



CHAPTER 3

CHAPTER 3

Counterintelligence in the Office of Strategic Services

Introduction

The Office of Coordinator of Information (COI) was established on 11 July 1941. It was announced to the public as an agency for the collection and analysis of information and data. Actually, through COI and its successor, the Office of Strategic Services (OSS), the United States was beginning its first organized venture into the fields of espionage, propaganda, subversion and related activities under the aegis of a centralized intelligence agency.

In themselves, these various functions were not new. Every war in American history has produced different examples of the use of spies, saboteurs, and propagandists. Every major power, except the United States, has used espionage, for example, in peace as well as in war, for centuries. The significance of COI/OSS was in the concept of the relationship between these varied activities and their combined effect as one of the most potent weapons in modern warfare.

The concept evolved from two missions performed for President Roosevelt in 1940 and 1941 by the man who guided COI/OSS throughout its existence—William Joseph Donovan.

The establishment of the COI met particularly vigorous opposition from the Army and Navy on the ground that the new agency might usurp some of their functions. Therefore, it was decided to establish COI as a part of the Executive Office of the President. The new order was not designated as either a military or an executive order; it referred to Roosevelt's position as President, as well as commander in chief, and expressly reserved the duties of his military and naval advisors. It deleted the previous reference to the Army in appointing Donovan as Coordinator.

COI was renamed OSS in June 1942 with its director reporting to the Joint Chiefs of Staff. The British asked FBI Director J. Edgar Hoover to appoint a Bureau officer to run a new counterintelligence (CI) organization to handle foreign CI, which Donovan had agreed to house within OSS. When Hoover rejected this request, the British asked Donovan to set up a CI section. On 1 March 1943, Donovan created the CI section, known as X-2, and placed James R. Murphy in charge. Murphy and X-2 were given access to ULTRA, Magic and ICE. ICE was the OSS cryptonym for the British MI6 cryptonym ISOS, the decoded and translated German Abwehr (Military Intelligence) message traffic.

This chapter provides the written correspondence by Donovan, President Roosevelt, and others on the creation of COI/OSS, its eventual dissolution after the war, and reports on X-2.

The Coordinator of Information

The White House
July 11, 1941

By virtue of the authority vested in me as President of the United States and as Commander in Chief of the Army and Navy of the United States, it is ordered as follows:

1. There is hereby established the position of Coordinator of Information, with authority to collect and analyze all information and data, which may bear upon national security, to correlate such information and data available to the President and to such departments and officials of the Government as the President may determine; and to carry out, when requested by the President, such supplementary activities as may facilitate the securing of information important for national security not now available to the Government.

2. The several departments and agencies of the Government shall make available to the Coordinator of Information all and any such information and data relating to national security as the Coordinator, with the approval of the President, may from time to time request.

3. The Coordinator of Information may appoint such committees consisting of appropriate representatives of the various departments and agencies of the Government, as he may deem necessary to assist him in the performance of his functions.

4. Nothing in the duties and responsibilities of the Coordinator of Information shall in any way interfere with or impair the duties and responsibilities of the regular military and naval advisers of the President as Commander in Chief of the Army and Navy.

5. Within the limits of such funds as may be allocated to the Coordinator of Information by the President, the Coordinator may employ necessary personnel and make provision for the necessary supplies, facilities, and services.

6. William J. Donovan is hereby designated as Coordinator of Information.

Franklin D. Roosevelt

Memorandum for the Chief of Staff

Subject: Undercover Intelligence Service

1. The military and naval intelligence services have gone into the field of undercover intelligence to a limited extent. In the view of the appointment of the Coordinator of Information and the work which it is understood the President desires him to undertake, it is believed that the undercover intelligence of the two services should be consolidated under the Coordinator of Information. The reasons for this are that an undercover intelligence service is much more effective if under one head rather than three, and that a civilian agency, such as the Coordinator of Information, has distinct advantages over any military or naval agency in the administration of such a service.

2. In the event or the immediate prospect of any military or naval operations by United States forces in any part of the world, however, the armed forces should have full power to organize and operate such undercover intelligence services as they may deem necessary.

3. The Coordinator of Information has indicated in conference that he is prepared to assume the responsibilities indicated in Paragraph 1 above.

4. A memorandum similar to this is being submitted to the Chief of Naval Operations by the Director of Naval Intelligence.

5. Action recommended:

That the Secretary of War approve the recommendations contained in Paragraphs 1 and 2, above, so far as the War Department is concerned.

September 6, 1941

APPROVED

By order of the Secretary of War
G.C. MARSHALL
Chief of Staff

by/S/ W.B. Smith
Col., G.S.C., Sec. W.D.G.S.
Noted-Chief of Staff
W.S.B.

/S/ SHERMAN MILES
Sherman Miles
Brigadier General, U.S. Army
Acting Assistant Chief of Staff
G-2, noted by Sec. War 9/9/41
E.H.B.

Memorandum for the President

*From: The Coordinator of Information
October 10, 1941*

By joint action of the Military and Naval Intelligence Services there was consolidated under the Coordinator of Information the undercover intelligence of the two services. In their memorandum the reasons stated for the action are:

1. That such a service is much more effective under one head rather than three, and
2. A civilian agency has distinct advantages over any military or naval agency in the administration of such a service.

