

JOHN EDGAR HOOVER
DIRECTOR



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

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

The Honorable
The Secretary of the Navy
Washington, D. C.

My dear Mr. Secretary:

As of possible interest to you, there is transmitted herewith a monograph entitled "Axis Aspirations through South America," which has been prepared from information developed by this Bureau through confidential reliable sources.

Sincerely yours,

J. E. Hoover

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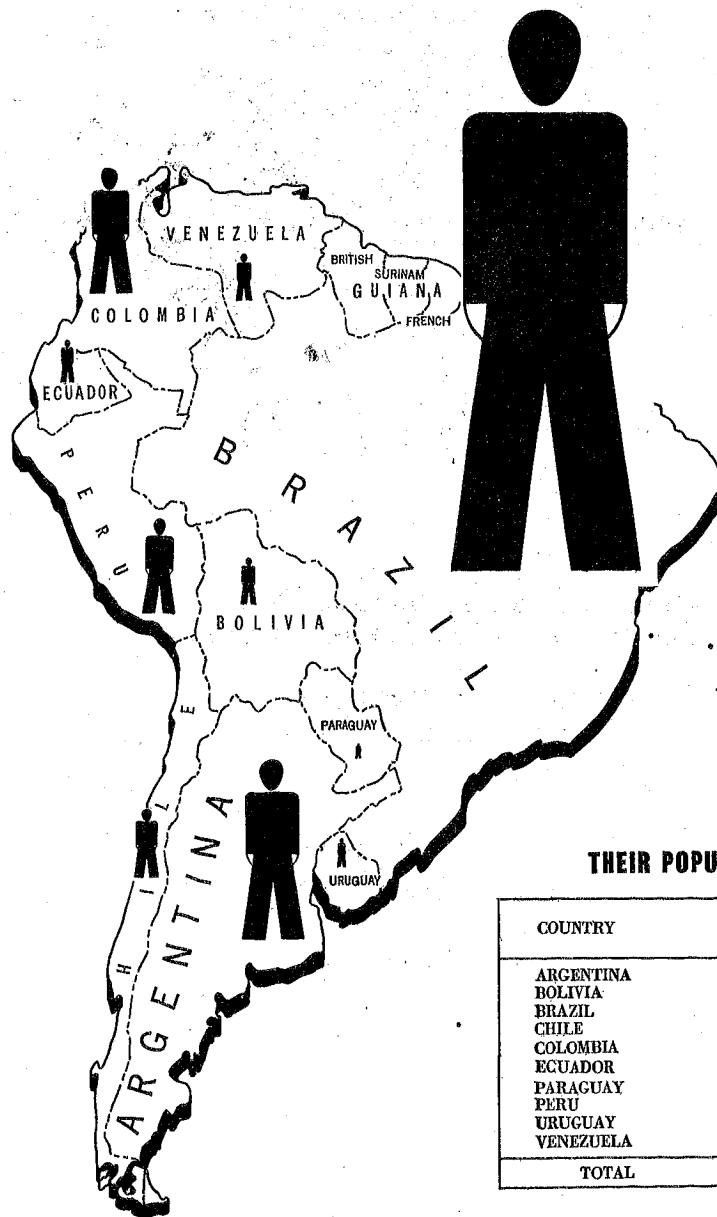
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Enclosure

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THE 10 SOUTH AMERICAN REPUBLICS



GRAPHICAL COMPARISON
OF POPULATION

THEIR POPULATION AND AREA

COUNTRY	POPULATION	AREA IN SQ. MILES
ARGENTINA	13,318,320	1,078,278
BOLIVIA	3,426,296	537,792
BRAZIL	41,356,605	3,275,510
CHILE	5,000,782	296,717
COLOMBIA	9,334,392	448,794
ECUADOR	3,200,000	275,936
PARAGUAY	1,000,000	174,854
PERU	7,000,000	532,060
URUGUAY	2,146,545	72,153
VENEZUELA	3,491,159	352,051
TOTAL	89,274,099	7,044,142

FOREIGN POSSESSIONS

BRITISH GUIANA	341,237	89,480
SURINAM	177,980	54,291
FRENCH GUIANA	37,005	65,041
TOTAL	556,222	208,812



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AXIS ASPIRATIONS THROUGH SOUTH AMERICA

Federal Bureau of Investigation
United States Department of Justice

John Edgar Hoover
Director

April, 1942

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United States Department of Justice
Washington, D. C.

April 1, 1942

AXIS ASPIRATIONS THROUGH SOUTH AMERICA

In 1917, Germany planned to attack the United States through Mexico, as revealed by the Zimmerman note. Today, with the improvement of transportation facilities, there is evidence that the Axis powers would use South America, or a part thereof as a base from which to attack our country. It has been stated that a concerted attack upon one of the southern Republics will precede the final assault proposed by the enemy upon the United States and Canada, since the latter two countries could not be successfully invaded from the present bases in Europe or Asia.

If the enemy were able to control one of the Republics without external attack, its final conquest would appear less difficult to achieve, but to date it has failed diplomatically. Each Republic except Argentina and Chile has severed relations with the Axis and reports from those two countries have indicated that the majority of the people would prefer to join with their sister nations in expelling the representatives of Germany, Italy and Japan.

The enemy, however, continues to work in South America as illustrated by its large numerical force of agents and vast expenditures utilized so far from the present fields of battle. The Axis has an economic interest in the continent, but its more pressing problem in this connection at the present time appears to center more on the interruption of the flow of strategic raw materials to the Allies than on the effort to obtain the materials for its own use.

Axis aspirations in South America are not based on a sudden impulse, nor has the enemy gone into this field poorly prepared. Hitler is alleged to have stated in 1939: "We have no intention of proceeding with the conquest of Brazil by landing troops for the taking of the country. Our armies are invisible." Large groups of Axis nationals have penetrated each Republic and a close alliance between the governments of Germany, Italy and Japan, and their citizens, has been maintained through commerce, the Nazi Party with its Gestapo, the diplomatic representatives and the ever present propaganda that "some day the Nazis will be in control." Prior to 1933, German commercial interests in South America were closely integrated and interdependent; furthermore, they depended to a large extent on direct trade with Germany.

FOR DEFENSE



Consequently, once firms with headquarters in Germany were working with the "Auslands" organization, the remaining German businesses were easily brought into line by the Commercial Attache or local German Chamber of Commerce in collaboration with these large firms, which had only to threaten the interruption of supplies and markets. Once an individual firm had been brought into conformity with national socialistic ideals, its members were dealt with by methods most suited to each particular case. Members of the Gestapo were present in the colonies to apply pressure wherever it was necessary. A large German airline was established through which a wealth of valuable geographical and aviation data were obtained, and it is interesting to note that some of the Nazi pilots have recently been recalled to Germany. The Italians organized and maintained until long after its entry into the war, the Lati Airline which provided valuable experience for personnel flying between Europe and Brazil via Africa. The immigrants into South America penetrated every profession and established relations with natives which today are proving difficult to overcome.

There is no evidence that the enemy has chosen a particular South American Republic through which its aims might be achieved. To the contrary, there is evidence that the Axis in desperation has strived to gain control of any or every country and its efforts have been revealed throughout the continent. Propaganda, coercion and promises have been utilized.

A cardinal feature in Axis policy is the weakening of Latin American solidarity by fomenting trouble between the various countries, the "Divide and Conquer" approach. At the present time, many reliable reports have been received that an attempt is being made to promote strife between Brazil and Argentina. The Axis powers would admittedly profit by a renewal of the old struggles between Peru and Ecuador and between Bolivia and Paraguay. Recent reports have advised of a concentration of Argentine troops near the Chilean border and of a secret meeting of the Argentine cabinet at which time there were discussed the possibilities of that country occupying Uruguay. The possibility of a change of government to suit Axis interests with the assistance of a subsidized pro-Nazi group exists in each South American country. Intelligence organizations are established at the present time in the various parts of the continent, engaged in collecting and transmitting information to the Axis nations, which data relate not only to local countries but also pertain to the United States.

Since the Axis program involves the entire continent and because the enemy is endeavoring to take advantage of the local problems of the individual countries, it is necessary to analyze the conditions in each Republic to determine the scope of activity and the latent dangers to our war effort through South America.

ARGENTINA

A hostile Argentina would be a constant threat to the other

South American nations such as Bolivia and Brazil upon whom the Allies are now so dependent for their supplies of strategic materials. It could annoy the Allied navies through its control of Tierra del Fuego and could provide excellent bases for Axis submarines. Economically, it could have little effect upon this country although the loss of its present exportations of meat to Great Britain would be felt.

Axis powers have made strong and effective efforts to gain the support of Argentina. Through newspapers, radios and other means of propaganda, efforts have been made to win over to the Axis cause, Army, Navy and other governmental officials, as well as the general public. The Andí Press Association is known to be subsidized in part by the Japanese; "El Pampero", a newspaper published in the Spanish language is known to be financed by the Germans and there are other numerous press organizations directly serving enemy powers. Masao Tsuda, a Japanese, made a radio talk on February 11, 1942, at Buenos Aires, which was transmitted to all the Japanese broadcasting stations in Japan, Manchukuo, China and Japanese possessions. This forty minute broadcast cost 6,000 Argentine pesos.

Espionage headquarters for Argentina are located in Buenos Aires where reports are received from agents throughout the western hemisphere and analyzed and transmitted to foreign governments. Instructions for western hemisphere agents which are received from enemy governments are disseminated throughout the western hemisphere.

Dr. Eugene Camillo Branchi, an Italian agent, who until May, 1941, resided in the United States, is presently working in Argentina. He recently advised his government that other Italian agents were working in cooperation with German agents, as well as some Argentine citizens, in establishing a favorable attitude in the country for the Axis nations. He recommended that every effort be put forth to assist the Spanish Falangists in carrying out their program, paying particular attention to the appeal of Latin kindredship. He pointed out to his government that the Italian schools and various Italian organizations in Argentina were achieving the objective of the Italian Government.

Argentina is the proudest and most nationalistic of all Latin American states. It considers itself the leader of South America. Therefore, it fights most strongly against interference on the part of the United States in the affairs of South America. Its Navy consists of two 27,000 ton battleships, three cruisers, four coastal defense vessels, three submarines and fourteen destroyers and it is believed to be the most efficient of all South American fleets. Argentina has apparently resented the prominence of Brazil at the recent conference of American nations at Rio de Janeiro and it has been reported that further Axis efforts will be made to create trouble between Brazil and Argentina because of this.

The Executive Acting President, Ramon Castillo, has surrounded himself with men favorable to the Axis powers. The most powerful of these is probably Ruiz Guinazu, the Minister of Foreign Affairs, who has played an important part in preventing the Congressional Investigating Committee from carrying out its desires in investigating and taking action against Axis activities. Guinazu refused to allow the Committee the use of foreign office translators and supported the German Ambassador when he complained that his diplomatic mail had been opened in connection with the seizure of an Embassy package containing a radio transmitter. He also refused to supply information to the Investigating Committee regarding aliens employed in his Ministry.

