming independence of the Philippine Islands, which became effective July 4, 1946. X U

In the Summer of 1945 our Agents conducted a survey of security accommodations in Manila at the direct request of General MacArthur. In addition, Special Agent [ ] was utilized by the Counterintelligence Corps to give two lectures to its training schools in Manila on Japanism. Special Agent [ ] was temporarily assigned to the Provost Marshal's office as an adviser in assisting the Military Police organization to reorganize the Manila Police. X U b7C

Agent [ ] worked exclusively for a period of two months with Military Intelligence in this reorganization project. A new operating code was written for the Manila Police. This code was prepared almost in its entirety by the Bureau representative. X U b7C

Through our contacts with the Manila Police Department arrangements were made for the attendance at the National Academy of three Police officers, all of them members of the Manila Police Department. These men attended the January, 1946, session of the National Academy, returning to Manila in April, 1946. At the present time all three men hold executive positions within the Manila Police Department. The head of that Department, Lieutenant Colonel Angel M. Tanson, has advised that he expects to utilize these men in positions where their training with the National Academy will be of the most assistance to the Department. X U

Within the last few months the bulk of the information coming from Manila has dealt with the political campaign prior to the election of Manuel Roxas to the Presidency of the Philippine Islands in April, 1946. In this connection, it may be noted that one of the reports submitted by the Bureau's representative in Manila reflected a confidential interview with President-elect Roxas, who at that time was President of the Philippine Senate. X U

In addition to the political information secured from this office, some very excellent reports have been received on the growth and rise of the Philippine guerrilla movement known as the Hukbalahap. This organization has taken to itself vast powers in central Luzon and many believe that it is heavily infiltrated by persons affiliated with the Communist Party or sympathetic to Communist ideology. Coincidental with the rise of the Hukbalahap has been the increase in terrorism and lawlessness in central Luzon. The Bureau's representative has been able to furnish some interesting reports on this situation. X U

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Among the reports furnished by Special Agent [ ] at Manila has been a number made available to him by the Army concerning the activity of various Americans in Trade Union affairs at Manila. This has furnished an opportunity to ascertain the identity of some of these people with persons who have been known Communists in the United States in the years past. Two of those thus identified were Kenneth Goss, a member of the Merchant Marine, and Peter Mandelsahn, a known member of the Seamen's Section of the Communist Party at San Francisco, California. Both of these men played an active part in the strike of the Union Obreros de Estivadores de Filipinas, which took place in the Port of Manila in February, 1946. *21*

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PORTUGAL *82*

Special Agent [ ] was appointed Legal Attache to the United States Embassy in Lisbon, Portugal in August, 1943. He was later furnished with an assistant, Special Agent [ ] Special Agent [ ] returned to the United States in February, 1946, and Agent [ ] remained in Lisbon as the Bureau's sole representative. At the present time Agent [ ] is in the United States on leave and the Bureau is being represented by Acting Legal Attache [ ] *82*

b7C

The Bureau's representative at Lisbon enjoyed particularly active liaison with the various United States and British agencies in that city. This enabled him to secure much valuable information of interest to the Bureau. Through his contacts he was able to secure some of [ ] which previously emanated solely from London. It will be recalled that [ ] came from the decoding of German intelligence and diplomatic messages by the British. *82*

b2

With the cessation of hostilities in Europe the Bureau's representative at Lisbon was able to take advantage of the tendency on the part of German diplomats and intelligence agents who functioned in Lisbon during the war to want to cooperate with the Allies in order to "save their skins." One of these diplomats was [ ] Argentina. [ ] furnished considerable information concerning the espionage activities of the German establishment in Buenos Aires during the war. He also gave a volume of information about Germans who had been repatriated from Argentina to Germany shortly after the close of the European War. Much of this information corroborated material already furnished the Bureau by the Legal Attache in Argentina. *82*

b7C

b7D

Another German who cooperated with the Bureau's representative in Lisbon was [ ] in Lisbon. He was developed as a [ ] and he furnished him considerable information of value about the German diplomatic corps. [ ] also was able to give some account of the German espionage system in Lisbon. [ ] furnished the Legal Attache with a complete list of salaries paid Germans in Lisbon by the Legation. In addition, [ ] furnished a list of Portuguese newspapermen who carried on propaganda activities for the Germans, together with the payments made to them for this service. *82*

b7C

One of the German agents operating in Lisbon was [ ] who had been [ ] of the Abwehr in Lisbon. A double agent operated by the Legal Attache at Lisbon named [ ] was able to secure considerable information of importance from [ ] until the cessation of hostilities. However, upon the surrender of Germany, [ ] turned himself over to the British as an informant. He was questioned by the British and the Legal Attache at Lisbon at considerable length. This interrogation supplied a great deal of information which completed the German espionage picture for the Allies in Lisbon. *82*

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In the Spring of 1945 the British secured in Portugal German microdot and cryptographic machines used by the German espionage system in that country. Arrangements were made by the Legal Attache at Lisbon to have these machines examined by a representative of the Bureau's laboratory. This examination furnished the Bureau with information about the microdot machines which it had not previously possessed. *W*

One of the more interesting cases developed at Lisbon was the Sunset Case involving Japanese espionage. Successful arrangements were made for the handling of a double agent to operate under joint FBI and OSS control. This agent was to report fictitious information to the Japanese Embassy in Lisbon. Several messages had been forwarded, but the successful conclusion of the war against Japan brought an end to this case. Nevertheless, the Bureau's representative at Lisbon was able to advise the Bureau of the departure from Portugal of Masutaro Inoue, Counsellor of the Japanese Legation in Lisbon. Consequently, arrangements were made at Tokyo to interview this member of the Japanese diplomatic corps in Lisbon who had been involved in the Sunset Case. *W*

