

Office Memorandum • UNITED STATES GOVERNMENT

TO : DIRECTOR

DATE: March 12, 1959

FROM : CLYDE TOLSON

SUBJECT:

SOLO

- Tolson _____
- Belmont _____
- DeLoach _____
- McGuire _____
- Mohr _____
- Parsons _____
- Rosen _____
- Tamm _____
- Trotter _____
- W.C. Sullivan _____
- Tele. Room _____
- Holloman _____
- Gandy _____

With respect to the attached memorandum, it is suggested that the six page memorandum at the back be transmitted by ~~Top Secret~~ letter to Mr. Gray for the information of the President, to the Vice President, to Under-Secretary Herter of the State Department, to the Attorney General and to Mr. Allen Dulles of CIA.

While the information is interesting, I do not believe it is sufficiently startling to justify a briefing of the President in the matter.

CT:DSS

I agree with Tolson.

Let to Nixon, Gray, Dulles, Herter + A.S.G. 3/17/59. W.C.T.

To protect our source we eliminated details of clandestine funds apparatus from the 6 page memo to Gray, V.P. & A.G. and reworked the information we are sending to the others

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DATE 7-26-00 BY SP4BJA-MLB
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I. BACKGROUND DATA REGARDING DEVELOPMENT OF CG 5824-S AS FBI INFORMANT AND HIS SUBSEQUENT ADVANCEMENT TO NATIONAL LEADERSHIP POSITION IN COMMUNIST PARTY, USA:

A. BACKGROUND OF INFORMANT:

CG 5824-S was born in Chadorkow, Russia, on June 10, 1902. He entered the United States in New York City on December 28, 1911, and was subsequently granted citizenship on October 18, 1927, at Chicago, Illinois. He is a charter member of the Communist Party, USA, and attended the Lenin School in Moscow from 1929-1932. During the period 1933 to 1935, he was a leading functionary of the Party in Milwaukee, Wisconsin. In 1935, he returned to the Chicago area where he remained a leading functionary of the Party's Illinois District until 1945. In December, 1945, he was appointed as editor of "The Worker" and the now defunct "Daily Worker." In June, 1947, he was removed from this position due to ill health.

During the period 1947-1952, due to the precarious condition of his health, he discontinued his Party activities and returned to Chicago, Illinois. In April, 1952, he was contacted by an Agent of our Chicago Office and agreed to attempt to reactivate himself in the higher echelons of the Party where he would operate as an informant of this Bureau. Since that time he has gradually worked himself back into a position where he is once again recognized as one of the leading Party functionaries on a national and international scale.

B. DEVELOPMENT OF INFORMANT AS LIAISON WITH SOVIET UNION:

In 1956, we developed conclusive evidence that both the Soviets in Russia and Party officials in this country were dissatisfied with the system of communications between the Soviet Union and the Communist Party, USA. In an attempt to capitalize upon this situation, we selected CG 5824-S as the individual offering the greatest potential of being selected by the Communist Party, USA, to operate in a liaison capacity with the Soviet Union. After careful maneuvering of our informant and through continuous supervision and constant guidance, our objective was ultimately attained in July, 1957, when Eugene Dennis, who is generally recognized as the Party leader in this country, instructed our informant to make preparations for a trip to Russia. Upon the insistence of the informant, Dennis agreed that he would take other Party members into his confidence in order that the informant would be going to Russia as an official representative of the Communist Party, USA, and not as a personal envoy of Dennis.

Following a series of conferences with Tim Buck, leading Communist Party functionary in Canada, to iron out such technicalities as travel papers, finances and route of travel, our informant left New York City on April 24, 1958, destined for Moscow. He arrived in Moscow on April 29, 1958. He was warmly welcomed by the Russians as an official representative of the Communist Party, USA, and conferred with such top-ranking officials as Presidium members Peter Pospelov and Otto Kuusinen, B. N. Ponomarev, head of the International Department of the Central Committee of the Communist Party of the Soviet Union, and M. B. Mitin, head of the Marx-Engels Institute in Moscow. He also had an appointment with Nikita Khrushchev but a delay in a plane trip from Peking, China, to Moscow due to weather conditions prevented the informant from keeping this appointment. Khrushchev left for East Germany before the informant could arrange for another appointment. He spent approximately one month in Moscow, another month touring various localities in Russia and 12 days in Red China. While in China, he conferred with the highest ranking officials of the Chinese Government, including Mao Tse-tung, then chairman of the Chinese Government, Teng Hsiao-ping, general secretary of the Communist Party of China, and Wang Chia-hsiang, head of the International Liaison Department of the Central Committee of the Communist Party of China. He returned to this country on July 21, 1958.

