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December 24, 1942

From: Director of Naval Intelligence.
To : Addressees listed below.

Subject: Nazi Industrial Espionage and Sabotage.

Enclosure: (A) Report on Certain Aspects on the
Possible Nazi Industrial Sabotage
and Espionage Objectives in the
United States.

1. Copies of Enclosure (A) are forwarded
herewith for your information.

2. Should information in the indices of
the various District Intelligence Offices either
embellish or contradict statements or conclusions set
forth in Enclosure (A), it is requested that the Office
of Naval Intelligence be advised accordingly.

/s/ Wallace S. Wharton

Wallace S. Wharton,
By direction.

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NAZI INDUSTRIAL SABOTAGE AND ESPIONAGE

Potentially Germany is in a position to hamstring America's vital war industry at any moment. This possibility arises from the basic condition that most of the special machine tool, precision tool, airplane, optical, bomb-sight and torpedo parts plants in the United States have not only a large percentage of German-born machinists and artisans but are staffed at many key points with foremen and even executives of dubious loyalties. If the Third Reich had a sabotage system as well developed as the Nazis have doubtlessly envisaged, theoretically all that would be required to bring chaos to American industry would be for the Fuehrer to issue a single command and robot-like German workmen and agents would carry out designated sabotage simultaneously. Theoretically such mass sabotage is possible, but the Office of Naval Intelligence has not yet been confronted with evidence of such an elaborate and refined scheme applicable to the United States.

Occasional reports quote suspects in industrial plants as saying "We'll know what to do when the time comes". Unless concrete proof is forthcoming, however, these statements must be viewed as rash boastings of pro-Nazi individuals imbued with a sense of the dramatic. On the other hand, from a study which the Office of Naval Intelligence has made of the testimony of the notorious eight Nazi saboteurs who landed by U-boat it has been learned that the movements of HAUPT in Chicago and the freedom with which he discussed his mission without being given away indicates that Germany may be able to count on the loyalty of many persons of German birth or descent in the United States. The proportion of willing German tools probably has diminished since the United States has decreed execution for the guilty would-be saboteurs.

To date Nazi activities in the sabotage field seems to have been limited to slowing up of work within single plant units - independent of sabotage plans (either positive or negative) that effect other plants. Evidence tends to indicate that the slow-down, or what might be termed negative sabotage, is the most prevalent type of sabotage encouraged by Nazi sympathizers and agents in the United States. A striking illustration of slowing down of production is that offered by conditions in the Brewster Aircraft factory in Long Island City. The unusually large percentage of German workmen in this plant provided a fertile ground for a more or less spontaneous movement to throttle production of planes which would be used against Germany. When conditions were at their worst in Brewster, a similar pattern of slow-down was reported in certain departments of the Glenn L. Martin Company in Baltimore. However, if Nazi agents set in motion slow-downs in these two plants, it is believed they acted autonomously and not under orders of a supreme chief at the time. At the Martin plant morale improved by removal of eight suspected pro-Nazis; if delivery remained behind schedule after these discharges, it was attributable principally to technical faults and growing pains.

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NAZI SABOTAGE PLANS

The eight saboteurs who landed from German U-boats in the United States in June, 1942, were under the supervision, up until the time of their departure from Europe, of an officer of the German Army High Command. This officer appears to have been especially charged with the duty of procuring and training agents for sabotage missions in the United States, although there is no assurance that he is the only one having these duties. At this point it is an interesting sidelight to mention that a Washington newspaper published about August 23, 1942, an article written by Curt Riess entitled "Trained for Terror". The article states that though German sabotage plans are prepared by both the Naval Intelligence Department and the Military Intelligence Department, the Navy plays a much larger role in directing it. The Army merely trained demolition squads for sabotage work in the combat areas while Naval Intelligence is in charge of all sabotage activities abroad - that is, in neutral countries and in countries not yet invaded. This observation of Riess is in distinct contradiction with what has been learned from the testimony of the above saboteurs and what was above mentioned, namely, that the German Military Intelligence Service directed sabotage abroad. The article, as could be judged from the title "Trained for Terror" strikingly conveyed to the reader that the Nazis were definitely interested in creating as much havoc and panic among the American public as could be accomplished. However, the instructions given the eight saboteurs were to the effect that they should avoid as much as possible the destruction of lives in the United States. Apparently the Nazi authorities were motivated primarily with tying up production of essential goods and destruction of freight trains - thus enabling German propaganda to indicate that America could not deliver goods abroad and at the same time to demonstrate that Germany did not want to harm the United States and that Americans should realize this and remain out of the European conflict. Of course the possibility cannot be overlooked that terrorist tactics may be next on the Nazi program.

GERMAN TECHNICIANS' ASSOCIATION

In contrast, a point that could well be noted is the allegation of Riess that among the more sympathetic organizations on the spot which were most able to aid saboteurs was the Deutsche Technikerverbande (or German Technicians' Associations). It is logical to assume that engineers in vital establishments would be the most fitted to create sabotage and obtain valuable information for espionage purposes. Except for a memorandum on the Deutscher Techniker Verband forwarded by the Thirteenth Naval District on August 11, 1942, the Office of Naval Intelligence in the summer of this year had practically no information on the organization and raison d'etre of the above mentioned German Engineers Association or affiliated bodies. The Thirteenth Naval District report revealed that as early as 1933 the Nazis were building up German Engineer Unions in foreign countries which were to be linked to the German Workers' Front in Germany. The German Engineers Union would include engineers, technicians, chemists, physicists, architects, aviators, dentists, laboratory workers and related occupations. By joining the member would show

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his continuing relation with the Fatherland.