More recently the Bureau's Lisbon representative ascertained that Adolfo Marino, an acknowledged member of the OVRA, Italian Secret Intelligence organization, was making plans to leave Spain for Latin America. This man had been Italian Vice Consul at San Sebastian, Spain. Through personal connections with members of the Spanish Government, he has been able to secure the necessary documents for his departure from Spain. The Bureau's representatives throughout Latin America have been advised of his imminent arrival. *W*

Just as in Spain, there were a number of important Nazis living in Portugal at the end of the war. Our office in Lisbon closely followed the plans for the repatriation to Germany of these people. The Allied Governments presented lists of several hundred of these Germans to the Portuguese Government with the request that they be repatriated to Germany as soon as possible. Although the Portuguese adopted delaying tactics, the repatriation of most of these Nazis has been completed. *W*

In line with this cooperation between the Portuguese Government and the German Government in a good many matters, it is pertinent to note that the Portuguese Secret Police were of considerable assistance to the Nazis during the war. Under their auspices, German agents were permitted to travel freely through Portugal and operations against the Allies by Nazi espionage rings functioning from Portugal were facilitated by this Police Force. When the German Consulate in Lisbon was inspected by our representatives, a file was located in which were found all communications dealing with contacts between the Germans in Portugal and the Portuguese Secret Police. *W*

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EL SALVADOR *X 21*

During the past year there has been considerable labor, economic and political unrest in El Salvador. Food riots occurred during the middle of 1945, which necessitated a declaration of martial law in several cities. The overthrow of the Castaneda Government appeared imminent on several occasions and on September 12, 1945, six Ministers resigned from the President's Cabinet. *X 21*

The Bureau, with its limited personnel in El Salvador, has been able to effect adequate coverage of the political and economic situation in that country. This information has been made currently available to interested Government agencies for their utilization. The Bureau has been able to keep abreast of the activities of various nationality groups in El Salvador and particularly Falange activities which at one time were in full swing in El Salvador. Spain has a Minister in El Salvador but his activities have been limited, more or less, to the offering of a number of Spanish scholarships. *X 21*

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SPAIN X U

b7C

The Bureau has been represented in Madrid, Spain by Special Agent [redacted] who was appointed Legal Attache to the American Embassy in Madrid, Spain in April, 1944. X U

During the war Madrid, Spain was an important center of operations for the Germans in their attempts to introduce espionage agents into the Western Hemisphere. The Bureau's representative at Madrid had considerable success in developing double agents. Three of the most important cases along this line have been the Can Case, [redacted] and the Ben Case. The Can Case involved the development of [redacted] (true name, [redacted]), who made trips to the United States as a double agent. Through the development of [redacted] the Bureau acquired microdots, information concerning secret writing, information concerning the use of Spanish diplomatic personnel by the Germans, and valuable data about the German setup at Madrid itself. X U

[redacted] was solicited by the Germans to perform espionage work when they learned that he had secured a United States visa. [redacted] was developed as a double agent and he visited the United States, where he operated under Bureau control. In the Pop Case [redacted] was developed as a double agent for the purpose of coming to the United States on an espionage mission for the Japanese Minister to Spain. X U

b7C

One of the achievements of the Bureau's representative at Madrid was the arrangement whereby he secured access to all information concerning transfers of capital from corporations in Spain to Latin America which had come to the attention of the American Embassy in Spain. These arrangements were made in order that the Bureau might be notified of the flight of any suspicious individuals from Europe to Latin America or to the United States during the course of the war. These arrangements included close examination of all passports, as well as thorough screening of all applicants for United States visas. The purpose of this setup was to prevent large-scale flight of important Axis officials who had not been captured in Germany immediately after the termination of the war in Europe. X U

The Bureau's representative at Madrid was able to promptly advise the Bureau of the departure of various high-ranking Axis espionage agents from Spain to Germany through the repatriation program for German nationals. Included in this group were Kurt Von Rohrscheidt, Abwehr Intelligence Chief; Joachim Canaris; General Hans Doerr, German Military Attache in Spain; Gottfried Tobenschat, Abwehr Chief in Barcelona; Gustav Lens, former head of the Abwehr in Spain; Erwin Stubbs, important figure in the Jar espionage case; Hans Ziegler, German agent who was in Brazil and the United States before the war; Hans Von Buch, former assistant German Air Attache in Madrid, previously active in Peru; and Paul Firdmuno and Federico Furch, Abwehr agents in Spain. X U

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The Bureau's London representative was later able to secure the results of the interrogation of most of these operatives through the War Room in London. XU

In addition to advising the Bureau of the departure of these people, the Bureau's representative in Madrid was of considerable assistance to American Embassy authorities in Spain during the war in identifying and securing incriminating information on many of the German agents who operated in that country. A list of several hundred such agents was furnished to the Spanish Government by the Embassy with the demand that these individuals be interned or repatriated to Germany, where they could be questioned. Subsequently the more important agents were deported from Spain. XU

During the war many reports were received alleging collaboration between the Spanish Police and the Nazi secret organizations. The Legal Attache at Madrid located in the German Embassy copies of actual contracts entered into between Himmler's organization in Germany and the Spanish Police, calling for the closest liaison and collaboration on matters of mutual interest. This arrangement apparently continued throughout the war and resulted in Nazis in Spain receiving favored treatment from the Spanish authorities. It was also determined that the German intelligence agencies operating under diplomatic immunity in Spain had on their payroll several important Spanish secret police officials who actively worked for the Nazi espionage system. XU