In November of 1941, Castillo declared a state of siege, ostensibly because of the unsettled international conditions, but it has been alleged that the purpose of the declaration was to give Castillo strict control of the country.

In spite of the attitude of some of the government officials, it is believed that the Argentine public opinion in general favors the Allies. Recently, a survey was made in an effort to obtain the opinion of a representative group of local citizens and it was found that the majority did not approve of the isolationist stand which Argentina had taken at the Rio de Janeiro Conference and indicated opposition to its government's refusal to break diplomatic relations with the Axis.

Ample evidence in addition to reports submitted by the Congressional Investigating Committee has reflected that the Germans are fully and dangerously organized for purposes of sabotage, espionage and propaganda in Argentina. The National Socialist Party was declared illegal in 1939 but it was replaced immediately by the "Federation of German Welfare and Cultural Societies." The latter organization maintained the same leaders and the same organization as the National Socialist Party had and in spite of the government's demand that it be dissolved, it continued to function as it had previously. At present, the organization follows the same structure as in other parts of the world and directs the Storm Troops, Gestapo, Youth Movements, Propaganda, Espionage, etc.

The majority of Japanese in Argentina are concentrated in Buenos Aires where they work as laborers, cafe owners and chauffeurs. They have invested a large amount of capital in the fishing industry through their ownership of the firm, "Compania Argentina Comercial e Industrial de Pesqueria." The fishing industry in Argentina is relatively unimportant but there is a danger of the fishing fleet being used for Axis purposes since it is alleged that the trawlers can easily be converted into supply vessels and mine sweepers. It has been reported that Kingo Kawai, managing director of the fishing company named above, exercises strong control over Japanese residents and has more power than the Japanese Ambassador, Baron Shu Tomii. Shiro Iwasaki, Furuta Tokuj, Y. Nakamura, Keiichi Yasanuga, Takao Arai, Tadao Kudo and Masao Tsuda are some of those definitely engaged in espionage and propaganda activities for Japan. Recently, an attempt was

made to show Japanese propaganda films at a theater in Buenos Aires but it has been reported that the effort was a complete failure. It is known that the Japanese and Germans are working together in Argentina and that Tadao Kudo and von Schultz Hausmann, a prominent Gestapo agent, have traveled together. It is also known that recently, Japanese espionage agents have transmitted directly to Tokyo from Buenos Aires, information regarding current events within the United States.

BOLIVIA

The United States urgently needs the tin mined in Bolivia of which fact the Axis powers are well cognizant. It has been reported that in the past six months the Bolivian tin production has decreased considerably as a result of Nazi activities among the miners, and reports have been received of attempts to sabotage the railways. In October of 1941, the miners went on strike demanding higher wages and evidence has been secured indicating that the strike was, at least partially, the result of activity of German agents. The Bolivian Government has recognized this danger and on January 13, 1942, revoked the Consular privileges of Erwin Keidel, the German Consul at Potosi, alleging that he had been the instigator of disorder in the tin mining districts.

The present government of the Republic has announced its complete cooperation with the United States but there is a strong undercurrent of dissatisfaction and political disorder. Members of the legislative body have openly denounced efforts of the government to effect complete cooperation with the United States and have made strong pleas and threats to prevent Bolivia from further assisting the Allies. The Army, which was trained by German officers, is allegedly filled with pro-Nazi sentiment. General Toro, a former President who has a powerful following in the Army, has been reported through numerous sources to be pro-German. In refutation of these reports Toro recently renounced these allegations and headed a Bolivian mission to the United States to purchase arms.

In its desire to prevent a revolution allegedly sponsored by the Axis powers and to insure economic stability, it is known that the Bolivian Government is presently considering the following measures:

- Compulsory registration of all alien Germans, Italians and Japanese.
- Strict regulation of automobile and railway travel of all individuals with particular emphasis on those suspected of being totalitarian sympathizers.
- Registration of all employees working at vital production plants.
- Placing of armed guards at strategic points.

It is also known that the officials of the Bolivian Government are very much distressed at the inability to obtain trained, reliable and

intelligent personnel to establish an efficient counter-espionage organization to combat the activities of the Axis powers which they are convinced exist.

Although there are only approximately 3,000 Nazis in the country, the economic and educational conditions of the majority of Bolivians are such that political reorganizations are continuously imminent and rumors of potential revolutions are frequently reported. On February 25, 1942, information was received reflecting that Dionisio Foianini, former Bolivian Minister of Mines, now in Buenos Aires, Argentina, was engaged with General Menendez of Argentina, and others, in planning a revolution in Bolivia. There have been located in outlying districts small supplies of arms and ammunition, together with Nazi paraphernalia which tend to reflect that some of the rumors involving Nazi efforts to establish internal disorder have a sound basis. There is a complete organization of the Falange in Bolivia with members located in all professions throughout the Republic. There is also known to be an official Nazi Party with organizations in La Paz, Sucre, Potosi, Oruro and Cochabamba.

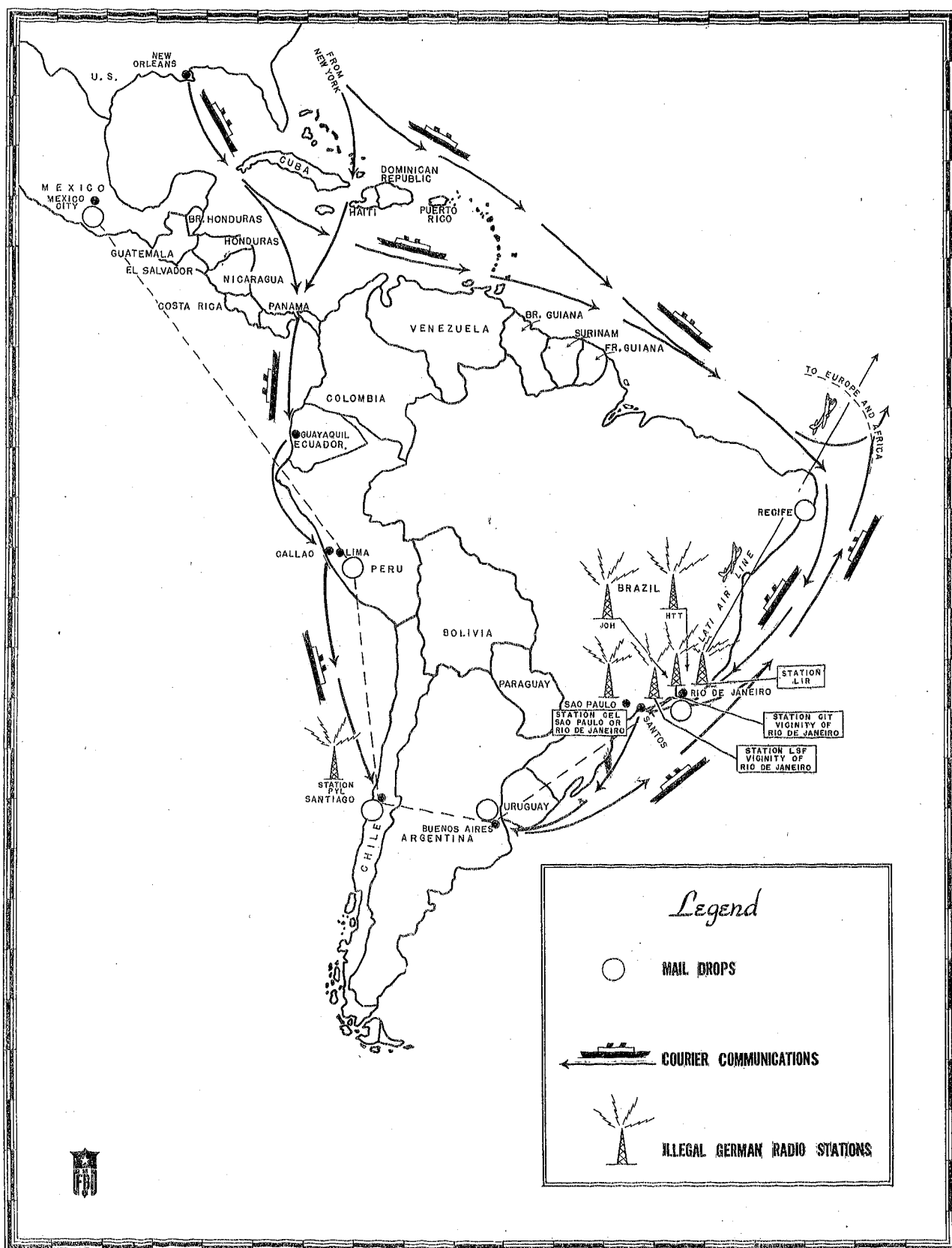
BRAZIL

Brazil is probably the most important country in South America with reference to the current war program of the United States. Brazil is unsurpassed by any other country in the world as to natural resources which are, for the most part, undeveloped. It is rich in gold and other precious metals, diamonds, coal, manganese ore, iron and a variety of other strategic materials. Brazil is substantially rich with respect to forest lands and has a considerable number of rubber trees. It has more than three times the population of any other South American country, and has an area larger than the continental United States. Brazil must also be considered as important to the United States because its Government is wholeheartedly following a policy of hemispheric solidarity as advocated by the United States.

Brazil is of importance to the United States from the standpoint of an external attack from Dakar, French West Africa, on the Recife-Natal area of Brazil, which is located approximately 1600 miles from Africa. The Recife-Natal area appears vulnerable to attack by bombers and parachute troops, and once it is in possession of the Nazis it could be utilized as a base for an attack against the Panama Canal, via bases in the Amazon Valley. The Archipelago of Fernando de Noronha, which belongs to Brazil, and which is located about 260 miles off the Brazilian coast in the direction of Dakar, could be seized by the Germans to facilitate an attack on Recife and Natal. One motive for an Axis attack on the northeastern bulge of Brazil would be to support an Axis inspired uprising in the southern states of Brazil.

In spite of the vulnerability of the northeastern portion of Brazil to an Axis attack, the problem that appears to be giving the most

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concern to responsible Brazilians is the possibility of internal attack by the Axis elements.

With respect to the Germans, it is reported that there are over one million persons of German descent in Brazil, largely concentrated in the southern portion of Brazil, in the states of Santa Catarina, Rio Grande do Sul and Sao Paulo. There is ample evidence that the Germans in this area are strongly organized and possess substantial supplies of arms and ammunition. It is probable that an uprising in this area would be ineffectual alone, but coupled with an external attack, it could be a serious menace to Brazil, and to the interest of the United States. The Nazis in southern Brazil are known to cooperate with the Nazis in the bordering countries of Argentina, Uruguay and Paraguay. In connection with the friction which exists between the countries of Argentina and Brazil, reports have been received that the Nazis of this area are endeavoring to create a border incident leading to hostilities between Argentina and Brazil. Recently, a reliable report was received to the effect that the military authorities of southern Brazil are apprehensive with reference to an uprising of the Nazis in that area, assisted and abetted by the Argentine authorities.

