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From: The Chief of Naval Operations
To : The Distribution List Appended
Subject: German Intelligence Activity in the United States and Counter-Measures 1941.
Enclosure: Survey of the German Intelligence System in the United States and contiguous territories.

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By direction.

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GERMAN INTELLIGENCE ACTIVITY IN THE UNITED
STATES AND COUNTER-MEASURES 1941.

As the year 1941 drew to a close, the German High Command and more particularly the leaders of the Nazi Party had failed in one of their most important objectives of the second World War. This objective was to keep the United States neutral.

Apart from the "strategic withdrawal" which characterized the Winter phase of the Russian campaign, there can be little doubt but that the entry of the United States into active participation in the world conflict was the most bitter blow that not only the Nazi High Command but the German people as a whole had yet experienced. It could be argued that the true import of these two reverses might be kept from the "Vollsgenossen" or the "German man of the street". The radio has made it impossible for even Dr. Goebbels to achieve this goal of censorship, and in fact, reliable informants have stated that there is no - or relatively small - penalty imposed on those listening to foreign broadcasts. Capital punishment does fall on him who disseminates information gleaned from foreign broadcasts, but to say that the German people are oblivious of the drastic reverses in Russia or unaware of the tremendous import of the United States entry into the war does not give true credit to that scientific and probing mind for which the German is well-known. The people of Germany are extremely conscious of the similarities between the present situation and the year 1917 when the United States went to war against Germany also in a conflict that was two years old and which soon was to be resolved to the great humiliation of the German people.

It well may be said that the greatest efforts of the German Intelligence in the United States were expended on keeping the United States neutral as long as this could possibly be done. By adding fuel to the fire of the isolationists, by tempting Big Business through the persuasive songs of a Dr. Westrick or a Kurt Rieth, by industriously avoiding every "casus belli" with the United States even after the promulgation of such rigid measures as the confiscation of German ships, the freezing of German funds in the United States, etc., the leaders of the Nazi Party did their very best to achieve this aim. Their reactions to our retaliatory measures were so contradictory to their behavior with regard to far less provocation in other countries that this reticence on the part of the Germans should have in itself been sufficient argument to open the eyes of those who believed that "this European fracas should be no concern of ours."

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On April 10, 1941, under an agreement with the Danish Minister in Washington, the United States placed Greenland under its protection. The only German reaction came from Denmark which severed all further relations between Copenhagen and Minister de Kauffmann. No attempt was made to dispute our "protection" by force of arms. Even when our State Department informed the Reich that its Consulates were being closed, the German official comment was not the usual ravings and rantings of the Propaganda Minister but rather "it is difficult to say anything now ... competent German officials undoubtedly will consider the matter immediately ... The whole question, the freezing and confiscation is now being considered as well as possible counter measures." This unaccustomed reticence on the part of Hitlerian Germany conveyed an important message and meant that the Nazi High Command would go to the greatest extremes in order to keep this country neutral.

Translating this policy into a concrete program in the United States, the Nazis envisaged primarily the infiltration, in both the industrial and the political field, of German agents who would be able to promote the feeling that the foreign policy of the present administration was "war-mongering" or who could indirectly contribute to a German victory by undertaking "slow-down" measures in the defense plants of the country, and by judiciously employing the right to strike. That the Third Reich could find an over-abundance of agents for this work can be clearly realized by glancing at certain figures of the 1940 census. Out of the total population of the United States, eleven and a half million (or 8.7%) are foreign-born, and of this figure 3,344,000 are aliens. If it is argued that the Nazi Intelligence would not use aliens in espionage or sabotage work in the United States on the ground that too much suspicion already revolves about them, then it should be remembered that 63% of the foreign-born (or 7,250,000 persons) are naturalized citizens. Representative Dickstein has estimated that 30,000 of this latter figure were Germans who have become citizens of the United States since Hitler came to power (1933). To this surprisingly large German racial group should be added the thousands of Hungarian, Rumanian, Bulgarian, Ukrainian, Polish, et cetera, nationals who have become, or are in the process of becoming United States citizens and whose immediate relatives are still in the homeland, under the rigid and persuasive control of Dr. Himmler's cohorts. As an example of pressure exerted on Germans living abroad, the files reveal reliable information concerning a Dr. Hollinger - a physician, formerly of Vienna - who emigrated to Mexico City leaving his family in Austria. One Juan Baumgartner - reported to be an active Nazi agent in Mexico City - addressed a letter to Hollinger, written seemingly in a sympathetic vein, but warning the latter to renounce his intention to support an anti-Hitler program in the following sentence, "We beg you in your own interest, in the interest of your family in the Ostmark, to renounce this intention." This letter offers concrete evidence of Nazi pressure that can be brought to bear on a person of German origin having relatives in German-occupied territory. This picture would not be complete without mention of the Jewish refugee question. Here again are

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persecuted thousands who have left Axis dominated countries, stripped of all material possessions, but who in many cases have a close relative still in the Jewish Ghetto of a German or Polish city. It should be a self-evident fact that any person leaving Germany must have the permission of the Government itself and this applies to the German Jews as well as any other German immigrant into the United States. Thus no immigrant from German Dominated countries is completely above suspicion.