The trial of two Spanish Communists, Sebastian Zapirain and Santiago Alvarez y Garcia, attracted world-wide attention. These two men were arrested by the Spanish Police. They were accused of acts against the internal security of Spain in that they held meetings in Madrid and instigated a movement to destroy the Franco Government. The case was the object of world-wide pressure by the Communist Party and the Communist press. The trial was recently held, resulting in the conviction of both men along with twelve others accused of similar offenses. The Bureau's representative at Madrid was able to attend the trial as an observer. He furnished the Bureau with his comments concerning the procedure followed at the trial, the atmosphere in which it was conducted and the nature of the charges made against the accused men. He also outlined the substance of their defense against these charges. XU

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URUGUAY X U

The Legal Attache in Montevideo has been kept fully occupied in winding up loose ends in Uruguay of the activities of the OZ in Argentina and Uruguay. The principal cases in this field have been the case of Juan Alberto Bove Trabal and Fritz Kabe. Both these cases have now been brought to a logical conclusion but it is not expected that adequate action will be taken against them by the Uruguayan Government. However, all information possible has been obtained from both these individuals and their assistants. X U

Considerable time was devoted by members of the office of the Legal Attache to the repatriation of Graf Spee and Tacoma sailors who were interned in Uruguay at the time of the scuttling of the Graf Spee in December of 1939. The final repatriation of these individuals took place in February of 1946. Extensive work was also done in the field of the preparation of material upon which to base requests for the repatriation of dangerous Germans in Uruguay. Detailed examinations were conducted of the records of the German Bank in Montevideo as well as the records of the German Legation there. X U

Numerous allegations were received by the Legal Attache throughout the period concerning the arrival in Uruguay of dangerous German technicians and Axis funds. All allegations were investigated with negative results. X U

The political situation of generally stable Uruguay has been somewhat precarious. She is under a constant squeeze by Argentina to adopt a policy of friendliness toward totalitarianism in the Argentine Republic. Essential foods and drugs, available in Argentina, have been denied to Uruguay by Argentina because of constant and outspoken criticism of the Argentine regime. X U

As was anticipated, the election of President Peron in Argentina brought considerable woe to Uruguay. The Argentine election may be regarded as a strengthening of the position of the ultra-nationalistic Herrera Party in Uruguay. X U

Elections are scheduled for November in Uruguay and the position of the Coalition Party now in power is not regarded as strong. X U

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VENEZUELA X U

"Apfel" German Espionage Organization X U

This organization which was headed by Albert Von Appen in South America had active agents in Chile, Brazil, Argentina, Peru, Columbia, and Venezuela. Ten sabotage subjects, who were members of the Apfel organization in Venezuela, confessed relative to their participation in this activity. In the course of an extensive and thorough investigation conducted through Venezuelan police agencies who cooperated with Bureau liaison agents in Venezuela, the subjects were interned in the town of Rubio, Venezuela, and no legal action was taken against them. Inasmuch as there are no Venezuelan statutes covering the illegal activities of these individuals, they were relegated to Rubio as a result of a decree of the President who ordered their internment. The failure of the Venezuelan Government to act decisively in this matter caused widespread comment and the British and American Governments expressed concern regarding this matter. X U

Political Situation

The Venezuelan political situation is of great importance due to the trend of increasing Communist strength in Venezuela, the proximity of Venezuela to the Panama Canal Zone, and the large United States investments in oil and petroleum projects in that country. X U

The present government of Venezuela is headed by Rosulo Betancourt, who as President of the Revolutionary Junta apparently has been able to maintain stability. The immediate recognition of the new Venezuelan Government by the United States was an important factor in maintaining the government. X U

On November 29, 1945, various Venezuelan politicians including General Lopez Contreras and Isaias Medina were deported to the United States. Rumors of counter-revolutionary activity on the part of these persons were current. However, investigation in the United States failed to substantiate the allegations that Medina and Lopez Contreras were planning to resume control of the Venezuelan Government. X U

The rapid changes in Venezuelan Government affairs and policies have been closely followed by the Bureau's representative and reported to the various interested United States governmental agencies. Political coverage in Venezuela achieved by the Office of the Legal Attache has indirectly been of assistance in maintaining pleasant and efficient relations in that country. X U

Matters regarding United States oil interests have been covered through the numerous office contacts with American oil men. X U

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#### ARMY LIAISON UNITS

The Bureau, utilizing a liaison relationship with the Army, established offices in Germany, France, Italy and Austria. These units functioned in these capacities until their recall in October, 1945, as a result of General Sibert's recommendation. X U

#### Germany X U

Bureau agents attached to the Berlin office have interrogated Hermann Goering, Walter Schellenberg, Major Friedrich Busch, Captain Wilhelm Ahlrichs and many of the more important German Ambassadors to the United States and Latin American countries. From these individuals have been secured some interesting observations on Nazi opinion of the FBI and German espionage efforts against the United States. A review of the interrogation reports of these individuals as well as countless documents located at Abwehr espionage headquarters permits the conclusion that every Nazi espionage agent of any importance who came to the Western Hemisphere and attempted to operate here was detected by the Bureau or by Latin American police with whom we cooperated. Hermann Goering complained that the FBI was too observant in detecting invading spies and as a result the Nazis never were able to develop a spy network in the United States. He remarked, however, that the best source of information from the United States was newspapers, magazines and radio speeches. He stated that the gravest mistake in American security was the printing of information and radio comments which were broadcast openly. X U

b7C

Major Friedrich Busch, head of the American division of the Abwehr specializing in espionage and air matters, told of his suspicion that [ ] in the Duquesne case was controlled by the FBI while broadcasting messages from Duquesne and his group. He said, however, that when he attempted to get that point across to his superiors and to German technicians he was brushed aside. His argument was that the United States had radio detection finders which would preclude [ ] chances of broadcasting undetected for any length of time but the official German attitude was that since Germany had failed to develop any such technique in radio location, it was impossible for other countries to have made such advances. Busch claimed that the arrest of the Duquesne gang in New York caused such a furor in Germany that Foreign Minister Von Ribbentrop went to Admiral Canaris, head of the Abwehr and told him that if the United States declared war upon Germany as a result of this incident he, Canaris, would be held personally responsible. X U

