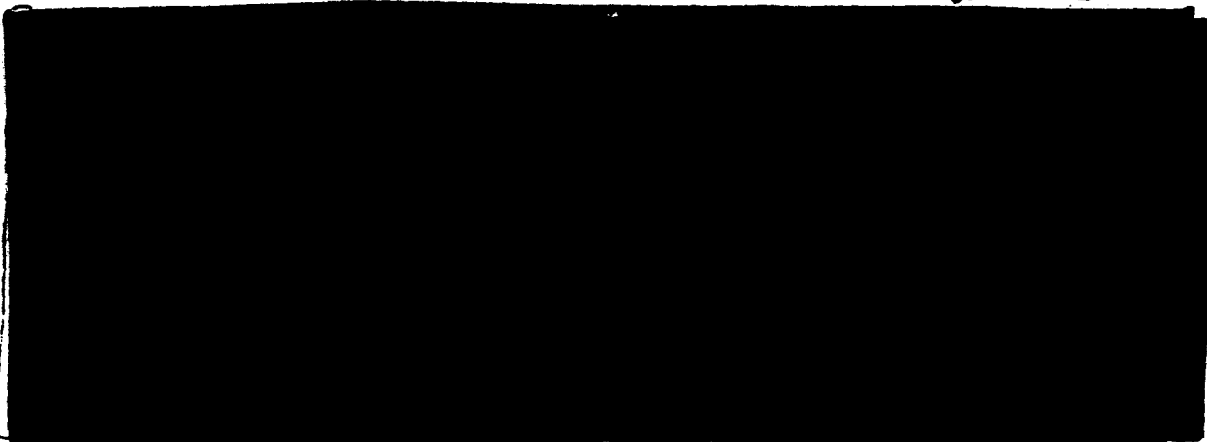


NY 100-95069

~~CONFIDENTIAL~~



b1

MISCELLANEOUS

By letter dated August 24, 1954, the Washington Field Office furnished the New York Office four copies each of three different photographs of the subject as obtained from the Passport Office, U.S. State Department. According to these records, the subject was described simply as being 5' 6" tall, and as having grey hair and green eyes.

LEADS

BALTIMORE

*See  
5-2-197*

At Baltimore, Maryland

If possible, will interview J.D.W. CHAMBERS concerning instant case. (See New York letter to Bureau dated 10/28/53.)

WASHINGTON FIELD

At Washington, D.C.

Will recontact [redacted] Division of Personnel Administration, Board of Governors,

b7c

~~CONFIDENTIAL~~

NY 100-95069

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ADMINISTRATIVE PAGE (cont'd.)

LEADS (cont'd.)

Federal Reserve System, in an effort to obtain the subject's personnel file if it is now available. It is noted that when last contacted on December 16, 1953, [redacted] advised that the subject's personnel file had been furnished to the Senate Internal Security Subcommittee on June 8, 1953.

b7c

Will report results of the interview of [redacted]

\*Will continue attempts to locate and interview [redacted]

[redacted] (see Washington Field Office report dated May 18, 1954).

NEW YORK

At New York, New York

Will conduct interviews and investigation authorized by the Bureau.

REFERENCE

- New York report of SA [redacted] 6/29/54.
- Bureau letter, 7/13/54.
- New York letter to Bureau 7/29/54.
- Bureau letter, 8/31/54.
- Washington Field Office report of SA [redacted] 8/23/54.
- Washington Field Office letter to Bureau, 8/24/54.
- New York letter to Bureau, 9/1/54.

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*See file in NY 100-95069  
See file in NY 100-95069  
See file in NY 100-95069*

# FEDERAL BUREAU OF INVESTIGATION

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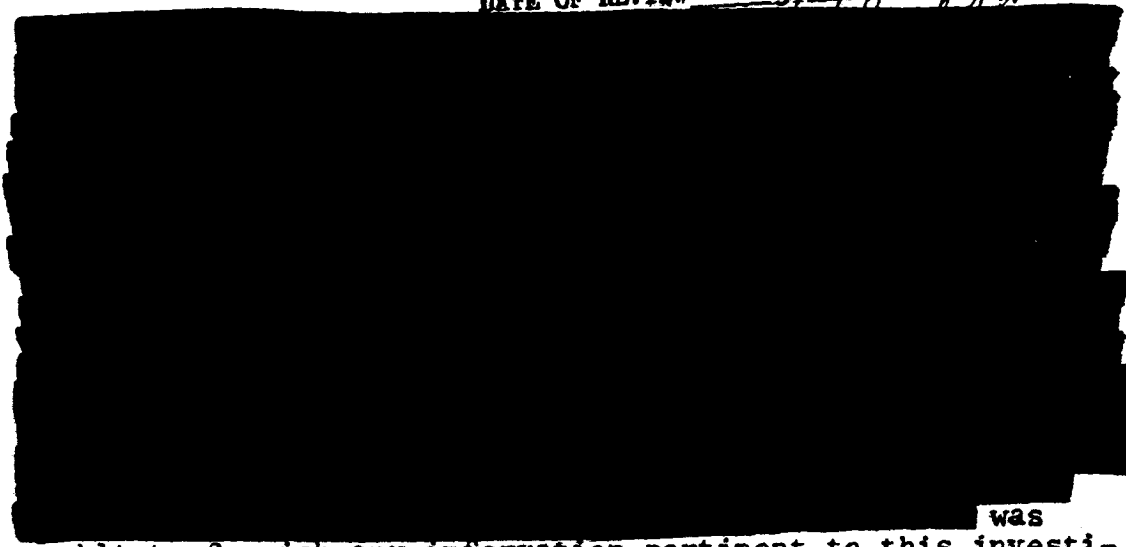
FORM NO. 1  
THIS CASE ORIGINATED AT **NEW YORK**

FILE NO.

REPORT MADE AT <b>WASHINGTON, D. C.</b>	DATE WHEN MADE <b>9/14, 17, 29; 10/5/54</b>	PERIOD FOR WHICH MADE	REPORT MADE BY <b>[REDACTED]</b> <b>b7c</b> <b>KM</b>
TITLE <b>LAUHLIN BERNARD CURRIE, was.</b> <b># 86228</b>		CHARACTER OF CASE <b>ESPIONAGE - R</b> <b>CONFIDENTIAL</b>	

### SYNOPSIS OF FACTS:

CLASS. & EXT. BY **SP4/SAB/mk**  
 REASON-FCIM II, 1-2.4.2  
 DATE OF REVIEW **3/5/91**



**b7c**  
**b7D**

... was unable to furnish any information pertinent to this investigation.