A small but highly organized colony of Germans is known to exist around Fortaleza, in the State of Ceara, on the northeastern coast of Brazil. This colony could be of tremendous assistance to an external attack on Brazil, and there are reports that individuals in this German colony are assisting Axis submarine activities in the Atlantic Ocean.

With respect to the Nazi Intelligence organization, it is known that it is extremely active in Brazil and has representatives in all of the principal cities. Its activities appear to center in Rio de Janeiro, where there is located a large number of known Nazi Intelligence agents. There are at least seven clandestine high-powered German radio transmitters located in and around Rio de Janeiro which are in daily communication with Germany, furnishing Intelligence information, such as arrivals and departures of boats, details as to cargoes and information on the military and naval activities of the United States and Allied powers. The German Intelligence Service has become increasingly active in Brazil and there is evidence that Rio de Janeiro may be the headquarters of a Nazi Intelligence Service for all of South America.

There has been evidence of sabotage on the part of the Axis powers such as "slow-down" sabotage in connection with the labor on bases which are being built for the United States in Brazil. There has also been definite sabotage on small pieces of equipment used in the construction of these bases. On February 10, 1942, a fire occurred in the town of Rumo, near Chique-Chique, Brazil, which is one of the principal areas for obtaining rock crystal. It was reported that about \$25,000 worth of rock crystal and about 400 residences were destroyed by the fire. It was reported that this fire was intentionally set by a pro-Axis individual or individuals and to substantiate the allegation

that it was arson, it was ascertained that fires were started at various points.

The Japanese in Brazil are the least assimilated of the immigrants in Brazil and have been described as the most dangerous of the alien groups presently located there. Estimates of the total number of Japanese in Brazil vary from 200,000 to 300,000. It has been estimated that there are probably 250,000 Japanese located in the State of Sao Paulo, where they colonized between the years 1910 and 1920. There is also a colony of Japanese in the Amazon region as well as scattered Japanese individuals in other sections of the Republic. It has been noted that the Japanese have settled at strategic points with reference to the vital areas of Brazil. It has been reliably reported that they have settled in the vicinity of forts and military reservations at Santos and Sao Paulo and that they control areas surrounding the public utility plants at Sao Paulo. There are also strong settlements along the coast southwest of Santos on the railroad from Santos to Juquia and along the railroad in the State of Matto Grosso. It was also reported that there are many Japanese along the Central Brazilian Railway, which leads from the city of Sao Paulo to the city of Rio de Janeiro and along the Santos-Sao Paulo Railroad. In the Amazon valley there is a Japanese colony in the State of Para, near the city of Belem and in the State of Amazonas, near the border of the State of Para.

Information has been received that the Japanese have a well organized plan for attacking Brazil from within, and are awaiting word from Tokyo to proceed. The police authorities in Brazil are reputed to have in their possession at least a part of these Japanese plans. The Japanese in the State of Sao Paulo have remained isolated since their colonization there and it is said that it is impossible for an outsider to enter the large estates owned by Japanese. They have their own schools, associations and institutions and it is reported that they have engaged extensively in military drill. One report reflects that the Japanese have armament supplies, hand grenades, guns and even anti-tank guns which have been shipped into Brazil from Japan, labeled as "agricultural machinery." Military officers are said to have been sent from Japan to the Japanese colonies in Brazil for the purpose of directing military activities. Many of the farms belonging to the Japanese northwest of Sao Paulo are said to contain fields especially adapted as landing fields for aircraft. The Japanese are in control of a large fishing fleet operating out of the city of Santos and these fishing boats could be readily adapted for refueling raiders or rendering assistance in connection with military uprisings.

While there have been reports that the Japanese are cooperating with the Germans, there has been little direct evidence to corroborate these reports. It is known that the Japanese have utilized German couriers and German sources for communication of information, and that there has existed to some extent, a collaboration between the Military and Naval Attaches of the German and Japanese Embassies.

Responsible individuals in the Brazilian Government are reliably reported to be alarmed at the Japanese problem and many incidents in connection with Japanese individuals have been reported. Several Japanese have been summarily shot when caught prowling in the vicinity of Brazilian military establishments. At Presidente Prudente, in the State of Sao Paulo, it was reported that a Japanese shot a Brazilian bank employee because he could not withdraw his funds which had been frozen by the Government, and it was necessary that the police use considerable force to capture this Japanese in the Japanese colony. A number of Japanese have been reported assaulted by Brazilian citizens for various reasons.

From the strength of the Japanese colony, it would appear that in the event of a military effort by them they would be able to seize the city of Santos, an important seaport. The Japanese would also probably be able to seize control of the city of Sao Paulo which has been called the "Pittsburgh of South America," and at least would be able to sabotage the public utilities, railroads, etc., in that city and isolate it from the capital, Rio de Janeiro. The Japanese would be able to attack and damage the city of Belem, an important port at the mouth of the Amazon River and the city of Manaus on the upper Amazon, an important rubber center.

While the Italians in Brazil are numerically strong, (there are reported to be over 1,000,000 persons of Italian descent in Brazil), it appears that they have been assimilated to a great extent and that the Fascist groups do not constitute a present danger. They are concentrated largely in the city of Sao Paulo and a majority of the prominent business firms there are owned by Italians. Potentially, however, because of their numerical strength and the incipient Fascist movement existing in Brazil, the Italian population represents a danger to Brazil and to the security of the United States. There are a large number of Italian organizations in Sao Paulo, some of which are Fascist or Fascist dominated. There are a number of prominent Fascists in Brazil, chiefly in the city of Sao Paulo, and these individuals are, for the most part, from the wealthy class of Italians. The Italian Intelligence organization is known to have representatives in Brazil, but from present evidence they do not appear to be active. Italy has endeavored to utilize Gestapo methods in order to secure the cooperation of the Italians abroad and in the event that this effort should prove successful, or in the event that the Germans should succeed in organizing the Italian colony, it would represent a serious threat to the internal security of Brazil.

With reference to the native Brazilian people, it is generally believed that they are overwhelmingly pro-Allied and pro-United States. However, Axis propaganda has been strong in Brazil, particularly prior to the time that Brazil broke off diplomatic relations in Germany and barred the Axis news agencies. The Brazilian Army contains a large number of officers who are German trained and pro-Axis in sympathy. There still exists in the present Brazilian Government a number of officials who must be regarded as pro-Axis even though they are presently supporting the

governmental policy with reference to hemispheric cooperation. General Goes Monteiro, the Chief of Staff of the Brazilian Army, has always been sympathetic with the Germans and it is said he is convinced that Germany will win the present war. The Minister of War, Eurico Gaspar Dutra, has often been reported as pro-Nazi. General Gustavo Carneiro de Farias, who has charge of the Army Divisions located in the northeastern portion of Brazil with headquarters at Recife, is strongly pro-Nazi. He was a member of a military commission which visited Germany and while there he appears to have become impressed with the Nazi governmental and military systems. Felinto Mueller, the Chief of Police in Rio de Janeiro, is of German descent and is married to a German woman and in many ways he has given evidence of being sympathetic to the Nazis.

The members of the Integralist Party, which has a program similar to that of the Fascist program and which is presently outlawed, must be taken into consideration in connection with the internal security of Brazil. Although Plinio Salgado, the Integralist leader who is presently in exile in Lisbon, Portugal, has advised his followers to support the Brazilian Government in the present conflict, many of the Integralists are definitely pro-German and anti-United States. Also, the Integralist leaders are ambitious with reference to gaining power in Brazil and would probably seize an opportunity to unite with any group for the overthrow of the present Government. In the event the Integralists gain control of the Brazilian Government, there seems to be no doubt that they would assume a policy of cooperation with the Axis powers and would take an anti-United States attitude.

CHILE

Chile is one of the important countries of South America with reference to the interests of the United States as it is the source of many strategic minerals necessary for the war production of our country. There are supplies in Chile of copper, iron, nitrate, vanadium, antimony, zinc, wolfram, lead, manganese, mercury and various other minerals. From a strategic standpoint, it is the most vulnerable country of South America as to an external attack, because of the length of its shore line. In the event the Japanese obtain a foothold in Chile it could be used as a base for an attack against other areas vital to the United States as well as the United States proper. Because of the length and the irregular character of its coast line, it offers the opportunity for refueling bases for Axis submarines and raiders. An attack by an Axis power would effectually cut off vital United States supplies from the mines of Chile and in the hands of an Axis power these mines would be of value to the war effort of that power.

The ability of Chile to defend itself is insufficient for the protection of its long and vulnerable coast line. It is reported that Chile has only about 20,000 regular troops; some 24,000 Carabineros (National Police) and about 200,000 poorly trained reserves. Its air force numbers approximately 100 planes and its Navy has 1 battleship,

3 obsolete cruisers, 8 destroyers and 9 submarines.

The Germans represent the strongest and most dangerous of the Axis populations in Chile, numbering approximately 200,000 individuals. The Germans are strongly concentrated in the southern portion of Chile and they are especially powerful in the vicinity of the city of Valdivia where they dominate most of the business and commercial activity. The Nazi Party in Chile is probably the best organized and most compact of all the Nazi organizations in South America. The Germans own 10 commercial radio stations in southern Chile; possess numerous amateur stations; own several newspapers; run numerous schools and have organized many clubs and societies. It is said that the Germans in southern Chile have a compact military organization, the "Militaerverein" and that this organization has stores of arms and ammunition, an ample supply of boats for coastwise travel, and even some airplanes available for their use. It has been reliable reported that the Germans have 20,000 military trained men available in southern Chile. Reliable information indicated that the Germans in southern Chile planned a Putsch for July 17, 1941, but did not stage their uprising, apparently due to the German invasion of Russia. The Nazis have ample funds for their work, chiefly secured through assessments on the many German business firms existing in Chile and on individual Germans.

All of the customary Nazi organizations, such as the "Frente Aleman de Trabajo" (The German Workers' Front) and the "Sozialistische Deutsche Bund" exist openly in Chile and are extremely active among the German population.

The Germans have a complete espionage and Intelligence system in Chile, which appears to center at Valparaiso, the chief seaport of the country. There is a powerful clandestine short wave radio transmitter in use by the Germans in the vicinity of Valparaiso which is in almost daily communication with Germany, furnishing important Intelligence information to the Nazi Government. This station is utilized by a large group of German Intelligence agents. It is also utilized by German Intelligence agents in other countries and it has been utilized for the purpose of forwarding information to Germany which has been received from the United States.

The Germans of southern Chile possess numerous small clandestine radio transmitters used for intra-country communication. The German Embassy in Santiago is the center for most of the German activities. It is known that Walter Boettger, an Attache of the Embassy, is head of the Nazi Party in Chile. Wilhelm Hammerschmidt, another Attache of the Embassy is head of the German Propaganda Service and Ludwig von Bohlen, the Air Attache of the German Embassy, takes a leading part in the Intelligence activities of the German Government. The leading German firms, such as Bayer & Company and Osterloh & Company participate in all the German activities, including propaganda and Intelligence work, and the German Transocean News Agency has an active branch in Chile for the

distribution of propaganda.