Kapitanleutnant Wilhelm Ahlrichs, of the German Navy, was assigned to the mission of taking the eight Nazi saboteurs from Germany to France and embarking them secretly on U Sate bound for the United States. He told Bureau agents that when he met these men in Germany he soon concluded that X U

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their mission would not succeed. He described them as interested only in getting to the United States with the huge sums of money entrusted to them and in having a good time. He said they argued among themselves and in fact one of them, Dasch, threatened to turn Berger into the FBI when he got to this country. Dasch was extremely indiscreet in France and in fact when arrested by German police while awaiting departure because he did not have proper identity cards, he blurted out the whole story of his mission. Ahlrichs added that when the news of the arrest of the saboteurs got back to Germany, Admiral Doenitz, in charge of all German U-Boats, withdrew permission for the German intelligence agencies to send any additional agents by U-Boat. This prohibition was removed by Doenitz seven months later. Ahlrichs claimed that he warned the saboteurs about the FBI. *WU*

Walter Schallenberg, head of Section 6 of the RSHA, the organization which took over the handling of espionage of the Abwehr in 1944, told of the suspicions that information sent over short-wave radio from the United States by Nazi agents, who were in fact controlled by the FBI, was in fact coming from men who had been "doubled." He said that the trouble was that these agents were handled by competing intelligence groups in Germany who believe that their men had gone sour and who continued to forward radioed messages to interested agents in order to keep themselves in favor with the authorities. *WU*

b7C

Hans Karl Albrecht Blum was arrested at Hamburg, Germany, having been located there by Special Agent [redacted]. Blum was an Abwehr man who recruited and sent to the United States several well known Nazi agents including Ernst Friedrich Lehmitz and Wilhelm Albrecht Von Rautter. Blum claims that he did not know that Lehmitz had been arrested and convicted of espionage nor did he know that Von Rautter had met a similar fate. Our agents in Germany closely followed the spread of Russian influence in all of the occupied territories and have found definite evidence that Russian intelligence was operating in the American occupied zone in Germany in an effort to discredit the United States regime and to set up Communist dominated local governments. *WU*

Nest Bremen was a large German espionage headquarters functioning in Bremen. It was of particular importance to the Bureau because most of the agents dispatched by the Nazis against the Western Hemisphere were trained and sent out from that Nest. United States naval authorities located the complete records of this Nest hidden in a salt mine near Bremen. Special Agent [redacted], who was attached to the Army's liaison unit in Germany was in Bremen at the time of this discovery and prior to his recall had an opportunity to examine these records. He noted complete dossiers on numerous Nazis whose names he recognized and in addition files on several others who apparently had been trained to operate in the United States but whose names were unfamiliar to him. He made arrangements with the naval authorities there to *WU*

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have copies of these records forwarded to the Bureau through naval intelligence in Washington. These records were assembled and reviewed. From them there was uncovered evidence which can be used in the prosecution of at least one agent. Of particular interest to the Bureau there was found in these records copies of reports prepared by the Bureau for Double Agents for transmission to Germany. It is obvious that these reports were taken at face value by the Germans. X U

France X U

The Bureau's liaison unit attached to Army intelligence in Paris devoted its efforts almost exclusively to the following of Communist activities in France. Several excellent informants had been developed and the Bureau secured a very complete coverage on the Communist efforts to take over the French government. These Communist informants were likewise in a position to furnish excellent information about Russian Communist activities throughout the so-called Russian sphere of influence in the smaller countries of Western Europe. Definite evidence had been uncovered which indicated that the Moscow-directed French Communists desired to seize or control the French government after the October elections. X U

The Paris office conducted a complete investigation into the background of the two principal figures in the case, [redacted] and [redacted] lived in Paris for many years and through interrogation of friends and acquaintances as well as examination of police records it was determined that [redacted] as the Bureau had understood, did not collaborate with the Germans during the occupation of France except on the surface. In fact he was able to slow down the workings of the factories with which he was connected to such a degree that at one time the Germans threatened to have him executed. As far as [redacted] was concerned his collaboration with the Germans was confirmed. X U b7C

Italy X U

Our liaison agents in Italy had extensively investigated the Ezra Pound case and was brought to a conclusion when Pound was brought to the United States by Army authorities at the request of the Department of Justice with a view to re-indicting him for treason. Seven Italian witnesses developed by our Agents in Italy were likewise brought to the United States to testify before the Grand Jury. However, Pound was examined at the request of the court in Washington and he was declared to be insane. X U

An excellent informant had been developed by our liaison agents in Italy. This informant furnished considerable information of value on the extremely touchy Yugoslav political situation and the conflicting claims between Yugoslavia and Italy on the port of Trieste and the province of Venezia Giulia. This informant also revealed that Marshal Tito of Yugoslavia was conducting a Soviet-inspired reign of terror in that country. X U

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Austria XH

On July 18, 1945, Special Agents [redacted] departed from the United States to establish an office in Vienna, Austria. One of the Agents reached Vienna and set up an office there and the other Agent remained in Salzburg. These two Agents also remained in Austria until their recall at the recommendation of General Sibert in October of 1945. Special Agent [redacted] in Austria, was instrumental in identifying Dr. Ignatz Theodor Griebel, a German espionage agent who he recalled had been connected with the Johanna Hoffmann espionage case in New York City in 1938. Griebel was intensively interrogated on his activities prior to his departure from the United States and his subsequent work in Germany during the war. XH

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ANNUAL REPORT  
SPECIAL INTELLIGENCE SERVICE  
FEDERAL BUREAU OF INVESTIGATION  
UNITED STATES DEPARTMENT OF JUSTICE  
1946--1947

1947

DECLASSIFIED BY 60309 AUC/TAM/ULT/CLD  
ON 7-7-05

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I. SIS OPERATIONS AT SEAT OF GOVERNMENT.