The information which he brought back as a result of his discussions with the Russian and Chinese officials could not be duplicated at that time by any other noncommunist nation in the world. As a result of his trip, he accomplished such matters as obtaining the attitude and thinking of two of our greatest potential enemies, Russia and Red China, toward the United States; concrete evidence of Soviet financial aid to the Communist Party, USA; and the first direct liaison between the Communist Party, USA, and Russia in many years. Highlights of the information obtained by the informant were furnished to Vice President Richard M. Nixon; Honorable Gordon Gray, Special Assistant to the President; Secretary of State John Foster Dulles; the Attorney General; and Mr. Allen W. Dulles, Director, Central Intelligence Agency. In addition, a detailed analysis was made of this information and incorporated into a brief which was utilized by the Director in his presentation to the Cabinet on November 6, 1958.

C. DEVELOPMENT OF INFORMANT AS OFFICIAL DELEGATE FROM COMMUNIST PARTY, USA, TO 21ST CONGRESS OF COMMUNIST PARTY OF THE SOVIET UNION:

In September, 1958, following a Soviet announcement that the 21st Congress of the Communist Party of the Soviet Union was to commence on January 27, 1959, Eugene Dennis expressed a desire that the informant go to Moscow to attend this congress as an official delegate of the Communist Party, USA. On November 21, 1958, Dennis advised the informant that a cablegram had been received from Russia inviting the Communist Party, USA, to send a delegation to the 21st Congress. At that time, Dennis indicated that the informant would, of course, have to go to Russia as a part of this official delegation. Subsequently, at a meeting of the Party's resident board in New York City on December 21, 1958, the informant and James Jackson, leading Party functionary, were officially designated to represent the Communist Party, USA, at the 21st Congress. Although Jackson was to be in nominal charge of the delegation, the informant was designated to be the actual leader. On January 10, 1959, Dennis told the informant that he was to be the sole representative of the Communist Party, USA, in discussions on all technical matters dealing with funds and communications between the Communist Party of the Soviet Union and the Communist Party, USA. Dennis further advised the informant that he was to tell the Russians that he is an ex officio member of the national committee of the Communist Party, USA. According to Dennis, the informant is considered as a member of the national committee, speaks as a member of the national committee and can attend all meetings of the national committee by virtue of the fact that he is the secretary of the international commission and the secretary of the national appeals committee of the Communist Party, USA.

On January 12, 1959, the informant departed New York City for Moscow. Following his attendance at the 21st Congress as well as holding numerous discussions with leading Soviet functionaries in Moscow, the informant returned to this country on March 4, 1959.

The selection of the informant to go to Moscow as an official delegate of the Communist Party, USA, is certainly a tremendous achievement. It has not only solidified his prior status as the liaison link between the Soviets and the Party in this country but it has also elevated him to a position where he now must be looked upon by other members of the Communist Party, USA, as one of their most important functionaries. The obvious trust and confidence which the Soviets have placed in him cannot help but result in his playing an even more prominent part in the national and international affairs of the Communist Party, USA.

II. REPORT OF INFORMANT UPON RETURN TO THE UNITED STATES:

In his capacity as an official delegate of the Communist Party, USA, the informant did, of course, attend the various sessions of the 21st Congress. Since the results of this Congress were afforded extensive factual press coverage throughout the world, including the United States, no report on the Congress as such is being set forth herein. It is noted that the informant has a considerable amount of material relating to the Congress including verbatim accounts of the speeches made by the various delegates. The informant mailed this material back and when he receives it, we will obtain copies for appropriate review.