The danger in Chile with reference to sabotage is chiefly in connection with the mines and the railroads which carry the products of the mines to the coast. It will be noted that a part of the tin from Bolivia is transported through the northern part of Chile to the seaports where it is loaded on vessels bound for the United States. The Germans have organizations existing in the vicinity of these mines and railroads which are capable of perpetrating sabotage on these vital industries.

The Japanese colony in Chile is small, being estimated at 600 to 900 persons. However, the Japanese in Chile are extremely active and it is reliably reported that the Japanese Government regards Chile as one of its bases for espionage activities in connection with both North and South America. There are presently several important Japanese agents in Chile and it appears that they have made plans to secure the services of native Chileans who will proceed to the United States for the purpose of obtaining information for the Japanese.

In the past the interests of Japan in Chile have been chiefly that of commercial penetration and espionage. The Japanese endeavored to secure control of several important and vital Chilean mining firms but were not successful. They are still interested in obtaining the mineral products of Chile and this could be one impelling reason for an attack by Japan on Chile. The Japanese have been unusually active in Chile in connection with cultural and political penetration. They have taken to Japan several Chilean cultural and political emissaries and have entertained them lavishly at the expense of the Japanese Government. They have also sent to Chile leading individuals from Japan in order to promote Japanese culture and political interests.

It is said that the Japanese have charted all the coast line of Chile by utilizing the services of Japanese fishing boats which operate in the waters of Chile, and it is known that Japanese fishing boats still operate in the area. The Japanese have shown an interest in the Easter Islands off Chile and at one time endeavored to secure a concession for exploitation of the Easter Islands from the Chilean Government.

The Japanese in Chile are cooperating in part at least with the Germans and it is known that the Military Attaches of the German and Japanese Embassies have been exchanging information. The Japanese have also been endeavoring to utilize the diplomatic service of the Spanish Government and to make use of news agencies belonging to the Axis powers in connection with furthering their propaganda and espionage work.

The Italian population in Chile is small in number and does not appear to be well organized. The Italian Embassy is the center of Italian interests and is engaged in promoting propaganda, Intelligence

work and other activities of the Italian Government. There are some known Italian Intelligence agencies in Chile and it is known that the Italians have instituted a courier service for collecting information from other countries of South America.

In Chile the threat to internal security from national groups and organizations is perhaps greater than in most of the other countries of South America. The Chilean Government has not broken off relations with the Axis powers and so far it has assumed a vacillating attitude with respect to the Axis. There are individuals in the present Chilean Government with pronounced pro-Nazi sympathies. The President-Elect, Juan Antonio Rios, who will assume office about April 1, 1942, is pro-United States and pro-Ally, but it is not known at this time whether he will take a firm attitude toward Axis activities in Chile. The Government in Chile has so far failed to take a stern and determined attitude toward the known subversive activities of the Germans. In August of 1941, a number of active Nazis were arrested in southern Chile and ample documentary evidence against them was secured but all of the individuals were released without prosecution. It appears that the Chilean Army has a substantial number of pro-Nazi personnel. Likewise, the Carabineros (The National Police) have a large number of officers with pro-Nazi sympathies, as does the Chilean Navy.

General Carlos Ibanez, the defeated candidate for President, was known to be subsidized in his campaign by the Nazis and has always been classed as pro-Nazi, although during the campaign he denied this. There is a possibility that General Ibanez will attempt an overthrow of the Chilean Government and will seize power as a dictator. General Ibanez is popular with the Army of Chile and is said to exert considerable control over the Carabineros and therefore represents a potential danger to the internal security of Chile and to the interests of the United States.

There are several frankly pro-Nazi organizations in Chile, the chief of which is the organization known as the "Amigos de Alemania e Italia," which is composed of Chilean citizens friendly to Germany and Italy. It numbers in its ranks many prominent individuals in the political and business life of Chile and numerically possesses considerable strength. There is also the local nationalistic party headed by General Jorge von Marees, said to number about 9,000 individuals. This is a minority party but von Marees and his followers are exceedingly fanatical and are said to possess considerable arms. Von Marees is extremely anti-United States in his attitude.

The Communists in Chile are numerically the third strongest political party and have a large membership among the laborers of the mines, the output of which is vital to the war effort of the United States. Inasmuch as Communists are now supporting the policy of aid to all the Allies they can be of assistance in controlling the Nazi and Fascist elements in Chile. General Juan Antonio Rios was only able to defeat General Ibanez in the Presidential race by means of the assistance

of the Communist Party.

The situation in Chile with reference to the official attitude of the Chilean Government toward the Axis and toward the internal Axis elements is uncertain and will probably be clarified after President-Elect Rios takes office. There is no indication at the present time as to the attitude he will take with reference to breaking off diplomatic relations with the Axis or with reference to action against the internal subversive elements except that he is definitely pro-Allied in his sympathies.

COLOMBIA

Colombia has an area of approximately 448,794 square miles and a population in 1941 of 9,334,392 people. Approximately 20 per cent of the population is white, 68 per cent mixed races, 5 per cent Negro and 7 per cent Indian.

Colombia's chief mineral resources consist primarily of platinum in great abundance, gold and silver, copper, lead and zinc. Colombia is also noted for her petroleum production. It has been reported that the Germans have been active in their efforts to secure platinum either by clandestine means or through open market purchases. Of the population of Colombia, it is estimated that there are approximately 3,870 Germans, 450 Austrians, 229 Japanese and 1,643 Italians.

As a matter of significance regarding the political trend in Colombia during the latter part of 1941 there was a reorganization of the Colombian cabinet under the administration of President Santos. Regarding the present policy of Colombia in the international situation, it is to be noted that this Republic has not declared war against the Axis but has, however, severed diplomatic relations with the Axis and has offered the United States her territories for purposes of bases or other military facilities.

Colombia has a war-time strength of approximately 50,000 troops, her peace-time strength is approximately 10,000 men and 750 officers. The standing Army consists of 6 mixed brigades, each of 3 battalions; 1 cavalry group of 3 squadrons; 1 artillery group of 3 batteries and 1 engineer battalion and 2 service battalions. The air service consists of approximately 30 airplanes of which 1/3 are training ships. The rifles used by the troops are not standard, consisting of Remington, Mauser and Gras patterns. The artillery is largely of French manufacture.

Regarding the Colombian Army personnel, it has been estimated that approximately 60 per cent of the ranking officers of the Army, Navy and Aviation Division of the Colombian Army are either pro-German or Nazi sympathizers. This point is significant upon any consideration of future contemplation on the part of Nazi Germany to invade or subdue the Republic of Colombia in furtherance of their military plan.

The importance of the Nazi organization in the Republic of Colombia fitting into the Nazi plan for world conquest is obvious. The geographical location of Colombia renders this Republic a key position as regards the entire Western Hemisphere. The organization of the Nazi Party in Colombia is very similar to that found elsewhere. Colombia is filed in the Auslandsabteilung in Hamburg, Germany as "Land Colombia". Unlike the Nazi Party organization in Venezuela, regarded as ineffective, the Nazi elements are highly organized in Colombia and are believed to constitute a serious potential threat in the furtherance of any Nazi military offensive measures in the Western Hemisphere.

Regarding the Nazi military plans in Colombia, it has been reported that the political situation of the German Nazis in Colombia is hopeless and that as a result of this situation the Reich Government has issued instructions to prepare for a direct attack on the defenses of the United States in the Caribbean area. The report further relates that the attack is to be directed principally against the Panama Canal by means of German and Japanese planes. The Nazi organization is confident that the Panama Canal will eventually be destroyed. The alleged plans are to engage in a sabotage program, which in Colombia is to be aimed first at the ports and harbors such as Cartagena and Barranquilla, then against the pipe lines of the oil installations. As a result, the Nazis believe that a Colombian "patriotic revolution" will take place and that these sabotage acts will be executed jointly by the Colombians as well as the Germans. It is reported that the Germans have definite plans for action to take place on the Colombian-Caribbean coast and from this point directly against the Panama Canal.

Nazi penetration in Colombia is not only to be based on aviation, but land troops as well are to be utilized. It has been stated that motorized troops are contemplated for this action. The Nazis stand in readiness to be segregated or interned when such a definite action takes place but believes that Nazi holdings, properties, supplies, etc., will be placed in such a manner that they will be available to the invaders even without the assistance of Nazi Party members in Colombia. It has also been stated that the Americans will be surprised when the land forces come from the north rather than from the south and when the first action will see the use of Japanese planes, German planes not being used until land forces have been established. It has also been reported that Germany is constructing a fleet of submarines, approximately 1,000 in number, with a carrying capacity of 25 to 50 tons, which fleet will reportedly carry Nazi expeditionary forces to Colombia and Venezuela. It has also been said that the Nazis expect American troops to land in Puerto Covenas, Cartagena, Barranquilla and Santa Marta, but that if this action takes place, they will be successfully encircled.

The Nazis have reportedly an organized membership in their system of Colombian-Caribbean coast plans and elaborate plans have been made and substantial membership secured in this system, consisting not only of members of the Nazi Party but including a number of paid agents as well as Nazi

sympathizers. It appears that the Nazis have established connections between Barranquilla and Cartagena on one side and Medellin on the other side in connection with the Nazi coastal group setup.

In order to facilitate connections between Colombia and Venezuela, the Nazis are attempting to further gain the influence of conservative Venezuelans to fit into their Colombian coastal plan. Many types of individuals attempted to be influenced by them are former Gomez adherents and individuals in opposition to the current form of government in Venezuela. Venezuela comes beneath the jurisdiction of the Nazi officials in Colombia.

Regarding the objective of Nazi espionage on the Colombian northern coast, it has been reported that the purpose of same is to obtain all necessary data for possible action by Nazi naval or military forces. It has been stated that all Nazi espionage work in Colombia is coordinated in Germany and is carried on so secretly that the Nazi Party leaders and official German representatives are not aware of the activity or of the identity of persons engaged in such work.

Contact had with known Nazis in Colombia has revealed that the interests of Nazi espionage agents are apparently to secure detailed information on topography, highways, railroads, bridges, filling stations, fincas, flat fields or areas that could easily be converted into airports, rivers, pipe lines, statistical reports on hospitals and capacity, etc., food stores, units of transportation, such as trucks, launches, etc., natural resources, wage scales, military preparations of the United States in Colombia, facilities and organizations of the Colombian armed forces and activities of "enemy" governments and organizations in Colombia.

Regarding clandestine radio transmitters, it has been reported that the Nazis have built up a complete network of secret radio stations on the Colombian coastal zone. It is alleged that the radios are either owned or operated by Colombian sympathizers to the Nazi cause or are located secretly on some of the various fincas located at strategic places throughout the Republic. It is estimated that there are approximately 19 radio transmitters embracing this network of communications. It has also been reported that the Nazis have developed a courier system for use in connection with their military preparations as well as for the use of the espionage agents, the Gestapo and the official German representatives.