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*Handwritten notes:*  
 cc to AAGT...  
 P. 10-18-54  
 HWS: 3/11

CC TO: ...  
 REQ. REC'D...  
**APR 9 1964**  
 ANS. BY: ...  
*Lauchlin Bernard Currie*

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 ADD. DISSEMINATION

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6 - Bureau (101-3616) 3 - New York (100-95069) (RM) 2 - Washington Field (100-21604)		<b>[REDACTED]</b>	EX - 113

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101-3616-186 pages 2 and 3

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101-3616-186 pages 4 and 5

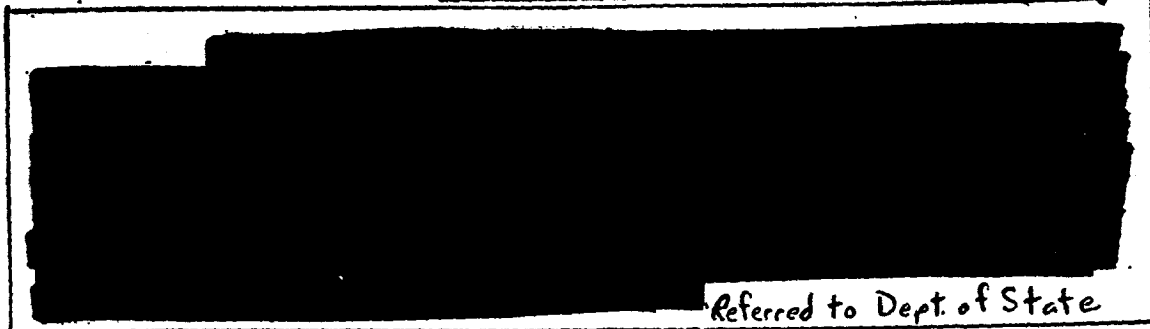
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WFO 100-21604

ADMINISTRATIVE PAGE

~~CONFIDENTIAL~~



LEAD

WASHINGTON FIELD OFFICE

AT WASHINGTON, D. C.

Will conduct such interviews and investigation  
in this matter as authorized by the Bureau.

REFERENCE: Bureau letter dated August 31, 1954.

~~CONFIDENTIAL~~

FEDERAL BUREAU OF INVESTIGATION

(6-10-55)

FORM NO. 1  
THIS CASE ORIGINATED AT NEW YORK

REPORT MADE AT WASHINGTON, -D. C.	DATE WHEN MADE 1/8/55	PERIOD FOR WHICH MADE 1/3,10/55	REPORT MADE BY [REDACTED] b7c rpb
TITLE LAUGHLIN BERNARD CURRIE, was.		CHARACTER OF CASE ESPIONAGE - R	

SYNOPSIS OF FACTS:

Information received to effect subject recommended against U.S. participation in Colombia, South America, Steel Project, through a United States report made for the "World Bank." Subject, on contractual basis, made Chief of Mission to Colombia in 1949 for IBRD. As Chief of Mission, headed group which made comprehensive study of economic and other conditions in Colombia. Part of study included Paz de Rio Steel Mill Project which Mission recommended against. [REDACTED] IBRD, states subject not personally responsible for recommending against Project, but that Mission convinced Project economically unsound and, therefore, recommended unfavorably. Above Mission, according to [REDACTED] was first of its kind to foreign government. Details of IBRD position concerning Project set out. [REDACTED]

Referred to Dept. of State

*memo to A.A.H. Longfellow  
25 - Mr. Belmont  
1/10/55  
W.S. King*

b7c  
b7D  
APPROPRIATE AGENCIES AND FIELD OFFICES ADVISED BY SLIP(S) OF DATE 1/10/55

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60 JAN 25 1955

WFO 100-21604

DETAILS: AT WASHINGTON, D. C.

Information has been received to the effect that the "New Orleans Item" of Tuesday, September 23, 1954, page ten, contained an article by Mayor MORRISON, captioned "Latins Invite United States Investment" which indicated subject recommended against United States participation in a Colombia, South America, Steel Project through "The United States Report" which subject made for the World Bank. It was reported that in connection with this allegation, Mayor MORRISON wrote, in pertinent part:

"It broke our hearts to learn the experience of the Columbian Paz de Rio steel project - involving some \$130 million. The Americans, after toying with the project for years, gave up the opportunity much to the disappointment of the pro-American Colombian business interests.

"A Mr. LOUGHLIN CURRIE made the U.S. report for the World Bank, and recommended against U.S. participation. In my opinion, it was a mistake, politically and economically. As the Colombian steel industry, through French financing, begins to grow and flourish, our error will continue to haunt us."

On January 10, 1955, [REDACTED]

[REDACTED] at the International Bank for Reconstruction and Development (IBRD), was interviewed at his office, [REDACTED]

[REDACTED] upon being advised as to the information as set out above, stated that although he had some knowledge of the matter mentioned, it had occurred prior to his connection with the IBRD and he, therefore, suggested that the writer discuss the matter with [REDACTED] IBRD, for factual information in this regard.

On January 10, 1955, [REDACTED] was interviewed in his office, [REDACTED]

b7c  
b7D



[REDACTED] at the request of the Colombian government, the IBRD agreed to make a comprehensive study of the economic and other conditions in Colombia. He stated that upon assuming this project it then became necessary to engage the services of an individual to head such a mission. He stated that it was agreed that this individual should be a person not connected with IBRD and that, inasmuch as he had known of subject for several years and had met him on occasion, it was decided to offer subject the position as Head of the Mission. He stated that subject accepted the appointment and [REDACTED] that subject, as such, was never actually an employee of IBRD, but was engaged on a contractual basis for this one particular mission. He stated that the mission was composed of several other individuals who acted as consultants in various technical and other fields which would be concerned with the items to be studied during the course of the survey to be made, in addition to the subject.

[REDACTED] subject was engaged in May, 1949, to formalize the plans for the survey and that the mission arrived in Bogota, Colombia, on July 11, 1949, and remained in Colombia until November 5, 1949. He stated that as a result of the survey conducted by the mission a printed and bound volume entitled "The Basis of a Development Program for Colombia" was prepared which was transmitted to the Colombian government on July 27, 1950. [REDACTED] copy of this volume which it was noted contained some 500 pages.

Concerning the matter of the Fas de Rio Steel Mill, [REDACTED] this was but a small part of the over-all study made and reported. He was emphatic in stating that he personally was not more exposed to this project than was subject and advised that he had first hand information on the matter as he personally visited Colombia and the site of the mill. He stated that in the final analysis the IBRD opposed the project as it felt it was basically, economically unsound. [REDACTED] also mentioned that this matter was previously aired before the "CAFFHART Committee" (Joint Committee on Defense Production, Senator HOMER E. CAFFHART (Indiana), Chairman) and that the IBRD had prepared a statement concerning its position, which he stated would constitute the bank's official position in the matter. This statement is quoted as follows:

"COLOMBIA

"PAZ DE RIO STEEL MILL

"On February 2, 1954, Dr. ROBERTO JAHAMILLO FERRO and Mr. FRANCIS BERETTA, respectively general manager and assistant to the general manager of the Paz de Rio Steel Company of Colombia (Empresa Siderurgica Nacional de Paz de Rio S.A.), testified before the Capehart Committee on their inability to obtain a loan for a steel mill from either the International Bank for Reconstruction and Development or the Export-Import Bank. Foreign financing for the mill was provided by French interests, the witnesses testified, but as a result, the company bought equipment in France which it would have preferred to buy in the United States. The witnesses attributed the unwillingness of the International Bank and the Export-Import Bank to help finance the steel mill to an unfavorable report published in 1950 by the CURRIE Mission. This report, the witnesses testified, was based on a cursory study and reached conclusions at variance with those of other experts who studied the project.