While in the Soviet Union, the informant obtained much valuable information concerning such subject matters as the Berlin situation, the efforts of the Russians to impress foreign delegates to the 21st Congress, official discussions with Soviet officials concerning various programs of the Communist Party, USA, the obtaining of Soviet funds for the Communist Party, USA, and the establishment of a clandestine apparatus for the transmittal of communications from Russia to the Communist Party, USA. The pertinent information he obtained is set forth hereinafter under appropriate headings.

A. RUSSIAN ATTITUDE TOWARD THE BERLIN SITUATION:

While he did not officially discuss the Berlin situation with any of the Soviet functionaries, the informant was able to offer the following observations based upon his attendance at the 21st Congress, informal discussions with Russians in all walks of life, from members of the Presidium down to factory workers, and conversations with other foreign delegates to the 21st Congress.

Relative to the Berlin situation, the informant summed up as follows some of the factors currently at work in influencing the policies of the Soviet Union.

1. Russia is not anxious to engage in an armed conflict right now since it would destroy the current Russian plans for a higher economy as set forth in their Seven-Year Plan at the Congress. They have promised the people that they are attempting to achieve communism or advance from socialism to communism and to increase the well being and better life of the people through this Seven-Year Plan, and an armed conflict would destroy these plans.

2. Russia is fearful of the growth of German militarism and use this growth of German military power and rearmament to convince the Russian people that Germany is a real threat and somehow or other has to be eliminated. The answer to this is the conclusion of the peace treaty with Germany.

3. The Russians are playing on the fears of the European people, particularly those who were previously victims of German aggression, to remind them of the destructiveness of a nuclear war.

4. The Russians are mobilizing the international communist movement in every part of the globe, and the 21st Congress was such a mobilization, to engage in some forms of activity to hamper, in any method or form, "imperialist aggression." They do this by playing on the nationalist sentiment of the people, particularly in South America and Africa.

5. The Russians are under pressure from the Chinese who try to discourage an easing of tensions between the Soviets and the Western powers. The Chinese use the tensions between Russia and the Western powers in order to wring concessions from the Russians. In the past, the Chinese have not supported a Summit meeting when it appeared they were not to be involved.

6. The top Soviet leadership is very sensitive to United States opinion and attitude. Even in their relations with the Communist Party, USA, they try to be circumspect and even try to discourage bold and challenging speeches, by American communists when they are on Soviet soil, which might cause discord between Russia and the United States.

The Russians want to reach an understanding with the United States, yet in the past few weeks the Russian press has intensified coverage of various activities of the United States Government in an attempt to emphasize that the United States is continuing the cold war. This may be to get the Russian people ready if the leadership decides to make a move contrary to the current emphasis on peace.

Despite the willingness of the Soviets to offer concessions of some type, the informant stated that from all indications in his discussions in the Soviet Union and in Czechoslovakia including discussions with the Czechoslovakian Ambassador to Moscow, one gets the impression that the communist camp does not intend to compromise on the German issue nor will they allow the liquidation of East Germany. What methods they will use to stand by their position is not known. They may settle for a peace treaty which will recognize East Germany and fix boundaries.

While the Soviets place emphasis on the need for peace they are emphatic in pointing out that they will mobilize in order to smash any threat of German military aggression or a thrust by United States imperialism. They also point out that they have developed the capacity to defend themselves as well as to hit back at anyone who tries to attack Russia or any of her allies.

While they maintain that war is not inevitable under capitalism and that they are willing to get along with capitalism in order to see which system will outlive the other, they say that some imperialists may be berserk and start a war. If this happens, the entire world will mobilize against imperialism and socialism will win out. Communist leaders from various countries are repeating this theory.

In the informant's opinion, because of the emphasis on peace, it is not believed that the Russians will go to war over Germany. In order to do so, it would be necessary for the Russian leadership to convince the Russian people that some aggressive action on the part of the United States or some other Western country is threatening the security of the Soviet Union.

**B. IMPRESSIONS, COMMENTS AND OPINIONS OF CG 5824-S ON THE
AIMS, PURPOSES AND RESULTS OF THE 21ST CONGRESS OF THE
COMMUNIST PARTY OF THE SOVIET UNION:**

While the ostensible purpose of the 21st Congress was to discuss the Soviet Seven-Year Plan, it was also utilized as a means to mobilize the entire communist movement throughout the world to give moral support to the Russians; to get the aims of the Seven-Year Plan propagandized throughout the world; and to prepare for concrete struggle on a world-wide scale in order to keep the imperialists off guard. It was the most international gathering in the history of the communist movement.