During the course of the year, information has been tabulated indicating that over 80 plants having defense contracts have in their employ not less than ten individuals suspected of pro-Nazi beliefs or actions - to say nothing of the pro-Fascists, pro-Falangists and Communists. Of primary interest are those suspected plants which possess Naval contracts. Obviously the security of Naval equipment is of such national importance as to fully warrant the setting-up of a special office by the Secretary of the Navy to deal with the investigation of the personnel in such plants. Interesting and illuminating are the results revealed by the study of the completed questionnaires. It is believed that the Axis has attempted to infiltrate one, and in most cases only one, agent in every industrial plant having a defense contract. In certain outstanding cases, however, many more than one potential agent has been found strategically located.

The Askania Regulator Company of Chicago, Illinois, was found to be employing a President and a Vice-President of German origin, (though presently United States citizens), and as having its Vice-Chairman of the Board of Directors the President of the parent affiliate, the Askania Werke, in Berlin. Furthermore, an associated Company, the American Askania Company, of Houston, Texas, was found to be under the managership of one, Gerhard Stubbe, against whom the accusation was brought that he was a Nazi espionage agent and possibly a member of the Gestapo as well. A competent Naval observer in Berlin remarked on the similarity between German and American anti-aircraft fire-control instruments and noted at the same time that these instruments were manufactured by the Askania Werke - the parent company of the Askania Regulator Company of Chicago. The Chicago company is presently completing a \$2,000,000 contract placed with it by the Bureau of Ships for three submarine training devices and the contract calls for the installation of these devices by representatives of the Company at New London, Connecticut, Coco Solo, Canal Zone, and possibly Pearl Harbor, Territory of Hawaii. Thus by means of interlocking directorates, and exchange of information devolving from patent rights, much material of defense importance has reached Germany.

The Textile Machine Works, sometimes called the Wyomissing Industries, of Wyomissing, Pennsylvania, (near Reading), possesses a large contract with the Navy for the manufacture of machine gun parts. It was discovered that in their employ were 23 known members of the Deutsche Amerikanische Volksbund (the German-American Bund), also one

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Paul Kullman - the inspector of the plant - was reported as being the "Reading Fuehrer", and the chief draftsman of the plant, one Joseph Held, was a friend of both Fritz Kuhn and Wilhelm Kunze. Both owners of the plant, Theodore Thun and Henry Janssen have publicly stated their admiration for Hitler and his methods. They are naturalized citizens of German origin and have been traveling to Germany regularly, as late as 1939.

Finally, the I. G. Farbenindustrie, with its interlocking directorates running the whole gamut of American industry, is the outstanding example of Nazi penetration into this vital field of American industry. Although it remains for the Treasury Department to determine the extent of the various interests in General Aniline and Film Corporation, it is clear that control of this organization and its many divisions, subsidiaries, and affiliates is predominately in German hands. The "International Company for Chemical Enterprises" (I. G. Chemie) of Basle, Switzerland, controls 70% of the stock of General Aniline and Film Corporation, while the latter, in turn, controls nearly a quarter of the stock of I. G. Chemie. The exact details of the relationship between I. G. Chemie and I. G. Farben, the great German dye and chemical trust, are not known but it is apparent that I. G. Chemie is controlled by I. G. Farben. At the time of the organization of General Aniline and Film Corporation, which was formerly known as American I. G. Chemical Corporation, I. G. Farben guaranteed $5\frac{1}{2}\%$ bonds to the extent of \$30,000,000. This fact alone indicates the inordinate interest of the German trust in the comparatively young American venture.

There are three divisions of General Aniline and Film Corporation: Agfa Ansco Division, Binghamton, New York; Ozalid Products Division, Johnson City, New York; and General Aniline Works Division, New York City. There are also three wholly owned subsidiaries of General Aniline and Film Corporation: Agfa Raw Film Corporation, Hollywood, California; Agfa Ansco Ltd., Toronto, Ontario, Canada; and Agfa Film Products Inc., Binghamton, New York. Over and beyond this, however, General Aniline and Film Corporation owns a 50% interest in Alba Pharmaceutical Company Inc., of New York; a 50% interest in the Winthrop Chemical Company of Delaware; and a 19% interest in Plaskon Company Inc., Toledo, Ohio. General Aniline and Film Corporation also controls interests in Sterling Products, Inc., a holding company which owns the other 50% interests of Alba Pharmaceutical Co., Inc., and the Winthrop Chemical Company of Delaware.