It is stated that this courier network is operating daily between Barranquilla and Cartagena via automobile. The system is said to operate on 3 lines, one to Santa Marta, one to Valledupar, and one to Guajira. Others go to Jesus del Rio up the Magdalena River and to Central Bolivar, South Bolivar and to the Choco region. It is also reported that the Nazis since March, 1941, have been preparing supply centers for the Colombian-Caribbean coastal zone in connection with which, it is stated that the Nazis present as their pretext the uncertainty of world conditions and the fact that they

are anxious to accumulate stores for their commercial enterprises. The Nazis appear to be concentrating on gasoline, other motor fuels and lubricants and have appeared to attempt a certain degree of control over gasoline stations.

It is reported that Kurt Palmer, William Oeding and H. Lemke are in charge of this work and are said to have accumulated sizable stores on the Helda finca, Jesus del Rio, on several fincas in Bolivar and in some villages between El Banco and Valledupar. It has been reported that the Germans have under their control and have installed certain hidden airports in the Republic of Colombia. The fact that certain hidden airports have been reported does not by any means indicate that there are not others, since conditions in Colombia are particularly conducive to the installation of airports. It has been said that no nation on earth has a more intimate knowledge of ground flying and weather conditions in Colombia than Germany. For years, German Army pilots and military reserve pilots, radio operators, aerial photographers and other technicians employed by Scadta Airlines practically dominated the skies over Colombia. Many photographs have been taken by these persons of practically every strategic area in this country.

Information has also been received to the effect that the Colombian Government has reportedly rented their munitions factories to a Colombian of pro-Nazi sentiment, whose name is not known. A German contractor formerly connected with the Nazis and a munitions specialist, is working together with another contractor, endeavoring to purchase all available used copper tubing for production purposes.

It is estimated that in Colombia there are approximately 3,000 Spanish nationalists and that the organization of the Spanish Falange is definitely connected with the Falange Espanola Tradicionalista of the Franco regime in Spain. The leader of the Spanish Falange movement in Colombia is Manuel Onos Plandolit, Secretary to the Spanish Legation in Bogota, Colombia. Plandolit has appointed Arturo Rajul Martinez, Chancellor of the Spanish Legation in Bogota, as Secretary of the Falange in Bogota. Plandolit is stated to have indicated that the Falange movement in Colombia in the past has been neglected and that he has already effected the re-organization of subsidiary branches of the Falange along the lines of a new policy determined by the hostile attitude of the Colombian Government. While the Spanish Falange is composed of some dangerous members and is definitely sympathetic to the Nazi cause in Colombia, in recent months, however, they have not seemed to offer any particular threat as compared with the Nazi Party military preparations.

The Japanese have not offered any particular problem in Colombia inasmuch as there are only 229 Japanese located throughout the Republic. However, prior to recent international developments, Japanese merchants were active in the purchase of scrap material in the Republic of Colombia for shipment to Japan.

Neither have the Italians in Colombia presented any particular problem during the present international crisis. The largest Italian organization seems to be the Gascio Italiano in Barranquilla, Colombia, which organization has a membership of some 130 members. There are in the Republic some 1,643 Italian nationalists.

ECUADOR

Ecuador's chief interest to the United States is in its strategic location with reference to the Panama Canal and the west coast of North America. The Galapagos Islands off the coast of Ecuador are of importance to the United States as a defense base and would be of importance to any Axis power that could gain control of them as a point for attack against the Panama Canal or the west coast of the United States. Ecuador produces some rubber, minerals, oil and other strategic materials of value to the United States in the current war program. The most important agricultural export is cacao which accounts for approximately 1/3 of the exports of Ecuador.

For a long period the most important factor in Ecuador's affairs in its relations with other Western Hemisphere nations was the Peruvian border dispute which was settled at the Pan-American Conference in Rio de Janeiro, Brazil, in January, 1942. Ecuador made considerable concessions in connection with this settlement because its government was apparently convinced that a settlement was preferable to the continual drain on the economics and population of the country involved in a long drawn out dispute.

There has been vigorous opposition to the settlement in Ecuador but apparently the danger of an overthrow of the government because of it is no longer imminent. The Axis powers are presently engaged in a campaign to convince the Ecuadorans that they were betrayed at the Rio de Janeiro Conference and that Pan-Americanism does not exist in fact. The interests of the United States lie with the maintaining of the settlement made, inasmuch as a flare-up of this dispute would result in great benefit to the Axis powers in disturbing present hemispheric solidarity.

There are estimated to be only about 5,000 Germans in Ecuador, but as in other countries, they are well organized and active. The Nazi Party and most of the Nazi activities apparently operated through the German Legation and through the German firms located in Ecuador. There were reported to be seventeen sections of the Nazi Party existing in Ecuador, each being headed by a capable representative of the Party. Since Ecuador has broken diplomatic relations with the Axis powers, many of the leading Germans have been interned by being confined to one designated town or city, and some of the leading German agents have been expelled, including Walter Giese, a notorious German agent.

The German Intelligence Service has an organization in Ecuador

which is utilizing the services of a high powered clandestine German radio station in Rio de Janeiro, Brazil, for the purpose of forwarding information to Germany. The Intelligence Service is apparently under the supervision of the German Intelligence Service in Rio de Janeiro, Brazil. Although some of the known members of this Intelligence Service were expelled from Ecuador, the activities of the organization have been carried on by other known members of the organization.

The Nazi interests in part, both relating to espionage and propaganda have been taken over by Spanish Embassy representatives and Falange members in Ecuador. The Falange, while not receiving much publicity, has been actively organized in Ecuador and constitutes a threat to internal security.

Reports have been received that the Nazi organization in Ecuador possesses adequate supplies of munitions and that these arms arrived in Ecuador during 1939, consigned as machinery for the Nazi firm of Otto Wolff & Company. There have been reports of attempted sabotage in connection with shipments destined for the United States.

It has been suggested that the Nazis will not employ sabotage or military activity in Ecuador because the economic contribution of this country to the war effort of the Allied powers is small but that they will attempt to obtain government influence and political control.

There is practically no Japanese colony in Ecuador, inasmuch as there are said to be only about 28 Japanese living in the country. Most of the 28 have been interned at Riobamba, Ecuador, and the others have apparently fled the country. There have been reports that the Japanese are filtering into the Esmeraldas Province of Ecuador and that a company controlled by the Japanese was building camps and highways in the area which could be converted to military usage, particularly for landing fields for aircraft. Five Japanese geologists working for this company did some prospecting in the area but have been expelled by the Ecuadoran Government. It is reported that the Japanese made a complete survey of the coast of Ecuador prior to the outbreak of the present war.

The Italian colony reportedly consisting of only between 6,000 and 7,000 persons is principally composed of small shopkeepers who have been in Ecuador for many years and have little interest in politics. However, the Italians have been active in endeavoring to advance Italian interests in Ecuador and an Italian military mission operated in Ecuador until October 15, 1940. There are several prominent Italian individuals including two retired members of the former Italian military mission who are endeavoring to promote Fascist interests. There are several Italian Fascist clubs in various cities of Ecuador but their known activities have been limited to private meetings and the forwarding of messages of solidarity to Mussolini.

The present attitude of the Ecuadoran Government is definitely for collaboration with the United States in connection with hemispheric defense.

PARAGUAY

The relative importance of the Republic of Paraguay to the United States might easily be underestimated. To the casual observer, Paraguay is only an insignificant, poverty-ridden and poorly governed country. It is an inland country entirely surrounded by more powerful neighbors whose natural resources other than agricultural are more abundant than those found in Paraguay. With respect to the Paraguayan livestock and agricultural products, its climate and soil are ideal for extensive development. Argentina, the most powerful neighbor of Paraguay, is similarly endowed by nature with ideal conditions for agriculture and cattle raising, and would seriously object to Paraguay's becoming another competitor in the world market.

Owing to its inland position, Paraguay is economically dependent for its survival upon Argentina. The only exit from Paraguay other than by air to the world markets is through Argentina. As a result of Paraguay's inland position, Argentina holds the key to the only door to or from Paraguay and is in a position to treat Paraguay as a province of its own.

There has been no accurate census in Paraguay for a number of years but reliable estimates give the country a population slightly in excess of 1,000,000 inhabitants. A large part of this population is composed of foreign-born and first generation of foreign-born persons. There is an estimated German population of 35,000, of which it is known 28,000 are members in the Deutsche Volksbund. There are 8,000 to 10,000 Italians; 3,000 Russians; 1,000 Spaniards; and 5,000 individuals of other nationalities listed as follows in order of their numerical strength: Syrian, English, Norwegian, Hungarian, Japanese, French, Swedish and Americans. Brazilians, Argentines and nationals of other South American countries form another very important element of the country, although there are no accurate figures as to their number. The German population is by far the largest and best organized of the foreign population. They are principally engaged in commercial pursuits, chiefly in hardware and general mercantile businesses. The majority of boarding houses, cafes and hotels are operated by Germans. They are also known to engage in other businesses and have a controlling interest in the telephone company and the telegraph and cable office, "Citradio." Prior to the war such articles as industrial chemicals, pharmaceutical supplies, radios, optical lenses, etc., were imported almost exclusively from Germany.

With respect to the Italian population, it is noted that it is also engaged in commercial enterprises and that it controls most public utilities, the principal among which are the tramways and the light and power company. It is reported that Italian interests own the majority of the stock in "Corporacion," an air company, which operates a schedule between Asuncion, Paraguay, and Buenos Aires, Argentina, making one trip per week.

The Japanese in Paraguay exert very little influence over the

internal affairs of the country, although there is a single Japanese colony which has been reported to have about 500 Japanese colonists. The Japanese engage in some mercantile business, chiefly dealing in textiles and novelty goods. There are also numerous cleaning and pressing establishments operated by Japanese throughout the country.

It has been reported that the Germans exercise considerable more political influence in Paraguay than any other foreign element of the population. There are numerous instances of Germans or persons of German descent who are now holding important positions and various Government offices in Paraguay. Germans may be found employed in the Customs office, in the military school, in the Paraguayan Army, and in the Government-owned Bank of the Republic of Paraguay.

The Germans have formed various so-called social organizations, including the Deutscher Volksbund which has among its activities the publication of a newspaper printed in German called the "Deutsche Worte," of which 15,000 copies are distributed weekly. There is evidence of activity of the Deutscher Sportplatz or Turnverein, the Freewilliger Arbeitsdienst (Free Labor Group), Bund Deutscher Maedschen (Girls' Youth Group), and the Hitler Youth Group. It is also thought that the German Library in Asuncion is a branch of the Ausland Institute in Paraguay and is being used as a distribution point for German propaganda. It is headed by Ernst von Schutz. The Germans have formed several colonies in Paraguay, including Colony Hohenhau of which Christian Kessler is President, and Colony Independencia, of which Theodore Wertz is President. There are other German colonies but the two mentioned are probably the most important.

