# **PANAMA - SPIES AND FEARS**

According to Hollywood, Panama was a hotbed of spies and would-be saboteurs in the lead up to World War 2. Popular fiction also embraced the idea, such as in "Fu Manchu and the Panama Canal". In this story, the mysterious Oriental villain Fu Manchu was involved in a plot which included voodoo and submarine bases in the Canal approaches. During the 12-part serial it emerged that Fu Manchu planned an attack on the US using his own submarines, and using the war as cover. The serial was later turned into a book and published in 1941<sup>1</sup>.

There was also sensationalist "non-fiction" in the US. For example, during 1938—39, *Ken* magazine<sup>2</sup> published accounts (which may have been inspired by leaked intelligence reports) of spies frequenting the numerous Japanese-owned barber shops in Panama. The Japanese government issued a note to the Panamanian Government protesting the claims, arguing that the articles were sensationalist propaganda. An example of the magazine's content was to list the names of 10 fishing boats owned by Japanese nationals, but flying the US flag, and which an article accused of suspicious activities.

Ken was a short-lived illustrated magazine first issued on April 1938, and founded by the same people who had set up Esquire. A left-leaning, anti-fascist publication, it carried stories about German and Italian spying activities. It closed in August 1939, but a reporter responsible for some of its sensational anti-Japanese stories went on to continue his alleged exposés. He also published a book about spying in 1939<sup>3</sup> and, in the months

<sup>&</sup>lt;sup>1</sup> https://escholarship.org/content/qt4sf3p53v/qt4sf3p53v.pdf?t=nxe5ta and https://www.blackgate.com/2014/03/07/blogging-sax-rohmers-the-island-of-fu-manchu-part-one The Island of Fu Manchu by Sax Rohmer (Doubleday, Doran & Company), 1941.

<sup>&</sup>lt;sup>2</sup> http://www.discovernikkei.org/en/journal/2019/8/27/ken-magazine/

<sup>&</sup>lt;sup>3</sup> Honorable Spy

before the attack on Pearl Harbor, revived his allegations about Japanese espionage in a new magazine, *Friday*, which proved even shorter-lived than *Ken*<sup>4</sup>.

In 1940, "Charlie Chan in Panama" (which is available on You Tube) saw the famous detective (in unconvincing sets) attempt to foil an Axis spy ring intending to blow up the Canal. The plot fitted in with the fears of sabotage of the Canal, and the film correctly showed that photography was prohibited in the Canal Zone<sup>5</sup>.

The espionage fear was, of course, nothing new. By the end of World War 1, in 1919, a fifth of US espionage budget was being spent on Panama, with all Panamanian correspondence, especially that to or from Europe and Asia, being examined by US postal "inspectors" seeking anything unusual or troubling in the international mail<sup>6</sup>.

The fear of saboteurs and enemy agents, and its use of a plot device, continued during World War 2, together with concern about German spy rings in the US and the activities of Nazi spies and sympathisers in South America. The fear of Japanese spying and sabotage was less in the US, but not in Panama, and there was evidence that the Canal and its defences had indeed been targeted by Japanese intelligence up to the time of the Pearl Harbor attack.

In August 1939, the US news magazine, *The Atlantic*, commented on one suspected spying case, saying that "a recent alarm turned out to be only a superstitious Indian woman burying a love potion at midnight in the accidental vicinity of our fortifications".<sup>7</sup>

<sup>&</sup>lt;sup>4</sup> http://www.discovernikkei.org/en/journal/2019/8/27/ken-magazine/

<sup>&</sup>lt;sup>5</sup> Possession of cameras and photography from ships in Canal Zone – under Executive Order of 25 March 1940, amending EO 8234 of 5 September 1939.

<sup>&</sup>lt;sup>6</sup> https://www.prensa.com/blogoterapia/Canal-de-Panama-durante-Segunda-Guerra-Mundial 7 4783841569.html

<sup>&</sup>lt;sup>7</sup> https://www.theatlantic.com/magazine/archive/1939/08/watch-out-for-panama/654172/

The Atlantic also commented on a 1938 spy trial in Cristobal in the Canal Zone, when four young Germans had been arrested for taking photographs, which were said to be of undoubted military value, in a fortified region near the Canal. The magazine suggested that the trial, and publicity about it, was evidently aimed at discouraging amateur photographers as much as foreign spies. During the trial, it was said that the principal defendant had given his photographs "for safekeeping" to Kurt Lindenburg, the German Consul in Cristobal."8

Also in 1938, Hans Heinrich Schackow, a German employee of the Hapag-North German Lloyd Steamship agency in Panama, was found guilty of unlawfully photographing the coastal defences of the Canal<sup>9</sup>. He was tried before a jury which consisted of American employees of either the Canal company or the Panama Railroad Company, and it took two hours to find him guilty. In June 1939, he and another German, Ernest Robert Edward Kuhrig, who had been convicted on espionage charges, saw their appeals against conviction rejected<sup>10</sup>.

In April 1940, a Japanese resident of Panama was arrested. Katalino Kobiyama, a ship's chandler, admitted a plan to pass on information of a British ship in Balboa port to a German resident (described at the time as an "ardent pro-Nazi"), Hans Heidelk, an employee of Boyd Brothers Steamship Agency in Panama City, which was also agent for Japanese lines. The information involved the details of a British ship loaded with US-built Douglas A-20 bombers. He had been seen by a Panamanian stevedore making notes on a matchbox and was stopped and searched as he left the pier.<sup>11</sup>

-

<sup>&</sup>lt;sup>8</sup> https://www.theatlantic.com/magazine/archive/1939/08/watch-out-for-panama/654172/ Lindenberg was said to be a member of the Abwehr espionage network in Panama.

<sup>&</sup>lt;sup>9</sup> https://www.nytimes.com/1938/12/15/archives/german-convicted-as-canal-zone-spy-shackow-guilty-of-unlawfully.html

<sup>&</sup>lt;sup>10</sup> https://casetext.com/case/schackow-v-government-of-the-canal-zone-

<sup>2?</sup> cf\_chl\_jschl\_tk\_=pmd\_MTkid9l7qpoXAYVHPhVnEEOwsFciO0tBTiWf60Kw2Ew-1635896610-0-gqNtZGzNApCjcnBszQil

<sup>&</sup>lt;sup>11</sup> Security and Defense of the Panama Canal 1903-2000 by Charles Morris, Panama Canal Commission: https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j

In September 1940, a Japanese citizen sailing on the *Argentina Maru* was arrested by a US military guard for violating an order forbidding possession of cameras in the Canal Zone. In January 1941, two officers on the Japanese liner *Tokai Maru* were arrested for the same offence and received fines<sup>12</sup>.

As we shall see, Japanese intelligence had stepped up its efforts targeting the Canal Zone, as well as Hawaii and the Philippines, in the years leading up to war, and thus fears of Japanese espionage was justified, and the seemingly minor cases mentioned here may have been part of this effort.

"Across the Pacific" was a 1942 film, based upon Robert Carson's 1941 multi-part serial "Aloha Means Good-Bye". Directed by the legendary John Huston, it starred Humphrey Bogart, Mary Astor and Sydney Greenstreet. It was originally to have been about a Japanese plot to blow up Pearl Harbor, and filming has just begun in December 1941 when the Japanese actually did attack. As a result, the intended target in the film was changed to become the Panama Canal (and, as a result, no-one would actually get "across the Pacific"). Humphrey Bogart played an agent preventing the Nazi spy named Dr Lorenz (Sydney Greenstreet, inevitably), who was in the pay of the Japanese, from blowing up the Panama Canal, and meeting a beautiful woman (played by Mary Astor) aboard a Japanese ship passing through the Canal<sup>13</sup>.

A 1945 movie, *Betrayal from the East*, based on a 1943 bestseller of the same name by Alan Hynd, involved Japanese spies attempting to discover the "secret" of the Canal. The storyline also involved the takeover of the US West Coast by Japanese spies and Japanese-

<sup>12</sup> https://encyclopedia.densho.org/Panama%20Canal%20Zone

https://escholarship.org/content/qt4sf3p53v/qt4sf3p53v.pdf?t=nxe5tahttps://www.tandfonline.com/doi/abs/10.1080/02684520600620732

Americans (as we know, the treatment of Japanese-Americans during the war was, to say the least, regrettable – and tales like this could not help)<sup>14</sup>.

One of the greatest fears of the US defenders was sabotage of the Canal and its supporting framework, and preventing sabotage was a priority. The dangers were seen to come from saboteurs attacking vulnerable assets such as lock gates, power stations, and the dams, or blocking the locks with sunken vessels. Indeed, a large-scale pre-war Army and Navy exercise had shown that safeguards for the Canal's locks provided inadequate protection from sabotage, and this had led to military guards being used, to supplement existing security, at the locks<sup>15</sup>, power houses and other important sites<sup>16</sup> – a role which would eventually being taken on by the Mobile Force<sup>17</sup> during the war.

Nevertheless, a review in 1939 found that protection from potential sabotage attacks was still inadequate. The Canal authorities at the time considered that the greatest risk came from sabotage caused by or from a transiting vessel<sup>18</sup> - so that, from 1939, an armed Transit Guard was being placed aboard ships in transit<sup>19</sup>.

In all this, it has to be remembered that, during the war, unlike today, Panama was much less developed, with much more jungle along the Canal route from which surprise assaults against ships in transit could be launched, and in which would-be attackers could hide.

<sup>14</sup> https://www.imdb.com/title/tt0037538/reviews?ref =tt ov rt

<sup>&</sup>lt;sup>15</sup> Note that the locks only normally operated from 0600 to 2300 hours; permanent 24-hour operations only began in 1963.

<sup>&</sup>lt;sup>16</sup> Other measures were taken to prevent sabotage of other utilities, such as water and power supplies, that could impact operation of the Canal. Particularly vulnerable were the saddle dams, the man-made levees that ensured adequate water levels in stretches of the waterway.

<sup>&</sup>lt;sup>17</sup> As the name suggests, the Mobile Force comprised troops intended to be deployed to counter any landings or attacks by ground forces.