On August 28, 1942, the Office of Naval Intelligence reviewed a Federal Bureau of Investigation report from Newark, New Jersey regarding one Wilhelm BOEHL. This person had been employed as a draftsman and designer by the American Can Co., Newark, since February, 1929. He fulfilled practically all the qualifications necessary to justify the designation of him as a pro-Nazi suspect of the first water. He and his wife, both German-born, had close relatives in Germany; he served in the German army World War No. 1; in 1940 and 1941 he bought a total value of \$2,000 worth of Rueckwanderer Marks; he and his wife visited Germany in 1935, and in 1936, 1937 and 1938 they regularly attended a Bund camp; he admitted his father and brother were Nazi party members (and incidentally that his brother was superintendent of the German branch factory of the American Radiator Co.) Last but not least, he was a member of the Technische Verein which he stated had five or six chapters throughout the United States with membership consisting of engineers, chemists, and other technical men having German-American background.

The Third Naval District, under date of October 21, 1942, forwarded an interesting resume of the Deutsche Amerikanischer Techniker Verband or Association of German American Technologists. The statements made by BOEHL were largely confirmed by this Naval District report. It is to be seen that this association has chapters in Baltimore, Chicago, Newark, New York, and Pittsburgh and that chapters in Philadelphia, Cleveland, and Milwaukee had suspended operations within the last three years. Ostensibly, the purpose of the association was to enable German professional men to exchange ideas and information to their mutual benefit, to maintain an employment agency and also to give financial assistance to certain needy professional men. As the Third Naval District pointed out in the report, however, the organization is a possible headquarters for subversive activities as is evidenced by fact that several members are now interned or under suspicion. The local chapters, known as Technicher Vereins, are supposed to send in reports periodically to the association regarding their activities. It is noteworthy that the association discouraged Jewish engineers for membership and that in 1936 several members visited Germany with encouragement of the Hamburg American and North German Lloyd Lines.

Two other Nazi suspects are known by the Office of Naval Intelligence to have belonged to this association and to have been employed by the American Can Co., Newark, New Jersey. As a practical matter, perhaps there is no cause for alarm that these three suspects employed by the American Can Co., Newark, inasmuch as this plant has no classified Navy contracts. It does have an unclassified contract with the Bureau of Ordnance for manufacture of torpedo parts. The general danger signal to the naval establishment remains hoisted, however, since Nazi sympathizers belonging to such organizations, against whom no derogatory charges have been made, may work in vital plants having classified Naval contracts.

The Department of Justice is now making a survey of all chapters of the German-American Technicians Association.

INDUSTRIAL ESPIONAGE

Turning now to the broad subject of espionage in industrial plants, it has come to the attention of the Office of Naval Intelligence that, although not commonly known, one of the most fertile fields to obtain valuable military information is the machine tool industry - especially the "special purpose" tool industry. As its name suggests, a "special purpose" tool is a machine tool which is especially constructed to do a special job. Examples of this are the propeller hub milling machine, and the N. O. Brown and Sharpe automatic for producing 60 striker pins per hour from stainless steel, and generally those machines for the construction of some particular component in which the quantities per hour that the machine is required to do must be disclosed to the importers or builders. What is the danger that exists from Nazi agents operating within the machine tool industry? From time to time as each new weapon is designed and put into mass production, as for example an airplane or tank, it may be that the existing "special purpose" tools will not necessarily meet the case, and must be adapted or even that a new "special purpose" tool is required. The danger lies in the fact that if a "special purpose" tool is needed by any particular firm, an agent within one of the following four categories may be consulted:

1. Any person of the office force of a machine tool firm who has direct access to information received from the firm's customers;
2. Service engineers and demonstrators who are in contact with outside works;
3. Representatives contacting direct with customers and government offices.
4. Draftsmen employed in preparing layout, jigs and fixtures for customers and Ministries inquiries.

Great Britain found that an examination of orders placed by British importers with their American builders would produce a fairly accurate picture of manufacturing program in Great Britain. Consequently it was ruled in June, 1940, that orders could not be placed direct by British importers with United States manufacturers but that such orders must be placed by the British Purchasing Commission in New York.

In this connection, the farsighted and ingenious policy of the war-minded German Government is apparent. For a number of years after the Nazis came to power, the German machine tool industry largely filled Great Britain's needs. The German machine tool industry was heavily subsidized. Consequently the German industry was built up and could "dump" its produce in both France and Great Britain, driving domestic competitors off the market. Thus not only could Germany make other Powers dependent upon it for armament production but was in a position to learn the strength of British and French industrial production and its consequent military power. Suddenly Germany stopped such exports and devoted all its products for the

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German war machine entirely. Britain and France, it might be said, were "left out on a limb" while Germany could forge ahead of them in the armament race. Great Britain and France next turned to the United States to obtain the needed special machine tools.

Two persons in the machine tool industry suspected by the British of perhaps having a subversive understanding with Germany are A. C. Wickman and Hans Mandel of the Wickman Corporation, Cleveland, Ohio. This firm was organized after this war to procure machine tools for shipment to A. C. Wickman, Ltd., Coventry, England; latter firm before the war having imported most of its machinery from Germany. Owner of the firm is Wickman and President is German-born Hans Mandel. It seems fairly correct Wickman was on particular good terms with Krupp himself and frequently visited with him at Essen. During the Munich crisis it appears Krupp and Wickman met in Amsterdam. Mandel was openly pro-Nazi until 1939 but is now said to be disappointed in Hitler. Mandel induced Warner & Swasey Co., Cleveland, turret lathe manufacturers to employ a German-born British subject which person latter firm desires to dismiss for fear of a "leak".

Independently of British discoveries the Ninth Naval District and the Office of Naval Intelligence had regarded Wickman with suspicion.

To close, Op-16-B-7(G) card files of the Office of Naval Intelligence contain the names of over 5,000 persons indicated as being Nazi sympathizers in private plants.

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