Since the severance of relations between Paraguay and the Axis countries, Paraguay has continued to follow a more liberal and pro-Allied policy. A decree was recently issued by the Paraguayan Government which forbade the entry into the country of any Axis propaganda and specifically excluded the newspaper "El Pampero," a Nazi newspaper printed in Buenos Aires. The post office and telegraph offices in Paraguay have been instructed to refuse to accept any communications addressed to Axis or Axis-occupied countries and it now appears that Paraguay will follow and cooperate with the United States and the Allied Nations in presenting a solid front against the Axis nations. However, it may be pointed out that the Government of Paraguay has in the past exhibited a vacillating attitude toward international politics which might cause it to appear to possess certain tendencies on one day and the exact opposite on the next.

Reliable individuals who have been intimately associated with President Higinio Morinigo advise that he is an individual who has no convictions of his own, no personal integrity and no understanding of the responsibility of his high office. It is said that he may be swayed from any idea by the last argument presented to him. Bearing in mind the type of Government by which Paraguay is controlled and its limited natural resources, it is easily understood that a foreign power with the use of

money for bribery or by intimidation could easily influence the Government of Paraguay in the opposite direction. Paraguay has always had frequent revolutions and it has been reliably reported that a successful revolution could at the present time be arranged for as little as \$20,000 in United States currency.

Inasmuch as Argentina has never definitely taken a stand on the side of the United Nations in the present world conflict and because of the tremendous influence that it is able to exert in Paraguay through economic pressure, it is not inconceivable that Paraguay might be influenced to take an opposite stand from that which it now manifests, should Axis influence in Argentina cause that Government to exercise further pressure on Paraguay.

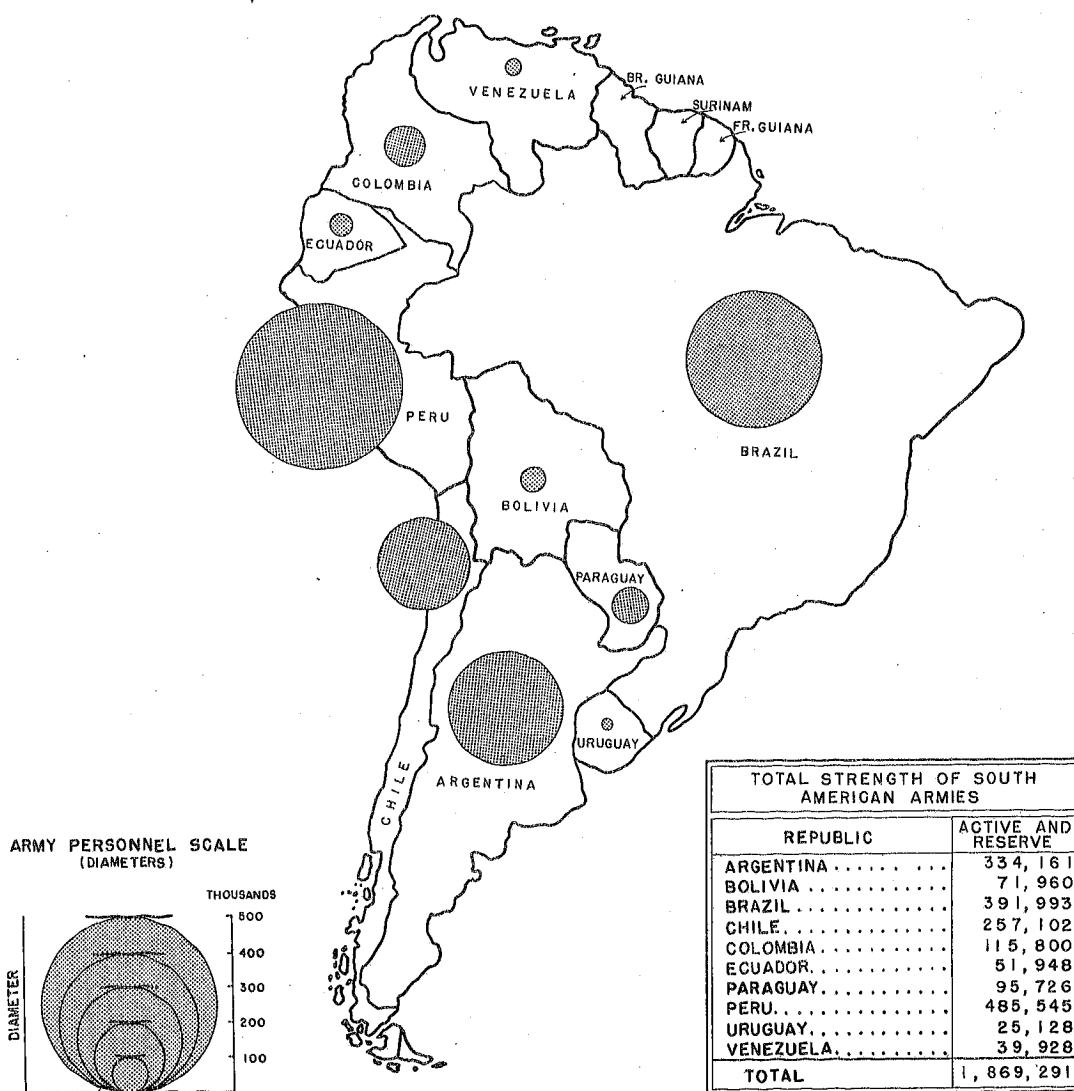
Paraguay would appear to be of vital importance to the United States in the defense of the Western Hemisphere. Its strategic location in the center of South America makes it an ideal base for aerial operations, it being possible to operate long-range bombers from Paraguay to almost any point on the South American coast on either the Atlantic or Pacific side in the event of a possible invasion at any point. Paraguay is also of importance as a contributing element to the solidarity of the 21 American Republics. Should Axis influence gain control in Paraguay, it would have an opportunity to create unrest and strife between the countries bordering Paraguay which would undoubtedly react to the detriment of Hemisphere defense.

To date, there has been some evidence that Axis agents have attempted to wean Paraguay away from the United States by demonstrating that a new market might be found for its products in Spain and Portugal. A report from reliable sources is to the effect that one Edmund Mandel Beck, a German architectural engineer residing in Buenos Aires, Argentina, and one Severo Alberti, an Italian also residing in Buenos Aires, believed to be employed by the German Government, approached the Paraguayan Government prior to the Rio de Janeiro Conference for the purpose of obtaining Paraguayan registry for certain Axis vessels believed at that time to have been in Spanish ports, which vessels these individuals claimed would be leased or turned over to Paraguay for the purpose of forming a Paraguayan navigation company operating between Paraguayan and Spanish ports. They argued that the United States produced everything that Paraguay produced and after the war would not be able to consume any Paraguayan products. They pointed out that Spain at the present time would use all surplus Paraguayan products and would continue to use them after the termination of the war. There is no indication that the Paraguayan Government has acted on this proposal.

There has been some indication that Axis agents have attempted to renew trouble between Bolivia and Paraguay over the boundary line in the Chaco area of Paraguay.

With respect to Axis representation in Paraguay after the closing

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of German, Italian and Japanese Consulates and Legations, it is reported that their countries would still be well represented, inasmuch as several of the Axis diplomatic officials have also acquired Paraguayan citizenship and have become landholders and businessmen in the country. A typical example of that is a case of Richard Seifert, the former German Consul at Concepcion, Paraguay. This individual owns the site of land for the proposed Pan-American air base at Concepcion and he has indicated that he will cause trouble at that base. Seifert had a large family, one of the members of which is an employee of the Paraguayan Government. His children are citizens and it is reported that Seifert is also a Paraguayan citizen, although this has not been definitely confirmed.

The Japanese resident representatives, Tomiya Koseki and Sotoro Hosokawa, are expected to remain in Paraguay, inasmuch as they are members of the Japanese colony and merely held positions as honorary officials due to the fact that the accredited Japanese Minister served in a dual capacity as Minister to Argentina and to Paraguay and his offices will continue to operate in Argentina in the same manner as before. The Japanese Minister usually made about two trips per year to Asuncion to consult with individuals at the Japanese colony there.

The French Legation, which has, since the fall of France, been under the control of the German Legation, will undoubtedly continue to operate as a tool at the direction of the German Government.

The Spanish Legation in Paraguay has for some time been thought to be assisting the German and Italian Legations in furthering the efforts of Axis propaganda activities, it being said that Spanish diplomatic couriers have assisted the Germans in bringing propaganda into the country. The Spanish Legation will, of course, remain open to continue such subversive activities in the interest of the Axis nations. Reliable reports have indicated that certain Paraguayan military and naval officials have for some time been on the payroll of the German Embassy in Buenos Aires and that they have been paid for their services by one of the Secretaries in the German Embassy there.

Taking into consideration the attitude of President Higinio Morinigo, who has no realization of the responsibilities of the office of President of the Republic and of the character and reputation of some of his Ministers, it is believed essential that the activities in Paraguay continue to be closely scrutinized in the interest of Hemisphere defense.

PERU

Peru is of singular importance to the United States as a source of untold mineral wealth essential to the production of war materials. It is estimated that the United States presently has a direct investment of \$125,000,000 in various minerals of this nature. The Cerro de Pasco Copper Corporation, a United States company, is responsible for the production

of 90 per cent of the copper, 75 per cent of the silver and 50 per cent of the gold exported to the United States by Peru. The Vanadium Corporation of America, a United States corporation, owns and produces the largest amount of vanadium in Peru, production of this metal amounting to 80 per cent of the total world vanadium supply. The International Petroleum Company, a subsidiary of the Standard Oil Company of New Jersey, is responsible for the production of three-fourths of the total oil export from this country. United States investments in the oil industry are estimated at \$50,000,000.

As an indication of the production of Peruvian mines and the extent of loss to the United States in the event of Axis influence deterring this flow, there are being set out the following figures to reflect the average export from the principal Peruvian seaports to the United States of products essential to the war effort:

From Callao:

- 2,700 tons monthly unrefined bar copper
- 3,000 tons monthly 99.8% pure bar lead
- Practically the world's total production of vanadium
- 4,000 tons monthly zinc concentrates from Cerro de Pasco properties
- 2,000 tons monthly zinc concentrates from Cie de Mines de Huaron
- 1,500 tons monthly zinc concentrates from Atacocha Mines
- 2,000 tons monthly lead, silver concentrates from Atacocha
- 500 tons monthly lead, silver and zinc concentrates from small mines
- Small quantities of antimony, molybdenum and mercury

From Mollendo:

- 3,000 tons monthly lead-silver, copper and zinc concentrates from various mines
- Small quantities of wolframite and mercury

From Northern Ports:

- 1,500 tons copper, lead-silver and zinc concentrates.

A potential threat to the supply of vital war materials to the United States is presented by the vulnerable aspects of the centers wherein these materials are produced. The very important oil fields of Peru, situated at Talara, are located a short distance from the coast. The storage tanks and refinery installations are in a position to be damaged by an off-shore naval bombardment. The small minority of American and British citizens operating the extensive mining concessions are inadequate, without concerted Peruvian aid, to prevent irreparable damage to essential machinery employed in the mining and smelting of minerals extracted at these locations.