A. Changes in Administration.

On April 30, 1947, the SIS Section of Division 5 at the Seat of Government was closed. This was done as a result of our withdrawal of personnel from Latin America and the turning over of [redacted] b1

[redacted] (S)  
Our last SIS office, that in Port au Prince, Haiti had been closed on April 28, 1947. X

We established Police Liaison Offices in three Latin American Countries at the time we turned over our [redacted] (S) b1  
[redacted] in these countries. These are located in Rio de Janeiro, Brazil (established January 20, 1947); Mexico City, Mexico (established April 8, 1947); and Havana, Cuba (established April 14, 1947). We have continued to maintain our European SIS Offices in London, England, Madrid, Spain and Paris, France. Our Liaison Office at Royal Canadian Mounted Police Headquarters, Ottawa, Ontario, Canada is still functioning. X

Supervision of these seven offices, continues in Division 5 having been transferred to the newly established Foreign Service Desk in the Liaison Section. X u

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B. SIS Finances

For SIS operations during the fiscal year 1947, the amount of \$5,000,000 from the total Bureau appropriations was allocated.

As of June 30, 1947, the sum of \$2,010,913.73 had been expended as follows:

Total Appropriation for 1947 \$5,000,000

Expenditures as of June 30, 1947

Expenses	\$ 322,732.10
General Expenses	5,114.68
Salary	1,205,487.06
Informants	245,497.24
*Property	16,891.19
Living and Quarters	247,682.39
Entertainment	41.45
Total	\$2,010,913.73

\*Expended for Property \$ 893.33

Realized from Sale of Property \$ 17,734.52

\$ 16,891.19 cr.

The following Table shows the funds available and the amounts expended for SIS Operations from the beginning of the 1941 fiscal year through June 30, 1947:

<u>Fiscal Year</u>	<u>Funds Available</u>	<u>Total Expenditure</u>
1941 - 1942	\$ 900,000	\$ 900,000
1943	2,900,000	2,900,000
1944	5,453,000	3,525,000
1945	Carried fwd from '44	
-	\$1,925,000	
Addl. approp.	<u>1,175,000</u>	3,100,000
		2,925,000
1946	Carried fwd from '45	
-	\$ 175,000	
Addl. approp.	<u>2,771,357</u>	2,546,357
		2,946,357
	3,000,000	
1947	Expenditures to June 30, 1947	<u>2,010,913.73</u>
	TOTAL	<u>\$15,207,270.73</u>

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C. Assumption of Jurisdiction by CIG

By way of background it will be recalled that by Presidential Directive of January 22, 1946, there was created a National Intelligence Authority composed of the Secretaries of State, War, Navy and President's personal representative, who would "from time to time assign persons and facilities from your respective Departments, which persons shall collectively form a Central Intelligence Group..." (S)(u)

The Directive as issued by the President appeared to contemplate the Central Intelligence Group being a coordinating agency for the already existing Departmental intelligence agencies. It was given the power to correlate and evaluate intelligence and make appropriate dissemination, it being specifically stated that in accomplishing this full use was to be made of the staff and facilities of the State, War, and Navy Departments, the Directive, of course, applying to only these three agencies. The Central Intelligence Group, subject to the direction of the National Intelligence Authority, was also to plan the coordination of operations of the intelligence agencies of the departments and to recommend the establishment of overall NIA policies and objectives. The CIG was also empowered to perform for the benefit of intelligence agencies such services of common concern as the National Intelligence Authority considered could be more efficiently accomplished centrally. (S)(u)

Admiral Sidney W. Souers was named the first Director of the Central Intelligence Group on January 22, 1946. The Director of the Bureau was named a member of the Advisory Committee of the Central Intelligence Group, as a result of which a number of matters have been referred to the Director for his comments prior to the time they were put in force by the National Intelligence Authority and the Central Intelligence Group. Also the Bureau was invited to designate a representative on the Central Planning Staff of the CIG, and Assistant Director D. M. Ladd and Inspector Crawford H. Carson were designated as Bureau representatives on this Planning Group. This was confirmed by letter from the Secretary of the CIG dated April 12, 1946. (S)(u)

The Central Intelligence Group in May of 1946 started the drafting of interim recommendations for the handling of world-wide intelligence work. There had previously been issued a directive by the CIG instructing that the Strategic Services Unit in the War Department be liquidated. The Planning Group recommended a directive which in essence would state that the Federal Bureau of Investigation would expand its facilities to include clandestine intelligence operations throughout the world. It was proposed that the X2 or Counterintelligence Branch of SBU be transferred to the Bureau, such transfer to be effected gradually. The SI Branch or Positive Intelligence Branch of SBU was to be completely liquidated. This proposed directive was submitted to Director Hoover for his comments and approval as a member of the Advisory Board before being submitted to the National Intelligence Authority for its final approval and the issuance of the directive. (S)(u)