The possibilities for industrial and commercial organizations to transmit intelligence are apparent. Interests of General Aniline and Film Corporation include also investments in Standard Oil of New Jersey, Standard Oil of California, Standard Oil of Indiana, Mission, Inc., and E. I. DuPont de Nemours & Company. The organization extends into South America (Cia. General Anilinas, Casa Bayer, and Cia. Quimica Schering), Norway (Norsk Hydroelectrisk Kvaestoff A/S), Switzerland (Osram A. G.), and so on. American interests are presently engaged in an active

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attempt to gain control of General Aniline and Chemical Corporation. On December 6, 1941, it was announced that a majority of the Directors of the Company had elected William C. Bullitt a member of the Board. Earlier Mr. John E. Mack had been elected President of the Company to take the place of Mr. D. A. Schmitz who was not overjoyed by this "ouster", and who fought his removal for sometime before it was officially announced. Mr. Felix Iselin of Basle, Switzerland still represents the controlling stock of the Company and the entire organization with all its ramifications must still be viewed with great suspicion.

A naval angle was uncovered during the investigation conducted by the Treasury Department - it being reported that D. A. Schmitz's son, Herman Albert, was the "Chief Communications Officer of the Pacific Fleet." This statement was used by the defendant's attorney to impress the veracity of his client's statements on the officials of the Treasury Department. Actually it was later verified that Herman Schmitz has a minor position in the Communications Department of one of our battle-ships.

Infiltration in the political field for the purpose of achieving results favorable to Germany have taken several forms. By far the most influential until June 16, 1941 were the eighteen German Consulates located in seaports and cities of the United States proper as well as six scattered in the Canal Zone, the Philippines, Hawaii and other American possessions. Insofar as German Intelligence work was concerned this consular organization was headed by two Parteigenossen (Party members) stationed at the German Embassy in Washington-Heribert von Strempel (1st Secretary) and Ulrich Freiherr von Gienanth (2nd Secretary). It is believed that von Strempel headed the Nazi Party organization in the United States as well as being in charge of all Party funds. In support of this contention, a reliable informant advised that on the 30th of November 1941 von Strempel was extremely anxious to determine how he might "get \$300,000 of German Embassy money out of the United States." The actions of Baron von Gienanth have been more closely observed and his duties in the United States have been thoroughly studied. The Baron had to report on the moral influences of different groups, both racial and religious, and to ascertain who might be considered as a bridge in educational and religious feelings between Germany and the United States. His field was largely educational and one devoted entirely to propaganda. He specifically inquired concerning the possibility of having propaganda speeches from Germany published in newspapers of the Methodist Church in the United States, and stated he would be willing to arrange speaking time for well-known German preachers who formerly lived in the United States to broadcast via short wave radio from Germany to the United States. All German exchange students in the United States were required to report to the Baron and they in turn brought him the feelings of their professors and fellow students toward Germany. It goes without saying that these German students were not transferred to the United States unless the institution to which they were going was favorable to Nazism or the possibility existed for the German Government to obtain some valuable information

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through the attendance of the student at that particular institution.

Returning once more to the Nazi Consular set-up, before June 1941, it must be noted that unlike members of the United States Foreign Service, German consular officers must also be members of the Nazi political party. The task set these individuals by the Wilhelmstrasse does not contemplate that their time shall be exclusively spent on issuing German visas, looking after German seamen or performing other habitual consular tasks. Fritz Wiedemann, Edgar von Spiegel and especially Herbert Scholz from their points of vantage at San Francisco, New Orleans and Boston were able to assemble-with the aid of their colleagues-vital defense information, to enhance United States political disunity and particularly to obtain and distribute vast sums of money to those aliens and United States citizens of German origin who believe their home country to be on the Elbe rather than on the Mississippi. These sums were spent for services rendered as is fully brought out in the recent arrests made by the Federal Bureau of Investigation of more than a score of Nazi agents who were even photographed while they were delivering vital information (as they thought) to Germany.