"The Paz de Rio Steel Company

"The plant of the Paz de Rio Steel Company, which is now partially completed, is located at Belencito, a village in the western part of the Department of Boyaca in north central Colombia, about 150 kilometers from Bogota, the capital and chief city of the country. It is designed to be an integrated plant, for example, having facilities for production in all stages from the extraction of raw materials to the turning out of finished products. If completed, as now planned through additional financing, it would have a capacity of about 150,000 tons of finished products a year. At present Colombia depends almost entirely on imported steel. Less than 5,000 tons of steel per year are produced from scrap.

"The establishment of a domestic steel industry has been a matter of great interest in Colombia for many years. Because of the abundant resources of necessary raw materials, the Paz de Rio region seemed a natural site for a steel industry in spite of its remoteness from other population centers. An additional reason for building a plant in this region was the desire to bring some industry to Boyaca in order to help raise its standard of living.

"Difficulties experienced by Colombia in securing steel during the Second World War increased interest in the project, and in 1942, the Colombian Instituto de Fomento Industrial (Industrial Development Institute) began to study the mineral resources of Paz de Rio. In 1944, the American Rolling Mill Company was engaged to study the feasibility of a large steel mill. Although its report was adverse, interest persisted, and in 1947, the Colombian Congress set up the Paz de Rio Steel Company as a semi-official institution with a capital of 100 million pesos (US \$57 million). The Government was authorized to issue 10 million pesos (US \$5.7 million) of guaranteed bonds annually for five years, to float foreign loans, and, if private investors (domestic and foreign) did not subscribe to at least 20% of the authorized capital, to contribute the entire amount.

"The company engaged GEORGE B. WATERHOUSE, an American engineer, and LUCIEN EATON, a Luxembourg geologist, for further study. On the basis of their favorable report, the company sent a mission abroad in January 1948 to engage an engineering firm to design and construct the proposed plant. On January 20, the Colombian Minister to the United States asked the International Bank for assistance in the technical and financial aspects of the project. Members of the Bank's staff studied the WATERHOUSE Report, advised on the standing of the engineering firms being considered for the consulting job, and discussed the project with the Koppers Company which was engaged as consultant.

"The report of the Koppers Company, completed in January 1949, recommended the erection at Belencito of an integrated steel plant of the most advanced design with a capacity of about 195,000 tons of finished products. Its cost was estimated at US \$94 million. General objection to the scale of the investment led the Koppers Company to restudy the project. In October 1949, it presented a proposal for a smaller plant, with a capacity of 105,000 tons and costing only \$41 million. Like the first plant, it was completely integrated and embodied all the features found in the most up-to-date plants in more industrialized countries.

"The Currie Mission

"The Paz de Rio steel plant was one of the first projects to be studied by the Currie Mission. The Mission arrived in Bogota on July 11, 1949, and on July 20, a member of the Mission staff visited Paz de Rio. During the next five months, four members of the Mission staff studied the project - its Advisors on Industry, Fuel and Power, on Community Requirements, and on Transportation, and its economist. They examined the Koppers Company reports, raised detailed questions about them, and made several independent studies. A member of the Mission staff spent a week in Chile, inspecting a Koppers-designed plant, then under construction, of about the same capacity as the proposed Colombian plant.

"The Mission concluded that neither of the two Koppers-designed plants was likely to produce steel as cheaply as it could be imported, and that 'the tremendous amount of capital involved, particularly U.S. dollars, would return much greater yields to Colombia invested in other sectors of the economy.'

"To meet Colombia's understandable desire for an increase in steel-making capacity, the Mission suggested a simpler and far less expensive

approach. It proposed (1) building a new plant at Barranquilla, a port city, at a cost of about US \$9 million, to produce about 60,000 tons of finished steel products a year from imported scrap and pig iron; and (2) installing an electric furnace at the existing plant at Medellin at a cost of about US \$500,000, to produce 4,000 tons of steel ingots from domestic iron ore. Since lack of domestic scrap has limited output at Medellin to about 3,500 tons a year, or less than a third of its rolling capacity, and the plant already had abundant power and developed sources of raw materials, the Mission believed that output could be expanded at that plant with no additional investment.

"The Colombian Government presented to its Committee for Economic Development the Currie Mission report with the request that it recommend steps which the Government should take in implementing the recommendations of the report. The Committee accepted the Mission's recommendation against the erection of a large integrated steel mill at Belencito. It did not find the Mission's alternative proposal acceptable, however, both because it would leave Colombia dependent upon imported raw materials and because it would leave unsolved the problem of raising the standard of living in the Department of Boyaca.

"The Committee for Economic Development accordingly requested a further study of the possibility of building a smaller and greatly simplified mill at Faz de Rio. The purpose was threefold: (1) it would meet the need of development in the State of Boyaca, (2) it would greatly reduce the cost of the project, especially foreign exchange, and (3) it would be the beginning of the development of one of the country's natural resources. Following the request of the Committee, a member of the Currie Mission presented an alternate proposal of 60,000 tons capacity. The proposed plant was also of a simple design (beehive coke ovens instead of by-product ovens, etc.)

estimated to cost about U.S. \$20 million in foreign exchange. This alternate proposal was studied by an independent expert who concurred in its technical and economic feasibility. The Committee, therefore, endorsed this proposal and recommended it to the Government.

"Financing of the Faz de Rio Steel Company

"Although the Currie Mission report was not published until July 1950, the Faz de Rio Steel Company was aware late in 1949 that the Mission did not regard their proposals as acceptable. The company thereupon took three steps:

- "1. It engaged the ARTHUR G. MC KEE co. to make a new study of the project. That company proposed a plant closely resembling the Koppers-designed plants, although differing somewhat from them in capacity. It is this plant that is now nearing completion.
- "2. A method was devised to provide the large amount of peso financing required. In 1949, the Colombian Government had imposed a tax of 5% on corporate and individual incomes above a certain amount; the proceeds were earmarked for the purchase of bonds of the Credito Territorial to finance a housing program. By a decree issued on December 20, 1949, tax payers, while still required to pay 2½% on their excess incomes to the Credito Territorial, were given the alternative of paying the remaining 2½% as a tax or purchasing shares to the same amount in the Faz de Rio Co. In addition, savings banks were required to buy bonds of the mortgage bank to a certain percentage of their deposits and given the choice of purchasing either additional bonds of the mortgage bank or Government-guaranteed bonds of the steel company. With provision for financing thus arranged, the company was reorganized as a 'private' company in January 1950.