<sup>&</sup>lt;sup>18</sup> Suggested threats were such a vessel ramming lock gates, sinking itself in the locks or main channel, or dropping explosives, perhaps timed to explode much later, overboard.

<sup>&</sup>lt;sup>19</sup> On high-risk (or "X") vessels, the detachment initially consisting of an army officer and 16 men, plus 2 US Navy personnel (who oversaw the helm and telegraph – engine – controls). Lower-risk (or "R") vessels carried only 2 soldiers. After 1940 the rules and procedures revised, with additional personnel and tighter controls imposed. From 1942, the US Navy took over responsibility for this "Transit Guard", using Marines.

It took until 1943 for the US War Department to publish a technical manual entitled *Sabotage*, intended for military police units to use while investigating suspected cases of enemy sabotage at military installations, to acquaint US military personnel "with the objectives of wartime sabotage, the installations which are likely to be targets of wartime sabotage, and the methods used by saboteurs", and as a "basis for training personnel in guarding vital installations and planning antisabotage security". Updated in 1945, this even mentioned the risk of attacks using psychological, bacteriological, and chemical means<sup>20</sup>.

It has been argued that once the comprehensive security and defences were fully in place (probably not before 1942-43) sabotage would have been a difficult proposition, particularly given the Canal's geographical remoteness from the countries that were the most serious threats in World War 2. However, a trained and determined assault team could have always posed a threat. That said, to date there has not been a successful sabotage attempt, during either World Wars or otherwise<sup>21</sup>.

It was concern over the saboteur threat, alongside that of a potential fifth column, that was a chief reason for the wholesale internment of people of Japanese origin on the US West Coast – which was mirrored in Panama. The fears, combined with the longstanding anti-Oriental racism (aimed primarily at the Chinese, but also affecting the Japanese) that had been present in the US West (and by the time of World War 2 anti-Chinese attitudes had also become a feature of nationalist policies adopted in Panama).

It is perhaps unsurprising that the Germans would plan to somehow attack or sabotage the Canal and its operations. It is even claimed that they planned an attack<sup>22</sup> using

<sup>&</sup>lt;sup>20</sup> https://medium.com/nc-stories-of-service/wwii-sabotage-manual-ea9202d0442b

<sup>&</sup>lt;sup>21</sup> Security and Defense of the Panama Canal 1903-2000 by Charles Morris, Panama Canal Commission: https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j

<sup>&</sup>lt;sup>22</sup> Project *Pelikan*, see <a href="https://coronadoconciergepanama.com/plot-destroy-panama-canal-world-war-ii/">https://coronadoconciergepanama.com/plot-destroy-panama-canal-world-war-ii/</a>

Junkers Ju 87 Stuka dive-bombers, transported by U-Boat to temporary bases in or close to Panama.<sup>23</sup>

The US Army had responsibility for countering the espionage and sabotage threat in the Canal Zone and the Republic of Panama. A Presidential directive in June 1939 had laid down the areas of responsibility for domestic counterintelligence, but had not clearly defined them where overseas operations were involved. This was reinforced by a further document in June 1940<sup>24</sup>. The Army was responsible for Europe, Africa and the Canal Zone, and its Military Intelligence Division (MID) assumed responsibility for investigation and disposal of all cases in the military establishment, including civilians employed on military reservations or under military control, and for cases involving civilians in the Canal Zone, the Republic of Panama, and the Philippine Islands (and certain other sensitive areas, such as Alaska)<sup>25</sup> — with the proviso that the FBI and Office of Naval Intelligence (ONI) were to be informed of any important developments. Despite the apparent interest in, and importance of, the Canal to the US Navy, it was the Army that took the counterintelligence lead in the Canal Zone.

Elsewhere in the Western Hemisphere, except Panama, responsibility for counterintelligence and anti-sabotage lay with the FBI<sup>26</sup>, which had set up a new Special Intelligence Service (SIS)<sup>27</sup> for its overseas operations, such as in Central and South

\_

<sup>&</sup>lt;sup>23</sup> The gist of the plan in 1943 is said to be the transporting of two Ju 87 Stuka dive-bombers, with folding wings, about U-boats to an unnamed Colombian island near the Panamanian coastline, where they would re-assembled, armed and despatched to attack the Gatun spillway, and thus cripple the Canal's operations. Apparently in effect a one-way mission, any survivors were to escape via an unnamed South American country.

It was not until February 1944 that a new Delimitation Agreement came into being, and would remain in place until a new one was agreed in February 1949: <a href="https://fas.org/irp/ops/ci/docs/ci2/2ch1">https://fas.org/irp/ops/ci/docs/ci2/2ch1</a> e.htm#fbimi.
 <a href="https://fas.org/irp/ops/ci/docs/ci2/2ch1">https://fas.org/irp/ops/ci/docs/ci2/2ch1</a> e.htm#fbimi.
 <a href="https://fas.org/irp/ops/ci/docs/ci2/2ch1">https://fas.org/irp/ops/ci/docs/ci2/2ch1</a> b.htm#ciops

<sup>&</sup>lt;sup>26</sup> The agreement was entitled "Proposal for Coordination of FBI, ONI and MID". It was dated 5 June 1940 and was signed by J Edgar Hoover, Rear Admiral Walter S Anderson, and Brigadier General Sherman Miles, as the heads of the 3 agencies involved *Counterintelligence In World War II* (National Intelligence Center): https://fas.org/irp/ops/ci/docs/ci2/2ch1 a.htm

<sup>&</sup>lt;sup>27</sup> The SIS programme was to last until terminated March 1947: <a href="https://vault.fbi.gov/special-intelligence-service/SIS%20History%20Part%2001%200f%2008/view">https://vault.fbi.gov/special-intelligence-service/SIS%20History%20Part%2001%200f%2008/view</a>

America. It was agreed that the SIS would act as a service agency, furnishing the State Department, Army, Navy, the FBI, and other governmental agencies with economic and political intelligence and also information on subversive activities detrimental to the security of the US<sup>28</sup>. The National Security Agency, the modern-day US signals intelligence agency, established in 1952. has stated that the FBI "did quite well in counterintelligence and undoubtedly disrupted most German operations in the US and later in Latin America".

The Army's (then very small) Corps of Intelligence Police (which became the Counter Intelligence Corps on 1 January 1942) had noted an increase in Japanese and Nazi German activity in the Army's Panama Canal, Hawaiian and Philippines Departments in the late 1930s<sup>29</sup>. However, until after the attack on Pearl Harbor, actual intelligence assets available to the US are said to have been rather thin<sup>30</sup>, with the exception of communications intelligence (see below).

As war broke out in Europe, having previously focused its attention on Japan, and despite an official position of neutrality, the US slowly began to expand its Army and its intelligence activities. By February 1941, the US Army's Corps of Intelligence Police (a part of the Military Intelligence Division or MID) still had only a total complement of 288 men, of which just 18 agents were assigned to the Panama Canal Department<sup>31</sup>. By February 1942, there were 59 officers in Panama, out of a total of 513 in the whole Corps (which had by then become renamed as the Counter Intelligence Corps or CIC). The CIC role was to investigate reports of subversive activities, and it was local commanders who directed these investigations<sup>32</sup>.

<sup>&</sup>lt;sup>28</sup> Ibid.

<sup>&</sup>lt;sup>29</sup> https://fas.org/irp/agency/army/cic-wwii.pdf

<sup>&</sup>lt;sup>31</sup> The first two such officers had been assigned to the Canal Zone in 1922, the complement rising to three in April 1939, and four in 1940, with 12 places originally authorised in 1941.

<sup>32</sup> https://irp.fas.org/agency/army/short.pdf

The same reorganisation of the Army structures which saw the US Army Air Corps become the US Army Air Force in March 1942 also saw the creation of the Military Intelligence Service (MIS) in the War Department, with the role of coordinating all counterintelligence activities of the War Department, although field commanders were told that they would be held responsible for counterintelligence coverage within their commands<sup>33</sup>.

After the fall of France and the Netherlands in May/June 1940, new fears arose, with US authorities worried that Dutch or French possessions in the Western Hemisphere might be used as military bases from which to launch a surprise attack on the Panama Canal or the US. There was also a later concern that, with the initial Axis successes in North Africa, a military landing of some size might be attempted on the north-east coast of Brazil, and that this might be augmented by an Axis "fifth column" in Latin America<sup>34</sup>.

As tensions continued to rise, in Panama in November 1941, all but the most important counter-espionage cases were dropped, and all agents received priority assignments to instead ascertain the location of the Japanese population in the country. The Japanese involved were mostly young men, and the majority of them seemed to be operating or working in Panama's numerous Japanese-owned barber shops. This was to facilitate swift internment if or when war broke out.

Following the attack on Pearl Harbor on 7 December 1941, CIC agents in the main Panamanian cities of Panama City and Colón were involved in rounding up the Japanese in their areas – and the detention of enemy aliens and other suspects was said to be reasonably effective<sup>35</sup>.

9

<sup>33</sup> https://fas.org/irp/ops/ci/docs/ci2/2ch1 b.htm#ciops

<sup>&</sup>lt;sup>34</sup> <a href="https://www.nsa.gov/portals/75/documents/news-features/declassified-documents/cryptologic-histories/german clandestine activities.pdf">https://www.nsa.gov/portals/75/documents/news-features/declassified-documents/cryptologic-histories/german clandestine activities.pdf</a>

<sup>35</sup> https://fas.org/irp/agency/army/cic-wwii.pdf

In 1942, US military intelligence produced the following list of "subversive or potentially subversive groups. Note that, despite the USSR now being an ally against Germany, Communists were ranked in second place, "Falange" referred to pro-Franco Spanish elements (which would be considered pro-Axis), and that the list includes, for some unknown reason, the "Negro"<sup>36</sup> –

1.	Nazi	8. White Russia	n

2. Communist 9. Vichy France

3. Fascist 10. Korean

4. Japanese 11. Bulgarian

5. Falange 12. Syrian

6. Hungarian 13. Domestic Fascist

7. Ukrainian 14. Negro<sup>37</sup>

In November 1942, a memo from the ONI summarising Japanese espionage activities said that such activities in the Western Hemisphere were directed from Buenos Aires, Argentina<sup>38</sup> with a secondary headquarters in Santiago, Chile. However, it said that any change in the status of the government of Chile resulting in increased cooperation with the US would likely see the Santiago headquarters transfer its work to Buenos Aires. It also said that it was known that the Chilean Line, a shipping line, was controlled by officers, directors and executives who were "favourably inclined" towards the Axis and Japan<sup>39</sup>.