The Soviets placed considerable stress upon the participation of foreign delegates at the congress. In so doing, the Soviets accomplished a twofold purpose. First, they showed the Russian people they have friends and allies in all parts of the world. Second, the foreign delegates were afforded a personal opportunity to observe and enjoy the luxuries of life under communism.

In attempting to accomplish this second objective, the Soviets furnished the foreign delegates every possible convenience. Once in Russia they were placed in luxurious living quarters, and were given servants, attendants, chauffeurs, clothing, lavish gifts and medical care. Special theater performances included a ballet by Ullinova, the outstanding Russian ballerina. None of the foreign delegates had to spend any money. They could get anything they wanted free of charge. They were also given thousands of rubles to purchase such items as souvenirs and could obtain more money for the asking. All transportation was furnished free of charge to the delegates. This included transportation to any place in the Soviet Union by means of jet planes or the most luxurious trains. It also included the availability of a car and chauffeur at all times.

Needless to say, the foreign delegates began to feel that this luxurious living is possible only because the Communist Party rules the Soviet Union. This type of treatment at the hands of the Soviets also made some of these foreign delegates feel that they are now obligated to the Russians for these favors. Those foreign delegates from backward countries, especially if their social status is low in their particular country, feel that if they can overthrow their present social system, they can live like they lived in Moscow all the time.

The Soviets also utilized the 21st Congress to go into the affairs of the various foreign communist parties. Prior to the Congress, various communist parties sent representatives to the Soviet Union where their difficulties were presented to the

Soviet leadership. For example, the leadership of the Communist Party of Paraguay was in Moscow four months prior to the 21st Congress.

Every delegation of a foreign communist party had a meeting with one or more persons representing the Presidium or Central Committee of the Communist Party of the Soviet Union. In addition, someone from the headquarters of the Central Committee was in touch with each delegate from day to day. Through this means, the Russians have been able to have contact with every communist party on the globe.

In addition, the Russians have a system whereby members of communist parties throughout the world can come to Russia to spend a vacation or to obtain medical treatment. In this regard, at least 30 leading members of the Communist Party of Great Britain spent free vacations in Russia during 1958. Thus, the Russians not only mobilize other communist parties ideologically but they also satisfy material needs of the leading members of these parties. In most instances, they give aid to other communist parties to carry on their work.

C. MEETING BETWEEN THE COMMUNIST PARTY, USA
DELEGATION TO THE TWENTY-FIRST CONGRESS
OF THE COMMUNIST PARTY OF THE SOVIET UNION
AND SOME LEADING MEMBERS OF THE COMMUNIST
PARTY OF THE SOVIET UNION

On February 10, 1959, the official delegation of the Communist Party, USA, consisting of James Jackson and our informant met with Presidium members Mikhail A. Suslov and Otto V. Kuusinen, Boris Ponomarev, head of the International Department of the Central Committee of the Communist Party of the Soviet Union, and Nicolai Matsoutev, (phonetic) head of the North and South American Section of the International Department. It is believed that Matsoutev may be identical with Nicolai Mostovets who was in the United States for approximately one month during the latter part of 1958 as a member of a delegation of educators from the Soviet Union.

During the course of this conference considerable discussion was had concerning the various ways in which the Soviet Union could render assistance to the Communist Party, USA. In most instances before any decisions were reached, the Soviets gave careful consideration as to the possible repercussions in the United States.

While discussing the matter of material aid from the Soviets to the Communist Party, USA, Suslov stated that it was being considered and that aid would be forthcoming. He continued that the question is how the Soviets can give it to the Communist Party, USA, without endangering or hurting either one. In the same regard, when discussing the possibility of having a permanent correspondent for "The Worker" in Moscow, Suslov stated that the Central Committee of the Communist Party of the Soviet Union was considering the situation. He continued, however, that the big question is how it would be received in the United States and whether, from the viewpoint of public opinion, it would help or hurt the Communist Party, USA. Along these same lines, while discussing the possibility of the Communist Party, USA, sending students to Russia to study communism, Suslov stated that it was necessary to keep in mind that they should avoid giving the imperialists something to scream about.

