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(Security Classification)Enclosure 2

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1. DCN Case 394 (Copper - 30,000 tons; INTERNATIONAL TRADING CORPORATION)

According to Wellington Tel. 55 of 14 September 1955 the new Zealand Office of External Affairs had informed the Embassy that the Wellington firm of J. L. Lennard, Ltd. had approached the government for advice on a proposition made to the firm by INTERNATIONAL TRADING CORPORATION of Seattle. International Trading had asked Lennard if they were interested in helping arrange a shipment of 30,000 tons of Chilean copper to Communist China. The copper is reportedly all in Chile with 10,000 tons being held by an unnamed British firm. Destination would be Shanghai with the ship chartered in London and payment being made by L/C when the copper reaches Shanghai. INTERNATIONAL TRADING stated to Lennard that the U.S. Treasury had warned them about the illegality of this type of transaction and they were therefore seeking to transfer interest in the commodity to a firm like Lennard in a country with weak controls. INTERNATIONAL TRADING also stated that several European firms had indicated willingness to provide import certificates for Chilean government requirements. The New Zealand government has expressed a willingness to pass legislation preventing the transaction if no alternative presents itself.

See also Wellington Tel. 60, Sept. 16, 1955 and Deptel 53 to Wellington, 22 Sept. '55.

2. DCN Case 395 (Nickel GERMAN SOURCE--unnamed)

A U. S. Mission despatch 131, 25 August 1955, reports on nickel smuggling from West to East Germany. The unnamed source claims that he is now involved in a case which entails transporting 40 tons of nickel from Cologne to the GDR by way of the Helmstedt-Berlin autobahn. Two tons of nickel in powdered form or scrap or 100 lb. bars were to be picked up at a time from a garage or warehouse and were to be hidden under 10-15 tons of coal or some similar commodity. The nickel was to be unloaded at some point on the East zone section of the autobahn and the legitimate part of the cargo would continue on to West Berlin.

3. DCN Case 396 (Copper - 15,000 tons; NICKEL/BUNDMETAL/BERLER)

Paris D-476 of 7 September 1955 transmits a report received from the French Foreign Office concerning the role of a Dr. Nickel in the diversion of copper

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copper to the Soviet Bloc. According to this report, Dr. NICKEL, through the intermediary A. G. FUER BUNTMETAL, Zurich, purchased 15,000 tons of Chilean copper at \$875 a ton for Antofagasta, Chile. The copper was reportedly shipped out on 27 August 1955. Another intermediary named is believed to be Hermann BERLER, 27 rue Broniez, Brussels. Financing was through the ZUGER KANTONAL BANK of Zurich and the French report further stated that delivery was by means of Moroccan certificates verified by the Americans and purchased in Paris at \$15 a ton.

In August of 1955 London D-456 reported a visit to Tangier in June of a Dr. Nickl of Vienna for the purpose of arranging a diversion of 7500 tons of Chilean copper (DCN 350).

Tangier Tel 174 of 5 October 1955 also reported this visit of Nickl during which he was said to have negotiated a copper deal between an unnamed Bloc country and the SOBOWA firm of Tangier, directed by Adrien DREYFUO who is also a director of the Banque Tangeroise d'Escompte. This is the same bank which has figured in DCN 350 in the possible diversion of both 7500 and 8000 tons of copper. Other officials of SOBOWA are Dr. Alexandro OVALLE UGARTE, Chilean National, and the Comte Charles de COUX.

4. DCN Case 397 (Mercury - 500 flasks; BRAENDLI/TREUHAND)

Paris Polto A-162, 8 September 1955, [REDACTED] reported that Walter Braendli, Swiss businessman, was attempting to obtain 500 flasks of Yugoslavia origin mercury, located in the Basel freeport, for shipment to Czechoslovakia. He reportedly was negotiating with the Zurich firm Treuhand a.g., which firm was representing one SCHMIDT (fnu), the seller. The contract was to be signed either on 22 or 25 July 1955, and the mercury was to be shipped by truck to Hof/Gutenfuerst, West Germany, on orders from an unidentified West German firm, ostensibly for use in West Germany.

At the same time (July 1955), Braendli also was allegedly negotiating with an unidentified Swiss in Zurich for the purchase of 100,000 Mauser rifles. The destination was not known but the seller indicated that they were probably destined for India or the Near East. (Possibly connected with the large scale movement of arms and ammunition to Saudi Arabia previously reported in Polto A-2162, 28 April 1955.

Polto A-196, 24 September 1955 stated that Walter ERNST of Zurich, who was said to have arranged the transaction of arms and ammunition to Saudi Arabia, is apparently associated with Braendli. Ernst reportedly forced Braendli out of the transaction with Treuhand A.G. for the purchase of 500 flasks of mercury.