- "3. In June 1950, the company made arrangements for credits with French and German interests.

"Basis for the Currie Mission's Conclusions

"The Currie Mission's recommendations against the construction of a large integrated steel mill at Belencito were based on (1) the company's estimates of future markets were considered to be too large, (2) the company's estimates of construction costs were considered to be too low, and (3) the company's estimates of production costs were considered to be overly optimistic. These three points are covered below in detail.

"1. Requirements

"a. Estimates.

"The Mission found that many of the consumers approached by the company had overstated their requirements probably because the market survey had been made in a period of extreme steel shortage. When approached by Mission staff members, these consumers had considerably reduced their estimates. In addition, the Mission's check of the estimated of Government requirements which made up a large part of the total showed that they exceeded both the financial resources and the physical absorptive capacity of the Government Departments supplying the estimates.

"The Mission's estimate of requirements rested on the assumption that, although Colombian demand for steel would continue to rise, the future increase would be smaller than the increase between 1937-39 and 1945-47. The basis for this assumption was the Mission's belief that deferred war-time demand had swelled consumption in 1945-47 to higher than normal proportions. On this assumption, the Mission estimated total Colombian steel requirements at 150,000 tons in 1955.

This figure included, however, about 44,000 tons of large pipe, heavy structurals and other products which the Mission believed could not be produced economically in Colombia for 15 to 20 years. Potential demand for scientific equipment was considered thus to be only 106,000 tons.

"b. Current Consumption.

"These estimates can be compared with figures on Colombian steel imports, which do not run far below consumption.

"Colombian Imports of Steel  
(In '000 tons)

1945	94.4
1946	120.2
1947	164.0
1948	98.6
1949	109.8
1950	152.2
1951	130.5

"Taking into account the probable increase in demand since 1951, 1955 requirements seem likely to correspond reasonably well with the Mission's estimate.

"2. Plant Construction Costs

"a. Estimate

"The Mission considered the company's estimates of construction costs of US \$94 million and US \$41 million to be low for the following reasons:

- "(1) These estimates omitted provision for the following items which the Mission believed must be provided, whether paid for by the steel company or by some other institution such as the Colombian Government: (a) housing and community facilities (made necessary by the isolation of the plant site from population centers); (b) central and



branch warehouses (required for the efficient distribution of the large number of sizes and shapes into which output would be divided); (c) personnel training (made necessary because of the untrained character of the local population); (d) starting-up materials; and (e) miscellaneous minor items.

"(2) The company's estimate for the smaller plant omitted provision in addition for the following items: spares, roads, and construction contingency.

"(3) The company's estimates for a number of items seemed unrealistically low: US \$2.9 million for the tower plant compared with an estimate of US \$6.9 million by the Bank's engineering department and US \$8,445,000 for general plant facilities, compared with a Bank estimate of US \$13,000,000.

"After adjusting the company's estimates to take account of these omissions and under-estimates, the Mission arrived at estimates of US \$126 million and US \$68 million. On a per ton output basis, these figures proved to be much closer in line with actual Latin American costs than the Paz de Rio estimates.

"b. Actual Construction Costs

Although only fragmentary information is available on the actual costs of construction at Belencito, some rough comparisons with the Mission's estimates are possible. The Survey Mission, it will be recalled, estimated the cost of constructing a 193,000-ton steel plant at US \$126 million. Construction costs for the 150,000-ton plant were reported in June 1953 as US \$100 million and in January 1954 as US \$120 million. It does not seem improbable that the figure will be further increased before the plant is finished. Moreover,

the reported figures apparently include no allowance for housing and community facilities, warehouses, personnel training, starting-up materials, etc., whose cost was estimated at US \$13 million by the Survey Mission. It seems probable, therefore, that costs will run well above even the Survey Mission's estimates.

"It is not possible to reconcile the Mission estimates of construction and company reports on actual costs with the statement by one of the witnesses before the Capehart Committee that construction costs had exceeded initial estimates by only 15%.

"3. Production Costs

a. Estimates

After a detailed examination of the technical and economic aspects of the proposed plant, the Mission concluded that production costs would be higher than imported steel. The Mission pointed, first, to the higher capital charges which they believed likely, and second, to a number of technical factors whose influence on production costs they believed had been underestimated. The most important of these technical factors were the following:

"(1) New Materials

"(a) Both iron ore and coal are located in small veins about 1500 feet above the floor of the Paz de Rio Valley, and only one deposit of iron ore, with a probable life of eight years, is suitable for strip mining. For both reasons, it seemed likely to the Mission that extraction costs would become progressively more expensive.

"(b) The iron ore has a high silica content, only two thirds of the

deposits being suitable for use without beneficiation. For this reason, it seemed likely that the iron ore would have to be mined selectively. Alternatively, the problem might be met by the installation of a beneficiation plant, but this would increase capital charges.

- "(c) The high phosphorous content of the iron ore seemed likely to make necessary frequent renewal of basic converter linings. This would increase foreign exchange costs as well as production costs, since refractory materials are not available domestically.
- "(d) Because much of the iron ore is friable, it seemed likely that a sintering plant would be required.
- "(e) To reduce the high sulphur and ash content of the coal to acceptable limits, the coal would probably have to be washed.
- "(f) Insufficient water exists at the plant site for the washing and cooling required at a steel mill. This would probably make necessary the erection of cooling towers.

"(2) Plant Location

- "(a) The plant will be the highest steel plant in the world. Barometric pressure at the plant site is about two-thirds that at sea level. To handle the greater volume of gas resulting from this elevation, the Mission concluded that the plant would require larger equipment per unit of product and would consume more coke than a similar plant near sea level.

"(b) Because of the isolation of the plant site, there will be no market for the excess gas to be produced at the mill. Although the design called for using as much of this gas as possible as plant fuel, some gas seemed likely to be wasted.

"(3) Colombian Market for Steel

"(a) The limited demand for steel which it was economically feasible to produce in Colombia made it seem likely that the plant would not operate at capacity for some years to come. Unit production costs seemed likely, therefore, to be higher than estimated.

"(b) Output will be divided among a large number of individual shapes and sizes. Demand for many items will be so small that it will be possible to produce a year's supply in a few hours. The Mission pointed out that this would make necessary frequent changes in operations with a consequent increase in production costs. The handling of this wide assortment of shapes and sizes would also require a system of warehouses, and would consequently increase distribution costs.

"(c) The plant will be unable to produce steel of the most suitable chemical composition for every purpose - e.g. low carbon steel for nails, higher carbon steel for rails. It will probably compromise on one or two types of steel that will be completely unsatisfactory for some purposes and only reasonably satisfactory for many. In the Mission's view, this would mean either the use of unsuitable steel by many consumers, with obvious disadvantages, or

continued import of substantial quantities of steel and a consequent reduction in demand for Faz de Rio steel.