During the war, one task of CIC agents was investigating suspected disaffection amongst Canal employees, contractors' employees, and the military, together with the

<sup>&</sup>lt;sup>36</sup> By the Evaluation Branch of the Counterintelligence Group, part of MIS.

<sup>37</sup> https://fas.org/irp/ops/ci/docs/ci2/2ch1 b.htm#ciops

For more information, see *The Politics of Espionage: Nazi Diplomats and Spies in Argentina, 1933-1945* by Richard L McGaha (A dissertation presented to the faculty of the College of Arts and Sciences of Ohio University), 2009: <a href="https://etd.ohiolink.edu/!etd.send">https://etd.ohiolink.edu/!etd.send</a> file?accession=ohiou1256330041&disposition=inline</a> <a href="https://ncisahistory.org/wp-content/uploads/2018/03/Japanese-Espionage-Activity-in-South-America-Nov-3-1942.pdf">https://ncisahistory.org/wp-content/uploads/2018/03/Japanese-Espionage-Activity-in-South-America-Nov-3-1942.pdf</a>

investigation of suspected or potential sabotage of ships calling at the Canal Zone ports, and reports of clandestine radios and signal lights. However, outside the Canal Zone the CIC operated only by permission of the Panamanian Government, as no agreement had been made for a US secret or investigative force to operate in the Republic itself. Despite Panama having declared war on the Axis powers (the day before the US, in the case of Japan, and against Germany and Italy on the 12 December 1941), local cooperation had to be agreed upon, with any rights or privileges extended to the US Army were outlined by specific diplomatic agreements and which applied only to specific defence sites and highways<sup>40</sup>.

As we have seen, Panama was set aside from the general arrangements for FBI counterespionage operations<sup>41</sup>. It was regarded as the special province of the War Department<sup>42</sup>. Nevertheless, the FBI maintained a low level of operations in the country, with the first permanent undercover representative based there from March 1942, and this level of operation being maintained until the SIS programme ended in March 1947.<sup>43</sup> However, it operated more extensively throughout Latin America – and the Roosevelt Administration placed it in charge of political surveillance in Latin America during the war, as part of the SIS programme. The operations were mainly intended to combat Nazi influence, but were also mounted in those countries that lacked a substantial German population or suspected spy rings - for example, 45 agents were dispatched to Ecuador, a country without any German espionage networks<sup>44</sup>.

<sup>40</sup> https://fas.org/irp/agency/army/cic-wwii.pdf

<sup>&</sup>lt;sup>41</sup> The FBI was given the responsibility for the Western Hemisphere, including Canada and Central and South America, except Panama.

<sup>&</sup>lt;sup>42</sup> Postwar, the FBI legal attaché office closed due to the War Department refusing to grant FBI representatives the full authority given to regular legal attachés in other countries.

<sup>43</sup> https://vault.fbi.gov/special-intelligence-service

<sup>&</sup>lt;sup>44</sup> In any case, by 1943, FBI director J Edgar Hoover had shifted the focus of the SIS from Nazism to communism: *The FBI in Latin America: The Ecuador Files* by Marc Becker (Duke University Press), 2017: <a href="https://www.dukeupress.edu/the-fbi-in-latin-america">https://www.dukeupress.edu/the-fbi-in-latin-america</a>

It was not until May 1945 that the first FBI Special Agent was sent to Panama in an official liaison capacity, acting as Legal Attaché at the US Embassy, and the peak presence in the country under the SIS programme was not until June 1946, when there were five representatives in Panama. The FBI said that its representatives acted almost entirely in a straightforward liaison capacity.<sup>45</sup>

Nevertheless, the FBI carried out surveillance of the activities of the Spanish Charge d'Affaires. The records of the former German Legation were being held by the Spanish Legation, and an attempt was being made to obtain them – which was successful. It was claimed that the Spanish official had burnt some of those records, that he operated an intelligence operation in Panama, and that he harboured pro-Nazi sympathies. As a result, the Panamanian Government declared him *persona non grata* and he was then recalled to Spain.

In addition to targeting Axis, or suspected Axis, activity the FBI in Panama also maintained files on Spanish, Communist, French and American suspects and activities in Panama; as well as on political, economic and social matters in Panama. The files included such subjects as foreign agents, penetration and residents in Panama.<sup>46</sup>

### SIGNALS INTELLIGENCE

During World War 2, the interception of the enemy's radio communications, and its decoding and interpretation, became a vital element of the war effort. The Army's Panama Signal Company had a monitoring station at Corozal in the Canal Zone from 1939, and was one of seven monitoring stations which were the basic source of Signal

<sup>&</sup>lt;sup>45</sup> However, some of its personnel in Panama were described as being "undercover". https://vault.fbi.gov/special-intelligence-service

<sup>&</sup>lt;sup>46</sup> In the light of postwar developments throughout Central America, it may be of note that one of the achievements of the SIS programme was said to be a monograph on "Labor-Communist Movement in Central America" in Autumn 1946: https://vault.fbi.gov/special-intelligence-service

Intelligence Service (SIS)<sup>47</sup> intercept traffic until after Pearl Harbor<sup>48</sup>.<sup>49</sup> It has been said that the combination of the Signal Intelligence Service analysts and an intercept organisation represented one of the Army's greatest strengths in the intelligence field<sup>50</sup>.

Quarry Heights in the Canal Zone housed one of five Army signal detachments (the others being in San Francisco, Texas, Hawaii and the Philippines) providing the Army with radio intercepts. In January 1939, all six detachments were consolidated into the 2<sup>nd</sup> Signal Service Battalion<sup>51</sup>.

In the late 1930s, the Signal Intelligence Service had transferred officers to Panama and Hawaii, in part to train local Signal Corps personnel in cryptanalysis. However, neither move was entirely successful, so they were recalled when it was recognised that both could make more effective contributions by being based in the US<sup>52</sup>. However, one of a number of new stations that were on line by 1940 was that in the Canal Zone. By December 1941, it was one of the seven that were operational, and was located at the Port of Corozal<sup>53</sup>. The US Army 120<sup>th</sup> Signal Radio Intelligence (SRI) Company would be

<sup>&</sup>lt;sup>47</sup> Confusingly, having the same initials as the FBI's Special Intelligence Service, this SIS's greatest single achievement was the breaking of PURPLE, a Japanese cipher machine used for diplomatic communications. Japan, which had begun an aggressive expansion against China in the 1930s, introduced the new machine in early 1939. For 18 months, the SIS joined with the Navy in an intense effort to crack the cipher. Finally, in September 1940, they discovered an exploitable pattern which could be exploited: https://irp.fas.org/agency/army/short.pdf

<sup>&</sup>lt;sup>48</sup> https://www.nsa.gov/Portals/70/documents/about/cryptologic-heritage/historical-figures-publications/publications/wwii/history\_us\_comms.pdf

<sup>&</sup>lt;sup>49</sup> Established in 1929, its main and initial role was to compile codes for the Army, with personnel trained so that they could engage in cryptoanalysis to work against enemy systems in wartime. The SIS was not attached to the Army's intelligence organisation, and military Intelligence considered cryptanalysis merely an adjunct of cryptography, which belonged in the Signal Corps. This situation continued until early in the war. The SIS was renamed the Signal Security Service (SSS) in 1942 and Signal Security Agency (SSA) in 1943, and in September 1945, became the Army Security Agency: <a href="https://www.nsa.gov/about/cryptologic-heritage/center-cryptologic-history/pearl-harbor-review/sis/">https://www.nsa.gov/about/cryptologic-heritage/center-cryptologic-history/pearl-harbor-review/sis/</a>

<sup>&</sup>lt;sup>50</sup> https://irp.fas.org/agency/army/short.pdf

<sup>51</sup> https://www.nsa.gov/about/cryptologic-heritage/center-cryptologic-history/pearl-harbor-review/sis/

<sup>52</sup> https://www.nsa.gov/about/cryptologic-heritage/center-cryptologic-history/pearl-harbor-review/sis/

https://californiahistoricalradio.com/wp-content/uploads//2011/11/spies9eR2006.pdf https://www.nsa.gov/portals/75/documents/news-features/declassified-documents/friedmandocuments/pearl-harbor/FOLDER 203/41766199080529.pdf

based in the Canal Zone<sup>54</sup>, part of a chain (including in Rio and Florida) involved in radio intercepts. A detachment from the Company also operated a station at Rio Hato, but this was later operated by local US Army units, and was to become part of the hemisphere network of signals intelligence stations also found in Colombia, Ecuador, Cuba, Dominican Republic, Chile, Uruguay, Mexico and Brazil. Like much else of the US defence establishment in wartime Panama, it was allowed to fall into disuse by the end of the war<sup>55</sup>.

As with the other elements of US military intelligence the Signal Intelligence Service also underwent expansion once war broke out in Europe, and the Army activated additional tactical radio intelligence companies<sup>56</sup>.

In 1940, both Colombia and Ecuador<sup>57</sup> requested direction-finding (DF) equipment, but the US ambassador in Ecuador recommended (probably with Ecuadoran government approval) that radio personnel also be sent. The mission would be under the direct control of the US naval attachés in the two countries and the Commandant of the 15<sup>th</sup> Naval District in the Canal Zone. It was thought that DF equipment located in, for example, Bogota and at Balboa could get cross-bearings on targets for general location and mobile direction-finders, manned by local military personnel, could then determine the exact location of the transmitters.

Four French DF radio trucks operated by the Colombian Army were shipped to Panama in August 1940 for repairs at the US Navy radio station at Balboa<sup>58</sup>. However, the planned

<sup>&</sup>lt;sup>54</sup> Until, in April 1942, it was divided between Panama and Trinidad: *United States Army in World War II.*: *The technical services* by George Raynor Thompson, Dixie R Harris, Pauline M Oates and Dulany Terrett (US Army, Office of Military History, Department of the Army, 1957).

https://www.nsa.gov/Portals/70/documents/about/cryptologic-heritage/historical-figures-publications/publications/wwii/cryptologic\_aspects\_of\_gi.pdf
bid.

