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CENTRAL INTELLIGENCE AGENCY  
WASHINGTON 25, D. C.

RECEIVED FROM  
MAY 20 1960  
CIA SIP

(b)(1)  
(b)(3)

24 MAY 1960

*encl*

TO: Director  
Federal Bureau of Investigation  
Attention: Mr. S. J. Papich

FROM: Deputy Director, Plans *MR*

SUBJECT: Wallace G. ROUSE

*9-  
encl  
9-1*

1. The attached copy of a Department of State memorandum is forwarded to you through this channel at the suggestion of that Department.

[Redacted]

2. [Redacted]

[Redacted]

Attachment: One, as above, in duplicate

cc: Department of State

105-69544-5-  
109-430,1754

*See index*

MAY 31 1960

*Letter to NY  
(4) JFD: c/c 6/19/60  
Internal Memorandum to Belmont  
6/18/60  
JG W: c/c*

ENCLOSURE

REC-7  
MCT-12

APPROVED FOR RELEASE  
DATE: 27-Jun-2011

105-88429

18 MAY 27 1960

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NAT. INT. SEC.



b6  
b7C

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February 24, 1960

To: The Ambassador

From: The Counselor of Embassy for Economic Affairs

Subject: Memo of Conversation Dealing with Caribbean  
Political Tensions, Including Communist  
Activities in Latin America; and Alleged  
U.S. Intelligence Deficiencies.

*No LOC*  
While taking the diplomatic pouch from Ciudad Trujillo to Port-au-Prince by air on the morning of February 23, Mr. Wallace B. Rouse, whom I had met and talked with before when he was a member of Senator Capehart's "unofficial" party visiting Ciudad Trujillo in November, 1959, asked me to sit with him. He was greatly upset by the apparent last minute failure of a large business deal with Generalissimo Trujillo, during which Trujillo had called him and Jno. J. Rens of Lehman Bros. "thieves", and after telling me with considerable anger, at the Generalissimo and his top cohorts about the whole deal, he criticized the quality of U.S. intelligence and attempted to demonstrate his thesis by giving me the following information, all or most of which he seemed to think our Embassies and Ciudad Trujillo and other posts were unaware of:

1. He was quite close to Arturo Espaillet, along with other "unsavory and rotten" characters in every country in Latin America, not because he liked or trusted them, but because in his business, he had to have every type of informant, and especially informants with influence. He said Espaillet had admitted personally to him that he had been directly responsible for the Galindez kidnapping. Espaillet was one of Trujillo's key men in his current as well as past plotting to eliminate Fidel Castro through aiding Cuban dissidents, and if this did not work, by assassination. Cuba

2. He, Rouse, had been contacted by a "big bull" in Washington, D. C., who had played golf with the President and "is too powerful to make angry", to furnish him the names of one or two tough men in Rouse's outfit who either were or could pass as Cubans and were good gunmen. Rouse said he did nothing for a week when he got another call from the "big bull" and this time he sent a man (not named) to him who was given a gun and money and told there would be more when he shot Castro. This man made the mistake of going to Mexico first where he was known to the police and jailed.

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3. After the above failure, one Peter or Pedro ~~Moreles~~ <sup>Fla. D.R.</sup> (presumably an American citizen) was recently given \$5,000 "earnest money" in Miami as a down-payment to bump Castro off. Rouse implied this was arranged by Espailat acting for Trujillo, and also implied that former U.S. Ambassador William Pawley was implicated. Rouse said that Moreles would fly to Ciudad Trujillo from Miami for a few days, and if "the U.S. Embassy were wise, it would bundle him back on the next plane for the U.S." He hinted that the GODR would smuggle Moreles into Cuba, though he did not indicate how.

4. He said that William Pawley had asked him why he, Rouse, had not sent gunmen to kill Castro; that Pawley knew of the former attempt (item 2) and of the Moreles deal; and that Pawley had told him if that didn't work "he would send his own gunmen" to do the job. (On arrival in Port-au-Prince the Embassy Administrative Officer by sheer coincidence, since he was not told anything about the conversation with Rouse, said he had been seated next to William Pawley on a flight from New York to Port-au-Prince during which Pawley had made the identical remark to him.)

5. When asked if he knew what the \$50 million in "extraordinary defense expenditures" announced in 1959 by the GODR were spent on, Rouse temporized. He mentioned the French tanks, Nato rifles, etc. When reminded this fell far short of \$50 million he asked if I had tried to get into a certain area on the north coast "around Monte Cristi." He said that there were 8 B-26 planes stationed there and implied some "heavy construction" (airfield, storage and staging depot, warehouses and barracks, etc?) had been done there; and that it was possible for any outsider to enter the area. The B-26's all came from the U.S. and were secured at a very small cost (he thought as low as \$20,000 per plane), but they had all needed to be repaired at very much greater cost.