Suslov also stated in regard to a specific request from the Communist Party, USA, that the Communist Party of the Soviet Union would like to have the Communist Party, USA, send comrades to Russia for a rest. He continued, however, that the Communist Party, USA, should determine who it wanted to send for treatment as well as how the comrades were to travel to Russia.

Suslov stated that the Communist Party, USA, could send a comrade to Russia to write a book on Russia from an American viewpoint. He stated he had spoken to Khrushchev about this and Khrushchev said he thought it would be a good idea for such a book to be written but he felt that it could play an important role in procommunist propaganda if written by a noncommunist or from the viewpoint of a noncommunist.

Other matters discussed at this conference included the recent internal struggle within the Communist Party, USA, the economic situation in the United States and the Negro question here.

Suslov agreed that the Communist Party, USA, had adopted a correct line in ousting the right-wing elements and in looking upon them as the real enemy of the Party. He also stated that the Soviets are satisfied with the manner in which the Communist Party, USA, is carrying out the correct Marxist-Leninist line.

In connection with the economic situation in the United States, the Soviets stated that according to material available to them they believe that the Communist Party, USA, has correctly analyzed the economic situation in this country. Suslov was referring to an article which appeared in the January, 1959, issue of "Political Affairs," monthly theoretical organ of the Communist Party, USA, which contains a review of recent trends in the United States economy and an assessment of their significance. This article alleged that an economic decline in the United States became apparent early in 1957 and reached a low point in April, 1958. It continued that since that date a considerable partial recovery has taken place. According to this article key aspects of the program to meet the problems created by the economic decline include protecting the welfare of the unemployed, fighting for a shorter work week, elimination of racial discrimination in jobs, fighting for a decrease in expenditures for arms and opening the door to trade with the "socialist world."

Jackson requested that Soviet economists study the matter of the economic situation in the United States and the results of this study be made available to the Communist Party, USA. Suslov replied that this matter would be referred to Soviet economists for study. He noted, however, that the Communist Party, USA, has some very capable economists among its members and said they should be able to develop a theory on this question.

In discussing the Negro situation, general agreement was had that the main task of the Communist Party, USA, is to fight for Negro equality and integration. It was pointed out that the Negroes in some areas in the North as well as some areas in the South in the United States have no representation. The limitation on their rights rallies the Negro people and the Communist Party must utilize this situation. It was pointed out that despite the dispersal of the Negro people throughout the United States, there are still areas where Negroes are in the majority. The Soviets stated the Communist Party, USA, must take the interests of these Negroes into consideration and fight for representation for them.

**D. MEETING WITH BORIS PONOMAREV AND NICOLAI MATSOUTEV
(PHONETIC) TO DISCUSS SOVIET FINANCIAL ASSISTANCE
TO THE COMMUNIST PARTY, USA**

In response to a previous request that the Soviet Union afford financial assistance to the Communist Party, USA, our informant met with Boris Ponomarev and Nicolai Matsoutev on two separate occasions on February 10, 1959. Ponomarev said that the Communist Party, USA, would be furnished \$100,000 which represents the balance of funds promised to the Communist Party, USA, in 1958. In addition, he stated that the Communist Party, USA, will receive \$150,000 for 1959 up to the forthcoming national convention of the Communist Party, USA, which is presently scheduled for September, 1959. Ponomarev continued that additional financial arrangements can be made when the Communist Party, USA, prepares for this convention.

Ponomarev stated that it is not a question of whether or not money is available for the Communist Party, USA. He said that the problem is how to get this money to the Communist Party, USA, and how it will be used. He continued that this is a problem for the Communist Party, USA. According to Ponomarev the Communist Party of the Soviet Union is not worried about any problems that might result from the disclosure of the fact that it had furnished funds to the Communist Party, USA. However, he realized that if it becomes known to the United States Government that Russia is supplying funds to the Communist Party, USA, this could create very serious problems for the Communist Party, USA. Ponomarev said concrete plans would have to be worked out regarding the safe transmittal of money. He said that the \$100,000 which had been promised for 1958 would be transmitted through Canada in the same manner that funds have previously been transmitted.