<sup>&</sup>lt;sup>57</sup> In 1940, intercepts originating in Ecuador were thought to have provided the first tangible evidence of the existence of a Nazi radio net in Latin America.

https://www.nsa.gov/Portals/70/documents/about/cryptologic-heritage/historical-figures-publications/publications/wwii/cryptologic\_aspects\_of\_gi.pdf

operations in Ecuador and Colombia were not successful, and were hampered by the Navy wanting its personnel to be involved only in training, despite claims that the only effective and practical way to operate the equipment would be by using US operators<sup>59</sup>.

Costa Rica also requested DF equipment in 1940, but the Army responded by saying that the Navy's long-range radio DF stations in the Canal Zone would eventually be able to establish the general locality of all clandestine radio stations operating in Central and South America, and that the Navy would inform Costa Rica of stations determined to be within its borders, and these could then be tracked down with locally-manned DF equipment, which the US could provide<sup>60</sup>.

The Navy had its own signals intelligence and direction-finding services, but the Commandant of the 15<sup>th</sup> Naval District had originally reported that there was no site suitable for its location that the DF equipment intended for use at Balboa on the Pacific coast, and the operators were sent to the Coco Solo Naval Air Station at the other end of the Canal, to man equipment located there and be used for "strategic" purposes. The DF equipment intended for Balboa was relocated to the Naval Air Station at David in Panama. Later, the Coco Solo operation was moved and equipped for use in strategic high-frequency direction-finding, being sited at Farfan Radio Station in Panama Oeste<sup>61</sup> with a staff of 15. Apart from this, and the planned DF operations in Ecuador and Colombia mentioned above, it is said that there was little US Navy involvement in dealing with the clandestine German communications in Latin America before the war<sup>62</sup>.

<sup>&</sup>lt;sup>59</sup> https://www.nsa.gov/Portals/70/documents/about/cryptologic-heritage/historical-figures-publications/publications/wwii/cryptologic\_aspects\_of\_gi.pdf

https://www.nsa.gov/Portals/70/documents/about/cryptologic-heritage/historical-figures-publications/publications/wwii/cryptologic aspects of gi.pdf

<sup>&</sup>lt;sup>61</sup> Farfan was on the other side of the Canal from the 15<sup>th</sup> Naval District headquarters in Balboa. It later formed part of the US Naval Communications Station Balboa during the continued US presence in the Canal Zone: http://www.navv-radio.com/commsta/balboa.htm

<sup>62</sup> https://www.nsa.gov/Portals/70/documents/about/cryptologic-heritage/historical-figures-publications/publications/wwii/cryptologic\_aspects\_of\_gi.pdf

Towards the end of the war, the FBI declassified a film which set out to expose the South American countries that were alleged to have shown "passivity" and let the Nazi and Japanese fifth column expand freely to the point of planning attacks on US merchant ships and even the bombing of "sites of interest" of the US. It claimed Japanese and German colonies had installed communication antennas to alert the Axis countries of US movements, carry out attacks and weaken the war effort to the Allies. It was also said that had the US had "disrupted" a Japanese communications network that had its centre of operations in Brazil and the receiving point of information in the Pacific was Ecuador. 63

Once the war with Japan began, the Signal Intelligence Service shifted its focus to reading Japanese military traffic, which relied on different cryptologic principles than the Japanese diplomatic communications (which had used the PURPLE cipher machine, which the SIS had compromised).<sup>64</sup>

### THE NAVY

As we have seen, the Army had the lead on intelligence and counter-intelligence operations in Panama and the Canal Zone. Under the 1940 agreement delineating responsibilities, the Office of Naval Intelligence (ONI) had been delegated responsibility for the investigation and disposal of all cases in a naval establishment, including civilians under naval employment or control.<sup>65</sup>

The ONI had been monitoring Japanese activities in South America and the Panama Canal Zone in the early 1930s. Much of the information on Japanese activities in the Canal Zone

\_

<sup>63</sup> https://guerrade1941.blogspot.com/2018/09/si-no-era-ecuador-toda-sudamerica-iba.html#more

<sup>&</sup>lt;sup>64</sup> A Short History of Army Intelligence by Michael E. Bigelow, (Command Historian, US Army Intelligence and Security Command): <a href="https://irp.fas.org/agency/army/short.pdf">https://irp.fas.org/agency/army/short.pdf</a>

<sup>&</sup>lt;sup>65</sup> As well all civilians in Guam and American Samoa: *A Century of US Naval Intelligence* by Captain Wyman H Packard USN (Retired), a joint publication of the Office of Naval Intelligence and the Naval Historical Center (Department of the Navy) 1996: <a href="https://ncisahistory.org/wp-content/uploads/2020/10/A-CENTURY-OF-US-NAVAL-INTELLIGENCE-compressed.pdf">https://ncisahistory.org/wp-content/uploads/2020/10/A-CENTURY-OF-US-NAVAL-INTELLIGENCE-compressed.pdf</a>

was collected by the Naval Attaché in Buenos Aires; and close cooperation in regard to Japanese activities was also maintained with the FBI.

The District Intelligence Office in the 15<sup>th</sup> Naval District in the canal Zone was established in 1936, but until 1938 it was staffed by only a single part-time officer. By 1940, this complement had increased to three officers, two enlisted personnel, and four civilians. By December 1941, it had expanded considerably, with 54 officers, 26 enlisted personnel, and 51 civilians. However, this total of 131 included 71 persons who were assigned to censorship duties, and who, in 1942, were placed under the Director of Censorship in Washington DC. This meant that in 1943 the office was reduced to 32 officers, 29 enlisted personnel, and 10 civilians.

Because the US Embassy in Panama had no Naval Attaché accredited to it, the district intelligence officer also had to perform certain attaché responsibilities, and he also maintained close liaison with the US Naval Attachés in other Latin American countries.

The main office was at 15<sup>th</sup> Naval District Headquarters at Balboa, where headquarters personnel performed the intelligence collection and briefing functions. In addition, there was a Branch Office at Cristobal on the Atlantic side, and during the war three attached intelligence units were established - one each at Cristobal; the Naval Base, Balboa; and the Naval Ammunition Depot, Balboa. These intelligence units were concerned primarily with the security of the facilities to which they were assigned, with the Cristobal unit also serving the submarine base and air station at Coco Solo. The Branch Office at Cristobal briefed and debriefed warship crews leaving and returning on the Atlantic side, including the submarines from Coco Solo. Merchant ship masters were also debriefed as warranted.

In the Summer of 1941, the ONI in Washington requested material on the Darien Province, which bordered Colombia and which was then undeveloped and mostly comprised dense

jungle. A junior officer was given the task and the small naval yacht *Jade* PY-17 was assigned to take him to the Darien. Once there, he went upriver into the interior, using dugout canoes or on foot, as there were no roads. He recorded his observations and spoke with local inhabitants to determine if any foreigners had passed through the area recently (there were known to be some were known to be involved in smuggling). The report and the information it contained proved to be mostly negative<sup>66</sup>.

### **BRITISH SKULLDUGGERY**

The "British Security Coordination" was a major covert operation mounted in the US during World War 2, set up by a Canadian entrepreneur called William Stephenson, working on behalf of the British Secret Intelligence Services (SIS). An office was opened in the Rockefeller Centre in Manhattan with the discreet compliance of President Roosevelt and J Edgar Hoover of the FBI. It became a secret agency of nationwide news manipulation and black propaganda. Pro-British and anti-German stories were planted in US newspapers and broadcast on US radio stations, and simultaneously a campaign of harassment and denigration was set in motion against those organisations perceived to be pro-Nazi or virulently isolationist.

While there has likely been much exaggeration of its work and impact, one of its most successful operations originated in South America and illustrated the ability it had to influence even the most powerful. The aim was to suggest that Hitler's ambitions extended across the Atlantic and into Latin America. In October 1941, a map was said to have been stolen from a German courier's bag in Buenos Aires and purported to show a South America divided into five new states – referred to as *Gaus* by the Germans, each with their own *Gauleiter*. One of the *Gaus*, *Neuspanien*, included Panama and the Panama Canal. In addition, the map detailed Lufthansa routes from Europe to and across South America, extending into Panama and Mexico.

\_

<sup>&</sup>lt;sup>66</sup> However, as we shall see, a suspected long-time Japanese spy was later uncovered in the province.

The inference was obvious and the map was taken as entirely credible and Roosevelt even cited it in a speech on 27 October 1941, saying that, "This map makes clear the Nazi design," Roosevelt declaimed, "not only against South America but against the United States as well".<sup>67</sup>

## **THE JAPANESE**

Given the strategic importance of the Canal to the US Navy, it is not surprising that, in the 1930s, the ONI would report on the activities of Japanese Panamanians and their connections to the US, and this included reports of Japanese Panamanian fisherman visiting San Pedro, California – in the 1930s the commercial fishing in Panama was dominated by the Japanese and, during the late 1930s there were reports of Japanese reconnaissance using fishing boats along the Pacific coast of Mexico and Central America. The claims of reconnaissance being carried out by fishing boats along the Panamanian coast was apparently given credence by reports of boats returning from all-day trips with no catch<sup>68</sup>.

In any event, the ONI had maintained registers of all Japanese Panamanians from as early as 1933, as well as reports on the Japanese community of Panama as a whole from as early as 1919.