On that important day in June when the State Department made its drastic statement that the accredited officials of the Reich had indulged in activities of "an improper and unwarranted character inimical to the welfare of the United States" (which is another way of saying Espionage and Propaganda Activities), action was taken to stop other propaganda agencies from continuing to function. The Transocean News Service, the German Library of Information and the German Railroads Information Office were likewise ordered "removed from the United States for activities inimical to the welfare of this country." The Dies Congressional Committee investigating un-American activities publicly charged that these three agencies, with offices in New York City, were directing streams of Nazi propaganda to many parts of the United States and to Latin America. The library and the railroad's information office were reported to be direct agencies of the German Government while the news service was ostensibly under private ownership but in receipt of instructions and funds from the German Embassy. Dr. Manfred Zapp, editor, and Guenther Tonn, his assistant, of the Transocean News Service, were indicted by special Federal Grand Jury earlier in the year for exceeding their duties as "treaty merchants" and for failing to register at the State Department as agents of a foreign power. It is interesting to add that Zapp remained on Ellis Island until the sailing of the U.S.S. West Point on July 15, 1941, at which time he joined the 443 members of the ousted German and Italian Consular officials on their trip to Lisbon. Zapp's bond of \$8,000 is, of course, frozen in this country but his counsel, one Emil Morosini, Jr., of New York City, has advised that this sum belongs to the German Embassy and therefore not subject to President Roosevelt's recent executive order. Morosini it is noted also represented most of the defendants in the German Spy Trial case begun September 8, 1941.

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As an outstanding example of the close relationship between Nazi press representatives and the official German representatives in the United States, there is cited the case of Hans von Wolfram, who was the Deutsche Nachrichten Buro representative in Los Angeles for the first five months of 1941. At this time he was also attached as Press Attache to the German Consulate. In June 1941 he was transferred to Washington, D. C., became Press Attache there while having his official office in New York City. Actually on December 9, 1941 - two days before Germany declared war on the United States - he was arrested in New York. This case brings out vividly the very close cooperation between so-called private enterprise such as the D.N.B. and the German diplomatic and consular family, wherever these come in contact in a foreign country.

Passing from the official and semi-official Nazi agencies, it is well to note that many a so-called "representative of private industry in the Third Reich" traveled to the United States and while here attempted to throw favorable light on the Nazi regime in those places where it might do the most good. Kurt Rieth came to the United States on "personal business" but he never lost an opportunity to attempt to persuade "big business" that the economic salvation of the world could be accomplished only by collaboration between Nazi Germany and the United States. Rieth was at one time an officer in the Foreign Service of Germany - incidentally, he held the position of German Minister to Austria and had to leave Vienna when the anti-Nazi feeling in that country rose to great heights in the year 1933. He reported that he would be in the United States for a four month period "attending to personal business" and gave as references many high officials in United States oil business. Rieth came to the United States via a roundabout route, through South America, crossing the Atlantic on a Lati airplane, - at the time and up until December, 1941, - the only fast means of communication between the Axis countries and the Western Hemisphere, which was not controlled at some point by Great Britain or the United States. Information has now been compiled to show that throughout his entire itinerary across South and Central America, Rieth was conveying important instructions to the various German heads of mission direct from the Fuehrer. Rieth's visit to the United States and the time which he might have devoted to "personal business" here was shortened by his deportation only a week after his arrival in New York City. There is little doubt, however, that as in the case of Dr. Westrick, Rieth was directed to contact the so-called "moguls of big business" in order to get their support for economic collaboration with the Third Reich.

Yet another group of pro-Nazi influences is represented by those organizations which have no official connection of any kind with Germany. Indeed, in the case of the Amerikadeutscher Volksbund, in the year 1937, Hitler officially decreed that there was to be no further connection between the Nazi Party and the above mentioned German-American

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Bund. Nevertheless, there are today many pro-German organizations in the United States which - although they have no guidance from the Third Reich - are detrimental to the best interests of the United States and may well be considered as potentially subversive. Below appears a list of such organizations in the United States and when it is remembered that each represents a membership of hundreds, if not thousands, some idea may be had of the political implications involved in regimented vote of every member.