This consolidation has been approved by the Secretary of War and the Secretary of the Navy.

In making this consolidation effective, it is necessary to do the following:

Send to a given country a man who is essentially an organizer. The function of this man would be to set up agents of information who would be able to supply him with information.

(a) During the period our diplomatic corps is accredited to that country; and

(b) To be in a position to continue sending reports in event diplomatic relations are severed.

Vital considerations in making this plan effective are security and communications. Therefore, it will be necessary for our representatives to have:

(a) Status for his protection;

(b) Use of the diplomatic pouch;

(c) Establishment of a line of communications, both by radio and other means, that will endure after the particular country has been closed to us diplomatically.

Contents of a Letter From Attorney Gen. Francis Biddle to Col. Donovan

9 March 1942

I have been advised that you have appointed General David P. Barrows as Coordinator of Intelligence and Information on the West Coast. I am further advised that the Directors of Military and Naval Intelligence have not been informed of the purpose or reason for General Barrows designation to this post.

The intelligence services have been carrying on a carefully coordinated program built upon a complete exchange of pertinent information and the carrying out of mutual undertakings in carefully defined fields of responsibility. Close personal liaison is constantly maintained. Therefore, there would be no reason for the designation of a Coordinator.

I would appreciate if you would let me know your purpose in designating General Barrows and your intentions and program with reference to this Coordination. I am somewhat surprised that this appointment was made without prior discussion with the regularly constituted intelligence services.

Donovan's Reply to the Attorney General

16 March 1942

1. No one has been designated as (your quote) Coordinator of Intelligence and Information on the West Coast.

2. Some weeks ago we did designate, as one of our representatives on the West Coast, General David P. Barrows, a distinguished and respected citizen of San Francisco.

3. The whole question of the selection of representatives on the West Coast was discussed with General Miles, Admiral Wilkinson, and Mr. Hoover, by Colonel Buxton and myself at lunch on the 2nd of December 1941. Colonel Buxton went immediately to the West Coast for the purpose of selecting a representative. While there, he told the Army and Navy officials, and also Mr. Pieper, the F.B.I. representative, that Barrows was under consideration.

4. Colonel Buxton, upon his return from the West Coast, discussed the matter with Colonel T.B. Bissell, General Lee's assistant.

5. Admiral Wilkinson sent a message to San Francisco informing his people of the designation.



William Donovan, Head of the OSS.

6. No attempt of any kind has been made to have any representative of ours there invested with authority over other services or to coordinate their activities, interfere with them, or impinge upon their prerogatives. Our written instructions to General Barrows, as to all others, concerning your department relate only to the duty of turning over to your office any information concerning subversive activities which might come to his attention. This is a duty incumbent upon him not only as our representative but as a private citizen.

7. There has never been any misunderstanding regarding General Barrows on the part of either ONI or MID in San Francisco, and there is no reason for any misunderstanding on the part of your Department.

Memorandum (No. 360) for the President From William J. Donovan

March 30, 1942

There has been submitted to you by the Joint Chiefs of Staff a proposed order which would bring more closely together the office at the Joint Chiefs of Staff and our agency. They have told me that this matter has been taken up with Harry Hopkins for submission to you.

I hope you will approve the order. It exactly conforms to your original directive to me, both in name and function—but which was finally modified at the instance of the Army and Navy. The present proposal comes at their instance. The services now seem to have confidence in our organization and feel that we have in motion certain instrumentalities of war useful to them. For these reasons, and in order more closely to integrate with the armed forces the various elements that we have been developing, they recommend the signing of the order.

On March 16 (my memorandum No. 334) I briefly tried to describe to you how our principal units supplement and support one another. I think it essential that both chiefs of Staff, under your direction as Commander-in-Chief, should have these services

at their disposal. These would be welded into one fighting force every essential element in modern warfare. You will note that they have even provided for the Commandos.

I am glad to concur in the recommendation at the Joint Chiefs of Staff, because I believe this is a sensible and necessary step toward the more effective use of all modern war weapons.

Donovan Letter to the President

*The President
The White House
April 14, 1942*

My dear Mr. President:

I talked with Sam Rosenman yesterday and was disturbed as well as surprised by the conversation. Disturbed because it indicates that since you have not signed the order pertaining to our alignment with the Office of the Joint Chiefs of Staff, as a supporting agency, it must be that you have not yet become convinced, as I am, of the necessity for some such alignment. The conversation was further disturbing because of my strong feeling that the preparation of



William Egan Colby, Director of CI who served in OSS 1943-1945. DCI, 4 September 1973 - 30 January 1976.

any plan involving political and subversive warfare must heavily involve those entrusted with the protection of subsequent forms of warfare.