By 1941, the Japanese community in Panama numbered an estimated 400<sup>69</sup>. The *Chicago Tribune* stated in 1940 that Japanese made up a visible part of the population of Colón on

<sup>-</sup>

<sup>67</sup> https://www.theguardian.com/uk/2006/aug/19/military.secondworldwar

Whereas, it was said that California-based tuna boats, also manned by Japanese crews, returned home with their hauls: https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j

<sup>&</sup>lt;sup>69</sup> In the book *Japan and Panama*: the Role of the Panama Canal (1993), it is said that Panama was the first part of Latin America to be visited by Japanese after their forced re-entry into contact with the outside world in 1853. The trans-isthmus railroad was the route chosen to cross the continent by the official Japanese mission to the US in 1860 (this being said to also be their first encounter with a railway): <a href="https://link.springer.com/chapter/10.1007/978-1-349-13128-0">https://link.springer.com/chapter/10.1007/978-1-349-13128-0</a> 9

the Atlantic coast and some individuals even resided inside the Canal Zone<sup>70</sup>. Japanese-owned businesses were common in Panama – for example, there were 47 Japanese-owned barber shops in the cities Panama City and Colón at either end of the Canal – and one of the many barber shops in Panama City was, in fact, owned by a Japanese who it was said was, in reality, a Commander in the Imperial Japanese Navy.<sup>71</sup> However, it would be a mistake to necessarily attribute a sizeable Japanese presence only to nefarious activities. The opening of the Canal had stimulated an expansion of the already important shipping sector in Japan, and made the Canal of strategic importance for Japan<sup>72</sup>. While Panama itself was not a market of any significance, its value as a route meant that it was not surprising that Panama had a significant number of Japanese present.

In 1934, Japan, with its sizeable fisheries business based in Panama, asked for a treaty concession that would allow for a refrigeration and processing plant on the island of Taboga, close to the Canals' Pacific entrance. The US military argued against the proposal. On hearing of the proposal, the then US Army Chief of Staff, General MacArthur, had advised the US Secretary for War that any use of Taboga or other islands in Panama Bay should be denied to anyone other than nationals of the US or Panama. Hearing of this, President Harmodio Arias stalled talks with the Japanese until the proposal was dropped.<sup>73</sup>.

From 1935, Japanese espionage activity in Panama increased<sup>74</sup> although it would only reach its maximum intensity in the couple of years immediately before the Pearl Harbor attack.

=

http://www.discovernikkei.org/en/journal/2018/4/26/japanese-internment-panama/

<sup>&</sup>lt;sup>71</sup> Mixu Watanabe.

<sup>&</sup>lt;sup>72</sup> There had been at least one previous, unsuccessful attempt to interest Japan in investing in a canal project, in 1908, but this had failed due to Japan's agreement with Britain over favouring a Nicaraguan route (Journal of Interamerican Studies and World Affairs, Vol 14, No. 1, February 1972).

<sup>73</sup> https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j

<sup>&</sup>lt;sup>74</sup> Not just in Panama, the first American tried in peacetime under the Espionage Act of World War 1 was a naval yeoman caught spying for Japan in San Diego in 1936. He sold engineering, gunnery, and tactical information about the Pacific Fleet that was mainly based in San Diego: <a href="https://ncisahistory.org">https://ncisahistory.org</a>

The Japanese-owned fishing vessels included longer-range tuna boats, one of which was owned by a Japanese who was alleged to be the chief of Japanese intelligence for Central and South America (this was, in fact, Yoshitaro Amano, of which more below). This boat was said to have made numerous trips from which it returned empty-handed, and was noted to have travelled along the Central American coast and even as far as the Galapagos Islands.

The same individual also owned a large store in Panama City, and encouraged amateur photography with a photography club and offered attractive cash or camera prizes for the best pictures each month of subjects in the Canal Zone – in what seemed to be a fairly blatant intelligence-gathering ruse, and presumably would have worked well until photography was eventually prohibited in the Canal Zone from June 1941.

An incident which did nothing to assuage fears occurred in 1938, when a Japanese-owned tuna boat out of San Diego, the *Taiyo Maru*, went aground on the rocks off Fort Amador, having entered unannounced on a moonless night into what was a prohibited area. When boarded the next day her depth-sounding gear were said to have still been in place over its port bow.<sup>75</sup>

US concern at the risk presented by the Japanese fishing vessels led to pressure on the Panamanian Government, especially as Japanese activity increased in 1938, and in due course the Panama Government imposed a ban on Japanese boats fishing in Panamanian waters.

In 1939, a book by an American journalist called *Secret Agents Against America* alleged that a Panamanian resident, Yoshitaro Amano was a secret agent "whose real profession

21

<sup>&</sup>lt;sup>75</sup> Security and Defense of the Panama Canal 1903-2000 by Charles Morris, Panama Canal Commission: https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j

seems to be a secret to no one", and claimed that he had been arrested in Colombia and imprisoned in Nicaragua following an espionage charge by an unspecified country but he "was enough of a Chilean millionaire to talk his way out of a Nicaraguan jail". The book also speculated how the tuna boat that he owned, the *Amano Maru* could be used to transport mines.

In fact, Amano was a successful businessman whose Ikawa Trading Company based in Japan was expressly for the shipment of manufactured goods to Panama and Peru, and who travelled regularly between Panama and Peru. He had a ranch in Chile, a lumber business in Bolivia, a quinine farm in Ecuador and two department stores (called *Casa Japonesa*) in Panama. He had also established the Pacific Fishing Company based in Puente Arenas, Costa Rica, which had commissioned the *Amano Maru* from a shipbuilder in Japan in 1933<sup>76</sup>.

In 1941, when the US Government banned trade with approximately 1,800 individuals and businesses on the Proclaimed List of Certain Blocked Nationals<sup>77</sup>, Amano's name and that of his fishing company appeared on a Costa Rican list. However, it was Amano's fishing boat that attracted the most suspicion, and another book in 1939, Richard Spivey's *Secret Armies: The New Technique of Nazi Warfare*, also featured the *Amano Maru*, saying it had a powerful radio and "an extremely secret Japanese invention enabling it to detect and locate mines".

When the round-up on Japanese occurred on 7 December 1941, Amano actually turned himself in to Police Headquarters. He was then was one of about 100 men taken to Balboa Harbour and thence to Taboga (incidentally, he and the other men would not know where the women internees were detained until April 1942). He was one of the

22

http://www.discovernikkei.org/es/journal/2010/7/7/yoshitaroamano/?fbclid=IwAR3LPqimW160GZrdsgmrsRwnza1yvwC78w4ctgYfyCuGnAF1O7Fep1CpAhl#.WKTKNak9DL E.facebook

<sup>77</sup> https://digitalcollections.smu.edu/digital/collection/hgp/id/651/

Panamanian prisoners that became part of the first shipment of hostages sent to US internment camps, arriving in New Orleans on 8 April 1942.

In 1940, Japanese agents were directed to ascertain the state of relations between the US and Latin American countries. It was also said to be desirable to establish closer contacts with German and Italian agents, as well as with Japanese residents<sup>78</sup>. The latter were to be instructed not to do anything to create any suspicion in the minds of US authorities regarding any espionage activities<sup>79</sup>.

In October 1940, a Mr Akiyama, Minister at the Japanese Legation in Panama, told Tokyo that the new Arias Madrid administration in Panama would cooperate with the US over use of the Canal Zone and other areas in Panama, the registration of merchant ships, and over additional air bases – this despite Arias Madrid being seen as being pro-German and a Panamanian nationalist. The Minister also said that newspaper reports in Panama had indicated that the ship registry would allow its vessels to enter belligerent waters (despite neutrality). Anti-German moves were also reported – for example, the German *charge d'affairs* had been made *persona non grata*, and the Panamanian minister to Germany was said to be "inactive". It was also reported that Panama's position in any conflict would be that it would defend the other countries of the Americas "hand in hand" with the US – and would have to adopt a similar attitude in respect of Japan and take the requisite countermeasures against Japan should US-Japanese relations break down<sup>80</sup>.

In September 1941, Minister Akiyama reported that he had made a special study of the attitude of the US, of the nature of the Panamanian people, and of the topography of Panama. He sent a despatch to Tokyo with an estimate of the money he needed for

<sup>&</sup>lt;sup>78</sup> In 1941, a Foreign Office telegram referred to utilising "second Generation" and "resident nationals" but cautioned of the risk that "our people in the US will be subjected to considerable persecution, and the utmost caution must be exercised". In the light of subsequent events, this observation is almost prophetic: https://fas.org/irp/ops/ci/docs/ci2/2ch2 a.htm#japns

<sup>79</sup> https://fas.org/irp/ops/ci/docs/ci2/2ch2\_a.htm#japns

<sup>80</sup> https://apps.dtic.mil/dtic/tr/fulltext/u2/a617466.pdf

"enlightenment", propaganda, and intelligence purposes. This estimate included bonuses for officials or spies assigned to observe the movements of warships<sup>81</sup> or to give warning about other matters; money for special spies; funds to pay those who tried to obtain information as well as those who achieved results; and a separate fund to maintain contact with newspaper reporters and other sources (as well as a special fund for spying in the other countries to which he was accredited). The total estimate amounted to an expenditure of \$730 per month<sup>82</sup>.

Through until to the eve of the Pearl Harbor attack on 7 December 1941, Tokyo continued to receive dispatches from diplomatic officials, including its Minister in Panama<sup>83</sup>. For example, on 6 December, the Consul in Honolulu informed Tokyo that 400 or 500 balloons had been ordered by the US and that their use was being considered in the defence of Hawaii and Panama<sup>84</sup>. Others reports from Minister Akiyama included "numerous" ones on shipping movements from the Canal Zone between 17 October and 7 December (by this time Japanese vessels had been barred from using the Canal, as a security measure). For example, on 18 October 1941, Minister Akiyama reported on the movement of four US freighters, a British freighter and two US tankers heading for the Pacific between 14 and 18 October, with four US freighters, two British freighters, a Dutch freighter, a US tanker and a US steamer travelling in the other direction. It was also reported that ships were passing through the Canal at night (and this might have been regarded as unusual, as 24-hour movements were not the norm – in fact, regular 24-hour operations would not commence until 1963).

Akiyama also noted military construction progressing rapidly in Panama and he made specific mention of the airfield at Albrook Field and its facilities, as well as new barracks

-

<sup>&</sup>lt;sup>81</sup> Including "Bonuses for officials or spies residing at some distance from the Canal who go at night to observe the movement of warships".

The total estimate amounted to an expenditure of \$730 per month: https://fas.org/irp/ops/ci/docs/ci2/2ch2 a.htm#japns

<sup>&</sup>lt;sup>83</sup> The US had cracked the PURPLE diplomatic cipher machine in September 1940.