AMERICAN DESTINY PARTY

AMERICAN PATRIOTS

ANTHROPOSOPHY SOCIETY

CHRISTIAN FRONT

DEUTSCH-AMERIKANISCHE BERUFGEMEINSCHAFT

DEUTSCHER-AMERIKANISCHER ZENTRALE BUND

DEUTSCHER FICHTE BUND

DEUTSCHES HAUS

DEUTSCHES NACHRICHTEN BURO

FRIENDS OF NEW GERMANY

GERMAN-AMERICAN BUND

GERMAN-AMERICAN CLUB

GERMAN-AMERICAN CONGRESS FOR DEMOCRACY

GERMAN-AMERICAN LEAGUE

GERMAN-AMERICAN NATIONAL ALLIANCE

GERMAN AND AUSTRIAN WAR VETERANS

HERRMANN'S SISTERS

HERRMANN'S SONS

KYFFHAUSER BUND

NATIONAL LEGION OF MOTHERS &

DAUGHTERS OF AMERICA

NAZI SOCCER CLUB

REICHSDEUTSCHE VEREINIGUNG

SCHLARAFFIA

SILVER SHIRTS

STEUBEN SOCIETY

UKRAINIAN-AMERICAN FASCISTS

UNITED GERMAN SOCIETY

Of even greater danger to the United States for reasons of sabotage and espionage are those organized racial groups composed of nationals belonging to countries which may be under the persuasive control of the Gestapo or which have reason to believe that an Axis victory would reward them better than an Allied one. Thus, French, Spanish, Hungarians, Bulgars, Rumanians and now even Swiss fall under a cloud of suspicion. For the duration of hostilities, therefore, it would be prudent to consider an Axis alien "guilty until he has satisfactorily proved his innocence." The anxiety experienced over such nationals is clearly portrayed in the paraphrase of a dispatch from the Navy Department: CONCERNING MR. X, IT IS REQUESTED THAT A DISCREET INVESTIGATION BE MADE AS TO THE DESIRABILITY OF HIS RETAINING HIS POSITION IN THE SHIP DEPARTMENT (OF AN AMERICAN COMPANY). HE HAS ACCESS TO ALL LOADING INFORMATION AND HE IS A HUNGARIAN CITIZEN.

Of special note as a racial group is the American Ukrainian Fascist Organization which is reported to be composed of a small minority of the one million Ukrainians in the United States which has maneuvered itself into a strategic position in the Ukraine-American community and which has promoted the Nazi cause with fanatical zeal. A "5th Column" subsidiary is the O.D.W.U. (Organization for the Rebirth of the Ukraine); this group has called upon its members to organize - modeling itself on Hitler's party organization. One of its leaders has been apprehended for having weapons and ammunition concealed in his house. Pablo Skoropadsky, with headquarters in Berlin is said to be in

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control of this entire organization, and is called the King of the Ukraine by those who favor the creation of an "independent" Ukraine under the auspices of the Third Reich. He exerts his influence over the various Ukraine organizations through the Hetman - a terrorist group organically very similar to the Nazi Gestapo. The Ukrainian-American Fascist Organization is reported to have been delegated increasing responsibility for Nazi sabotage, espionage and propaganda activity in the United States but it should not be overlooked that the great majority of the Ukrainians are "on the other side of the fence" and are working for the independence of the Ukraine to be established by the Allied Nations. In this role, quite obviously these latter became excellent informants.

The Croatian and Macedonian minorities in this country are not above suspicion. The Centralin Komitet, also known as the Macedonian Propaganda Office, located in New York City is reported to be working closely with Axis agents in various sections of the United States developing information of military, naval and economic value to the Axis Powers. The notorious Domobran (Board of Frankist Organization) a Croatian group is reported to be a branch of the Centralin Komitet, and further reliable information has been received to the effect that the Gestapo has organized the parent societies in the occupied countries of Yugoslavia and Greece in order to use its members in the United States for sabotage and terrorism.

In order to parry all the foregoing, the United States Government took a series of important and - for a neutral power at peace with Germany - drastic steps during the year 1941 and before the final rupture of relations on December 11.

In April 1, 1941 the newspapers published the extraordinary accounts of the seizures of 63 Axis vessels in United States ports totalling over 300,000 tons. The two German vessels seized were the freighter, Arauca, at Port Everglades, Florida, and the tanker, Pauline Frederick, at Boston. The crew of the former had been giving the local authorities a great deal of concern for the prior six months inasmuch as a well-executed act of sabotage by the crew could have bottled-up the port for a considerable time. That this was a fortunate "nipping-in-the-bud" of a well-conceived and all-encompassing sabotage plan was attested by the fact that Axis ships in other ports of Central and South America were rendered useless by their crews the following day before local authorities had had the time to take the precautionary measures that were taken by the United States.

Official Germany offered only a mild protest over the action taken on April Fool's Day nor did it become bellicose a few days later when, as mentioned before under an agreement with the Danish Minister in Washington, the United States placed Greenland under its protection.

June 13, on a Saturday, after all financial houses were closed

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for the week-end, the President ordered the freezing of Axis assets in the United States. This was followed two days later by the closing of all Nazi Consulates because of over-indulgence in "improper" activities as mentioned previously. Even this precipitous action did not deter Charge d'Affaires Hans Thomsen from continuing the diplomatic representation of Berlin in Washington. Such was not the usual Hitlerian reaction when it is remembered how diplomatic relations were severed for far less a pretext in the cases of Austria, Czechoslovakia, Poland and many other countries. This action, coupled with the closing of the Transocean News Service, the German Library of Information and the German Railroads Information Office, was the biggest single blow delivered to German espionage in the United States during the year.