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The matter of the Bureau expanding to include world-wide intelligence was referred to the Attorney General, the view of the Director being set forth that we should not take on world-wide intelligence but should handle only the Western Hemisphere for the time being. The Attorney General stated that he desired to discuss this matter with the President. X u

On May 15, 1946, the Attorney General advised Mr. E. A. Tamm that he had talked to the President, and the President advised that after talking to Admiral Leahy he wanted the Department of Justice "to string along with him" until he got his new man in charge of the intelligence setup and finds out what the new man wants to do. The President also stated that he would like to see the Department of Justice operate in the Mexican and South American intelligence service. The Attorney General advised the President that the FBI was doing this, had funds, and would continue it until July 1, 1947. The Attorney General further stated that he was going to take the position that the FBI would continue to operate its Special Intelligence Service in Central and South America until July 1, 1947, or until some other agency was ready to take over. The Director stated after receiving this information that the Bureau would take the position that we will continue to cover the Western Hemisphere, but not expand into any other part of the world. X u

On May 23, 1946, Assistant Director D. M. Ladd advised Colonel Cunningham of the National Intelligence Authority that the Attorney General had stated the FBI should continue its work in the Western Hemisphere for one year only, that is through June of 1947, and should not expand to world-wide coverage. X u

The CIC made its first major change in operational policies when the CIA issued Directive Number 5 on July 8, 1948, stating that the CIC was directed to perform the following service: "Conduct of all organized federal espionage and counterespionage operations outside the United States and its possessions for the collection of foreign intelligence information required for the national security." (X u)

By letter dated July 8, 1948, General Hoyt S. Vandenberg, the Director of CIC, was advised that in view of the fact that that organization was setting up a foreign intelligence agency for the United States on a world-wide basis, it was assumed that they would be prepared at an early date to take over the responsibilities formerly entrusted to the Bureau in Latin America, and that, therefore, it was desired that the two organizations immediately work out a program for the transfer of secret intelligence responsibilities in Central and South America. As a result, on July 18, 1948, a conference was held between officials of CIC and officials of the Bureau in the office of Mr. E. A. Tamm. During this conference, CIC inquired as to whether any Bureau personnel would be available for assignment to CIC. It was pointed out at that time that the Director could not spare any of our personnel for such an assignment. The question was also asked whether the Bureau would transfer any stenographic or clerical employees to CIC. The CIC representatives were advised that our clerical employees were all regularly domestic employees with years of experience whose services would be essential to the Bureau in the Domestic Field. (X u)

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By letter dated July 15, 1946, the Bureau advised CIG that thirty days from that date, we intended to withdraw our personnel from the [redacted] and [redacted] because it was felt that due to the return to peacetime normalcy there was very little of importance to cover in those countries and accordingly the expenditure necessary to maintain those offices was no longer warranted.

b1

[redacted]  
[redacted] (S)

By letter dated July 24, 1946, to General Vandenberg, the Bureau informed him that our plans to close these Offices had already advanced to such a stage that it was not practical or possible for us to continue their operation beyond August 16, 1946. The SIS Offices in those countries were, in fact, closed on that date. [redacted] was on hand in San Jose, Costa Rica to take over our [redacted]

b1

furnish a [redacted]  
transfer [redacted]  
request and advised us [redacted]

b1

[redacted] (S) The Bureau took the position that it was impractical to continue operation in Latin America for a considerable length of time when our personnel were aware of the fact that we were definitely to be replaced in the future, it being inevitable that our efficiency and our coverage would suffer under such circumstances. Accordingly, we asked CIG [redacted]

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[redacted]  
[redacted] (S)

[redacted]

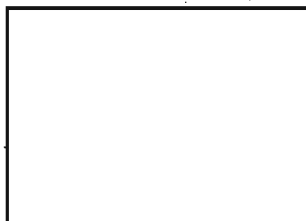
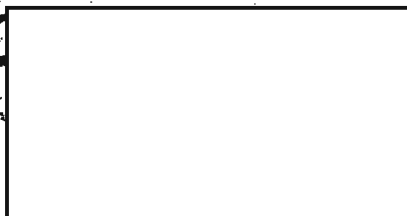
[redacted]

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All of our offices actually were closed in accordance with the above schedule.



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We have retained Police Liaison representatives in the Embassies in Rio de Janeiro, Brazil, Mexico City, D. F. and Havana, Cuba. In addition, we are continuing to maintain liaison men in the American Embassies in Madrid, Spain, Paris, France, and London, England. Our liaison representative in Canada, attached to the Royal Canadian Mounted Police in Ottawa is likewise being retained.

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## II. SIP OPERATIONS IN THE FIELD.

### A. Administrative Changes

Latin America X U

On July 31, 1946, the Bureau's Liaison Office in Panama was closed after protracted negotiations with the Army Authorities there. The latter refused to agree to our representative in Panama exercising the same jurisdiction as did Legal Attaches in other Latin American countries, and it was felt by the Bureau that maintaining a man in Panama under the restrictions which the Army desired to impose was a useless expenditure. At first there was some protest from the State Department at our action in closing our Office in Panama, but when the Army's position was made known to the State Department, this protest was withdrawn. X U

b1

By letter dated July 15, 1946, the Bureau advised ID that thirty days from that date, we intended to withdraw our personnel from the [redacted] and [redacted] because it was felt that due to the return to peace-time normalcy there was very little of importance to cover in these countries and accordingly the expenditure necessary to maintain these Offices was no longer warranted.

b1

[redacted] (S)

By letter dated July 24, 1946, to General Vandenberg, the Bureau informed him that our plans to close these Offices had already advanced to such a stage that it was not practical or possible for us to continue their operation beyond August 16, 1946. [redacted]

b1

[redacted] (S)

b1

[redacted] (S)

[redacted] (S)

b1

All of our offices actually were closed in accordance with that schedule.