Ponomarev also briefly talked about the struggle for peace in the United States. He asked whether there is much propaganda for war in the United States and then commented that the leadership of the Communist Party of the Soviet Union believes there is such propaganda in the United States. Ponomarev said that Mikhail Suslov had "suggested" that every two months the Communist Party, USA, send to the Communist Party of the Soviet Union an objective report of the current thinking of all sections and classes of the population in the United States in regard to the relationship between the United States and the USSR. Ponomarev said they wanted any information contained in newspaper editorials on this subject and were particularly interested in editorials appearing in newspapers outside of New York City. With regard to relations between the United States and the Soviet Union, Ponomarev commented that the Communist Party of the Soviet Union was interested in the thinking of the people in the United States other than members of the Communist Party, USA.

**E. MEETING WITH A MEMBER OF THE SECRET SERVICE
OF THE CENTRAL COMMITTEE OF THE COMMUNIST PARTY
OF THE SOVIET UNION TO ESTABLISH A SYSTEM OF
COMMUNICATION BETWEEN THE SOVIETS AND THE
COMMUNIST PARTY, USA**

Subsequent to the afore-mentioned discussions with Ponomarev, the informant had an exceptionally interesting and significant meeting with an unknown member of the secret service of the Central Committee of the Communist Party of the Soviet Union. As a result of arrangements made by Matsoutev, the informant met with this unknown individual on February 23, 1959, at the informant's apartment. This unknown man, whose name was never mentioned, was dressed in what appeared to be American-made clothing. During the course of his discussion with the informant he gave every indication that he has spent some time in the United States. He said that he had been instructed by the Soviet functionaries to talk to our informant. He said that these comrades were concerned about the publicity which the informant had received as a delegate to the 21st Congress. The informant attempted to minimize this publicity by stating that he is a member of the national committee of the Communist Party, USA, as well as the district committee of the Illinois Communist Party, that he is known as a member of the Communist Party, USA, and attends all important Party meetings in this country.

The unknown man told our informant he would have to be more careful than he had ever been before. He continued that the FBI will be watching the informant because they will figure the informant to have been a "sleeper" in the Party.

During this discussion it was agreed that at the present time there could not be a transfer of any authority that Eugene Dennis and our informant have at the present time in connection with the handling of funds including money received from Russia. He said this matter has to be restricted and that this knowledge and authority should be retained in our informant's hands. He told our informant that after his return to the United States he should remain inactive for a while; that he return to Chicago instead of New York, and that he not meet with the leadership of the Communist Party, USA, immediately. Our informant pointed out it would be difficult for him to keep away from the Party leadership and mentioned a message he had just received from Eugene Dennis instructing him to return to the United States by the first part of March. The unknown man replied that our informant should stay away from leading members of the Party with the exception of Dennis and that he should consult with Dennis regarding this matter.

The Soviet representative then stated whatever arrangements are worked out, the Communist Party, USA, cannot expect them to be executed right away. He stated that if the Soviets send money to Canada which they will do, the informant can transport from Canada to the United States whatever amount he thinks is feasible. That, however, is the informant's problem and not the problem of Tim Buck, Canadian communist functionary. However, no contact should be made by the Communist Party, USA, with Buck regarding funds prior to the end of March, 1959. At that time, if it becomes necessary for someone from the United States to travel to Canada in order to obtain these funds, it should be someone other than the informant.

The Soviet representative then asked the informant if he could build a small apparatus consisting of one or two people who would be answerable to the informant. In response to a question by the informant, he was advised that it might not be well for him to use his brother in this apparatus since, although trusted, his brother does see leading members of the Communist Party, USA. The Soviet representative stated that while the informant's brother may not be known generally as a member of the Communist Party, USA, he may be known as such to the FBI. He continued that it might be possible for the informant to use his brother as a substitute in the event the informant becomes ill or for some other reason cannot perform in this apparatus.

In order to set up a system whereby the Soviets could indicate to the informant that they wanted to make a contact with him, the Soviet representative asked the informant if he had any business cards with him. The informant produced two business cards whereupon the Soviet representative asked him to write a note addressed to his brother on each of these cards containing the following messages:

"Dear Jack,

"Would you do something for my friend.
He wants a tripod for his television.