The principal potential external danger to Peru lies in a direct

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aggression by Japanese forces utilizing the wide, flat beaches of the coast as initial bridgeheads for landing parties. It is noted that the Japanese have settled in and around the natural harbors all along the coast. This is particularly noted in the case of the natural harbor at Chimbote where a large concentration of Japanese population is presently located.

The apparent Axis objectives in Peru are to create internal chaos in Government circles; to initiate incidents in order to divert United States attention to the country; to foment an internal revolution through the medium of the Aprista Party, thereby destroying the status quo causing this pro-democratic element to unwittingly cooperate in their aims; and to prevent the flow of vital mineral exports necessary to the American war effort.

By far the largest potential danger of internal penetration by the Axis powers is through the medium of the large Japanese population resident in this country. A recent census reflected 30,000 Japanese in Peru; however, it is unofficially estimated that 60,000 Japanese residents more accurately comprise the actual Nipponese population. The Japanese, by determined and persistent efforts, have gained a commanding position in the retail trade throughout the country. In all the principal towns the small shopkeepers and retail merchants are predominately Japanese. This factor is potentially dangerous in that any dislocation of the economic interests controlled by this element would cause an upheaval in the Peruvian commercial field. The Japanese likewise have taken great steps in strengthening their position with respect to the cotton trade, which is the principal nationally controlled industry and basic lifeblood of Peruvian economy. It is pointed out that the efforts of Japanese commercial interests, principally the Mitsui Company, had given them an outstanding place in providing an export market for this Peruvian basic export prior to the recent break in relations between these two countries. During the last six months of 1940 and the first eight months of 1941, the Japanese purchased approximately 65 per cent of the entire cotton produced in Peru. Since the break of relations between the Peruvian Government and Japan, Peru has sought to replace this large export market and in this connection looks toward the United States to assume Japan's position as the principal market for this crop. The Japanese colony is closely organized and its leaders exercise complete control over all Japanese subjects. Reliable information indicates that there are numerous military-trained soldiers and reserve officers among the Japanese in Peru. It is known that as early as 1930 a Japanese diplomatic representative offered to provide the Peruvian Government with 11,000 trained Japanese military men to suppress a threatened revolutionary movement.

The German colony in Peru is estimated at 4,000 individuals and is apparently well organized through its foreign group, the Auslands Organization. The Nazi Party is completely organized and active. At present, German settlers are concentrated in the Piura Valley, metropolitan Lima, Arequipa, Casa Grande and Chiclayo. German propaganda has

been well organized and relatively effective in bringing about sympathy for the Axis cause among the conservative classes. The Germans have been exceedingly active in the commercial field, disproportionately to the direct investments which the country has in Peru. The principal direct investment appears to be in the sugar industry as represented by the large Gildemeister plantation at Casa Grande. Trade relations during the 1930s were facilitated by Askimark transactions which proved very popular with the Peruvian commercial interests. Before the outbreak of the war, the Nazis were successful in increasing their exports to Peru threefold and provided a market for Peruvian exports which increased during this period fourfold.

Nazi Intelligence agents have been active in Peru's principal port of Callao in reporting the movements of ships belonging to the United States and her Allies and in other areas in connection with reporting complete Intelligence information. This information has been relayed to a German clandestine radio station situated in the vicinity of Valparaiso, Chile, for subsequent transmission to Germany. Nazi agents have also been active in spreading propaganda in the Peruvian Army. In this connection, it is reported that a large percentage of the personnel of the Army is distinctly pro-totalitarian.

The Italian minority is one of the most influential in the country. However, it appears that the greater percentage of these individuals has been readily assimilated into the Peruvian population and it appears they do not present a potentially dangerous threat of totalitarian internal penetration. Direct investments by the Italians have principally been in banking and public utilities.

The influence of the foreign organization of the Spanish Falange appears to be increasing in Peru and indications are that Spanish interests are taking over the task of Axis internal penetration. The Japanese are known to have furnished money to the Spanish Embassy for the promotion of Japanese propaganda and other activities.

The Government of Peru is dominated by a small minority group of wealthy white landowners, churchmen and army officers who constitute a conservative ruling clique. Traditionally, the ruling class has been cool to the ovations of Hemispheric solidarity. Domestic insecurity and inadequacy of Peruvian armed forces presently make it dependent upon the United States for military and economic support.

However, since the spread of the war to the Pacific theater, the Government of Peru has become increasingly conscious of the country's vulnerability to external attack and internal disorder. It has a small, well-trained army and air force, but its naval strength is totally inadequate to patrol the vital points along its extensive coast line. These problems have influenced the Government toward a policy of friendship with the United States.

President Manuel Prado is deterred from his personal pro-democratic policies by internal disorder created by individuals of conflicting political ideologies which make up his cabinet. Peru has severed relations with the Axis countries following its adherence to the Conference of Inter-American Republics which convened in Rio de Janeiro on January 15, 1942. All Axis diplomatic and consular activity has been discontinued and a number of Axis nationals interned. However, to date, vigorous supplementary action to this initial move has only been instituted against the Japanese element in the country.

The strongest political party, from a standpoint of numbers, is the APRA (Alianza Popular Revolucionaria Americana) headed by Haya de la Torre. This political element creates a unique situation in Peruvian politics, inasmuch as the Aprista Party has been declared illegal and is in direct opposition to the ruling class. All attempts to form a coalition government embracing members of the Aprista Party have been bitterly opposed by conservative members of the Peruvian Government. Since the inception of the "Good-Neighbor Policy," the Aprista Party has changed from an anti-United States to a pro-United States attitude. Declarations by leaders of the Party and the policy of the movement have been directed toward counteracting the Axis subversive element of Peru. It is singularly invaluable in leading resistance to attempts by subversive elements to successfully bring about Axis penetration or armed invasion. An uprising sponsored by the Aprista Party could, however, render the aid of Peru to Hemisphere defense of negative value because of the resulting disturbance of political and economic stability. This move would likewise afford Axis interests an opportunity to become extremely active in Peru.

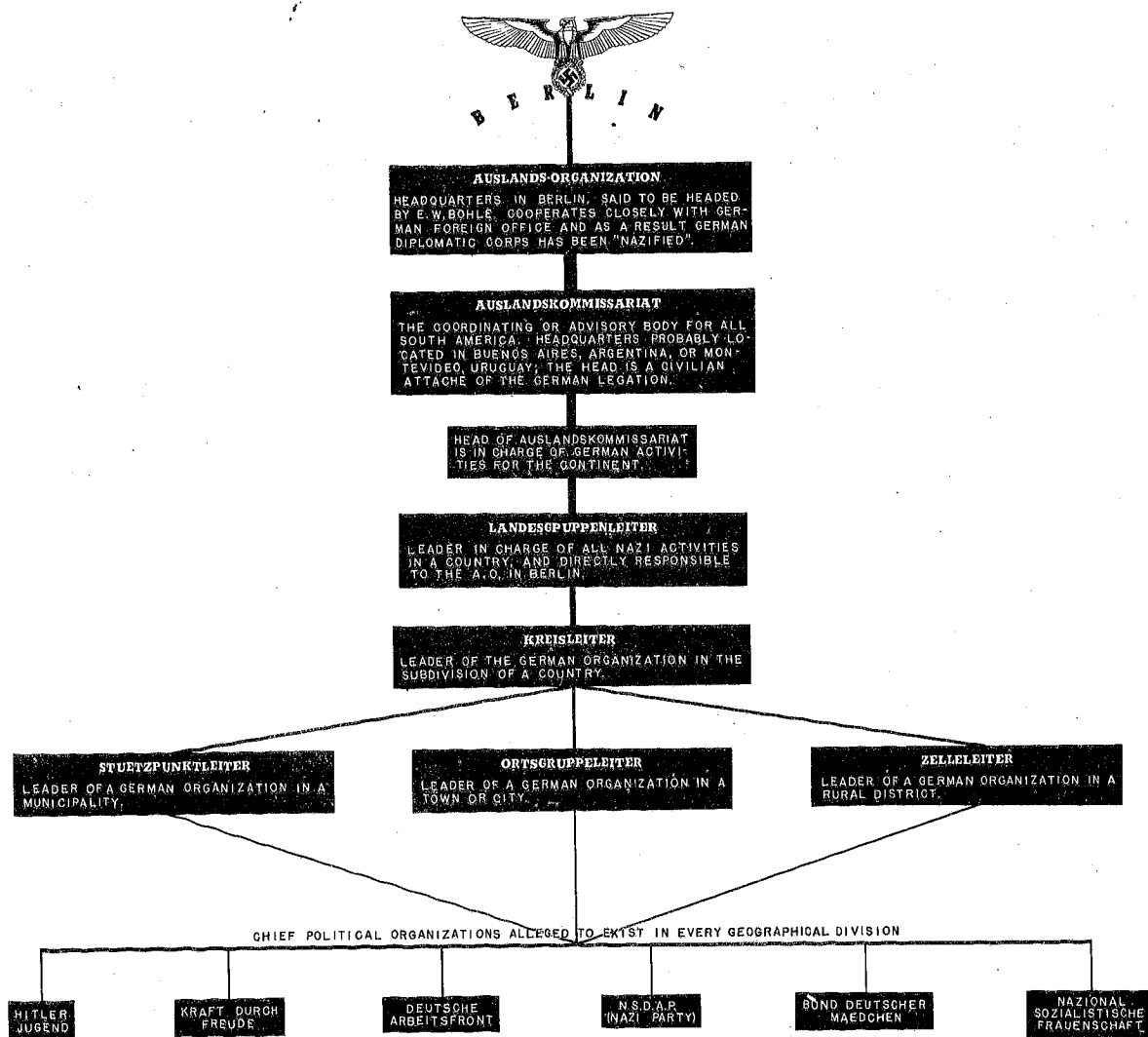
URUGUAY

By its dominance over the River Plate Estuary, Uruguay holds a vitally important position in relation to Hemispheric defense. Any power in control of Uruguay could control the flow of materials over the Rio de la Plata and its tributaries which drain most of the southern portion of South America. Also, such control would vitally affect the policies of Argentina, Paraguay, Bolivia and the southern part of Brazil.

Uruguay is probably the most democratic country of South America and it has been stated that 90 per cent of its people are pro-Ally. However, with virtually no army of its own, Uruguay must depend upon the support of other nations for its defense. It is situated between two of the most powerful of the South American countries and cannot pursue an independent foreign policy. In spite of its small size and its dependence on other countries, it has been a leader in presenting pro-Allied declarations in the Pan-American conferences. The present Government of Uruguay has exhibited a strong anti-Axis attitude and has not hesitated in announcing its policies.

The greatest threat to internal security in Uruguay is Dr. Luis A.

THE NAZI ORGANIZATION IN SOUTH AMERICA



de Herrera, and the nationalistic type party he leads. He owns and operates the newspaper "El Debate" which has strongly criticized the Government's action in connection with international policies. Dr. Herrera has stated that he is not pro-Axis but that he is strongly nationalistic and feels that in granting bases to the United States or any other power on Uruguayan territory the autonomy of the country is being lost. Argentine nationalistic groups have encouraged the Herrera group in its opposition to the United States' acquiring bases in Uruguay and the Argentine Government has also advocated this attitude.