"b. The U. N. Study

"The witnesses before the Capehart Committee advanced no production cost estimates. They relied exclusively on the findings of a U. N. study which they argued had shown that steel could be produced more cheaply at Belencito than at Sparrows Point.

"The U. N. study hardly supports this contention since their study was based on a hypothetical plant of identical capacity located at Sparrows Point. Little weight can be given to this finding, however, because of the highly unrealistic assumptions underlying the comparison. Most important was the assumption of identical capacity. The Sparrows Point plant is, in fact, more than six times as large as the plant at Belencito. If the actual size of the two plants is taken into account, even the U. N. experts concluded that production costs at Belencito would be higher than at Sparrows Point.

"Even this comparison is too favorable to Belencito, however, because other assumptions underlying the comparison are also unrealistic. The U. N. study assumed that transport costs per ton-kilometer would be the same in both countries. The mountainous terrain of Colombia makes this assumption questionable. It assumed further that labor productivity would be the same in both countries. This assumption is questionable because of differences in the scale of operations; the necessity for more frequent changes in set-ups at Belencito because production will consist of a large number of individual items, and because of differences in the productivity of individual workers. A management study in the textile industry at Medellin, for example, has shown that labor productivity is about half of that in the United States. Finally, the study assumed that the cost of extracting raw materials would be

the same in both countries. There is no indication that this assumption took due account of the raw materials problems discussed by the Mission.

"In their general discussion of steel-making, the U. N. experts supported the views of the Survey Mission. Emphasizing that steel-making is a heavy industry, requiring large investments (an estimated 4.5 units to each unit of output in Colombia), they pointed to the very real possibility that a similar investment in another industry might yield higher returns. They called attention, further, to the influence of plant size upon costs, noting that investment and production costs per unit varied inversely with scale of operation. Finally, they noted that the larger the number of products turned out by any one plant, the higher its costs. To meet this difficulty, the U. N. experts suggested that it might be desirable to develop steel-making capacity on a regional rather than a national basis. Great economies could be achieved, they pointed out, through the specialization of national plants on a limited number of items which could be exchanged for other needed items produced in other countries.

"Prospective Production Costs

"Although no estimates of production costs are yet available from the Paz de Rio Company, certain developments in Colombia indicate that the company does not expect to be able to produce steel at a price competitive with imported steel. The company has already taken steps to protect Paz de Rio steel against foreign competition.

"A decree (3211) issued in 1953 granted a ten years' tax exemption and duty-free import of materials to industries using Paz de Rio products to the extent of 80% of total materials used. This decree supplemented a law (95) passed in 1948 which granted to the Paz de Rio Steel Co. and other companies producing steel from domestic raw materials exemption from taxes, including

WFO 100-21604

taxes on dividends up to 8% annually on nominal share value. Even more significantly, the Paz de Rio Company has requested adequate protection against imported steel to assure profitable sales. A Government committee is now considering what import duties to impose, and also whether and to what extent imports of steel should be restricted.

"These developments make it seem all too probable that the cost of the Paz de Rio steel mill to Colombia will be higher priced steel for the consumer and Government subsidies. There is every indication that the conclusions of the Currie Report will be borne out:

"The high prices that would have to be charged would operate to retard the industrial development of the country. The tremendous amount of capital involved, particularly U. S. dollars, would return much greater yields to Colombia invested in other sectors of the economy."

"March 26, 1954"

*Referred to Dept. of State*

[REDACTED]

As previously stated [REDACTED] the survey made for the Colombian government was the first of its type ever undertaken by the IBRD. [REDACTED] therefore, that undoubtedly that mission is the one to which subject had reference. [REDACTED] advised that this is the only connection subject has ever had with the IBRD.

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~~CONFIDENTIAL~~

WFO 100-21504

[REDACTED]

*Referred to Dept. of State*

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~~CONFIDENTIAL~~



WFO 100-21604

ADMINISTRATIVE PAGE

LEAD

WASHINGTON FIELD OFFICE

*See serial 202*  
AT WASHINGTON, D. C.

Will conduct investigation requested by the Bureau and office of origin.

REFERENCES: Bureau letters dated <sup>196</sup> November 22, 1954, and <sup>-193</sup> January 4, 1955, to Washington Field Office. Washington Field Office letter to Bureau dated November 26, 1954.

FEDERAL BUREAU OF INVESTIGATION

~~SECRET~~

Form No. 1  
THIS CASE ORIGINATED AT **NEW YORK**

REPORT MADE AT <b>NEW YORK</b>	DATE WHEN MADE <b>5/2/55</b>	PERIOD FOR WHICH MADE <b>4/21/55</b>	REPORT MADE BY <b>[REDACTED]</b> <i>b7c</i> <b>rah</b>
TITLE <b>LAUHLIN BERNARD CURRIE, was</b>		CHARACTER OF CASE <b>ESPIONAGE - R</b>	

SYNOPSIS OF FACTS:

[REDACTED] (S)

- P -

DETAILS:

[REDACTED] (S)

[REDACTED] (S)

[REDACTED] (S)

APPROPRIATE AGENCIES AND FIELD OFFICES ADVISED BY ROUTING SLIP(S) OF *Class* DATE *5/28/55* *DJ*

AGENCY *Sinto + Pak* - P -  
REQ. REC'D  
DATE FORW.  
HOW FORW.  
BY

*Photo* Referred to CIA  
CC TO: *OSI 4-43-988*  
REQ. REC'D *2/25/64*  
APR 9 1964  
ANS. BY: *JSP*

CLASS. & EXT. BY: *[REDACTED]*  
REASON-FCIM II, 1-2.4.2 (2)  
DATE OF REVIEW *2/4/91*

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7 MAR 15 1961

SPECIAL AGENT IN CHARGE

*[Signature]*  
**101-3616-268**

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EX-112

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NY 100-95069

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MISCELLANEOUS

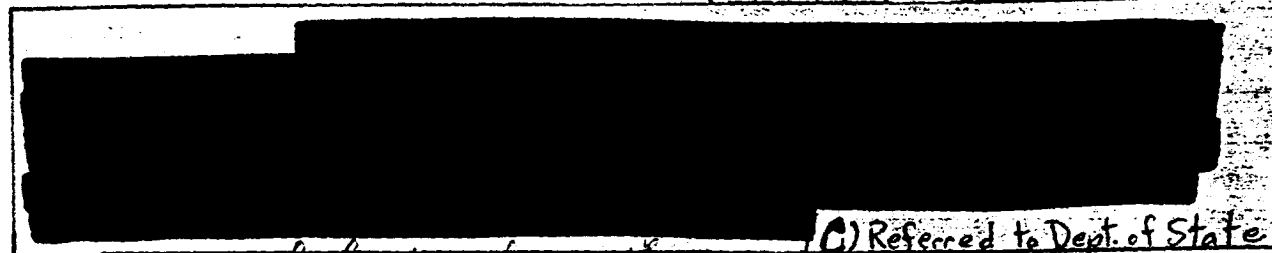


LEADS

Referred to CIA

WASHINGTON FIELD

At Washington, D. C.