"Morris"

"Dear Jack,

"This will introduce a friend of mine.
He may want to purchase something from you.

"Morris"

The unknown Soviet stated that these cards would serve to indicate to the informant's brother that he was dealing with a Russian representative and that he should receive and carry out any instructions received from this Russian. These cards will be used only if it becomes necessary to contact the informant's brother because something happened to the arrangements to meet with the informant. The unknown Soviet stated that the present relationship and system of communications between the Communist Party, USA, and the Communist Party of the Soviet Union is not good. He continued that it is necessary to work out a communication system as well as a system to transfer money. He stated, however, that this has to be done slowly.

The Soviet representative then produced a map of New York City and asked the informant for suggestions on how contacts could be made. The informant suggested that large buildings in the heart of the city were a possibility and felt that a meeting could be arranged in a bar or in a restaurant or that there could be a quick exchange of documents in a corridor of a large building in midtown Manhattan. The Soviet representative disagreed with the informant's suggestions and stated that the Soviets have learned that in a large city, the chance of running into some acquaintance is greater. He continued that he thought that it would be better to arrange for the first contact and then decide about further contacts later.

The Soviet representative then issued the following instructions to the informant with regard to the first contact: On April 14, 1959, go to the Bronx and at 4:45 p.m. be at Nereid Avenue and White Plains Road. McGarry's Rainbow Room is on the corner. It has two entrances, one of which is on Nereid Avenue. In going to this address, do not use an automobile, not even a rented automobile. I suggest that you take the White Plains Subway. This will make it more complicated for the FBI. They will be watching you. If you have the slightest suspicion that you are being followed, do not go to the address. Be careful. If the contact is not made on Tuesday, April 14, 1959, then you should return on Thursday, April 16, 1959. This arrangement will apply only for the first contact. In any subsequent contacts, if a meeting is not held at the appointed time and date, then you should appear at the same place at the same time one month later.

On April 14, 1959, you should wear a plain bandaid on the left index finger. It would be good for you to practice. I suggest that the next time you are in New York, you or you and your wife go to this restaurant so that you will know the area. The Bronx Parkway is nearby. If you sit on the benches in the park, sit near old people. Do not go into the restaurant on

April 14, 1959. Someone will come along the park and speak to you in perfect English, and with no accent. This person will say, "Do you know where the Morris Restaurant is?" You will reply, "Yes, I am going in that direction. Come with me and I will show you where it is." As you walk along with this person, he will say, "Nikolai sends his regards." This will elicit the recognition. You will be taken into a car or possibly into the restaurant.

The Soviet representative then instructed the informant to be thinking of places where meetings could take place even though they might last for only a moment or two. He stated that the informant should look for a place where two roads run parallel and there is a road intersecting them. Thus, both cars can approach from one road going in one direction and then cross over to the other road and go in the opposite direction. This place should be in the New York City area and it could be on Long Island.

The Soviet representative then stated that the informant will be in charge of this communication apparatus. He will be in charge of any material received from the Soviets through this system whether it consists of messages or money.

The Soviet representative then stated that the informant should talk to Dennis to find out if Dennis knows of a comrade who is not well known and who could act as a go-between for the informant and the Soviets instead of having the informant do the leg work. He asked if the informant thought that Dennis would be able to select such a person. The informant said he could not give an off-hand answer but knows that he, the informant, would not want someone he could not trust.

The Soviet representative further stated that he had learned that the Communist Party, USA, is changing the bills it receives from Russia. He stated that there is nothing wrong with this money and that it is not necessary to convert it into other bills or bills of other denominations.

The Soviet representative stressed that the informant should not use his own car in making any meeting with the Russians nor should he rent any automobile unless it was rented in someone else's name.

The fact that our informant has now received instructions from the Soviets to establish a clandestine apparatus to handle communications and finances from the Soviet Union to the Communist Party, USA, creates a situation which we will exploit to its fullest potential. This operation could produce extremely valuable evidence concerning the communications between the Communist Party, USA, and the Soviet Union as well as intelligence data. This situation is being carefully evaluated and every possible avenue will be explored in order that we may take full advantage of its possibilities.