If this war has taught us anything, it has taught us the need for unification of all efforts—some new—which play a part in modern warfare. It was for this reason that I wrote you on March 4th outlining fully the reasons for leaving the present efforts of our office coordinated into one effective whole. I would particularly call your attention to this paragraph:

Now that we are at war, foreign propaganda must be employed as a weapons of war. It must march with events. It is primarily an attack weapon. It must be identified with specific strategic movements often having effectively it must be allied with the military services. It must be to a degree informed as to possible movements. The more closely it is knit with the intelligence and the physically subversive activities of the Army and the Navy, the more effective it can be. All of these necessitates security. In point of fact the use of propaganda is the arrow of initial penetration in coordinating and preparing the people and the territory in which invasion is contemplated. It is the first step—then Fifth Column work, then militarized raiders (or “Commandos”) and then divisions.

It was for these same reasons that I concurred with the Joint Chiefs of Staff in their request for aligning our office with them Further deliberation, far from causing me to change my mind, has only served to make me more convinced that the successful prosecution of this war demands such unification of all the forces of war.

Let me add on this: at the very outset of our present relationship, it was agreed that I would deal directly with you. Due to your continued support and confidence, we have been able to set up for you an instrument of modern warfare, which, if left unimpaired, will mean for you a weapon of combined operations which will be able to stand against any similar weapon of the Axis. In doing this we have not usurped the function of or encroached upon the domain of the Army, Navy, or State Department. I am sure you believe that I have no such intention. But I feel it is now my duty respectfully to urge that

this weapon which has been so carefully prepared over the last eight months, which has already begun to demonstrate its usefulness, and which has won the respect of some who were skeptical at the outset, shall not be disturbed at home before it shall be put to its really crucial work abroad.

Respectfully,
/s/ William J. Donovan

Presidential Military Order Establishing the Office of Strategic Services (OSS)

12 June, 1942,

By virtue of the authority of the vested in me as President of the United States and as Commander in Chief of the Army and Navy of the United States, it is ordered as follows:

1. The Office of the Coordinator of information, established by order of July 11, 1941, exclusive of the foreign information activities transferred to The Office of War Information by executive order of June



Allen Welsh Dulles, Director of CI who served in OSS office in Bern, Switzerland, 1942-1945. DCI, 26 February 1953 - 29 November 1961.

13, 1942, shall hereafter be known as the Office of Strategic Services, and is hereby transferred to the jurisdiction of the United States Joint Chiefs of Staff.

2. The Office of Strategic Services shall perform the following duties:

a. Collect and analyze such strategic information as may be required by the United States Joint Chiefs of Staff

b. Plan and operate such special services as may be directed by the United States Joint Chiefs of Staff.

3. At the head of the Office of Strategic Services shall be a Director of Strategic Services who shall be appointed by the President and who shall perform his duties under the direction and supervision of the United States Joint Chiefs of Staff.

4. William J Donovan is hereby appointed as Director of Strategic Services.
The order of July 11, 1941 is hereby revoked.

Franklin D. Roosevelt
Commander in Chief

General Order 13 Establishing a Counterintelligence Division in the Secret Intelligence Branch of the OSS

1 March 1943

There is hereby created a Counterintelligence Division in the SI branch of intelligence service of OSS.

James R. Murphy is designated as the head of this division. The functions of the Counterintelligence Division shall be:

1. To collect from every authorized source appropriate intelligence concerning espionage activities of the enemy.

2. To take such action with respect thereto as may be appropriate, and to evaluate and disseminate such intelligence within OSS as may be necessary, and to exchange such information with other agencies as may be appropriate.

The Counterintelligence Section shall be provided with such personnel and facilities as may be required. All geographic functional desks, sections, and branches of OSS are directed to cooperate in all respects with the CI Division and to furnish it with all information or material relating to its field of activity.

William J. Donovan

General Order Establishing the Counter Espionage Branch of the Intelligence Branch of the Intelligence Service of OSS

15 June, 1943

The provisions of General Order number 13, issued 1 March 1943, are hereby rescinded and there is established under the Deputy Director, Intelligence Service a Counter Espionage Branch which should be referred to by members in conversation and in communication of OSS as X-2 branch.

The functions of the Counter Espionage Branch shall be...

1. To collect from every authorized source appropriate intelligence data concerning espionage and subversive activities of the enemy.
2. To analyze and process such intelligence in order to take appropriate action, and to exchange such intelligence with appropriate authorized agencies.
3. To institute such measures as may be necessary to protect the operational security of OSS, and to prevent the penetration of our espionage and other secret activities.
4. To cooperate with the counterintelligence agencies of the United States and our allies, and afford

them timely information of enemy attempts at penetration or subversive action from areas in which X-2 is authorized to operate.

5. To prepare secret lists of subversive personalities in foreign areas for the theater commanders and other such government agencies as the director may prescribe. The X-2 branch shall be provided with such personnel and facilities as may be authorized. All geographic and functional desks, sections and branches of OSS are directed to cooperate in all respects with the X-2 branch and to furnish it with all information or material relating to its field of activity.

There should be close coordination between S.I. and X-2 branches. The chiefs of the S.I. and X-2 branches will exchange operational information to the extent necessary to affect coordination of the operation of both branches.

The X-2 branch shall furnish to the S.I. branch any intelligence which is not exclusively of X-2 interest, and the S.I. branch shall refer promptly to the X-2 branch intelligence of interest to the latter branch.