6. When asked if he had any idea where the Generalissimo would turn to get money for the Nisao dam project (which was the starting point of the conversation) if the deal with Rens really fell through, Rouse said there was a great deal of Communist financing of projects (and bribes) going on in Latin America that our Embassies (and presumably Washington) did not know about. He gave four examples. One is inland in Venezuela between Maracaibo and Caracas and is strategically near the oil pipe lines. No one can get into this area. After hearing about it from one of his informants he rented a light plane and tried to fly over it but was turned back by military aircraft. He then tried to get into it first from Caracas and then from Maracaibo by car and was both times turned back by the military. (He had first learned of this area from an old and always reliable "island man" who had spent 38 years in the Caribbean area. He referred to him as "Mark" or "Marka", if I recall correctly). A second area was in Cuba near the Caribbean coast, somewhat south by west of Camaguey; a third was an island in the Jardines de la Reina group off the

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Caribbean coast. The fourth was in Guatemala, and at a place he did not identify, except to assert the U.S. knew nothing about it, and that it involved the direct connivance of the Government of Guatemala.

7. Still on the subject of deficient U.S. intelligence, and defense against Commie penetration, he said there was a "top secret island" in the Bahamas which was a most important part of the U.S. long range missiles project - where missiles launched on the west coast of the U.S. were zeroed in. He watched the operation unmolested from a rowboat. He then went to the Crown Land Office in Nassau and asked to buy 25,000 acres of land on this island. There was no difficulty. He paid the required deposit and was told the papers would be made out and given him when he paid the balance. He claims the papers were made out at which point he said he was no longer interested and forfeited his deposit. The island in question, according to Rouse, is Mayaguana.

8. Reverting to Commie political penetration of Latin America through financing military and economic projects and plain bribery, he said that in his business (which usually included large amounts of both) he had to know what kind of competition he was up against. Through some of his contacts he had gotten in touch with Commie agents who agreed to finance a large construction project at a nominal 2-1/2% rate of interest, which when carefully analyzed was actually still only a shade higher than 3-1/2%. A contract was drawn up, at which point he was ordered to report to his U.S. headquarters, where the "top boss" who had somehow gotten wind of it, blew his stack but quieted down when Rouse explained he had no intention of using Commie funds, but felt he had to make an acid test of whether they were really available in large amounts and at much better than U.S. terms. He again emphasized that the amount of Commie financing for all purposes in Latin America was almost unbelievable. Chief centers for negotiation and payment were Guatemala City, Geneva, Paris, Berlin (he did not specify West or East) and Tangiers.

9. Other points of interest made by Rouse during a rather disjointed 45 minute conversation were:

- Homer E. Indiana
1. He, Rouse, claims influential political friends in Washington, D. C. D. K. in addition to the "big bull" and Senator Capehart. He also claims highly important banking and other working contacts in the States.
  2. He said Senator Capehart during his last visit to Ciudad Trujillo had warned him that his business deal with Trujillo might fall through because of a change in Trujillo's attitude; and that Capehart told him that he personally had become "disillusioned".
  3. He stated flatly and with emphasis that after nearly 30 years of experience in all of Latin America in the heavy construction business, he had never found it so difficult to do business in many countries of the area as now. He didn't feel the present

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regimes were much cleaner, though in some cases, it was politically more risky for the top people to get directly involved in payoffs. The principal new factor, he felt, was political pressure against American business (most of it Commie inspired) and the "serious and widespread undercover competition" being offered on an increasing scale by Commie financing which was usually disguised as being European or other presumably "non-Communist" sources. It was becoming more difficult for U.S. companies to match bona-fide non-American competition, and even harder where the Commies were providing the competition, either directly or indirectly. The political tensions in the area helped make it easier for the Commies to make economic as well as political penetration.

4. He seemed convinced that nothing would effectively stop Trujillo in his plottings to destroy Castro. Obliquely in this connection he referred to Senator Smathers' visit and again mentioned Senator Capehart's "disillusionment with Trujillo."

D.R. { 5. In addition to Espailat as one of Trujillo's foremost aides in the Castro feud, and in suppressing democracy in the Dominican Republic, he named Manuel de Moya Alonso as "the leading and worst who is up to his neck in all of it." He also referred to "de Moya's crowd", and by inference, since he had just mentioned some of de Moya's "shady business deals, implied that this included such well known associates as Marco Gomes, Dr. Priester, Alvarez Sanchez, Bonilla, Jesus Maria Troncoso, and Jorge Rodriguez.

10. Rouse said that as an engineer he had a theory about the mysterious submarine (s) in the Golfo Nuevo. Sonar had picked up an old sunken German sub that still had enough water-tight compartments left to be almost but not quite bouyant. Argentine Navy depth charges had not hit it, but had exploded on or near the bottom close enough to dislodge it from the sand or muck and force it upwards, after which it would again sink. He said that regardless of whether or not this is the right explanation, he is convinced there was no Commie sub involved in the incident. It was not clear whether he meant to imply that his intelligence sources (including Commies or those in touch with Commies) were responsible for this conviction on his part, or not.

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