(C) Referred to Dept. of State

NEW YORK

*See 238*

*This has been done. See 20*

At New York, New York

Will conduct investigation requested by the Bureau.

REFERENCE: Bulet to WFO, 3/22/55.

*205*

ADMINISTRATIVE PAGE

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FORM NO. 1  
THIS CASE ORIGINATED AT

NEW YORK

**SECRET**

REPORT MADE AT <b>NEW YORK</b>	DATE WHEN MADE <b>1/13/56</b>	PERIOD FOR WHICH MADE <b>12/20/55 1/3-5/56</b>	REPORT MADE BY <b>[REDACTED]</b> <b>b7c</b> <b>b7h</b>
TITLE <b>LAUCHLIN BERNARD CURRIE, WBS</b>			CHARACTER OF CASE <b>ESPIONAGE - R</b>

SYNOPSIS OF FACTS:

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REASON-FCIM II, 1-2.4.2  
DATE OF REVIEW *1/14/81*

AGENCY *100-100000*  
REQ. REC'D *2-1-56*  
RESP. BY *A. H. ...*

AGENCY *RAB + State, via*  
*1-19-56 0-14F*  
*0-6 0-14B*  
BY *H. N. S/mh.*

*100-100000-3656*  
*1-13-56*  
*Review of various reports...*  
*Memo & preparation of...*  
*report. H. N. S/mh.*

CC TO: *NSA, CIA, FBI, AEC, etc.*  
REQ. REC'D: *1/23/64*  
APR 9 1964  
ANSGSD  
BY: *[Signature]*

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**SECRET**

NY 100-95069

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DETAILS:

[REDACTED]

[REDACTED]

Referred to Dept. of State

~~SECRET~~

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[REDACTED] b1

[REDACTED] (S)

[REDACTED] b1

[REDACTED] (S) Referred to CIA

[REDACTED] b7C  
b7D

[REDACTED] was interviewed by SA [REDACTED] on [REDACTED]. [REDACTED] advised that in May, 1941, a Board was set up in China to stabilize the currency of that country. A group of Americans was sent to China to participate in its work. SOLOMON ADLER, an economist who was in this group, succeeded eventually to the position on the Board as chief representative of the United States Treasury. [REDACTED] in May and June of 1941, that ADLER and Dr. CHI CHAO-TING, generally known as Dr. CHI, were close associates. [REDACTED] Dr. CHI, then a Chinese member of the Chinese Stabilization Board, openly joined the Chinese Communist Government in the late 1940's, and is presently Vice-President in charge of Foreign Funds in the Bank of (Communist) China. [REDACTED] while he has no proof, and realizes that a matter of judgement is involved, it is his impression, based on his knowledge of China, and contacts with Chinese officials, that everything ADLER and CHI did was inimical to establishing a sound currency in China.

SOLOMON ADLER was identified in 1945, by ELIZABETH BENTLEY, a confessed former Soviet espionage agent, as a dues-paying member of the Communist Party.

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NY 100-95069

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Concerning Dr. CHI, [REDACTED] CHI came to the United States in about 1944, as Secretary-General of a mission to Washington, D. C., headed by Dr. H. H. KUNG, who presently resides in New York City, and who was at one time a premier of China. [REDACTED] Dr. CHI was close to LAUCHLIN CURRIE. To illustrate this, he furnished the following:

b7c  
b7d

In 1944 or 1945, an employee of the Board of Economic Warfare or the Foreign Economic Administration, compiled a set of plans for the proposed industrialization of post-war China, which was embraced in about 10 volumes. In the preparation of these plans, many industrial concerns in the United States had been contacted. CHI was furnished a set of these plans while even Dr. H. H. KUNG, head of the mission, was not. CHI told [REDACTED] LAUCHLIN CURRIE had furnished them to him. [REDACTED] although CHI, as Secretary-General of the mission, was justified in having a set, the incident emphasized CHI's close relationship with CURRIE.

[REDACTED]

[REDACTED] he did not believe these plans were government documents, or, at least, those he saw did not appear to be.

[REDACTED] according to [REDACTED] of the Far East - American Council of Commerce and Industry in New York City, [REDACTED] FEACCI has a set of the plans, but they are in dead storage.

~~SECRET~~

NY 100-95069

Concerning LAUCHLIN CURRIE, [REDACTED] in February or March, 1941, he knew, [REDACTED] that LAUCHLIN CURRIE was having meetings with CHOU EN-LAI at the home of the British Ambassador in Chungking.. The British Ambassador was Sir ARCHIBALD (CLARK) KERR, who later became Lord INVERCHapel. [REDACTED]

[REDACTED] saw CURRIE leaving the house of the Ambassador together with CHOU EN-LAI, Chinese Communist, and later Premier of The Peoples Republic of China (Red China).

[REDACTED] was reinterviewed on [REDACTED]

[REDACTED] He said he could not expand on the above information, but furnished impressions and recollections of the subject, LAUCHLIN CURRIE.

[REDACTED] in his opinion, CURRIE was an egomaniac, but generally an ineffective person. He recalls meeting CURRIE through the American Consul at Hong Kong, shortly after CURRIE's arrival in the Far East. [REDACTED] said CURRIE seemed to find it necessary to make suggestions, some of which he termed "wild". He illustrated this by saying that CURRIE frequently urged the establishment of a government lottery to improve the financial status of the Chinese Government. He said this was considered "wild" because the Chinese Government had lotteries, but no one bought tickets. [REDACTED] said that CURRIE generally acted as if he himself was very impressed by the authority he had as the representative of the President. [REDACTED] said



NY 100-95069

he believed that it was due to CURRIE's influence that a military mission was sent to China, promptly upon his return. He said that at the time CHIANG KAI-SHEK wanted someone other than the United States Ambassador on the scene, who would be able to act with authority. [REDACTED] opinion that CHIANG KAI-SHEK wanted such a person because he did not have confidence in the Ambassador. Following CURRIE's return to the United States, OWEN LATTIMORE went to China, carrying the authority of the personal representative of the President.

b7c  
b7D

[REDACTED] He is certain that this invitation was accomplished through LAUCHLIN CURRIE.

[REDACTED] CURRIE made two trips to China, the second being about July, 1942. He said it was about that time he recalls considerable talk in Chungking about a public speech or utterance made by CURRIE involving many promises of United States aid. [REDACTED] it became obvious that the President had turned over all matters pertaining to China to LAUCHLIN CURRIE. He said it was his personal opinion that since he regarded CURRIE essentially as egotistical, stupid and ineffectual with the power that he had pertaining to China, he could easily have been influenced by other persons to the point that he might have been a Communist tool. [REDACTED] he does not believe anything was done by the United States for China or in China that CURRIE did not control.