X-2 officers operating in foreign areas shall be under either a SSU officer or an OSS mission chief. The X-2 branch may, with the permission of the chief of S.I. employ S.I. field representatives in connection with its work in the field. In such event X-2 activities so conducted shall be kept separate by such field representatives and communications with respect thereto will be subject to examination of the chief of S.I. and the appropriate desk head.

Practices and procedures with respect to the working arrangements between the S.I. and the X-2 branches shall be adopted in consideration between the chiefs of these branches and approved by the Deputy Director-vice...Intelligence Service.

The X-2 branch shall maintain its own separate liaison and separate channels of communication within existing OSS facilities.

The X-2 branch shall establish and maintain its own files and records and shall locate its registry functions in close proximity to those of the S.I. branch in order

that there may be a central area for S.I. and X-2 information.

James Murphy is designated chief of the Counterespionage branch.

William J. Donovan

**Extract of Memorandum from
Brig. Gen. William J. Donovan to
Maj. Gen. W. B. Smith**

17 September 1943

1. The National Interest requires such an organization.

(1) National Policy is formulated in the light of information concerning the policies and activities of other nations.

(2) Each nation in defense of its institutions and its people, must have an independent intelligence service to guide its policy in peace as well as in war.



William Joseph Casey, Director of CI who served in OSS from 1943; Chief of the Special Intelligence Branch in European Theater of Operations, 1944-1945. DCI, 28 January 1981 - 29 January 1987.

(3) Reliance cannot be placed either on the continuance or the impartiality of intelligence voluntarily furnished to one nation by another, however friendly. Such service may be interrupted and even if not discontinued, it is found to reflect, in its evaluation, as ours would, the bias and color of national interest.

2. All major nations other than ours have such agencies.

With the exception of the United States, all of the major nations have had, prior to the war, intelligence services, including secret, separate in large measure from their military establishment.

Such agencies are a recognized and accepted part of the machinery of government. They have kept their respective Governments informed of current political activities, and long prior to the war, they recruited and trained personnel, provided them with suitable cover, and placed them in political enemy countries; established networks and communications, and laid the groundwork for actual operations in time of war.

3. Position of the United States in this respect prior to World War II.

(1) The intelligence agencies of the United States were not geared to the demands of a World War. They had been caught unprepared. There was no over-all general intelligence service which collected and analyzed information on which decisions should be made and plans formulated. There was no coordination of our various agencies of information, nor of the information itself. There was no Secret Intelligence nor Counterintelligence Service for working in enemy territory. There were no plans to meet those needs.

(2) Five months prior to the outbreak of war, a Committee of Cabinet members was appointed by the President to inquire into the matter. That committee consulted with the writer of this paper who studied the problem, and prepared a report with certain recom-

mentations which were accepted and put into effect by Presidential order.

These recommendations were based upon certain:

4. Requirements for a long-range Strategic Intelligence Service with Subversive Attributes.

(1) That the intelligence services of one nation should be kept independent from that of any other nation, each with its own agents, communications, and transportation—for the following reasons:

(a) *Security.* The disclosure of one will not necessarily involve damage to another.

(b) *Verification.* If networks are truly separate, it is improvable that information simultaneously received from two chains, springs from a single source.

(c) *Control.* The effectiveness of intelligence work is dependent upon performance—at least insofar as it is not subject to the power of another to terminate it. The danger that its operation may be terminated by the act of another means subordination.



Richard McGarrah Helms, Office of Strategic Services and its successors 1943-1947. DCI, 30 June 1966 - 2 February 1973.

(2) That a long range intelligence service should include an overall collection of political, economic, sociological, and psychological information.

(3) That a branch of such a service should obtain information by secret means.

(4) A Counterintelligence Service is necessary for the protection of primary services.

(5) That a Research and Analysis Branch should be established, composed of men of technical and professional competence—research specialists with extensive knowledge of areas in question, and trained to critical appraisal of information.

(6) That it should have access to short-wave radio as a strategic weapon of attack and exploitation, knit into military plans and strategy.

(7) That it should have under its direction morale and physical subversion.

(8) That it should have no concern with combat or operational intelligence, except to furnish information required.

(9) That there should be:

1. Independent communications by pouch and code.
2. A separate budget and unvouchered funds.
3. Passport privileges.

(10) That its Director should be a civilian, and its personnel should be recruited largely from civilian life. They should be men whose professional or business training has given them vision, imagination, alertness, initiative, and experience in organization. The organization which was set up based on these concepts became known as:

5. The Office of Strategic Services

It is useless to relate the difficulties and vicissitudes of this organization in finding acceptance of its services by those who needed it most. For the purposes of this paper it is necessary only to say that it has been able to realize in large part the above named requirements, and today is a living organism which can be adapted to a permanent plan or as a design for a new but similar agency.

