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DISPATCH	CLASSIFICATION SECRET/KAPOK	PROCESSING		
		DISP POSED	ACTION	ACCOM PLISHED
TO Chief, WH Division			REQUIRED FOR INDEXING	
			NO INDEXING REQUIRED	
INFO		XR	ONLY QUALIFIED HEADQUARTERS CASE CAN JUDGE INDEXING	
FROM Chief of Station, Mexico City			DISPATCH	
			ENCLOSURE	
SUBJECT Operational/LIHUFF Field Project Outline				

ACTION REQUIRED - REFERENCES
REFERENCE: A. DIR-45153
B. HMMW-11321, 27 Feb 63

1. Enclosed for Headquarters' approval is the field project outline for LIHUFF. Detailed information regarding LIHUFF-1 is being forwarded by separate dispatch with justification and a request that he be hired as a contract agent.
2. The Station continues to attempt to find contributions for LIHUFF from private firms. There has been some success in this effort, but this assistance has been on a spot basis. (As Headquarters is aware, Mexicans contributing to such an organization cannot benefit by tax reductions.) The funds not provided to LIHUFF by the Station come from the group of wealthy backers listed as Identity D. We shall continue to stimulate private support, and will advise Headquarters of any regular, significant contributions.

William C. Curran
 WILLIAM C. CURRAN

- Enclosures:
1. Odd numbered pages, h/w
 2. Even numbered pages, u/s/c
 3. Appendix I, u/s/c
 4. Appendix II, u/s/c
 5. Magazines, u/s/c

Distribution:
 3 - WH, w/encls (orig & 4 copies project)



50-124-281

CROSS REFERENCE TO	DATE ENTERED	DATE DISPATCHED
	20 Mar 1963	22 Mar 1963
	DISPATCH SYMBOL AND NUMBER	
CLASSIFICATION	HMMA-20931	
	HEADQUARTERS FILE NUMBER	
SECRET/KAPOK	50-6-	

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PROJECT OUTLINE

CRYPTONYM LEHUFF

FIELD CASE OFFICER Willard C. Curtis

STATION MEXICO CITY

CHIEF OF STATION Willard C. Curtis

The attached project is presented for approval.

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A. Identification.

Mexico City, Mexico -- Political Action. See C. below for other countries which may become involved.

B. Objectives.

To support and sustain a long-established, proved, anti-Communist front organization in Mexico. To encourage the expansion of the group's present efforts in provincial Mexico, and, to some extent, in other countries. To obtain a measure of significant control over the organization through this continued funding. To guide the group in increasingly more efficient methods of fighting Communism and fostering pro-western programs, such as the Alliance for Progress. To accomplish the following objectives in the Related Mission Directive: Priority A. 2. a, c, d, e, f, g; Priority B. 1. a, b, d.

C. Background.

LIHUFF (Identity A) was founded in 1953 under the auspices of a group of Mexican bankers, industrialists, and merchants to spread the principles of free enterprise and private initiative. Since its founding, the group has arranged a number of meetings and congresses designed to explore the dangers of Communism (particularly in its economic aspects) and hyper-nationalism. It has also financed the publication of pamphlets, bulletins on economic matters, and books. The director of this group (LIHUFF-2) received support from LIHUFF-1 and the business firm which LIHUFF-1 headed in Mexico until 31 December 1962 when this company decided to give up its franchise in Mexico.

In June 1960 LIHUFF-1 visited the ODACID Political Counselor and requested an ODACID contact with LIHUFF-2's organization. Subsequently, Chief ODACID Mexico, asked the COS, KUBARK Mexico, to explore the possibility of giving financial help to the group headed by LIHUFF-2. In mid-August 1962 (HMMS-2530 RYBAT), Oliver G. GALBOND advised the Mexico Station that the group had been receiving partial financial aid from a group of PBPRIME business corporations (solicited by Mr. Henry Holland, now deceased) and that KUBARK Headquarters had also provided some financial assistance through this channel. After the death of

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Mr. Holland, it was recommended that the funding be handled through the Mexico Station. Specifically, this was to help pay for the publication (Identity B). The local ODACID Chief was consulted. He replied that he thought LIHUFF-2 was one of the few economists in Mexico fighting Communism. The ODACID Chief also said that everything possible should be done to support the LIHUFF publication (HMMT-3023 RYBAT 1926, 30 August 1962).

