

DEPARTMENT OF STATE

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In reply refer to
FC 862.20225/675

SEP 18 1942

CONFIDENTIAL

The Department of State transmits to the following
the attached information in the hope that it will be of
value:

- Military Intelligence Division
- ✓ Office of Naval Intelligence
- Federal Bureau of Investigation

RECEIVED S-C MILLS
 ROUTE 265
 NOV 9 1942
 ROUTE 10- file (16)
 Op file No. (SC) A8-5/EF15
 Doc. No. _____
 Copy No. 1 of 1
 P110

Enclosure:

Copy of strictly confidential despatch no. 4281,
dated August 28, 1942, from the American Embassy,
Santiago, subject: "ACTION APPARENTLY TO BE TAKEN
AT LAST BY THE CHILEAN GOVERNMENT TO DEAL WITH
CERTAIN GERMAN ESPIONAGE AGENTS IDENTIFIED BY THE
EMBASSY", with enclosure.

FINISHED FILE... J. R. K. [Signature]

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Authority NND 803073

CU A8-5/EF15 SECRET

4146

Santiago, August 28, 1942

No. 4281

Subject: Action apparently to be taken at last by the Chilean Government to deal with certain German espionage agents identified by the Embassy.

STRICTLY CONFIDENTIAL

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to my Strictly Confidential Despatch No. 3931 of July 17, 1942, and its enclosure, a copy of a memorandum identifying eighteen espionage agents of Germany in Chile which had been handed by me to the Minister for Foreign Affairs on June 30, 1942.

Only now, nearly two months after the memorandum was presented to Señor BARROS Jarpa, has the Chilean Government demonstrated any interest in the activities of these Germans. On August 24th a confidential informant, who is a higher official in the Dirección General de Investigaciones, called at the office of the subject of the Department's Confidential Telegram No. 369 of October 7, 1941, 3 p.m., and stated that the Minister of the Interior was anxious to study the evidence with a view to apprehending seventeen of the espionage agents and eventually prosecuting them, but that in order to do so it would be necessary for Investigaciones to obtain certain data that could be used as the Chilean Government's own evidence of the complicity of these persons in the operations of the

clandestine

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clandestine radio station known as "PYL". The office of the person mentioned in the Department's Telegram above cited is now preparing copies of surveillances and of other material for the use of Investigaciones in setting up the case against the seventeen agents for presentation to Señor Raul MORALES Beltrami, Minister of the Interior.

1/ In order that the whole affair might be discussed more fully and that the proposed course of action of Señor MORALES Beltrami might be explained in concrete terms, the appropriate office of the Embassy arranged a meeting for yesterday between the Investigaciones official and one of my Secretaries. A memorandum of their conversation is enclosed. It will be noted from this memorandum that, according to the Embassy's source of information, the Minister of the Interior expressed intense interest in the memorandum presented by me to the Minister for Foreign Affairs and asserted that he was going to seize this opportunity to attack the Fifth Column in Chile. The Minister's plan was to obtain from his section of Investigaciones sufficient proof of the espionage activities of the group of eighteen; to arrest them all simultaneously, with the exception of Ludwig von BOHLEN, the German Embassy's Air Attaché; to attempt to obtain confessions from these men, particularly from the Chileans involved; and to prosecute the seventeen under Chilean law for espionage. The Department's attention is invited to the Minister's significant intimation that if action against these agents could be carried to a successful conclusion it might be instrumental in bringing about a rupture of relations with the Axis.

Questioned concerning the kind of proof that would be sufficient for Señor MORALES Beltrami to take the steps outlined above, our informant said that it would be most desirable to supplement the reports of surveillance of the agents with documentary evidence of the radio station's espionage activities which would be more appealing to Chilean psychology than the mere statement of the United States Government that the station had been monitored and subversive messages recorded. Accordingly, the appropriate Government office in Washington has been asked by cable if it would be possible to furnish the Embassy with the original intercepted code messages of PYL, with the key to the code which was used by the United States Government in its deciphering of the messages, and with the true readings in German. The official who sent this cable is somewhat doubtful that his Washington office will be willing to furnish the code texts and the key to their decoding for use as evidence in a Chilean court of law, thus disclosing to the Germans that their code has been broken.

The Embassy will follow this matter closely by means of the constant contact maintained with the official of Investigaciones and will report all important developments promptly to the Department.

Respectfully yours,

CLAUDE G. BOWERS

Enclosure:

1. Memorandum of conversation.

820.02
GDA/hbh

[Handwritten initials]

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*Defensive
NO*

Enclosure No. 1 to
Despatch No. 4281 of
August 27, 1942.
American Embassy,
Santiago, Chile.