<sup>84</sup> https://www.dni.gov/files/NCSC/documents/ci/CI Reader Vol2.pdf

and a 500-patient hospital<sup>85</sup>. Other intelligence reports detailed the military and naval defence developments and mentioned three cruisers, eight "new-type" destroyers, 18 submarines, a gunboat and seaplane tender being present in the Canal Zone<sup>86</sup>.

On 22 November 1941, Minister Akiyama summarised the latest developments in the Canal Zone defences, with the heightened security, including around locks, spillways, electric plant etc. He referred to air bases, anti-aircraft gun bases and "airplane detector" bases which, he said, were "able to discover a plane 200 miles away"<sup>87</sup>. He claimed that there was "coercion" of Panama to provide added defence sites outside the Canal Zone. He also referred to the commencement of the trans-isthmus road, and work on the Trans-America Highway, which he expected to reach to border with Colombia<sup>88</sup>, and said that Canal Zone officials were checking on the 2,000 Germans, 700 Italians and 400 Japanese which he said were in Panama<sup>89</sup>.

As late as 1945, US intelligence arrested a Japanese man, Jakuji Ochy, who had lived for 15 years in the Darien province that bordered Colombia<sup>90</sup>, and where he had a large family and a thriving lumber business as well as a fleet of shrimp boats. He had connections to the Japanese royal family as well as being a colonel in Japanese military intelligence. He was found to have operated a radio station on the top of Pitte Mountain for passing on details of US activity in Panama<sup>91</sup>.

\_

<sup>&</sup>lt;sup>85</sup> The 'Magic' Background of Pearl Harbor. Volume 4: October 17, 1941 - December 7, 1941, for DoD (Superintendent of Documents, US Government Printing Office), 1977: https://apps.dtic.mil/dtic/tr/fulltext/u2/a617466.pdf

<sup>&</sup>lt;sup>86</sup> This seems in excess of the naval forces available to defend the Canal, as detailed elsewhere, and presumably includes vessels on transit through the Canal or simply calling in at Balboa.

<sup>&</sup>lt;sup>87</sup> Presumably referring to the recently-installed radar.

<sup>&</sup>lt;sup>88</sup> It never went further, ending in the Darien province, and only recommencing the other side of the border in Colombia – though it continued on then to the bottom of South America.

<sup>89</sup> https://apps.dtic.mil/dtic/tr/fulltext/u2/a617466.pdf

<sup>&</sup>lt;sup>90</sup> Darien at the time remained a remote and dangerous place, mostly jungle and with few roads.

<sup>&</sup>lt;sup>91</sup> Security and Defense of the Panama Canal 1903-2000 by Charles Morris, Panama Canal Commission: https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j

While I do not intend to deal here in any detail with the internment and deportations that took place in Panama, and which was to involve not only those of Japanese origin in Panama, but also those who transited through the country having been deported from Peru, one has to mention the restrictions placed on the Japanese in Panama, and the eventual internment when war actually broke out.

On 20 October 1941, Japanese businesses in the Republic of Panama were told that they had to close after 28 October, with the Japanese Legation being told that any necessary licences would not be renewed. An application for a 90-day delay was refused by the Panamanian cabinet. A total boycott of Japanese goods was also expected. The Legation considered that Japanese residents would have to travel to another country, even if only to find passage home to Japan – but noted that this would be difficult as Central and South American countries refused to grant travel permits to Japanese residents from Panama<sup>92</sup>. In November, Japan lodged an official complaint to Panama about the treatment of its nationals and interests, seeking compensation and asking that Panama arrange travel of those affected to other South American countries<sup>93</sup>. The Panamanian cabinet rejected the complaints.

A Japanese ship, the *Tatsuta Maru*, was scheduled to dock at Balboa in late November 1941 and take away those Japanese who wished to leave Panama. However, the schedule was that it would leave Balboa on 26 December and arrive in Yokohama in January 1942 – but by 26 December Japan would be at war with the US, and Panama.

A memorandum from the Ambassador to Panama to the US Secretary of State in October 1941 described Panama's willingness to cooperate and to intern any Japanese on Panamanian territory and see them interned on Taboga Island, once the US had taken action to intern Japanese in the US. All expenses and costs of internment and guarding

26

<sup>92</sup> https://apps.dtic.mil/dtic/tr/fulltext/u2/a617466.pdf

<sup>93</sup> Ibid.

would be paid by the US Government, which would also indemnify Panama against any claims that might arise as a result<sup>94</sup>. As late as November 1941, mass preventive arrests of Japanese in the Continental US had been ruled out despite rising tensions, the Canal Zone (and Hawaii) were considered different, and "temporary" mass arrests were thought likely<sup>95</sup>.

In any event, within 20 minutes of the announcement of the Pearl Harbor attack, Panamanian authorities began rounding up Japanese and German aliens in the country and, once rounded up, they were turned over to US authorities, and transported into the Canal Zone for internment at a camp near Balboa<sup>96</sup>. Potential Axis sympathisers as well as enemy aliens<sup>97</sup>, were rounded up and a committee would then decide which should be permanently detained<sup>98</sup>. The US Army administered the internment at Camp Empire at Balboa in the Canal Zone, but conditions were said to be poor. Separately, outside the camp, in a former private club, 34 women and 47 children were confined<sup>99</sup>.

However, Not only did the La Guardia administration (which had succeeded that of Arias Madrid, after he had been deposed) proceed to intern Japanese subjects residing in Panama, it also prohibited the export of gold or other funds belonging to Japan or to its citizens living in Panama; and it imposed censorship on radiographic and cable communications and intensified surveillance "of all elements that constitute or may constitute a threat against the common interests of Panama and the US in the security of the Panama Canal" 100.

<sup>94</sup> http://www.discovernikkei.org/en/journal/2018/4/26/japanese-internment-panama/

<sup>95</sup> Ibid.

<sup>&</sup>lt;sup>96</sup> Ibid. Figures quoted are that there were 57 from Colon and 114 from Panama City. Added to these were around 300 Japanese detained in the Canal Zone itself.

<sup>&</sup>lt;sup>97</sup> German, Italian and Japanese.

<sup>98</sup> See also http://www.discovernikkei.org/en/journal/2018/4/26/japanese-internment-panama/

<sup>&</sup>lt;sup>99</sup> Justice Held Hostage: US Disregard for International Law in the World War II Internment of Japanese Peruvians - A Case Study by Natsu Taylor Saito (Boston College Third World Law Journal, Vol.19, September 1998): <a href="https://lawdigitalcommons.bc.edu/cgi/viewcontent.cgi?article=1186&context=twli">https://lawdigitalcommons.bc.edu/cgi/viewcontent.cgi?article=1186&context=twli</a>

<sup>&</sup>lt;sup>100</sup> Chapter IX of Panamá durante la Segunda Guerra Mundial (1941-1945)

In April 1942, the Japanese in detention were sent to internment camps in the US, and the Associated Press ran a photo of Japanese enemy aliens being "evacuated" from the Canal Zone in a railroad car with blackened windows. The caption mentioned (based on undisclosed information) that one of the men was a "Japanese naval officer," while two others were "Japanese Army reservists". The facilities in the Canal Zone were subsequently reused to hold Japanese Peruvians who had been summarily detained by the government in Peru and shipped to the Canal Zone. <sup>101</sup>

A restricted War Department communication dated 14 October 1943 sought to deal with the issue of the treatment of any Japanese remaining in Panama, establishing clearly defined parameters. Although acknowledging the need for maximum utilisation of all available manpower in the war effort, it said, that "No person of Japanese ancestry will be employed in a plant or facility important to the war effort" without approval from either the Japanese-American Joint Board<sup>102</sup> or the Provost Marshall General<sup>103</sup>. Likewise, it also said that no person of Japanese descent would be "permitted to attend or be employed by an educational institution important to the war effort" without similar approval<sup>104</sup>.

### THE GERMANS

In the immediate pre-war period, there had been a growing German influence and involvement in South America, along with a growing fear of what that might contend. Pre-war US military planning even considered the risk of German/Italian seizure of the

<sup>&</sup>lt;sup>101</sup> Ibid. An estimated 1,800 Japanese from Peru would be interned in the US.

A panel of representatives from various federal agencies that made judgments about the loyalty or disloyalty of nearly 40,000 Japanese Americans between January 1943 and May 1944: https://encyclopedia.densho.org/Japanese American Joint Board/

<sup>&</sup>lt;sup>103</sup> The most senior US Army officer responsible for its policing, law enforcement, detention and other functions.

https://digitalcommons.fiu.edu/cgi/viewcontent.cgi?article=3672&context=etd

area around Natal in eastern Brazil<sup>105</sup>, to strengthen their strategic position in the South Atlantic<sup>106</sup> - and from to thereby pose a threat to the Canal.

In fact, Operation *Pot of Gold*<sup>107</sup> was a US war plan of May/June 1940, formulated on the orders of President Roosevelt, to send over 100,000 soldiers to Brazil by air and sea in response to growing Axis influence within the country; and at the first sign of an Axis move or pro-Axis movement.<sup>108</sup> Because of the urgency that it was thought to be involved, the first 10,000 men of this force would have been transported to Brazil by air<sup>109</sup>.

Another fear was that, using secretly prepared airfields, a strike could be launched at key positions either with bombs or with paratroopers. The presence in several Latin American states of German airlines and the possibility of air operations mounted with the aid of "students", "tourists" and "civilian technicians" caused grave concern for the security of the Panama Canal. It was felt that certain of the Latin-American states seemed to offer opportunities for infiltration and engineered revolution<sup>110</sup>.

Immediately before the war, US Army Chief of Staff General George Marshall focused on how German aviation could facilitate a Nazi invasion of the Western Hemisphere, saying that -

"German-controlled airlines in South America provided Germany the means for spreading Nazi propaganda, for communication with German agents and sympathisers in South America, and for familiarising German military personnel

<sup>&</sup>lt;sup>105</sup> For a few notes about the base in Natal, see <a href="https://www.natalriograndedonorte.com/natal-during-world-war-2-parnamirim-field/">https://www.natalriograndedonorte.com/natal-during-world-war-2-parnamirim-field/</a>

<sup>&</sup>lt;sup>106</sup> In fact, the US eventually negotiated use of base there in 1942.