SHAEF (INT) Directive No. 7 (Counterintelligence)

Appendix "B"
Special Counterintelligence Units
(With Paragraphs not pertinent to this text omitted)

General

1. Information relating to enemy secret intelligence services in enemy, enemy-occupied and neutral territory is available in LONDON main in Section V or MI 6 X-2 Branch of OSS, but also, in other departments such as MI-5 and MI-14(d), War Office. Owing to the special nature of this information and the great discretion required in its use, it is not suitable for passing to the CI Staffs through normal intelligence channels. Special CI Units will therefore be supplied by Section V of MI 6 for attachment to British Army Group and Army Headquarters and by X-2 Branch of OSS for attachment of US Army Group and Army Headquarters. These units will act as a channel for passing information to CI Staff, about enemy secret intelligence services and will advise them as to its use.

2. All producer departments of information of this type in LONDON will work in close collaboration and will pass their information to MI6/OSS for transmission, of necessary, to SCI units.

Duties

5. The Duties of SCI units in the planning stage are:

(a) To assist in the preparation of all available information about enemy secret intelligence services in the form required by the CI Staffs.

(b) To advise CI Staffs in the selection of the immediate counterintelligence targets and in the method of dealing with them to ensure the maximum intelligence results.

6. The duties of the SCI units in the field are:

(a) To distribute and interpret to the CI Staffs all counterespionage information received by them from LONDON and from other SCI units, and advise as to its most effective and secure use.

(b) To afford the maximum protection to special sources of secret counterespionage information,.

(c) To advise CI Staffs in the selection of counterespionage targets whose capture is likely to yield material of value.

(d) To assist CI Staffs in the examination of captured enemy documents or material of special counterespionage interest.

(e) To assist CI Staffs in the interrogation of captured enemy agents.

(f) To pass to LONDON all information on enemy secret intelligence services collected in the field, including such captured documents and other material as is no longer required in the field.

(g) To serve as a direct channel between each Army group HQ for information on enemy secret intelligence services collected in the field.

(h) To serve as a channel between the Army Groups and from Army Groups to LONDON for any other counterintelligence information which cannot be passed through normal service channels.

Employment of SCI Units

7. SCI Units are normally attached to the CI Staffs of a Headquarters and are directly responsible to the Chief CI Staff Officers.

8. Although not technically forming part of the CI Staff, the officers of SCI units will work in closest liaison with the component subsections of the staff. The functions of the SCI units are advisory and not executive. Executive action on information supplied by SCI units is the province of the CI Staffs and CI personnel.

9. SCI units will normally pass their information direct to the appropriate sub-section of the CI Staff. However, in furtherance of the responsibility to safeguard special sources (see para 6 (b) above), they will have the right to withhold any particular item of information derived from such sources from any but the Chief CI Officer, and represent to him the necessity for prohibiting or limiting action upon it, where action or unrestricted action might prejudice the security of these sources. The ultimate decision as to whether action is or is not to be taken in the field will rest with the A C of S (G-2) or the BGS (I) of the Army Group except when an express prohibition to take action is issued by MI6 or OSS in LONDON.

10. Personnel of SCI units should not be employed in any area where there is danger of capture and therefore of interrogation by the enemy. They should normally move with the HQ to which they are attached.

11. It may often be profitable to attach CI personnel to SCI units for short periods of training for special tasks, e.g., seizure and inspection of CI documents. Personnel of SCI units may also accompany CI personnel on such tasks subject to the proviso in the preceding paragraph.

12. Personnel of SCI units are specially qualified and must not be employed on any other counterintelligence duties.

Communications

13. SCI units are furnished with special communications and codes and are not normally dependent on Army Signals.

14. Each SCI unit will be in direct communication with its LONDON Headquarters, and all units within

the same Army Group Zone will be in direct communication with each other. In addition, each unit with an Army Group Headquarters will be in direct communication with the unit at the other Army Group Headquarters.

Other paragraphs pertinent to SCI units are cited below:

Section IX: The Handling and Disposal of Known and Suspect Enemy Agents

1. The first responsibility of Counterintelligence staffs in the theater of operation is the detection and apprehension of enemy agents. Detailed planning of measures against the Germany Intelligence Services (GIS) must be undertaken well in advance. Such plans will be based upon information supplied by SCI units and will be formulated in consultation with officers of these units. While SCI units will render advice and furnish information, executive action is the responsibility of CI Staffs and personnel.

3. Whenever GIS personnel are captured, SCI officers must be notified and afforded the earliest opportunity to interrogate them. All documents, records, or equipment of GIS personnel captured will be turned over to SCI units for examination. SCI units will be consulted as to the disposal of each individual case. It is only by making the fullest use in this way of SCI units that the maximum information can be obtained and the detection and arrest of other agents secured.

8. The field interrogation of arrested enemy agents should be carried out immediately. The more important cases should, upon advise of SCI officers, be returned to the U.K. for further and more specialized interrogation at the MI5 Interrogation Centre in LONDON.

Section X: Counter-Sabotage

5. *Enemy Sabotage Agents.* Information from special sources covering the sabotage activities of enemy agents who will be made available to CI Staffs by SCI units, will advise on the action to be taken in respect to such agents.

6. Any captured saboteur known or believed to be an enemy agent will be handled in the same manner as other enemy agents (see Section IX).