The LIHUFF organization has its offices in Mexico City, with associated offices in Salvador and Guatemala, and working contacts in the provinces of Mexico and in several capital cities of Latin America.

LIHUFF devotes its efforts to selling the free enterprise system as an economic way of life and in defending at every turn individual liberty or freedom. In Mexico this type of organization is rather unique, as the trend in Mexico is towards more government intervention.

LIHUFF maintains an excellent library of source materials on economics and free enterprise, which is open to interested researchers. LIHUFF publishes regularly a considerable amount of materials, including the monthly publication (Identity B). See Enclosure 5 for samples of LIHUFF publications.

The group is extremely active in the student field, in the provinces as well as in the capital. It supports student publications; has organized a national student group (Identity C); and engages in militant student political action.

LIHUFF also prepares and sends out to provincial newspapers editorials featuring anti-Communist themes. In the last four years LIHUFF has collected 65 loose-leaf binders filled with editorial clips authored in the LIHUFF office. LIHUFF also sponsors a training course at which interested groups (of 15 to 20 persons) are indoctrinated.

LIHUFF-2, Director of LIHUFF, has shown completed dedication to his program. The members of LIHUFF, especially the students, have demonstrated courage and competence in a variety of operations.

D. Operational Assets.

1. Personnel.

LIHUFF-1 is a 47 year old PBPRIME businessman who acts as a

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cut-out and operational adviser to LIHUFF-2, the Director of the group. LIHUFF-1 worked for KUBARK in Panama from 1947 until April 1949 when he returned to Mexico. He was in contact socially with members of the Mexico Station and in November 1962 was hired for the above work. Biographical data is being forwarded via separate dispatch. He is contacted by Willard C. CURTIS or Michael C. CHOADEN. Training is not required since LIHUFF-1 has been in intelligence work from his service with PBPRIME military intelligence during WWII. He was engaged to work for PBPRIME military intelligence in Mexico until recently. He knows that he is working for KUBARK. HMMW-11040 of 25 October 1962 granted OA for LIHUFF-1.

LIHUFF-2 is a 46 year old Mexican lawyer. He is also a well known economist who directs an economic research organization in Mexico and other Latin American countries. He is met by LIHUFF-1. LIHUFF-2 probably suspects that funds may come to him from ODYOKE; however, cover used is that the money is from private business groups. He was granted an OA on 26 October 1962 (HMMW-11089 of 9 November 1962).

2. Mechanisms.

a. The principal officers of the Identity A group are listed in Appendix I (separate cover enclosure No. 3). Other details of the organization are included in C. Background above.

b. The LIHUFF organization frequently and regularly makes press placements in all of Mexico City's leading newspapers. Its editorial features are also regularly accepted by provincial publications. Radio and television placement is on an irregular basis.

(1) General propaganda and political actions of LIHUFF will be influenced and guided by the Station for its benefit.

(2) LIHUFF student operations have already been utilized (often in coordination with other Station student assets).

(3) The LIHUFF editorial service for provincial newspapers has been used by the Station.

(4) The press-placement capabilities of LIHUFF in capital city newspapers, which is considerable, has been used. This will be taken advantage of by the Station for KUBARK purposes.

(5) LIHUFF's international connections, especially his associated offices in Salvador and Guatemala, will be exploited.

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(6) The Station will call on LIHUFF to fill research needs.

E. Security Evaluation.

The LIHUFF organization is funded through a cut-out in such a manner that KUBARK participation is concealed. It is not connected in any way with any other KUBARK operation.

F. Coordination.

All coordination with other PBPRIME elements will be handled by COS Mexico as such situations arise. For the present there are none. In the past, ODACID Chief Mexico asked COS Mexico to assist the group financially. Also, the operational use of LIHUFF-1 was cleared with PBPRIME military intelligence when it was learned that they also had an interest in using him in clandestine operations. They are not using him at the present time.