OWEN LATTIMORE, mentioned above, according to the report of the Committee on the Judiciary, 82nd Congress, (report number 2050) based on hearings 1951 and 1952, concerning the Institute of Pacific Relations, was termed "from sometime beginning in the 1930's, a conscious articulate instrument of the Soviet conspiracy".

On April 22, 1955, WILLIAM F. TOMPKINS, Assistant Attorney General of the United States, advised that the available evidence in this case did not warrant prosecution of the subject for espionage or for participation therein.

~~SECRET~~

X

NY 100-95069

espionage conspiracy in violation of Title 50, United States Code, Section 32 and 34 (1940 ed). The Department's opinion, likewise, ruled out prosecution for perjury, under Title 18, United States Code, Section 1620 or Title 22, DC code, Section 250.

A later opinion of Mr. TOMPKINS', on September 12, 1955, advised there appeared no possibility for prosecution for perjury under Title 22, United States Code, Section 1203, or Title 18, United States Code, Section 1621. Also, the evidence that was considered was deemed insufficient for prosecution under Title 18, United States Code, Section 1001. The Departmental opinion concluded that no useful purpose would be served by requesting the subject's registration under the Foreign Agents Registration Act and no action in this direction was contemplated by the Department.

- P -

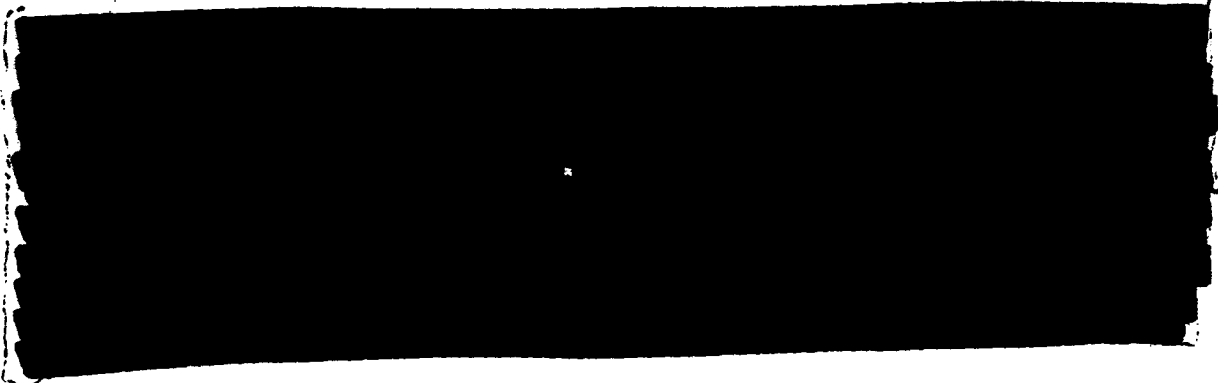
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ADMINISTRATIVE

This report is classified secret because the memoranda of Assistant Attorney General of the US WILLIAM F. TOMPKINS, 4/22/55 and 9/12/55, incorporating his prosecutive opinions, were so classified.

LEADS

NEW YORK

*cor Sw 242*

At New York, New York

Will complete file review and report information not previously set out in reports of this case preparatory to possibly closing.

REFERENCE

Report of SA [redacted] 5/2/55, New York.

b7c

*Sw 242*

ADMINISTRATIVE PAGE

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**FEDERAL BUREAU OF INVESTIGATION**

Reporting Office <b>NEW YORK</b>	Office of Origin <b>NEW YORK</b>	Date <b>4/13/56</b>	Investigative Period <b>2/23, 24, 28; 3/1, 2, 7- 19-23, 26-30; 4/2/56</b>
TITLE OF CASE  <b>LAUHLIN BERNARD CURRIE, was</b>		Report made by <b>[REDACTED] b7c</b>	Typ <b>aeo</b>
		CHARACTER OF CASE  <b>ESPIONAGE - R</b>	

*#46724*  
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 ON *2/21/95*

Synopsis:

APPROPRIATE AGENCIES  
 AND FIELD OFFICES  
 ADVISED BY ROUTING  
 SLIP(S) OF *Checked*  
 DATE *4/21/64*

ELIZABETH BENTLEY in 1953 newspaper article stated that one of the subject's functions was in giving references to members of the espionage network to place them in jobs in government agencies. Among such references given by subject were those to IRVING KAPLAN, FREDERICK VANDERBILT FIELD, and SOLOMON ADLER. According to LOUIS BUDENZ, CURRIE was channel to CP in early 1940's for White House information pertaining to former President ROOSEVELT'S opinions and views. BUDENZ also testified CURRIE fostered a CP campaign to "smoke out" anti-Communist elements in the State Department. **[REDACTED]**

*Referred to Dept. of State*

CC TO: *CSA 4/23/56*  
 REQ. REC'D... *8-25-56*  
**APR 9 1964**  
 ANS. BY: *[Signature]*

- C -  
 AGENCY \_\_\_\_\_  
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 BY \_\_\_\_\_

Approved: *[Signature]* Special Agent in Charge

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 FBI - NEW YORK

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 HOW FORW. *0-6 0-4F 0-140*  
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NY 100-95069

DETAILS: In 1953 the "New York Daily Mirror" ran a series of articles by ELIZABETH BENTLEY in which she related her espionage operations. ELIZABETH BENTLEY is a self-confessed former espionage agent. In the December 15, 1953 issue of this newspaper the article said in part "while most of my contacts were spread over the various war-time agencies in Washington, one of them operated directly in the White House itself. He was LAUHLIN CURRIE, Administrative Secretary to President ROOSEVELT.

"A full fledged member of the Silvermaster Group, CURRIE was invaluable to us when any emergency arose. In addition, one of his most important functions was giving references to members of the espionage network to either get them promoted or shifted to more 'productive' jobs in other agencies."

In testimony in 1948 before the Committee on Un-American Activities, United States House of Representatives, ELIZABETH BENTLEY, a self-admitted former Soviet espionage agent, stated NATHAN GREGORY SILVERMASTER, a man with a long record of United States Government employment in Agriculture, Labor and Treasury Departments, headed a group of United States Government employees engaged in espionage.

On June 10, 1952, IRVING KAPLAN testified in a hearing before the House Committee on Un-American Activities. In his testimony he identified his application for employment with the Office of Production Management and identified the names of the references he gave to secure that position. Among the references was LAUHLIN CURRIE, Executive Assistant to the President.

In testimony in 1948 before the Committee on Un-American Activities, United States House of Representatives, ELIZABETH BENTLEY stated KAPLAN, then an employee of the War Production Board, was an associate of the Silvermaster Group, as well as another such espionage group headed by VICTOR PERLO who had been in the Office of Price Administration, (OPA), and the War Production Board and Treasury.

NY 100-95069

In testimony before the Sub-Committee to investigate the Administration of the Internal Security Act and other Internal Security Laws of the Committee of the Judiciary, United States Senate, 82nd Congress, held in 1951, FREDERICK VANDERBILT FIELD admitted he had attempted to secure a commission in United States Army Intelligence in 1942.