[redacted] (S)

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b1

(S) [ ] We have retained Police Liaison representatives in the Embassies in Rio de Janeiro, Brazil, Mexico City, D. F. and Havana, Cuba. In addition, we are continuing to maintain liaison men in the American Embassies in Madrid, Spain; Paris, France; and London, England. Our liaison representative in Canada, attached to the Royal Canadian Mounted Police in Ottawa is likewise being retained.

Europe X U

On September 13, 1946, and September 15, 1946, respectively the Bureau's Liaison Offices in the Embassies in Lisbon, Portugal and Rome, Italy were closed. This action was taken because of the lessening importance of these posts consequent upon the changing emphasis of the Bureau's interests. We have continued to maintain our representatives in London, England, Madrid, Spain and Paris, France. We have one Agent assigned as an Attache to the American Embassy in each of these cities. X U

Far East X U

In view of the decision by the Bureau not to continue in Foreign Intelligence work it was decided to close our office in Tokyo, Japan. Our representatives were withdrawn from Tokyo on August 30, 1946. X U

Special Continental Assignment X U

On February 26, 1947, Special Agent [ ] left on special assignment as security officer with the State Department to assist at the Conference of Foreign Ministers at Moscow. This assignment was undertaken at the specific request of Secretary of State George Marshall. [ ] completed this assignment and returned to the Bureau on April 23, 1947. X U

b7C

b7C

B. FBI Legal Attaches

As of June 30, 1947, the Bureau has Legal Attaches assigned as follows:

- Rio de Janeiro, Brazil
- \* Ottawa, Canada
- Havana, Cuba
- London, England
- \*\* Paris, France
- Mexico City, Mexico
- Madrid, Spain

- \* Representative carries title of Liaison Officer.
- \*\* Representative carries title of Attache.

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C. All Employees in the Field

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Fiscal year 1947

	<u>Start</u> <u>7/1/46</u>	<u>End</u> <u>6/30/47</u>	<u>Decrease</u>
Countries to which assigned	27	7	20
Cities to which assigned	33	7	26
<u>Personnel Assigned</u>			
Local Attaches	22	7	15
Special Agents	109	4	105
Special Employees	23	9	23
Clerical Employees	98	9	84
Radio Employees	23	9	23
Total	<u>270</u>	<u>20</u>	<u>250</u>

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D. SIS Police Liaison

COLOMBIA X U

On November 5, 1946, at a ceremony held at the Police School in Bogota, Colombia, General Carlos Vanegas M., Director General of the Colombian National Police, conferred on Police Liaison Agent [ ] the "National Police Medal". General Vanegas expressed personally to Agent [ ] in the presence of the gathering, his pleasure in being able to confer the medal and expressed again his appreciation for the services which have been rendered to the Colombian National Police by Agent [ ] and former Police Liaison Agents. Ambassador John C. Wiley stated to the Legal Attache that he was highly gratified and pleased to know that the Colombian National Police had recognized in this manner the assistance given them by Agent [ ] b7C X U

GUATEMALA X U

During July and August of 1946, Police Liaison Agent [ ] conducted a short course of training for four agents of the Guatemalan Judicial Police and ten agents from the Guardia Civil in the use of camera and photostat equipment. Colonel Victor M. Sandoval, Director General of the Guardia Civil, had requested that Agent [ ] give the school in order that the Guatemalan Police would have personnel familiar with the use of cameras and photostat equipment. Sandoval was very grateful for the efforts of Agent [ ] in conducting the school. b7C X U

MEXICO X U

On June 2, 1947, there was inaugurated in Mexico City a large police school for the following four Mexican Police Departments: Judicial Police of the Republic; Judicial Police of the Federal District (embracing Mexico City); Direccion de Seguridad (Mexican Bureau of Security), the new police organization established by President Aleman; and the Mexican Secret Service. This school is being conducted by two experienced Bureau Police Liaison Agents. Upwards of 200 police officers are attending this school. The school was initiated by Colonel Marcelino Murrata, the head of the new Direccion de Seguridad, and the Mexican Assistant Attorney General, Angel Gonzalez de la Vega, who advised that the Mexican President, Miguel Aleman, shortly after he took office instructed them to make every effort to improve the caliber of Mexican police. It is understood that not only officers of the four above-mentioned Departments but, in addition, officers from Police Departments throughout Mexico are attending this school, which so far has resulted in very favorable comment from Mexican officials. Present plans call for the school to run approximately six months. X U b7C

PANAMA X U

Police Liaison Agent [ ] left Panama in August, 1946, when the Office of the Legal Attache in the Embassy was closed. A number of letters were received from the Head of the Panamanian Secret

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Police, the Minister of Government and Ambassador Frank T. Hines praising Agent [redacted] highly for the work which he had done with the Peruvian Police. He had been in Panama since August, 1945, and had conducted schools in Panama City and in Colon. *2 u*

b7C

PERU *2 u*

b1

PERU *2 u*

At the request of Ambassador William D. Pawley, Special Agents [redacted] were sent to Lima, Peru during April, 1946, to offer courses of training to the personnel of the Division of Investigation of the Peruvian National Police. These Agents remained in Peru until our SIS Office was closed on March 7, 1947. During the course of their assignment they conducted schools for the Department Chiefs, a school for the sub-officials and a course in defensive tactics for a selected group of men from the Division of Investigation. At the request of the Peruvian Army they also gave a series of five conferences for members of the Intelligence Division of the Army. They also laid out a "Practical Pistol Course" and furnished a short course of instruction to a group of ten members of the Division of Investigation. *2 u*