One month later, on July 17, the State Department released the first "Proclaimed List of Certain Blocked Nationals". This list constituted our main attempt to curb the Nazi economic enterprises which were doing a thriving business in Latin America. By denying certain establishments the right to traffic with the United States, a powerful economic weapon was leveled against Axis industry and commerce below the Rio Grande. Some German business houses thus found themselves in no position to contribute large sums of money to the local Nazi organizations or to swell the chest of those funds which were earmarked for transportation to, and use in, Germany itself. During the rest of the Summer and Fall the State Department issued additions and some few deletions to the "Black List" of the United States until now, five supplements have been distributed throughout Latin America. Obviously, injustices occurred in particular cases, and consequently the unilateral enforcement by the United States of this Black List has given rise to some opposition on the part of our Sister Republics. It is felt, nevertheless that--these injustices notwithstanding--the general security has been immeasurably enhanced.

Finally, the breaking point was reached on December 11 and Foreign Minister von Ribbentrop handed United States Charge d'Affaires, George L. Brant, his passport declaring, "The Reich Government ... is suspending diplomatic relations with the United States Government and from today onward considers itself at war with America". It is a strange turn of events that after consulates were closed, money frozen, ships taken over - Nazi Germany was maneuvered into a war declaration by its Axis partner in the Pacific, it being seriously doubted that Hitler knew beforehand what was in Tojo's mind.

German Intelligence work dealing with the Western Hemisphere gave good evidence both of long-term planning and efficient operation. In the case of the captured German aviator, Baron Franz von Werra, the German espionage net was able to successfully effect the return to Germany of this famous flyer although he had to travel from Canada, through the United States and half the capitals of Latin America before he finally boarded an Italian plane at Rio de Janeiro and flew to safety. In March, 1941 the captured flyer was placed under a \$5,000

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bond posted by the German Consulate in New York after he had escaped from a prisoner's camp in Canada. The efficiency of the German Intelligence is demonstrated by the secrecy and success with which Werra jumped bond and evaded all patrols and officials at the Mexican border, finally turning up in the office of Pan American Grace Airways at Mexico City under the assumed name of Bernd Natus. There the Counselor of the German Legation in Mexico stated that Natus was, in fact, his son and produced a forged German Diplomatic Passport No. 298-36 issued in Mexico on December 1, 1936 with which Natus procured air passage for his trip to Europe. Natus left Mexico City on April 1, 1941, traveling by the Pan American Grace Airlines - (financed in large part by the United States Government, created and controlled by United States citizens.) He overnighted in Guatemala City, arriving in the Canal Zone on the evening of April 2nd. There is no record to show where he spent the night of April 2nd, or in fact, of any of his activities in the Canal Zone. On the morning of April 3rd, again traveling by the same Airline, he boarded a plane at Balboa (Albrook Field, within the Canal Zone), and flew to Lima. Again by the same means Natus departed from Lima on April 7th, arriving in Buenos Aires April 9th, whence he finally departed the Western Hemisphere as a passenger of the Italian Lati Airline, via Natal, Brazil on April 17, 1941. This travel was completed before there was any suspicion that Natus was in fact the Baron von Werra who had jumped a \$5,000 bond in the United States and had subsequently, none the less, spent 12 hours in the vital Canal Zone and escaping all observation.

Lessons learned from this feat on the part of German Intelligence were the ease with which forged German Diplomatic Passports were distributed to deserving Nazis on important missions. It also indicated the vulnerability of the Canal Zone and the ease with which Axis agents were able to transit Panama unobserved. During 1941 air travel was used extensively by all Axis agents. Perforce this travel was effected on air lines owned and operated by United States interests. Although every effort was made locally by our attaches and diplomatic representatives to hinder this travel, and to prevent the transportation (by means of air express) of tremendous quantities of Nazi propaganda, few visible results ensued. It should be noted further, that much valuable material such as platinum, diamonds and mica were transported by means of American controlled airlines to Buenos Aires whence the only existing, Axis-dominated, transportation system linked the Old World with the New. The Lati Air Lines journeyed twice a week across the Southern Atlantic from Rome, Seville and the Cape Verde Islands to Rio de Janeiro, Buenos Aires, and return. It was not until after war was declared between Germany and the United States that the operation of this vital link was terminated.

A second outstanding example of German Intelligence in the Western Hemisphere is the sending of instructions by means of short wave radio from Berlin to various unidentified points in South America. These messages enable the United States to determine what instructions German Agents in South America are receiving. The first confirmation of the fact that the Germans were using nationals of Axis-dominated countries

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as their agents in the Western Hemisphere was received by this means which queried the advisability of employing Rumanians as information gatherers in South America, and especially in Argentina.

The same source has revealed that the Germans are in possession of detailed knowledge concerning the disposition and tasks of various units of the United States fleet which are assigned to the Caribbean sector. The number of United States cruisers in Trinidad over a given date were reported, as well as the fact that our hydro-planes patrolled the north coast of South America approximately from Bahia to Trinidad.