LOUIS BUDENZ testified in public session, Senate Sub-Committee on Internal Security, (Mc Carran Committee), on August 22, 1951, that FIELD was a member of the Communist Party, (CP).

Questions directed to FIELD and to EDWARD C. CARTER of the Institute of Pacific Relations on this point concerned a letter written by FIELD to CARTER on February 18, 1942. The text of the letter was introduced and the latter part of the letter included the line "presumably Owen is taking it up with CURRIE." The letter dealt with FIELD'S efforts to promote his application for the United States Army Intelligence Service.

Both FIELD and CARTER identified the name "CURRIE" as LAUHLIN CURRIE and "OWEN" as OWEN LATTIMORE. FIELD testified that "CURRIE probably had been reached indirectly." The complete testimony of both men is set forth in the committee report.

The Institute of Pacific Relations, (IPR), was founded in 1925 in Hawaii as an organization engaged in research on the economic, political and social aspects of countries bordering on the Pacific Ocean. As a result of documentary evidence and testimony from witnesses who appeared during 1951 and 1952 before the Sub-Committee on Internal Security of the United States Senate Committee on the Judiciary, this committee concluded in its report dated July 2, 1952 that while most members of the IPR, (including the American Council of the Institute of Pacific Relations, Inc.), and its Board of Trustees were inactive and without any influence over the policies of the organization and while the names of eminent individuals were by design used as a responsible and impressive screen

NY 100-95069

for the activities of the IPR inner core, the activities, administration and policies of the IPR were controlled by a small core of Communist or pro-Communist personnel; that the IPR was considered by the American CP and by Soviet officials as an instrument of Soviet Policy, propaganda and military intelligence; that the IPR was used as a channel for Communist and Soviet propaganda and its leadership used IPR prestige to promote the interests of the Soviet Union; that the IPR had for its chief function the influencing of the United States public opinion and was a vehicle used by the Communists to orientate American Far Eastern policies; and that persons associated with the IPR were instrumental in keeping United States policy on a course favorable to Communist objectives in China.

The conclusions of the above Sub-Committee report declared that OWEN LATTIMORE was from some time beginning in the 1930's a conscious, articulate instrument of the Soviet Conspiracy.

With regard to EDWARD C. CARTER the same Sub-Committee report stated as follows:

"Many of the persons in and around the IPR and in particular, though not exclusively, OWEN LATTIMORE, EDWARD C. CARTER, FREDERICK V. FIELD..... knowingly and deliberately used the language of books and articles which they wrote or edited in an attempt to influence the American public by means of pro-Communist or pro-Soviet content of such writings."

On January 10, 1947, SA [REDACTED] secured information from the files of the Treasury Department, Washington, D.C., relative to the employment by the Treasury Department of SOLOMON ADLER, who was then a United States Treasury Attache in Nanking, China. ADLER listed LAUHLIN CURRIE as one of his references. b7c

NY 100-95069

SOLOMON ADLER, was: SOL ADLER, SCHLOBEL ADLER, SCHLOMER ADLER, was identified in 1945 by ELIZABETH BENTLEY as a dues paying member of the CP.

The "New York Times", August 24, 1951, contained an article which stated that LOUIS BUDENZ testified before the Senate Internal Security Sub-Committee on August 23, 1951 and said "LAUCHLIN CURRIE, a top White House aide during World War II, fostered a Communist campaign to 'smoke out anti-Soviet elements' in the State Department."

The Times article continued "The witness also swore that MICHAEL GREENBERG, Mr. CURRIE'S Assistant at the White House, was a Communist.

"Mr. Budenz swore that it was 'through arrangement' with Mr. Currie, one of President Franklin D. Roosevelt's closest advisers, that Communists opened their attack on anti-Red officials in the State Department in 1942.

"The witness said that the first shot was fired when Browder, then the top American Communist, came to him with the rough draft of 'an attack on the anti-Soviet clique in the State Department' to be published in the Communist Daily Worker.

"Mr. Budenz then was still editor of the 'Daily Worker'. He quit the Red party in 1945, returned to the Roman Catholic Church, and is now on the faculty at Fordham University.

"The witness said that Browder told him the article was 'worked out by arrangement with Lauchlin Currie in order to smoke out anti-Soviet elements in the State Department.' The article was published on Oct. 4, 1942."

The "Daily Worker", referred to above in the New York Times article, is an East Coast Communist daily newspaper of which LOUIS BUDENZ at one time was managing editor.



NY 100-95069

On June 15, 1954, LOUIS BUDENZ was interviewed by SA [REDACTED] b7c. BUDENZ stated he was convinced the CP was continually attempting to penetrate the White House as well as all sensitive branches of the Federal Government.

BUDENZ also referred to LAUCHLIN CURRIE, who was also on intimate terms with certain White House officials during the early 1940's. BUDENZ recalls during the early 1940's, receiving some notes from EUGENE DENNIS, then a member of the Politburo of the American CP. BUDENZ believed the notes pertained to details of a message to be delivered by President ROOSEVELT to Congress. DENNIS warned BUDENZ to guard the notes carefully and stated in effect to BUDENZ that the notes came from the White House. In other Politburo discussions in which BUDENZ participated, certain remarks were made by various CP leaders, such as DENNIS and V. J. JEROME, which indicated that the CP was extremely familiar with President ROOSEVELT'S views and intimate opinions on a wide variety of subjects. It is BUDENZ'S opinion that the information came to the CP possibly through LAUCHLIN CURRIE.

The CP has been designated by the Attorney General of the United States pursuant to Executive Order 10450.

V. J. JEROME was one of the CP leaders convicted in the United States District Court, Southern District of New York, on January 21, 1953, for violation of the Smith Act.

EUGENE DENNIS was former National Secretary of the CP and was convicted in United States District Court, Southern District of New York on October 14, 1949 for conspiracy to violate the Smith Act.

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NY 100-95069

[REDACTED]

*Referred to Dept. of State*

The "New York Times", Tuesday, March 27, 1956, carried the story confirming the above information as released by the State Department.

[REDACTED] of the United States Immigration and Naturalization Service, New York, advised SA [REDACTED] on March 28, 1956 that his office contemplated no further proceedings in this matter and would take no additional formal action. b7c

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NY 100-95069

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Information concerning SOLOMON ADLER from the files of the United States Treasury Department was secured from the report of SA [REDACTED] 2/14/47, at Washington, D.C., in the case entitled "NATHAN GREGORY SILVERMASTER".

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The information credited to [REDACTED] of the Department of State was received by the WFO by photostat of Department of State letter to the Director, dated January 19, 1956. It is maintained in instant file.

Inasmuch as the subject of this case for some years has resided out of the United States, and has had his United States citizenship revoked and there is no indication of his return to the United States he is not considered for inclusion on the Security Index.

REFERENCE Report of SA [REDACTED] 1/13/56,  
New York.

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ON 2/4/81

ADMINISTRATIVE PAGE