7. *Liaison With MI5* Counterintelligence Staffs at Headquarters, Army Groups, will maintain direct liaison with the counter-sabotage section of MI5. MI5 will furnish the CI Staffs with all available information of enemy sabotage methods and equipment, and with advice as to measures for the prevention and detection of sabotage and interrogation of saboteurs. CI Staffs will similarly notify MI5 of sabotage developments discovered in the field. Where necessary such information will be passed through MI6 (V), LONDON, and the SCI units in the field.

Section XI: Channels of Counterintelligence Information

2. Procedure for handling information collected in the field.

(c) SCI units at Army and Army Groups will pass back direct through their special communication channels to MI5 (V)/OSS (X-2) information unsuitable for transmission by Army Signals. MI6 (V)/OSS (X-2) will undertake the collation and the further distribution of this information where necessary, to the other departments in LONDON or WASHINGTON and will pass to the Coordination Section, SHAEF, such detailed routine information as will be necessary for maintaining the personality cards up to date, and any summaries which will be required by SHAEF.

3. Procedure for the distribution of information in the field.

(b) All further information or requests for information addressed from departments in LONDON and WASHINGTON to formations in the field, and which are suitable for transmission by normal Army channels, will be routed through the Coordination Section, SHAEF. Information concerning the operation of SCI units or which is not suitable for

transmission by normal means, will be routed through MI6 (V)/OSS (X-2).

7. Channels of Counterintelligence Information.

(a) MI6 (V)/OSS (X-2) pass information relating to hostile secret intelligence services direct to SCI units attached to Army Groups in the field through their own special communications.

**Contents of Gen. Donovan's
Memorandum to President Roosevelt,
Dated 18 November 1944**

Pursuant to your note of 31 October 1944, I have given consideration to the organization of an intelligence service for the post-war period.

In the early days of the war when the demands upon intelligence services were mainly in and for military operations, the OSS was placed under the direction of the JCS.

Once our enemies are defeated the demand will be equally pressing for information that will aid us in solving the problems of peace.

This will require two things:

1. That intelligence control authority reporting directly to you, with responsibility to frame intelligence objectives and to collect and coordinate the intelligence material required by Executive Branch in planning and carrying national policy and strategy.

I attach in form of a draft directive the means by which I think this could be realized without difficulty or loss of time. You will note that coordination and centralization are placed at the policy level but operational intelligence (that pertaining primarily to Department action) remains within the existing agencies concerned. The creation of a central authority thus would not conflict with or limit necessary intelligence functions within the Army, Navy, Department of State and other agencies.

In accordance with your wish, this is set up as a permanent long-range plan. But you may want to consider whether this (or part of it) should be done now, by executive or legislative action. There are common sense reasons why you may desire to lay the keel of the ship at once.

2. The immediate revisions and coordination of our present intelligence system would effect substantial economies and aid in the more efficient and speedy termination of the war.

Information important to national defense, being gathered now by certain departments and agencies, is not being used to full advantage in the war. Coordination at the strategy level would prevent waste, and avoid the present confusion that leads to waste and unnecessary duplication.

Though in the midst of war, we are also in a period of transition which, before we are aware, will take us into the tumult of rehabilitation. An adequate and orderly intelligence system will contribute to informed decisions.

We have now in the Government the trained and specialized personnel needed to the task. This talent should not be dispersed.

Counter-Espionage (X-2)

This section was taken from the official history of OSS. The text has been slightly edited.

Counterespionage (CE) is a distinct and independent intelligence function. It embraces not only the protection of the intelligence interests of the government it serves, but, by control and manipulation of the intelligence operations of other nations, it performs a dynamic function in discerning their plans and intentions, as well as in deceiving them. An effective counterespionage organization is therefore an intelligence instrument of vital importance to national security.

The development of a secret intelligence organization makes protective counterintelligence

inevitable. However, to confine such activity to its protective aspects would be to eschew the development of the affirmative phases of counterespionage, which give it its unique and distinct value.

A counterespionage organization usually develops slowly. Basic to it is the vast body of records, which is the key to its operations and which normally takes years to accumulate. A second requirement, however, no less vital, is skilled personnel familiar with the intricate techniques by which the intelligence efforts of other nations may be controlled and directed.

The United States lacked these basic factors. At the outbreak of the war, its counterintelligence activities were performed by several agencies and departments of the government and the armed forces, principally FBI, G-2, and ONI. Fortunately, the domestic security problem, most important at that time, was efficiently handled by the FBI, which kept itself alerted to threats from beyond US borders by liaison with Allied security services, chiefly those of the British. With respect to areas outside the Western Hemisphere, however, the United States had virtually no security protection. Also, the divisions of interest of the various American organizations concerned with counterintelligence and the limitations upon their several missions had resulted in incomplete and duplicative records, which were scattered and uncoordinated. The lack of complete past and current records of enemy espionage organizations, their personnel, and activities made the effective prosecution of counter-espionage seem impossible.

