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ENCLOSURE

94-57090-28

Penetration of Soviet-bloc Intelligence Services (S)(U)

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The Soviet-bloc countries are conducting a massive, well-coordinated espionage attack against this country. As of November 20, 1963, there were 285 known or highly suspected Soviet-bloc intelligence officers in the United States assigned to the various establishments of the Soviet bloc in this country. (S)

To thwart their efforts we have conducted an all-out offensive to penetrate their organization, defect their personnel and develop those defectors in the very heart of their intelligence apparatus. We have been unusually successful in developing such defectors. (S)(U)

The Fedora Case (S)(U)

For example, one Soviet officer (code name Fedora) began cooperating in May, 1962. He is an officer of the KGB (Committee of State Security of the USSR) assigned to the Soviet Mission to the United Nations. He has furnished information regarding approximately 60 agents being operated by KGB officers in various countries of the world. Six of these are actually FBI double agents operating against the KGB. (S)(U)

This officer also furnishes inside information from KGB headquarters. For example, John Butenko, an American engineer, and Igor Ivanov, a KGB Amtorg employee, were arrested on espionage charges October 29, 1963. Three other KGB officers attached to the Soviet Mission to the United Nations were expelled from the United States for their complicity in the conspiracy. Our defector was able to tell us of the extreme consternation at KGB headquarters. One third of the KGB scientific espionage officers in New York had been lost at one stroke. (S)(U)

The Tophat Case (S)(U)

Jack Edward Dunlap was an Army sergeant assigned to the National Security Agency (NSA) who committed suicide the night of July 22/23, 1963. His widow, on August 20, 1963, furnished Army investigators twelve classified Government documents she claimed she found in her attic after his death. After the FBI entered the case August 22, 1963, additional classified documents were found and Dunlap's widow admitted Dunlap had admitted to her before his suicide that he was selling information to the Soviets. (S)(U)

We received verification of this from an excellent source. In 1961 we had developed a Soviet intelligence officer (code name Tophat) who had furnished valuable data to us until his return to the Soviet Union. Prior to his return he agreed to fill a drop in Moscow on specified dates in June, July or August, 1963, and place a specified signal. CIA agreed to clear the drop with State Department approval. Our source made no signal on any of the agreed dates. CIA was willing. (S)(U)

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to clear the drop in July, but State declined to permit it. With State approval CIA cleared the drop in August and found a very important message which said, in part: "Most important agent Jack Edward Dunlap, 1 Gilmore Street, Glen Burnie, Maryland, at NSA. He came to Kostyuk himself May, 1961." (Mikhail Kostyuk was Soviet Air Attache, Soviet Embassy, Washington, D. C., from July, 1958, to August, 1962.) (S)(u)

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Analysis of the complete message and the manner in which it was placed in the drop indicates it was probably placed in the drop in June, 1963. Had the State Department permitted CIA to clear the drop in early July, appropriate measures could have been taken against Dunlap prior to his suicide. (S)(u)

The [Nicknack] Case (S)

[In March,] 1963, [we successfully defected and operated] in place another employee of the Soviet Mission to the United Nations (code name [Nicknack]). He has furnished us documents of military significance including [Soviet] evaluations of the defense installations [in the New York and Boston] areas. The United States [Air Force] has advised that these [Soviet] documents are complete and accurate reports of equipment and capabilities of the [North American Air Defense] as of the time they were written. The information on our installations was obtained by the [Soviets] through reconnaissance and through the use of mobile electronic devices. (S)

[This source is now in the Soviet Union.] Through an ingenious method [he recently communicated with us and] furnished information of significant military intelligence. (S)

The [Miter] Case (S)

[During November,] 1963, [we defected] and are now developing a [Soviet] intelligence officer (code name [Miter]) employed in the United Nations Secretariat. We expect that he will be able to furnish information of apolitical nature, [which he has agreed to do]. (S)

The [Prime] Case (S)

[Early in 1963 we developed] as a defector in place the Code Clerk at the Polish United Nations Delegation in New York City (code name [Prime]). Through information furnished us by this source, the United States Government on a daily basis is able to

JFK Act 6 (I) (B)

[redacted] representative in New York. [redacted] has evaluated this source noting that his data could not be bought for dollars and "could very well prove to be the [communications intelligence superhaul] of this century." (S)

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The Gimme Case (S)

On September 17, 1962, the cooperation of a member of the Czechoslovakian United Nations Mission was obtained (code name Gimme). Through this source we have obtained voluminous information concerning Czechoslovakian intelligence operations and targets in the United States. This particular defector in place has returned to Czechoslovakia and has agreed to furnish information from there.

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The Candy Case (S)

Our informant entered the United States as a Hungarian refugee in February, 1957, under cover of the Hungarian Refugee Program. Following recruitment in Hungary as an illegal agent and dispatch to the United States with high-level intelligence assignments, he has successfully carried out an extremely valuable double agent role under our direction for over six and one-half years. His most significant assignments are to pinpoint location of long-range ballistic missiles in several areas of the United States.

JFK Act 6 (1) (B)
JFK Act 6 (1) (C)

Penetration of the Yugoslav Intelligence Service (S)

In July, 1962, we developed the First Secretary of the Yugoslav Embassy as a source. Through him we have obtained a penetrating picture of Yugoslav intelligence operations in the United States, as well as policy plans of the Yugoslav Government in dealing with important political situations. As a result of information furnished by this source, action has been initiated to neutralize six Government employees known to have been valued Yugoslav intelligence sources.