<sup>107</sup> https://codenames.info/operation/pot-of-gold/

A German plot uncovered in Uruguay during the last week in May 1940 helped to confirm US fears and also alarmed the Brazilians sufficiently for the latter to send 5,000 rifles to the Uruguayan army: https://codenames.info/operation/pot-of-gold/

<sup>109</sup> https://media.defense.gov/2013/Sep/16/2001329866/-1/-1/0/AFD-130916-006.pdf

<sup>&</sup>lt;sup>110</sup> The Army Air Forces in World War II (Princeton University, University of Chicago; Office of Air Force History Washington, DC) 1983: <a href="https://media.defense.gov/2010/Nov/05/2001329898/-1/-1/0/aaf\_wwii-v1-2.pdf">https://media.defense.gov/2010/Nov/05/2001329898/-1/-1/0/aaf\_wwii-v1-2.pdf</a>

with South American terrain. They also provide bases which would be of great strategic value to an invader. Consequently, these airlines constitute a definite threat to the security of the United States in the event of war with Germany".<sup>111</sup>

The Secretary of State Cordell Hull agreed that "the danger to the Western Hemisphere" at that time seemed "real and imminent", but the threat "was not limited to the possibility of a military invasion". Instead, it "was more acute in its indirect form of propaganda, penetration, organising political parties, buying some adherents, and blackmailing others". The from the late 1930s until the US entered the war, coups and other unrest in Latin America was routinely ascribed to the work of the Nazis – despite any proof that this was the case 113, and anything could be interpreted as "evidence" of German infiltration or preparations for it 114.

By 1939, large groups of German nationals had settled in the various countries of Latin America, particularly Argentina, Brazil, and Chile. Germany maintained close contact with these expatriate communities through commerce, German diplomatic representatives, and pro-Nazi social organizations. German commercial interests in Latin America depended to a large extent on trade with Germany and various business organisations saw appeals to patriotism, and threats of interruption of trade if they were not supportive<sup>115</sup>. This large pro-German, if not necessarily pro-Nazi, expatriate community provided a fertile ground for setting up espionage organisations by the German military

\_

<sup>&</sup>lt;sup>111</sup> US Global Defense Posture, 1783–2011 by Stacie L Pettyjohn (RAND Corporation, 2012): <a href="https://www.jstor.org/stable/10.7249/j.ctt24hrv8.15">https://www.jstor.org/stable/10.7249/j.ctt24hrv8.15</a>

<sup>&</sup>lt;sup>112</sup> Ibid.

<sup>113 1938 –</sup> Brazil and Chile; 1939 – Argentina; 1940 – Colombia; 1941 - Colombia and Bolivia.

<sup>&</sup>lt;sup>114</sup> The most risible perhaps being an FBI graphic depicting 12,000German residents of Bolivia lined up, in ranks resembling stormtroopers – whereas 8,500 of these were actually Jewish refugees from Germany and Austria.

supplanted the US as Brazil's chief trading partner. The US also worried that the amounts owed to Latin America by Germany (largely due to methods of credit as "payment" adopted by Germany in the 1930s) could mean countries would be unwilling to offend a country which could hold their payments hostage. The success of the German trade offensive also focused increased US concern about the involvement of German communities in Latin America.

(and naval) intelligence service - the Abwehr, and later by the Reich Security

Administration (RSHA)<sup>116</sup>. These two organisations, separately and in combination, were responsible for Germany's espionage operations before and during World War 2, and it is said that Latin America was probably their major overseas theatre of operations<sup>117</sup>.

It was estimated in 1939 that there were three million nationals of the Axis countries in Latin America, with a further six million who were of German or Italian descent or origin — the largest numbers being in Brazil and Argentina<sup>118</sup>. Neighbouring Colombia was home to around 7,000 Germans, and Germans also controlled the airline SCADTA (see below)<sup>119</sup>, which had been formed in 1919 by a pioneer Austrian pilot<sup>120</sup>. German aircraft manufacturer Junkers owned the Lloyds Aerea Boliviano airline in Bolivia, and a Lufthansaowned holding company also controlled airlines in Argentina, Brazil, Chile, Ecuador and Peru.

Germany also had a tradition had strong cultural ties to many Latin American countries. In Colombia, for example, there were four German schools - in Barranquilla (founded 1912), Bogotá (1922), Cali (1935) and Medellín (1968).

\_

<sup>&</sup>lt;sup>116</sup> Founded by Himmler in 1939, it combined the SS intelligence service (the SD), Gestapo and the Kripo Criminal Police. Office VI dealt with foreign intelligence:

https://encyclopedia.ushmm.org/content/en/article/reich-security-main-office-rsha

https://www.nsa.gov/portals/75/documents/news-features/declassified-documents/cryptologic-histories/german clandestine activities.pdf

German-founded or funded schools might be an indicator of penetration in Latin America, and notably Costa Rica and Guatemala had the greatest number of such schools in Central America with their combined enrolment level at over 500 children:

https://scholarship.richmond.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=2131&context=masters-theses

<sup>&</sup>lt;sup>119</sup> Socieded Colombo Alemana de Transportes Aerea ("Colombian-German Air Transport Company"). It would merge into the state-owned airline, SACO, forming the Colombian national carrier AVIANCA.

SCADTA was founded in 1921 by Peter Paul von Bauer, an Austrian, who in World War 1 had been a pilot in the Imperial German Army's air force (the *Deutsche Luftstreitkräfte*).

The Colombian Government is said to have actually done a good job of closely monitoring suspected Nazis<sup>121</sup>, including tapping their telephones and opening their mail. It even pressured neighbouring Ecuador's government to be stricter with its own local Nazi party. Nevertheless, Colombia, being a neighbour of Panama, was at the heart of US concerns over Nazi influence in South America. The US Ambassador in the immediate pre-war and early wartime period was to exert considerable influence over the evolution of an anti-German policy in the region. His Embassy was the first to collect details of German commercial activities for potential blacklisting, and he sent alarmist reports of the German paramilitary threat back to Washington.

In Panama, even the small town of Bocas on the Caribbean coast had its share of German families, and in 1934 some 16 were listed, many being long-established<sup>122</sup>. However, World War 2 was to see almost all these families deported, or interned in detention in the Canal Zone or the US, and few were to return.

In 1937, the US Navy became concerned about the activities of German colonists in the Piñas Bay in the Darién province, although reports had been received about the activities of a few German colonists in the area since the early 1920s<sup>123</sup>. Piñas Bay is on the southern Pacific coast of Panama and some 35 miles (56 km) from the border with Colombia. The bay itself is described as being small and narrow, and contained by two

<sup>&</sup>lt;sup>121</sup> Nevertheless, in November 1941, the Colombian senate unanimously adopted a resolution denouncing a US blacklist of businesses thought to be pro-Nazi. Colombia's Minister to Costa Rica compared the List, and secret denunciations that might be involved, to the Spanish Inquisition

Named were Paul Ritter, Fritz Hegenbarth, Carl Friese, Hans Kandler, Henrich Baden, H. Von Wedel, J. Landau, Paul Haak, F. Filter, Herbert Leer, Albert Leer, Alfred Schieck, Ernst Lange, F Knoffel, H Grabowsky, and. William Gerchow

Before World War 1 a London-based, German-owned company had attempted to acquire land in the area, with the stated aim of constructing a railway to service mining and other activities. It ended up acquiring 10,000 hectares (24,700 acres) of land on the Atlantic coast near Punta Portogandf in 1911, and 20,000 hectares (49,400 acres) in the Piñas Bay area on the Pacific coast in 1913 (the German promoter in the area was even made the local postmaster). The British were suspicious of the motives of the operation, and an Anglo-Japanese squadron of warships called at the deep and spacious waters of Piñas Bay in December 1914, asking questions about the operations there. towards the end of World War 1 the properties were put up for sale over unpaid taxes, eventually to be acquired by Swedish interests.

sections of land. Even today there are no roads for some 100 miles. However, its remoteness was one reason why there would be suspicions of its use by German interests.

In May 1938, the US Navy sent an investigating party to the area. A little later it was reported that German interests had bought 5,000 hectares (12,350 acres) of land around the anchorage of Piñas Bay and two islands. The US authorities sought to acquire the land instead and, after consulting the War and Navy Departments, the State Department proposed a five-year lease with an option to buy. However, the Panamanian Government had also displayed interest in buying the property, assuring the US that the Germans would not be permitted to take possession (in fact, the Panamanian Government did not want a US presence there either). In due course, the Panamanian Government bought the property<sup>124</sup>.

The Colombian airline, SCADTA was said to have produced photo-maps of Panama, from the Colombian coast to the Canal Zone, and to have supplied Germany with details of strategic areas in Panama, including the approaches to the Canal 125. From 1937, it began training German pilots in Colombia, these being described as "enthusiatic young Nazis" brought from Germany.

However, US diplomatic pressure on Colombia had resulted in the German pilots being removed in 1940<sup>126</sup>, and in due course the airline was bought out by Pan American World Airways in 1941 - which had already quietly acquired 80% of the shares in the airline<sup>127</sup>. Pan American fired all the German staff bar the chief executive, and then apparently

1

<sup>&</sup>lt;sup>124</sup> *German Interest in Panama's Piñas Bay, 1910-38* by Almon R Wright (University of Chicago Press: The Journal of Modern History, Vol. 27, No. 1, March 1955).

<sup>&</sup>lt;sup>125</sup> In 1939, it was reported that photo murals of the canal Zone at a scale of 1:100,000 were on the walls of a planning room at the high command in Berlin, and were reportedly shown to a sympathiser there during 1938: <a href="https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j">https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j</a>

 <sup>126</sup> It has been suggested that this may have been, at least in part, merely a training programme, as pilot turnover in 1937-39 averaged 150 pilots per year: Security and Defense of the Panama Canal 1903-2000 by Charles Morris, Panama Canal Commission: <a href="https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j">https://original-ufdc.uflib.ufl.edu/AA00047733/00001/6j</a>
 127 The US and Colombian governments forced the principal shareholder, founder and now an Austrian industrialist, Peter Paul von Bauer to sell his shares.

discovered that SCADTA had begun building "secret" airfields at strategic locations in Colombia.