The development by COI/OSS of a secret intelligence organization to operate outside the Western Hemisphere made it obvious that it would be necessary to establish a security organization for its protection. It is, of course, inevitable that a secret intelligence agent in a foreign area will attempt to acquaint himself with the intelligence activities and undercover personnel of other nations operating in the same area. This, however, provides only localized and uncoordinated knowledge. Furthermore, it does not take advantage of the affirmative possibilities inherent in the possession of such knowledge, if it is coordinated with related data and supported by an efficient centralized organization.

It was widely recognized that centralization was the key to counterespionage. This may be said to be true of secret intelligence generally. When it became apparent in early 1942 that SI would have to set up some form of security organization, the question of centralization was raised. By midsummer, the subject had been discussed by COI/OSS, not only with other agencies and departments of the government, but with the British Security Coordination. Such discussions stimulated the move to establish a CI division in SI.

The British had been sharing with COI, G-2, FBI, ONI, and other interested agencies certain counterespionage information. Experience gained in unraveling Axis espionage and sabotage organizations had developed a high degree of efficiency in the coordinated net of security services, which the British had long maintained. In addition, they had built up over many years one of the essential instruments for CE work—a comprehensive and current registry on hostile and suspected persons and on their organizations and relationships. Nothing remotely like it on overseas CE intelligence was available to American agencies. Nor could such a body of records be produced except after decades of extensive operations. Therefore, the British were particularly anxious that the handling of the information, which they made available to the American services should be consonant with the highly specialized CI techniques they had evolved. This demanded carefully trained specialists, solely concerned with CE material loosely coordinated with US agencies.

In August 1942, therefore, representations were made by the British, which strongly suggested an arrangement between the British and American agencies that would provide a more restricted and secure channel for the handling of CI information. If such an arrangement was concluded, the British indicated that they would be willing to make available all the CI information in their possession. The significance of this offer to the development by the United States of a counterespionage organization cannot be overstated. The United States was given the opportunity of gaining in a short period extensive CE records, which represented the fruits of many decades of counterespionage experience. Furthermore, the British offered to train American personnel

in the techniques essential to the proper use of those records and the prosecution of CE operations.

The proposed arrangement envisioned the establishment of a civilian CE organization within OSS—in short, an American entity similar to MI6(V) and MI5, the British services for overseas and home security respectively, both of which were civilian services only nominally under military control. Following preliminary discussions in the United States, Donovan designated one of his special assistants to proceed to London in November 1942, where he worked out with the British arrangements whereby a small liaison unit of the projected CE organization would be stationed in London. Procedure for transmission of the CE material to the United States also resulted from these discussions.

At that time it was intended that the new CE unit to be established within OSS should become the exclusive link between British and American CE services. FBI, however, had long maintained a close and cordial liaison with British security services, particularly MI5, in the interests of American security in Western Hemisphere. It was therefore agreed that FBI, in view of its jurisdiction over CE in Western Hemisphere, would continue its independent liaison with British services insofar as exchange of CE information relating to that area was concerned.

Definitive arrangements having been concluded, a Counterintelligence Division within the SI Branch of OSS was established by General Order No. 13 of 1 March 1943. Arrangements were made to send four officers and four secretaries to London for the sole purpose of preparing the British channels to the United States. This group arrived in London by the end of March. The American offices of the Division were established in the OSS headquarters in New York City, which adjoined the offices of the British Security Coordination. CE material from overseas and from Washington was received through the British in New York and was indexed and carded by the CI Division there. The New York office served as headquarters for the new Division for some six months.

As the CI Division of SI expanded, realization of the full possibilities of counterespionage, together with

certain problems of relationships both within OSS and with various British agencies, made it evident that the ultimate development of the CE function would not be possible if its divisional status was maintained. In the first place, counterespionage, as explained above, serves a greater purpose than the protection of secret intelligence activity. Secondly, the British SIS and their domestic and foreign security services were totally separate and distinct organizations between which rivalry existed. Also, COI/OSS policy had been from the beginning to maintain complete independence in the secret intelligence field, whereas close cooperation and collaboration with British CE were essential to the CI Division. As has been noted, it is doubtful that the activity could have been more than nominal during the war years had not the cooperation of the British been offered and advantage taken of the unique opportunity thus presented.

An additional factor which complicated the position of the new Division as a part of SI was that the approach to Controlled Enemy Agents (CEA) necessarily had to be functional, in effect, as opposed to the geographic setup of the SI desks; that its Registry (which formed its major activity in the United States) had to be completely separate; and that CE security problems were distinct from those of a secret intelligence service.

In view of these factors, it was proposed that the Division be given independent status as one of the intelligence branches. In this proposal SI concurred on 15 June 1943. Therefore, General Order No. 13 was rescinded and a new order issued to create the Counterespionage Branch (X-2) of the Intelligence Service of OSS.

X-2 was therefore free to develop the possibilities of CE in the protection of the security of American intelligence activities abroad, as well as the protection of national interest in foreign areas. In addition, the Branch was in a position to take advantage of long British experience and knowledge of the techniques of manipulating enemy agents and therefore to enter the intricate field of CE operations.