MEMORANDUM OF A CONVERSATION BETWEEN MR. ANDREWS OF MY STAFF AND
A HIGH OFFICIAL OF THE DIRECCIÓN GENERAL DE INVESTIGACIONES OF THE
CHILEAN MINISTRY OF THE INTERIOR.

I started off the conversation with this official by stating that the Embassy was most interested in the attitude of the Minister of the Interior and his proposed plan of action against the eighteen espionage agents of Germany who were the subject of the memorandum handed by the Ambassador to the Minister for Foreign Affairs. Señor "X" replied that the Minister of the Interior, in examining the memorandum and discussing it with him about five or six days ago, had expressed great interest in the case, had asserted that he wanted very much to seize this opportunity to attack the Fifth Column in Chile and had remarked that, if effective action could be taken against the group of espionage agents, the affair would "change the whole panorama of the Government's international policy" (".....cambiará todo el panorama de la política internacional del Gobierno"). At this point Señor "X" explained that, in his opinion, Señor MORALES Beltrami's reference to a change in Chile's international policy clearly meant a rupture of relations with the Axis powers, although the Minister had not actually said as much. In any case, the Minister of the Interior and he were agreed that the apprehension of the espionage agents and a successful prosecution of the case against them would afford President Ríos a "sufficient motive" for breaking relations.

In reply to my question as to what would constitute sufficient evidence for the Ministry of the Interior to take action, Señor "X" admitted that no conclusive proof could be obtained of the operations of the clandestine radio station PYL, since it was now extinct, but added that his bureau could substantiate the surrounding evidence contained in the Embassy's memorandum through its own records and the use of the Embassy's records as though they belonged in the files of Investigaciones. For example, he would copy the Embassy's records of surveillances and place them in the files of Investigaciones, where they would be used to prove that the persons in question had actually been in Chile at specified dates, had belonged to certain subversive organizations, had contacted certain known Axis agents, etc., However, something further was needed to persuade the Chilean Government to take immediate and effective action; the psychology of Chileans was such that they must see things in black and white; while it was enough for him, the mere statement of the United States Government that it had monitored the clandestine radio station and recorded subversive messages would not be taken by Chileans on its face value because the United States was an "interested party"; and it was most desirable for him to be able to present to the Minister of the Interior the actual code texts of the intercepted messages, the key used in breaking the code, and the true readings in German.

Señor "X" recounted that the Director General of INVESTIGACIONES had told him that he would give him 100 men, or even 500 if necessary,

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to round up the spies. Asked for further details covering his plan of procedure, Sefor "X" gave me the following outline: with exception of Ludwig von BOHLAN, the German Embassy's Air Attaché, all the agents would be simultaneously arrested along with the members of their families; the offices of Transradio Chilena would be thoroughly raided for the purpose of discovering any subversive papers belonging to those members of the group associated with the company and also any subversive documents that might be in the possession of Transradio Chilena; effective third degree methods would be taken to extort confessions, particularly from the Chilean members of the group; and these confessions, added to the evidence contained in the Embassy's memorandum as substantiated by the Chilean Government would be used in the prosecution of the case before a court of law.

Apropos of the general political situation, the Embassy's informant expressed optimism over the eventual breaking of relations with the Axis, said that from his point of view the break should be made before the President's journey to Washington because that would be more in keeping with Chile's "dignity" than a rupture after the President's return, and added, paradoxically enough, that if such action were taken before the journey, the visit would have to be indefinitely postponed since the President would find it necessary to remain personally on the scene in order to prevent sabotage and maintain public order.

The person interviewed is one of the most trusted and valuable sources of information of the office mentioned in the Department's Confidential Telegram No. 369 of October 7, 1941, 5 p.m. He gave me an impression of sincerity and earnestness.

GDA/hbhy of
A true copy of
the signed original
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Op-20-G/jac

September 24, 1942.

MEMORANDUM FOR CAPTAIN ZACHARIAS:

Subject: Request of Claude G. Bowers for certain decoded material.

Reference: (a) Copy of secret ltr from Admiral T. S. Wilkinson to Hon. A. A. Berle, Jr., Asst. Secretary of State, dated March 28, 1942.

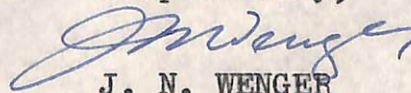
Enclosure: (A) Secret ltr from Maj. Gen. Geo. V. Strong to Hon. Adolf A. Berle, Jr., dated April 3, 1942.