G. Costs.

1. It is requested that the following estimates be approved for use in the LIHUFF project for the period 1 May 1963 through 30 April 1964:

	<u>FY 1963</u>	<u>FY 1964</u>
LIHUFF-1 Salary	\$ 1,000.	\$ 5,000.
Identity publication	2,400.	12,000.
Identity student organization	1,600.	8,000.
Total	<u>\$5,000.</u>	<u>\$25,000.</u>

Station Mexico proposes to pay only a portion of the LIHUFF operation. It is not intended that this partial support will make LIHUFF a completely controlled Station asset. It will make it responsive to Station guidance. The organization receives funds from private groups but the Station does not know the amounts or all the donors and it is unlikely that we will know these exactly. The Station, however, will be alert for the future possibility that the LIHUFF may begin to operate solely on Station funds. Should this occur, steps will be taken to place the organization under complete, classic control.

2. Foreign Currency.

There are no special requirements for foreign currency.

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3. Commitments.

No permanent commitments have been made.

4. Funding and Accountability.

Funds will be paid to LIHUFF-1 by COS Mexico. Receipts will be obtained. The money will be paid in cash in local currency. There are no unusual funding and accountability requirements.

H. Annexes.

1. Administrative Plan or Fiscal Annex.

It is not believed that this annex is required for the LIHUFF Project.

2. Communications.

There are no communications requirements for the present time.

3. Technical Support.

There are no technical support requirements for this project.

4. Logistics.

There are no logistical requirements for this project.

5. Intelligence.

Operational intelligence from other PBPRIME agencies is not required.

I. Emergency Conditions.

Since the Director of the group is a Mexican national, he could continue living and working in Mexico in the event of emergency anti-ODYOKE situations; however, he probably would not outright attack his own government. It is likely that the group locally might lose its effectiveness or cease to function in Mexico. However, a change in the Mexican political

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scene may not affect the group's offices in other Latin American countries. In the event of an emergency situation, contact can be made by the COS with either LIHUFF-1 or LIHUFF-2.

NOTE: For a note on the production and some successes of the LIHUFF organization, see Appendix II (separate cover enclosure 4).

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Enclosure 3 to HMMA-
20931 (UNDER SEPARATE
COVER)

APPENDIX :

Identities:

- A.
- B. an economics journal which strongly supports the free enterprise system.
- C.
- D. Principal Officers of I above:

Director:

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The files of the Mexico Station have been checked for derogatory information on the names above. There was no derogatory information on anyone of them except [redacted] Efforts will be made via LEHUFF-1 to get him removed from the organization.

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Enclosure 4 to HMMA-
20931 (UNDER SEPARATE
COVER)

APPENDIX II

The Organization and its Director have:

a. Furnished the Mexico City Station with index cards and summary information on some three (3) thousand Mexican Communists. Although almost all of these Communists were already known to this Station, the data confirms Station information and, in some cases, adds to Station knowledge.

b. Organized a nationwide right-wing, anti-Communist and active student organization in the nation's universities. It is called [redacted] publishes [redacted] a fighting anti-Communist student paper and has organized shock brigades ready and willing to take offensive (street fighting) action. [redacted] has been very active in the National University of Mexico (UNAM); the University of Puebla and the University of Michoacan. In the last two [redacted] can claim a large degree of the credit for ousting Communist rectors at these universities.

c. Kept its [redacted] actively attempting to counter overwhelming odds and advantages held by pro-Marxist economists and their teachings in Mexico. Chief ODACID believes the Director and the organization are most useful in this regard.

d. Taught groups of students pro-capitalist, pro-free enterprise economics -- a rare and much needed service in Mexico where the Communists have taken over the field of economics in higher education.

e. Continuously published pro-PBPRIME, pro-free enterprise and anti-Communist articles in Mexico City's leading newspapers and in the provincial press of Mexico.

f. Attempted to spread to other Latin American countries, and to coordinate with appropriate organizations and individuals in these countries, anti-Marxist economic theories.

g. Some examples of production from this organization are:

- (1) HMMA-20947 of 14 March 1963; (2) HMMA-20306 of 3 December 1962;
- (3) HMMT-3106 of 28 September 1962; (4) HMMA-19296 of 6 July 1962;
- (5) HMMA-18685 of 9 March 1962; (6) HMMA-18678 of 6 March 1962.

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