Reportedly the Herrera group has been actively supported by the Axis elements in Uruguay in order to create difficulties for the United States. Control of Uruguay by the Herrera Party, together with the support of Axis groups, would constitute a serious threat to the interests of the United States.

While the German group in Uruguay is not large in comparison to German groups in some other South American countries, it has been active and constitutes a menace to internal security. In 1940, there was an expose of Nazi activities which revealed the extent of the Nazi organization, and it was alleged it had a plan for seizing control of the Government. Since 1940, Axis elements have not been publicly active but that their activities have continued has been demonstrated by the fact that the congress appointed a permanent committee to investigate anti-Uruguayan activities a short time ago. Also, the Axis threat appears to have prompted the "state of siege" which was declared by the Government in February of 1942, although this was due in part to the activity of the supporters of Herrera who were agitating against Governmental foreign policy.

Information has been received that the Germans have intensified their undercover activities in Uruguay and that a number of Gestapo agents were sent to the country in 1941. Fairly recent arrests of German individuals by the Uruguayan authorities have lead to disclosures of espionage activities for the benefit of Germany.

There are a number of German Intelligence agents known to be operating in Uruguay, one group operating in connection with agents utilizing a powerful clandestine radio transmitter in Rio de Janeiro, Brazil, for communication with Germany, and another group being controlled and working with the Germans in Buenos Aires, Argentina. The movements of ships in and out of the harbor of Montevideo are reported in detail to Germany by the Intelligence agents.

The Spanish Falange has been active in Uruguay and a chapter of the Falange exists there but it has made little progress because of the pro-democratic attitude of the majority of the Uruguayan people. The menace of the Falange is presently intensified however because of the known policy of the Axis powers to utilize the Spanish to further their interests in countries that have broken off diplomatic relations

with the Axis. The Spanish Embassies are known to be utilized by the Axis powers for the obtaining of information and the promoting of Axis propaganda, and in Uruguay the Spanish Ambassador is very active in Falange work.

Neither the Italian nor Japanese colonies in Uruguay appear to be important in connection with the furtherance of Axis interests at the present time and do not constitute a serious threat to continued advocacy of, and participation in, Hemispheric defense by Uruguay.

VENEZUELA

Venezuela is the northernmost country of South America, bounded by Colombia on the west and in relatively close proximity to the Panama Canal. The proximity of this Republic to the Panama Canal and the added strategic importance of this country because of its vast production of petroleum render it worthy of serious consideration during the present international conflict. As a historical note, Germany has capitalized on the fact that Venezuela's history has at various times been dominated by a strong German influence. This influence dates back as early as the Sixteenth Century when, under Charles the Fifth of Spain and Germany, Venezuela was considered a German colony leased to, and managed by, a prominent German merchant and banker. Hence, Nazi propagandists consider Venezuela as one of the first colonies rightfully belonging to Greater Germany. This historical phase, although ancient and subject to considerable development to the contrary in recent centuries, is not to be ignored at the present time, as it is believed in the event of a crisis Germany would not fail to claim the Venezuelan Republic on that basis. Germany has considered Venezuela as a backward country, incapable of self-government, rendering her a burden to be assumed by some Aryan nation -- Germany. Venezuela's official attitude is considered to be one of cooperation with American ideals of democracy and Pan-American solidarity. It is felt that this arises from a general anti-dictator feeling in the country which is an aftermath of the regime in Venezuela of the late Juan Vincente Gomez, who for many years was a virtual dictator of Venezuela. Recently there has been much legislation in this Republic designed to affect the activity of totalitarian Governments, particularly in alien laws giving the Government absolute control of the press. President Isaias Medina, a former general and Minister of War in the cabinet of former President Lopez Contreras, is believed to be pro-United States and in conformity with the pro-democratic policies adhered to by Lopez Contreras.

The overwhelming foreign financial interest in Venezuela is in the petroleum production. It is estimated that of approximately \$450,000,000 of foreign funds invested in Venezuela, 90 per cent is in the petroleum industry. Of the above-mentioned total, it is estimated that United States investments account for approximately 59 per cent, and British investments, including Dutch interests in the Shell Oil Company, amount to approximately 38½ per cent. Commercially, the German colony in Venezuela is considered very powerful and it is estimated that

32 per cent to 40 per cent of the domestic commerce is under German control. It has been observed by one individual, and the viewpoint expressed, that from an economic standpoint the majority of Venezuelans feels that its nation might be better off with a Europe dominated by Germany than by Great Britain. German economists claim that no nation, prior to the arrival of the British and American oil companies, has done so much to develop Venezuela industrially as the Germans.

Inasmuch as the Germans are active in only approximately 10 per cent of Venezuela's international commerce, but rigidly excluded from participation in 90 per cent of the oil industry, they feel that they have a just cause to exploit Venezuelan oil and contend discrimination on the part of Venezuelans in limiting the extent of German participation when other foreign countries have been permitted to exploit and dominate the oil industry. Germany claims as justification that such right should not be extended to British and Americans because of the already large quantities available to these nations and in the further light of Germany's reported need for petroleum.

Sabotage to the oil industry in Venezuela obviously constitutes great concern to the Allied countries at the present time. Thus far, the Germans have done nothing in the way of obstructing or sabotaging oil installations in continental Venezuela. This, however, does not indicate that they intend to continue this passive attitude. In the light of recent attacks on shipping in the Caribbean area, especially in the region of Aruba and Curacao where the bulk of Venezuelan crude petroleum is refined, it is conceivable that such efforts toward sabotage might be made at the source of this crude oil. Oil production in Venezuela is greater than ever before and today, with Venezuela being the third largest oil producer in the world, it would be unreasonable to predict that Germany would overlook such a possibility of seriously hampering the United States and Great Britain by striking at the oil fields in Venezuela and relaxing its attacks against Aruba and Curacao. Inasmuch as many of the former employees in the oil industry in Venezuela are German nationals and naturalized individuals sympathetic to the German cause, it would seem natural that any such attempt would be activated by these individuals who are in constant contact with other Venezuelans familiar with the most vulnerable and technical installations in the field. Many such Germans have been released by the oil companies in Venezuela, and while at the present time unemployed, are afforded excellent opportunities to plan methods of sabotage and other destructive schemes to be put into effect at the proper time.

In 1941, there were approximately 8,000 to 9,000 German citizens and persons of German extraction in Venezuela. It is estimated that possibly 4,000 of this number were citizens of the Reich. Two thousand of these were possibly persons of totalitarian convictions, including, almost without exception, the younger Germans. It is estimated that the remaining 2,000 German citizens, while possibly pro-German, would remain loyal to the Venezuelan Government.

There has been some intimation concerning a reorganization of the Nazi Party in Venezuela which is alleged to have taken place during the summer of 1940. This point is significant in that it is further rumored that the Nazi Party in Venezuela lacks organization and coordination and because of this lack of organization and leadership any substantial activity on the part of the Nazi elements would be rendered less effective. Tomas Ramelow, chief organizer of the Nazi Party previous to the fall of France, who was removed from Venezuela and assigned to Barranquilla, Colombia, as German Consul, is reported to have remarked, "It is impossible to organize Venezuela." In interpreting this remark, it is not known whether he meant that the Germans in the country were not sufficiently enthusiastic or whether the German population was too small for efficient organization in such a large area. It seems apparent, nevertheless, that he failed to create an effective organization. Any effectiveness of Nazi Party organization seems not to have been enhanced by the recent severance of diplomatic relations and internment of certain Axis diplomats, stoppage of German commercial activity as a result of the American and British black lists, as well as the removal of various German elements to the Andean and interior communities of rural Venezuela. It is to be noted, however, in connection with the above, that such a disintegration of Nazis in Venezuela presents the problem of reorganization and re-delegation of Nazi Party duties and the difficulty of establishing the identities of various present-day Nazi agents because of the change in points of operation. In that connection, it is believed that some danger is presented by the concentration of Nazi elements in the region of Valera in the State of Trujillo and in Timotes and Mesa de Enojaque to where various Nazi individuals have moved from the larger, coastal cities.

Comment should be made regarding the potentialities of magnesite production in the Republic of Venezuela. Large deposits of this strategic mineral have been discovered both in continental Venezuela and on the Isle of Margarita. Magnesite concessions on the Isle of Margarita are reported to be under the control of an allegedly disreputable American citizen, Harry W. Schumacher, Sr., regarded as possessing pro-Nazi tendencies and an open associate of prominent Nazi figures in Venezuela. This individual has made overt gestures toward operating such concessions believed for the furtherance of Nazi interests, and has also been suspected of aiding in the refueling of Nazi vessels off the coast of Margarita.

Venezuela is also the producer of rough diamonds in considerable abundance. These diamonds come from eastern Venezuela adjacent to Brazil and the Guianas. Various reports have been received regarding activity on the part of German agents in Venezuela seeking rough diamonds from this source for shipment to Germany. In this connection, it has also been rumored that Germany is in need of rough diamonds for industry, inasmuch as the pre-war supply of these stones was cut off upon the invasion of Holland.

It has been reliably reported that rich deposits of mercury

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have been located in continental Venezuela in the region of Valencia and other areas of central Venezuela. The discovery of these deposits was reported to be unknown to the Venezuelan Government. Whether German agents have learned of the existence of this mercury and made any outward attempts to secure this mineral is not known. Venezuela, in addition to the above minerals, possesses an abundance of gold, copper, coal, salt, iron, tin, asbestos and mica, most of which remain unexploited.

In connection with added precautions taken by the Venezuelan Government toward the protection of its valuable petroleum industry, the various companies have been on the alert to supply adequate protection and to adopt precautionary measures wherever possible. It is believed, however, at the present time that there is a deficiency in such precautionary measures in the oil industry in Venezuela. President Medina and members of the Venezuelan Congress have passed certain legislation restricting aliens in the oil fields pursuant to the suggestions advanced by officials of the various oil companies concerned. The greatest danger in this connection lies in the continued interruption of tanker and barge service between the points of production on the Venezuelan mainland and the refining points on the nearby islands of Aruba and Curacao. It would appear that efforts might be made on the part of Axis elements to paralyze the transportation of crude oil to the refineries by obstructing the entrance to Lake Maracaibo through which many of the tankers pass en route to the above refining points. However, it has been reliably reported that such attempts to obstruct the entrance to the above harbor could only be achieved with considerable difficulty because of the width between the mainlands.

It has been suggested that one of the reasons for members of the Nazi organization hesitating to set into motion a plan to sabotage the oil installations in Venezuela is that of the failure of the Nazi Army to conquer Russia. This plan was allegedly upset by the German reverses in Russia and Libya, and at the present time German prestige in Venezuela is low, Japanese successes in the Pacific having done little to inspire confidence in an Axis victory. This also may have had some bearing on the purported disintegration and ineffectiveness of the Nazi Party organization in Venezuela.