Instructions regarding the use of secret ink and the manner in which messages written with such ink could be read were relayed in the same manner. Emergency addresses to be used as "post offices" were revealed and the fact that no further mail for Europe was being accepted by the Condor or Lati Air Lines was important enough to comprise a special message. In summary, most of those instructions which are essential to the effective continuation during hostilities of the flow of information necessary to an espionage system were, and still are, being conveyed by short wave radio.

The latest developments in the changing international picture attracted the particular attention of the German High Command and when the United States joined with Communist Russia in battle against the Axis forces instructions were forwarded to disseminate this information among the Irish Catholics in the United States, placing special emphasis on the fact that since the United States was now allied with Communism the safest refuge of the Catholic Church lay with the Axis!

Of tremendous importance leading toward the breaking-up of a German Intelligence system in the United States was the arrest, conviction and final incarceration of thirty-three American citizens - members of a far-flung German intelligence net, the foundations for which were laid soon after Hitler came to power in Germany. In 1939, however, one William G. Sebold - chief witness for the Government in this Spy Trial - traveled to Germany and while there was ordered by the Gestapo to become an informant upon his return to the United States. He was to gather information in this country and to establish radio stations whereby this information could be transmitted overseas. Upon Sebold's return, this German-born citizen of the United States went to the Federal Bureau of Investigation and obtained its help in erecting and operating the stations ordered by the Gestapo.

For the better part of two years, therefore, the Federal authorities were obtaining invaluable information concerning what special knowledge was desired by the Gestapo and also the informants and codes used to gather and transmit these details. As a result, on June 29, 1941, 33 suspects were arrested.

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The trial started on September 3 and exactly fourteen weeks later, Judge Mortimer W. Byers imposed prison sentences aggregating 310 years and nine months on the defendants for violation of the Espionage Act. The two principal counts were, first, furnishing defense information of this country to Germany - including particulars concerning the Norden Bombsight, - and second, failing to register as agents of a foreign government. Horman Lang, Edmund Carl Heine and Joubert Duquesne were the ringleaders and received twenty year sentences each. The Government contended that the ring, operating in all parts of the world and covering all metropolitan centers and hundreds of lesser towns throughout the United States, attempted to deliver military, commercial and industrial intelligence to Germany. In sentencing Lang - a machinist and a draughtsman by profession - Judge Byers said, "He of all men know the value of the Norden Bombsight. He of all men know to what use it might be put by the 'chivalrous' powers of the Axis in waging their war against civilization."

A second spy-trial is to be convened during the latter part of January, 1942. This is a superseding action on a previous spy indictment originally called to trial on October 27, 1941. Kurt Frederick Ludwig, arrested on August 30, at Spokane, Washington, was - according to United States Attorney Mathias F. Correa - the ringleader of a highly efficient military espionage agency of the German Government. Ludwig was born in Ohio of German parents, and was taken to Germany at the age of two; he had visited this country several times, and in March of 1940 - it was alleged - he returned for the specific purpose of gathering and sending to the German authorities detailed information on the size, equipment, location and morale of United States Army Units. Ludwig, it was stated, had made personal visits to fortifications, flying fields and naval bases along the Eastern seaboard, and his background contained training that enabled him to recognize the values and weaknesses of what he saw. The Federal prosecutor further declared that Ludwig "always kept an elaborate short-wave radio in his automobile, fully capable of receiving code messages from abroad." Others indicted originally with Ludwig included a 31 year old drafted soldier - Rene Froehlich, formerly employed by the North German Lloyd and the Transocean News Service - Hans Pagel, Carl Herman Schroetter - a charter boat captain of Miami, Florida known then as Captain Jack Post - Helen Pauline Mayer, and Lucy Boehmler, both of New York City.

Finally, on the last day of the year, Paul T. Borchardt - a former Major in the German Army - was indicted as the "master-mind" of the Ludwig group. He was arrested the day after Germany declared war, and detained on Ellis Island. With Borchardt on the last indictment appeared the name of Captain Ulrich von der Osten formerly of the German Military Intelligence who was killed in an automobile accident in Times Square in the Spring of 1941 who, before his death, was known as a Spaniard by the name of Lopez and was thus able to mask his spy activities for some time. The latter, it was thought, was the original organizer of the group, and his demise opened the way for the advent of Ludwig.