In 1940, in Ecuador, another nearby country, the Italian Military Mission, that had been involved in training the Ecuadorian army since the 1920s, was expelled under US pressure. 128

German did establish an intelligence network in Panama, said to be the work of the head of the naval intelligence division of the Abwehr, Major Herman Menzel<sup>129</sup>. It was said that there were 11 agents living in Panama, under the cover of roles in the shipping industry or using diplomatic cover. For example, one was the German Consul in Colón, Kurt Lindenberg (said to have been the recipient of the photographs at the heart of the 1938 spy trial mentioned earlier), who sought to recruit Canal workers to obtain first-hand information on Canal infrastructure.<sup>130</sup>

It was true that in some cases German businesses owned by German parent companies did collaborate in Nazi efforts to spread propaganda, or provided cover for payment transfers involved in espionage etc. Hence, it could be argued that damaging German commercial interests made sense from a security perspective (as well having economic or commercial benefits). For example, the shipping lines, Hamburg-America and North German Lloyd were particularly involved in maritime espionage<sup>131</sup>.

. .

https://guerrade1941.blogspot.com/2018/09/si-no-era-ecuador-toda-sudamerica-iba.html#more

<sup>&</sup>lt;sup>129</sup> In 1935, the Abwehr had sought to expand its intelligence network in South America, using expatriates from business and commercial circles, and building up a network in Argentina, Chile, Brazil and Mexico. Some were supplied with wireless communication kits. They were instructed to supply information gleaned from the press on US war preparation and production, as well as from agents who had travelled to the US, and sometimes also supplied details of ships departing South American ports.

<sup>&</sup>lt;sup>130</sup> The Game of the Foxes. The Untold Story of German Espionage in the United States and Great Britain During World War II by Ladlilas Farago (Bantam Books, 1971)

<sup>&</sup>lt;sup>131</sup> Although US blacklists and other actions against commercial interests with German links seemed not only high-handed, but also a violation of an agreement from the 1936 Buenos Aires Inter-American Conference for the Maintenance of Peace not to intervene "directly or indirectly, and for whatever reason, in the internal or external affairs of any other of the Parties": <a href="https://www.jstor.org/stable/20662819">https://www.jstor.org/stable/20662819</a>

In the US, just six days before the Pearl Harbor attack, all 33 members of the Duquessne spy ring had pleaded guilty or been convicted, including its ringleader, veteran spy Fritz Duquessne<sup>132</sup>. One of the members of the spy ring was Erwin Wilhelm Siegler, who served the group as an organiser and contact man, and who also obtained information about the movement of ships and military defence preparations at the Panama Canal. He was sentenced to 10 years' imprisonment<sup>133</sup>.

Siegler and another member of the spy ring, Franz Joseph Stigler, had disguised themselves as the chief butcher and chief baker aboard the passenger liner SS *America*, while they obtained information about the movement of ships and military defence preparations in the Canal Zone. Stigler had also sought to recruit amateur radio operators in the US as channels of communication to German radio stations. They remained on the liner until the US Navy converted that ship into a troop transport and commissioned her as the USS *West Point* in 1941<sup>134</sup>.

In December 1941, in the wake of the Pearl Harbor attack, following which Germany declared war on the US<sup>135</sup>, German and other Axis nationals, and potential sympathisers of other nationalities (including naturalised Panamanians), in the Canal Zone and Panama itself were rounded up<sup>136</sup>. As has happened in the UK, some of those of German origin who were detained had already fled the Nazi regime, and in Panama included at least one former inmate of Buchenwald concentration camp.

The 1945 film "The House of 92<sup>nd</sup> Street" was reportedly based on the takedown of the Duquesne spy ring, which was said to have delivered a "death blow" to German espionage efforts in the US. It won an Oscar for best original screenplay: https://www.imdb.com/title/tt0037795/

https://www.fbi.gov/history/famous-cases/duquesne-spy-ring

https://pcmc.domains.uflib.ufl.edu/uncategorized/espionage-in-the-canal-zone/

On 11<sup>th</sup> December, the US reciprocating later the same day. Italy also declared war on the US on the same day, and the US responded in kind. Panama followed suit on the 12 december.

https://ncisahistory.org/wp-content/uploads/2019/12/Priority-List-of-Dangerous-Aliens-in-the-Canal-Zone-Nov-27-1941.pdf

Operation *Bolivar* was the codename for German espionage operations in Latin America during World War 2. Although Operation *Bolivar* was a RSHA project in origin, many of the agents responsible for collecting information were part of the Abwehr. Germany established a secret radio communications network, with a control station in Argentina, and a courier system involving Spanish merchant ships. However, the operation was effectively ended in mid-1944 when the authorities in Argentina arrested most of the German agents operating in the country. Significant German espionage activity in Brazil had already ended in March 1942, when Brazilian authorities rounded up all suspected enemy agents. In Chile, in February 1944, the espionage rings in Chile had been broken up but some of the Germans managed to escape to Argentina, where they continued operating for a time.<sup>137</sup>

On 13 July 1942, Time magazine carried an article about what was said to have been a German spy ring in the Canal Zone<sup>138</sup>. It claimed that what Leicester Hemingway, "adventurous younger brother of Ernest Hemingway", had discovered and warned the US about in a Reader's Digest article in 1940 had now become a reality. The content of the article sounded like the plot of a sensational 1940s spy thriller<sup>139</sup>. It was said that the Army had arrested 19 Canal Zone employees, nightclub owners and Colón cabaret girls, along with someone described as British Honduras' leading businessman: "Captain" George Gough, former Prohibition-era rumrunner, described as the so-called "King of Belize". All were said to be part of a spy ring which not only informed U-boats of Allied ship movements, but also helped to refuel them at little-known islands and hidden shore bases used three centuries before by Caribbean buccaneers.

The article said that Hemingway had found during a cruise through the Caribbean that a German ship supposedly fishing for shark in pre-war days had actually been charting

-

<sup>137</sup> https://military-

history.fandom.com/wiki/Operation\_Bol%C3%ADvar?file=Operation\_BOLIVAR\_World\_War\_II\_Latin\_Americation\_Bolycan.com/wiki/Operation\_Bol%C3%ADvar?file=Operation\_BOLIVAR\_World\_War\_II\_Latin\_Americation\_Bolycan.com/wiki/Operation\_Bol%C3%ADvar?file=Operation\_BOLIVAR\_World\_War\_II\_Latin\_Americation\_Bolycan.com/wiki/Operation\_Bo

https://content.time.com/time/subscriber/article/0,33009,884541,00.html

https://www.newspapers.com/clip/21892557/george-gough-us-smashes-axis-spy/

places where submarines could be refuelled and named operators of oil depots at what were said to be strange places. The article told of "pro-Franco Central Americans" openly working for a German victory; and of Germans, including an ex-army officer, busily preparing for German submarine activities.

The head of one part of the operation was said to be called Gough, and was a former rumrunner from US Prohibition days, who gained much of his information through a "blowsy" Colón nightclub, where the cabaret girls were paid for information that they picked up about shipping movements. Gough was also said to have gathered information from native labour sent to Panama through an agency his brother helped to run as part of a company called Gough Bros Enterprises. Gough was also reported to have had a fleet of 10 small schooners, which it was said were used to refuel U-boats at clandestine rendezvous. After suspicions were aroused, in April 1942, when one of his vessels docked at Cristobal, was searched and said to have been carrying plans of the Coco Solo Naval Air Station.

When a young US intelligence officer was flown to the port of Belize in British Honduras to check up on Gough, the article claimed that sabotage of his aircraft was discovered, his room was ransacked and a bottle of whiskey in it was poisoned. Finally, having convinced British officials of Gough's complicity, Gough managed to escape by sea, only for a US Navy patrol aircraft to overtake his boat, and forced it to stop. 140

Outrageous and outlandish as the story seems, it was referred to in an official US House of Representatives Committee report in 1944 into the activities of the Federal Communications Commission, and this report referred to the story being sourced from the Headquarters of the Caribbean Defense Command in Panama on 2 July 1942<sup>141</sup>.

1

<sup>140</sup> http://content.time.com/time/subscriber/article/0,33009,884541-2,00.html

<sup>&</sup>lt;sup>141</sup> The Report said that the operation was uncovered following radio signal monitoring by the FCC at its stations in the US, which then passed the information on to the FBI, US Coast Guard, ONI and the State Department.

### **POSTSCRIPT - THE CHILEAN SPY RINGS**

In 2017, Chile's police declassified the files of a special unit called Department 50<sup>142</sup>, which had hunted for German spy rings during the war (although Chile in fact only declared war in 1943, having a sizeable German minority, and close trading links with Germany – it then played no active part in the war, though it did supply raw materials)<sup>143</sup>.

German spies in the port of Valparaiso had monitored Allied merchant ships and listened in on Chilean naval communications. The spies also intercepted radio communications of the Chilean navy and then used sophisticated radio equipment and code to send encrypted messages to Germany<sup>144</sup>.

The documents unveiled in 2017 also revealed that a cell in Valparaiso were planning to bomb the Panama Canal, though they offered no details of the plot<sup>145</sup>. It was said that it was a separate cell that had planned an attack on the Canal.

Ray Todd
Panama City
Republic of Panama
10 September 2022

<sup>142</sup> The files were transferred to the national archives.

<sup>&</sup>lt;sup>143</sup> The files had remained effectively a state secret until 2017, and this, it was said, reflected the ambiguous relationship that Chile, like other South American states, had had with Germany at the time. The files also revealed that young members of families of German descent in southern Chile had received paramilitary training: <a href="https://www.dw.com/en/chile-police-unveil-declassified-wwii-nazi-spy-documents/a-39377151">https://www.dw.com/en/chile-police-unveil-declassified-wwii-nazi-spy-documents/a-39377151</a>

https://www.dw.com/en/chile-police-unveil-declassified-wwii-nazi-spy-documents/a-39377151

https://www.smithsonianmag.com/smart-news/chile-foiled-nazi-plot-attack-panama-canal-documents-show-180963836/