1. The question of supplying decoded material for prosecution purposes has arisen from time to time, as in this case. The Radio Intelligence Section has always taken the stand that no material should be supplied and believes it essential that this policy should be continued.

2. The same question arose in connection with the closing up of clandestine stations in Brazil. Unfortunately, the matter got out of hand and it became public knowledge that the ciphers used by the espionage agents in that territory were being read by our government. Both the Army and the Navy became very much concerned over the situation, and a conference was called by the State Department to discuss ways and means of handling similar situations which might arise in the future. It was agreed that no action should be taken to close clandestine stations without the consent of the Chief of Staff of the Army and the Chief of Naval Operations. The idea behind this was that it might be much more valuable to the military services to obtain the information flowing through clandestine stations than to close them up. Furthermore, there was always involved, as in this case, the possibility of having to disclose the source of evidence to be used in prosecution.

3. I believe that the State Department is aware of the foregoing decision and should be guided thereby. In this connection I should like to invite your attention to reference (a), a letter to Mr. Berle, of the State Department, from Admiral Wilkinson, and also to enclosure (A), which is a copy of a letter from General Strong to Mr. Berle.

Respectfully,


J. N. WENGER

Concur - (2)

9/29/42 - this policy approved
me

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C O P Y

SECRET

April 3, 1942.

Hon. Adolf A. Berle, Jr.,
Department of State,
Washington, D. C.

Dear Mr. Berle:

It is my understanding that the following is the partial agreement reached at the Intelligence Conference held in your office on April, 1942:

"No action toward the closure of international clandestine radio stations or apprehension of individuals engaged in clandestine radio communications in which there is any military or naval interest, or action requiring disclosure of intercepted communications, shall be initiated without the joint approval of the Chief of Staff of the Army and the Chief of Naval Operations, or their designated representatives."

Sincerely yours,

/s/ Geo. V. Strong,
Major General.

ENCLOSURE (A)

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C O P Y

In reply refer to Initials
and No.

NAVY DEPARTMENT
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON

SECRET

Op-16
(SC)A6-2(2)
Serial No. 0569216

March 28, 1942

My dear Mr. Berle:

In connection with the recent arrest of Axis agents in Brazil and the question of the disclosure of intercepted messages requisite to accomplish their prosecution, I have much appreciated your consulting me in the matter.

It occurs to me that similar occasions may arise from time to time and that perhaps, to my knowledge at least, no general policy has been established for their disposition. The advantage of such a policy may be inferred from the fact that there are some six agencies receiving and breaking down these messages at present, and any of them might, unless guided by some general instructions, take action on its own initiative, which might be contrary to the interests of the others or, more particularly, of the United States. These six agencies are the British in London, the Canadians in Ottawa, the Federal Bureau of Investigation, the Federal Communications Commission, the Signal Corps, and the Coast Guard, now under the Navy Department.

Reference (a)
It would appear desirable that, for matters within this Hemisphere, the State Department should be the determining agency as to the primary decision whether action should be taken upon a decoded intercept, or whether no action should be initiated, for the purpose either of allowing arrangements indicated in the intercept to continue, in order that we might obtain more information, or to avoid the risk of enemy knowledge of the fact that we are breaking down the code. Presumably the State Department would consult and be receptive to the wishes of the intercepting and interested agencies named. No!!

Again the question arises, as in the recent instance, of the desirability of allowing decoded intercepts to be disclosed for purposes of prosecution. It would appear that no clear-cut decision could be reached on this, but that, admitting the general principle of withholding to a maximum degree the disclosure of any intercepts, decision in specific cases must be based upon the importance of the prosecution on the one hand, and the prospective

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value of further communication in the same vulnerable channels, that is the value of avoiding the risk of a shift of code, on the other hand. In this case also it would appear that consultation with the interested agencies would be desirable.

Within the United States groups, questions present themselves as to allocation of interception and of processing, and as to the optimum dissemination consistent with security.

If you consider it desirable to arrange a discussion of these matters, I should be glad to see to the designation of Navy Department representatives, and I have been assured that the British and Canadian authorities interested will do likewise. It is believed that the discussion should at first be confined to the U. S. agencies, followed by a joint meeting with the British and Canadian representatives.

Very sincerely,

/s/ T. S. Wilkinson
Rear Admiral, U. S. Navy,
Director of Naval Intelligence.

The Honorable
A. A. Berle, Jr.,
Assistant Secretary of State.

Copy to: Director, Federal Bureau of Investigation.
Commandant, Coast Guard.
Director of Naval Communications.
Chairman, Federal Communications Commission.
Chief, Signal Corps, U.S.A.
Asst. Chief of Staff, Military Intelligence Division, U.S.A.

C O P Y

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