Penetration of Soviet Illegal Operations (S)(u)

Important in the Soviet-bloc intelligence system is the undercover or illegal agent sent to this country who has no diplomatic or official status. He is the sophisticate of espionage who uses fraudulent documents, elaborate codes, secret inks, microfilm and covert financial support to avoid detection. Networks of illegal agents serve to bolster the espionage activities of Soviet-bloc officials and are prepared to take over all espionage operations in the event of war or other emergency which results in a break of diplomatic relations.

To neutralize the threat posed by this illegal apparatus we have resorted to highly unconventional and imaginative techniques which have resulted in our penetration of a number of these operations. One of these operations involves the two Soviet illegal agents using the identities of Robert K. Balch and Joy Ann Balch who were arrested by us in Washington, D. C., this summer and are presently awaiting trial. The principal

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Government witness in this prosecution will be a Soviet illegal agent who was successfully doubled by us over four years ago and has been operating against the Soviets ever since. He is a Soviet Military Intelligence Officer (code name Karot) who entered this country through fraudulent documents in December, 1958. He was uncovered by us two months after his entry. (S) (u)

Scientific Counterattack

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One of our most valuable contributions in the security field has been the procurement of [redacted] materials [redacted] [S] in the United States for use

(S) [redacted] These operations have involved (the opening of intricate locking mechanisms [S] on safes, the penetration and subsequent restoration of their contents.) As of today, the value of [redacted] material [S] obtained by this Bureau from (47 foreign establishments) has been [S] \$10,955,500. The real worth of the material, however, lies in its incalculable intelligence value to agencies and officials of our Government. (S)

JFK Act 6 (1) (B)

Cuban Matters

Our investigations in the Cuban area have been most intense since Castro ascended to power January 1, 1959. We have concentrated not only on pro-Castro individuals but on such groups as the Fair Play for Cuba Committee, organized in New York City in April, 1960, to serve as a propaganda organ for Castro. (Lee Harvey Oswald, accused assassinator of President Kennedy, claimed to head a chapter of this group in New Orleans.)

We have specialized coverage of (three) high-level Cuban [S] intelligence agents whose activities are being directed from Cuba through clandestine [redacted] [S]

[redacted] Twelve Cuban aliens sent to the United States by the Cuban Government under the guise of refugees to carry out intelligence activities against this country are cooperating with the FBI and their activities are now being directed against the Cuban Government. (S)

(S) In late October, 1963, [one of our sources] who has the [S] confidence of Cuban Foreign Minister Raul Roa Garcia and the Foreign Minister's son, Cuban Ambassador to Brazil Raul Roa Kouri, was sent to Brazil to visit with Raul Roa Kouri. Vital information concerning the extent of Castro's influence in South America and future plans of the Cuban Government was obtained. (S)

Coverage of (Non-Soviet-Bloc) Matters (S)

(S) We maintain coverage of certain (non-Soviet-bloc) countries in order to produce intelligence information of value to the various United States Government agencies. One of the principal means of accomplishing this is by maintaining technical surveillances on foreign diplomatic establishments in this country. As of today we have (47) such surveillances on (27) different countries. (S)

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Frequently we institute special coverage to establish the activities and contacts of various internationally known figures who visit this country such as (Madame Ngo Dinh Nhu of South Vietnam, Cheddi Jagan, Marxist Prime Minister of British Guiana, and Cathal Goulding, Chief of Staff of the Irish Republican Army) who was here last month to obtain United States support for his organization. We have just completed special coverage of this nature on Juan Bosch, deposed President of the Dominican Republic. This was done at the specific request of the Honorable Ralph A. Dungan, of the White House Staff, and resulted in producing information showing that Bosch is conducting an active campaign urging that the Dominican people overthrow the army. (S) (X)

As a result of our coverage of (Cheddi Jagan) we have learned that his United States representative is considering asking the Cubans and Russians to prepare a plan for guerrilla warfare in (British Guiana). We have also come up with strong (S) indications the Soviets are financially supporting (Jagan) through (S) communist contacts in the United States. (X)

Major Criminal Investigations

Hoffa Case

The two principal cases in which James Riddle Hoffa, President of the Teamsters Union, is now under indictment include an indictment of Hoffa and six others at Nashville on May 9, 1963, on charges of Obstruction of Justice and the indictment of Hoffa and seven others in Chicago on June 4, 1963, for mail fraud, fraud by wire and conspiracy. Trial date in the Nashville case set for January 6, 1964, and tentative trial date on the Chicago case set for February 3, 1964.

Baker Case

We have received thirty-eight requests from the Department for inquiries regarding possible conflict of interest or fraud against the Government on the part of Robert G. Baker, former Senate Majority Secretary.

Antitrust Investigation of Steel Industry

On October 21, 1963, the Antitrust Division requested we locate witnesses and review hotel registration records to determine whether representatives of steel companies were in New York City and Cincinnati, Ohio, for meetings on the same dates from 1955 to date. This is to assist a grand jury inquiry authorized by the Attorney General and former President Kennedy looking into pricing activities of steel companies on four major steel products. This grand jury in effect is a continuation of the 1962 grand jury inquiry relative to the increase of steel prices on April 10, 1962. The investigation requested of the Bureau by the Antitrust Division has been completed.

Case Involving Bombing of Canadian Freighter

We are investigating the bombing on September 6, 1963, at Chicago of the Canadian freighter, "Howard L. Shaw," which appears to be a direct result of a jurisdictional dispute between