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A fitting summation of the foregoing is an outline of the German Fifth Column system in the United States which was received from a reliable source in August, 1941 and obtained from individuals who had recently been in Germany and Italy. The German Intelligence Network in the United States is divided into five groups:

- A - Allgemeine Group: Comprising German citizens residing in America who are each week obliged to attend meetings and to provide information of general interest.
- B - Military Group:
 - (a) Those agents duly accredited and otherwise in America who secure military information through whatever channels available.
 - (b) Sabotage section.
 - (c) Persons designated as actual spies who would continue to function as such during period of hostilities between the United States and Germany.
- C - Civil Group:
 - (a) This section includes all workers in industry, particularly in armament and ammunition depots. These men are charged with active sabotage and espionage.
 - (b) This section spreads discontent, strikes and slows up production by every means possible.
- D - Agricultural Group: In the United States this group is of little importance. However, in Argentina and Brazil they play an important part.
- E - Big Industrial Group: This group is headed by the I. G. Farben firm which according to the informant has approximately 90% of its officials under direct control of the German intelligence service.

The outbreak of formal war between the United States and Germany has inevitably resulted in some modification of the German Intelligence operations in this country. It has been brought out above that such operations in the past have been largely directed by the Consular and Diplomatic officers accredited to the United States and were to a large degree directed towards keeping this country out of war. It would be naive to assume, however, that plans had not been carefully drawn well in advance to effect a rapid transformation of the organization in such a manner that it could function in time of war. It is certain that personnel in this country and in the nations of Latin America have been carefully instructed in their duties, and that full preparations had

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been made for orders from Berlin to reach agents in the field once formal diplomatic relations had been severed. It is believed that two sources of potential danger should be particularly stressed. The German Desk has received evidence that Germany plans the increasing use of non-German nationals for subversive purposes in order to lessen the possibility of suspicion. The many thousands of persons in the United States who are natives of countries presently occupied by Germany, and who in many cases have relatives still living in those countries, offer an obvious field where pressure may be effectively applied. Secondly, there is increasing evidence that Latin America will be used as a base for subversive activity directed at the United States. In this case the personnel used will probably include Germans long established in the various nations to the South, Spaniards identified with the Falange group and nationals of the Latin American countries themselves in both high and low positions whose sympathies or interests may be enlisted in the Nazi cause. A recent example of this activity is a trip of two German agents of Argentine nationality who traveled from Buenos Aires to Mexico via Chile and Cuba contacting known Nazis in all the countries visited.

There has been some satisfaction expressed in this country that during the first six weeks of war no serious sabotage has taken place. The growth of a sense of false security is one of the greatest dangers which confronts the United States. A number of persons - well acquainted with Nazi methods and their practices followed in Europe - have stated that it is the deliberate policy of the German Espionage System to avoid sporadic attempts at sabotage until such time as their prey believes the danger to be past, and then to strike with the full force of its elaborate and effective organization, probably in coordination with military activities undertaken by the armed forces of the Reich itself. From experience in other countries it is clear that the menace of sabotage can be met effectively only by eternal vigilance and by striking first at all subversive agents in such a manner that their activities can not be co-ordinated.

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THE NAVAL ESTABLISHMENT

The Naval Personnel File on the German Desk is presently composed of nearly 2,000 names and represents individuals running the gamut of the Naval Establishment from officer to third machinist mate. In 1941 a total of 215 persons have been discharged from the United States Navy or have resigned under suspicion of pro-Nazi sympathies or actions.

Since the German declaration of war the Office of Naval Intelligence has been particularly interested in the composition of the United States Merchant Marine - obviously, the fleet cannot operate without thousands of supply ships which must be procured from the ranks of this service. Before sailing with the fleet, however, the Navy must be sure that no subversive agents are aboard these merchantmen in the guise of crew members, or even officers. Because there is vital interest in the security of secret naval codes, investigation falls largely upon those who might have access to such codes - that is the Masters of the various vessels and their Radio Operators. On December 17, 1941, President Roosevelt signed Public Act #351, 77th Congress - H.R. 5074 - which provides for additional safeguards to the Radio Communications Service of ships in the United States in the interest of National Defense and grants the Secretary of the Navy authorization to "disapprove the employment of any persons considered unfit to serve as radio operators aboard any vessel (other than a vessel of foreign registry) sailing from a port of the United States." Pursuant to this legislation, the Secretary of the Navy on December 18 - one day later - established a Departmental Qualification Board to which must be submitted the names of those commercial radio operators whose background casts doubt as to the advisability of their serving on United States ships under the present exigencies of war. The law accords to each operator the right of appeal to District Boards which have been set up in each Naval District for this purpose. This legislation is of too recent a date to determine the percentage of those operators who have taken advantage of their right of appeal.

From the information at hand - compiled and evaluated - it is possible to state that no evidence has so far come to light which would indicate that the Nazis have a definite net of espionage or subversion within the Naval Establishment. Experience has shown that while there may be an isolated and occasional case where an individual is in a position to commit sabotage on an important unit of the fleet, there is no evidence of a consistent "honeycombing" of the various fleet units or their supporting shore establishments which would indicate that there existed a potentially serious danger from within.

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