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[redacted] received much favorable publicity in the Peruvian newspapers and in the police magazines. Full credit was given to the Director and the Bureau for having sent them to Peru. Dr. Horacio Compedes, Head of the Division of Investigations, wrote a personal letter to the Director, advising of the satisfactory manner in which the Agents had served in Peru and expressing his personal appreciation to the Direction for having made their services available. *2 u*

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NETHERLANDS, WEST INDIES *2 u*

During the latter part of September, 1946, the Police of Willemstad, Curacao, N.W.I., made it possible for the Bureau to apprehend Antonio Navarro Fernandez, international swindler. Navarro was in Curacao when the police there were advised that the Bureau desired to apprehend him. The police arranged to have him deported and placed him on a plane for Miami, Florida where he was taken into custody. Mr. M. P. Gorsira, Inspector of Police at Willemstad, was primarily responsible for this action. A letter of appreciation was sent to him and an invitation was extended to him to attend a future session of the FBI National Academy. This invitation was accepted and Mr. Gorsira attended the Academy session which began on January 7, 1947. *2 u*

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~~CONFIDENTIAL~~  
BRAZIL X u

When preparations were being made to close the SIS Office in Rio de Janeiro, Brazil, Officials of the Embassy and Heads of the various Police Department in Rio de Janeiro requested that an Agent be left there to serve in a liaison capacity with the Brazilian Police. The Bureau complied with these requests and Agent [redacted] remained in Rio de Janeiro. X u

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Similar arrangements were made for two Agents to remain in Mexico City and one Agent in Havana, Cuba to act solely as Police Liaison representatives handling criminal matters in which the Bureau has an interest. X u

A review of the Bureau's Police Liaison Program reflects that 32 Agents were used in liaison capacities with the Police of 16 different Latin American countries. It is felt that the work of these Agents during the past six years contributed materially to the success of the SIS Program as a whole. Through their personal contacts with Latin American Police Officials the Liaison Agents greatly enhanced the prestige of the FBI and at the same time, because of their relations with the Police, they developed information of great value to the various Embassies and the Bureau. The many courses of instruction given by our Agents have done much to improve police organizations in Latin America and to promote closer international police cooperation. X u

THE INTERNATIONAL CRIMINAL POLICE COMMISSION

In June, 1946, the Bureau became a member of the International Criminal Police Commission. The Director was elected a Vice-President at the Annual General Conference of the Commission held in Brussels, Belgium, at that time. The ICPC is a European Police Organization made up of police departments of most of the European nations. It was originally founded in 1914 and increased in importance until shortly prior to World War II. As a matter of fact, the Bureau gave serious consideration to joining the organization in 1937. An Inspector of the Bureau attended an Annual Conference in that year. Thereafter, a request was made of Congress to include in the Bureau's budget, \$1,500.00 annually for dues. This budget item was authorized and this amount has been included in the Bureau's budget annually since that time; however, because of the political situation in Europe in 1938, it was decided by the Bureau not to join the ICPC. The organization was reactivated in June, 1946. The President is Fernand Louwage, an experienced Belgian police official.

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Special Agent [redacted] the Bureau's representative in Paris represented the Director at the Annual General Conference in Paris in June, 1947.

The Bureau has agreed to act as a "clearing house" in the United States for inquiries made by member departments of the ICPC. X u

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which ordinarily would be directed to various police departments within the United States. Therefore, these inquiries are directed to the Bureau which in turn forwards them to the appropriate police departments. As a practical matter, if the inquiry desired calls for a single interview, or very little investigation, the Bureau handles these inquiries through its field offices rather than referring them to police departments. We are handling an increasingly large number of communications from ICPC members each month. X u

### B. Security Surveys

At the request of the State Department a general and complete security survey of the facilities and procedures of the American Embassy in Buenos Aires, Argentina was begun on May 15, 1946. This survey was completed on July 16, 1946, and the findings and recommendations were thereafter discussed with the Ambassador in Argentina, Mr. George Messersmith. Mr. Messersmith was very favorably impressed with the survey and issued instructions to the appropriate Embassy officials to put our recommendations into effect immediately. The State Department in Washington was also furnished a copy of our report setting forth the findings and recommendations. X u

On February 26, 1947, at the specific request of Secretary of State George Marshall, an Agent of the Bureau was dispatched to Moscow, Russia to assist in the capacity of security officer at the Conference of Foreign Ministers in Moscow. This Agent returned to the Bureau after completing his assignment on April 28, 1947. A report of his findings was immediately prepared and furnished to Mr. Marshall. The Secretary later expressed his sincere appreciation for this assistance. X u

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### III. COMMUNICATIONS

In view of our withdrawal from Latin America and the winding up of our SIS program there, all of our radio stations were closed down and our radio operators were recalled to the Bureau prior to April 30, 1947. [REDACTED]

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[REDACTED] JS

Since we still maintain three Police Liaison Offices in Latin America, namely, those in Havana, Cuba; Rio de Janeiro, Brazil; and Mexico City, Mexico, it was necessary in the case of the first two offices to make arrangements with the State Department so that we could use State Department facilities in communicating with those offices by cable. We have always had the privilege of using State Department facilities in communicating with our office in Mexico City. These arrangements were completed with the State Department and we now communicate with all of our Police Liaison Offices by cable. X u

The Bureau mail between the Bureau and Police Liaison Offices in Latin America and our European Liaison Offices continues to be transmitted by means of the diplomatic air pouch and diplomatic air courier pouch. [REDACTED]

[REDACTED] X u

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