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5. DCN Case 398 (Copper -2,000 tons; JAKOB/GABRIELSMATTINA/HERUTEX)

Rome Tel. 1023, 26 September 1955, transmitted a report from the Italian Foreign Office concerning a proposed copper shipment which is suspected of being a diversion attempt. Rome D-667 of 30 September 1955 gave the following details: Max JAKOB, New York, N.Y. offered 2000 tons of Chilean copper to Gabriel MATTINA of Savona, Italy in May 1955. A Mr. BRANDLIN of the SALES and TRADING CORPORATION, S.A., Bern, was used by Mattina to find a buyer and in August 1955 a contract for purchases was signed with a Henry HERMANN, owner of the firm HERUTEX of Bern. Although it was not stated in the contract, which provided for the sale of 2000 tons of copper for \$1,970,000 cif Genoa or Savona in transit to Switzerland, a letter from Hermann to Mattina made clear that the purchase was conditional on the copper being "free for every country". An investigation in the U. S. revealed that according to Jakob the transaction is still under negotiation and in his opinion the prospects for completing it are dim. It was also revealed that Mattina claims to have an unnamed Swiss customer acting for an unnamed Austrian buyer. Jakob says he is familiar with ICDOV procedures and will insist on full documentation. (LIMITED OFFICIAL USE)

6. DCN Case 399 (Tankers - 3; RAW MATERIALS CORP./RONNEY)

According to Oslo D-137, 13 September 1955, [REDACTED] the RAW MATERIALS CORPORATION of Norway had been contacted by Dr. Hans Lehmann of Ludingshausen/Westf., Germany, regarding the possibility of transferring three Swedish tankers to the USSR. The plan is to create a cover firm, preferably in Tangier. [REDACTED]

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[REDACTED] RAW MATERIALS CORP. of Norway has been involved in several attempts to divert aluminum and mercury and is listed on the BFC Special Check List. There is no derogatory information available on Lehmann and Ronney.

During the past 18 months, several attempts to divert Swedish tankers via third countries have been reported. In early 1954 the diversion of two Swedish tankers to Poland via Lebanon was stopped. In July 1955 Stockholm reported a possible sale of the SS IBIS to Poland via Honduras.

7. DCN Case 400 (Mercury - 500 flasks; INTERMERKUR A.G.)

Bonn D-617, 26 September 1955, reported that the INTERMERKUR A.G. firm of Zurich, Switzerland sold 500 bottles of mercury to the DEUTSCHER INNEN UND AUSSENHANDEL (DIA) Berlin for shipment to Prague, Czechoslovakia. The shipment was reportedly made in 2 lots of 250 bottles each in railroad

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cars #181846 and #297772, free Czechoslovakia border Breclav, on 22 August 1955 via Metrans, Prague. Intermerkur A.G. was said to have presented the original documents together with "quality and weight certificates" to the BANQUE COMMERCIALE POUR L'EUROPE du NORD (BCEN), Paris, France, on the basis of which DIA was to effect payment. (CONFIDENTIAL)

8. DCN Case 401 (Copper -560 tons; LABECO)

In September 1955, officials of Anaconda Copper furnished the State Department with a list of all Anaconda copper shipments out of Chile from April through August 1955. Included in this list was a shipment of 560 short tons consigned to the LABECO Company, Sweden, which left Chile 5 June 1955 on the BRASIL. LABECO has been involved in previous diversions of copper to the Bloc. CA-2747 of 5 October 1955 requested a check on this shipment and investigation in Sweden revealed that the 560 tons was off-loaded in July 1955 in Rotterdam, a port frequently used for transshipment to the Bloc. (Stockholm D-452, 27 October 1955) Further investigation on the disposition of the copper at Rotterdam is proceeding. (CONFIDENTIAL)

9. DCN Case 402 (Scrap - 800 tons; COMMESTERO)

CA-2754 to Ankara, Istanbul, 5 October 1955, reported that [REDACTED] it had been learned that on 14 July 1955 the COMMESTERO firm of Vienna was currently promoting the sale of 800 metric tons of foundry scrap to Hungary. The scrap, evidently of Turkish origin, was to be shipped by sea from Istanbul to Trieste and forwarded through Austria to Hungary by rail. A Comestero officer revealed that his firm was interested in keeping the Turkish origin of the scrap off the documents which Comestero was forwarding to the Hungarian receivers. The Comestero R Winger GmbH, Kohlmarkt 16, Vienna, is an import-export company.

See also Polto A-166.

10. DCN Case 403 (Measuring Equipment, etc.; ASKANIA/SCHENLEY/EICKHOFF)

An unnumbered telegram from Bonn, 15 September 1955, requests information regarding SCHENLEY COMMERCIAL LTD., Bangkok, when established, nature of business and East/West trade reliability. Information is also requested on the disposition this company made of various ASKANIA (Berlin) products ordered and delivered through EICKHOFF & CO. (Hamburg) (CONFIDENTIAL)

DCN Case 404

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11. DCN Case 404 (Bearings; POELZL)

25X1C [REDACTED] on 30 April 1955 an official of the Prague foreign trade corporation, Kovo, discussed with GRUNT (fnu), director of the Austrian STEYR-DAIMLER-PUCH enterprise, the delivery of ball bearings to Czechoslovakia. Since the Steyr works was not willing to ship any of the ball bearings sizes covered by the embargo lists to Czechoslovakia, an arrangement was made whereby Steyr would sell the embargo-size bearings to POELZL & CO., Vienna I, for shipment to Czechoslovakia. It was agreed also that Czechoslovak imports in the following three months should equal a value of US \$650,000. The shipments were to be arranged by the forwarding agency, ROHNER, GEHRIG & CO., INTERNATIONALE TRANSPORT-UND LAGERHAUS, A.G., Vienna III.

12. DCN Case 405 (Carbon Black - 140 cartons; LEZZAN, SCHARBAU AND CO.)

Manila Tel. 10/4 reported the following message: MS LONDON MARU departing Manila October 7 for Hong Kong carries 140 cartons carbon black West German origin shipped LEZZAN, SCHARBAU AND COMPANY, Hamburg; consignee ROSTRO TRADING COMPANY LTD., Hong Kong. Latter on BFC list. Later received in Manila D-433, 10 October 1955.

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