The London office of X-2 soon became, and remained for the duration of hostilities, the base for the control of CE operations in Europe. The broad liaison established in London, consequent upon the

elevation of X-2 to branch status, diminished the significance of the relations with the British in New York. Further, the arrangements for carding and processing of incoming material in New York, useful while the American carders were in the tutorial stages and needed the help of their British colleagues, became awkward when that stage had passed. Much of the material arrived initially in Washington, had to be transmitted to New York, for a short time, and then returned to the permanent and central X-2 Registry in Washington. In addition, CE material had to be screened from the mass of information flowing into other OSS branches in Washington, and such material could not be conveniently sent to New York for carding. Therefore, in September 1943, the research work in New York was discontinued and the files transferred to Washington. The move facilitated the work of X-2, tightened the unity with which the Branch operated, and placed the control of the Branch closer to the central authority of OSS.

By September 1943, X-2 was therefore in a position to address itself to the job of developing a major security organization in the remaining period of the war.

Organization

In January 1944, by the end of the formative period, it was possible for X-2 to lay out a firm plan of branch organization. An assistant Chief, who served as head of the office in absence of the Chief, dealt with current policy problems. The Administrative and the Liaison Officers, together with a Deputy Chief, reported directly to him.

The Administrative Officer was responsible for all budget and finance matters, the procurement of office personnel, arrangements for home and overseas travel, and other administrative functions.

The Liaison Officer established and maintained channels for the exchange of intelligence with other branches of OSS, with ONI, G-2, FBI, State Department, Office of Economic Warfare (OEI), X-B, and other American and Allied agencies.

The Deputy Chief had charge of the procurement of military and civilian personnel for overseas duty; for the headquarters services to overseas operations

and research; for the training, indoctrination and briefing of all personnel; and for the organization of field offices and field communication procedures. He had under him a field procurement and training officer.

The Deputy Chief was assisted by an Executive Officer whose main concern was the four offices, which handled Security, Planning, Personnel, and Training.

Headquarters intelligence activities were organized under an Operations Officer and a Director of Research who reported to the Deputy Chief.

The Operations Officer was responsible for all overseas operations; for all routine functions in connection with procurement for overseas personnel; for cover, communications, and other like arrangements.

The Director of Research supervised the work of the “geographical” desks—divided on the basis of theaters of war—where reports were processed and marked for carding and for distribution. He also supervised the Traffic Index and Registry Section, which maintained the card index system of enemy agents, organizations and their relationships, maintained files of documents and cables, and received, recorded, and dispatched all X-2 documents. Under him were four desks for special studies: The Enemy Intelligence Organization Section—which produced overall studies for use in operational planning and for the information of field personnel—the Watch List Unit, the Insurance Intelligence Section, and a CE/Smuggling Section. The X-2 Art Unit was added to these special sections a year later.

The first drastic change in the early arrangements for handling the intelligence (Registry-Desk) activities in the Washington headquarters came in April 1944, when the Divisions of Operations and Research were abolished. Their functions, hitherto separated, were combined under geographic area offices, supervised by Theater Officers. The Carding Section was discontinued as a unit, and its files were divided among the geographic area offices. Thereafter, the carding was done under the immediate direction of the area intelligence officers. The alphabetical control card file, which showed the location of all

personality cards, was located in the X-2 Registry. The Office of Special Studies continued as an independent unit on the same level as the Theater Offices and reported directly to the Deputy Chief. The former Director of Research was made Coordinator of Analysis to assist him.

A further change was made in November 1944 with the creation of the Office of Executive Assistant to the Chief of the Branch. This officer was given authority to act in the name of the Chief over the entire Washington X-2 organization. At the same time, a Chief Intelligence Officer was appointed to supervise the work of all intelligence personnel, this eliminating the Office of the Deputy Chief.

The Office of Special Studies was abolished, as was that of the Coordinator of Analysis. These functions were placed under the Chief Intelligence Officer, as were those of the Theater Officers. A vetting Officer was placed on this staff, and the X-2 Registry was taken from the administration office and put under his direct control. This adjustment placed all research activities—intelligence reporting, the making of intelligence records processing, and the like—under the direction of the Chief Intelligence Officer. One of the purposes of the change was to bring headquarters handling of intelligence into line with that of the London War Room, which had been set up to assist SCI units with armies and army groups in the field after D-day.

The reorganization symbolized the fact that the field offices, controlled and directed in the beginning by the area desks, were largely self-sufficient. The executive function was on the receiving end, either of requests for services, which could be handled by administration or for information, which could be produced by a staff intelligence officer.

Registry

One of the main coordinating CE instruments is the body of records—of foreign, enemy or potential enemy personnel, organizations, relationships, activities, known plans—kept by the registry section. In a certain sense, the organization exists to produce its files of current, tested, and readily available information and to apply them to the protection of national interests. It is, therefore, at once an end and

means of all CE activities, being the focal point at which all lines of such activities meet. It thus provides the basis for the coordination, which is essential. The files provide leads for the field, which in turn produces material for the growing accumulation of data in the files. The CE registry may supply data useful in illuminating decisions on the application of national policy in certain areas or for the light it can throw on the problems met by CE workers in the field. No positive intelligence collecting agency can operate safely for long without the protection CE files can afford to its agents.

CE cases may take years to mature. Items in the files that have every appearance of being dead can suddenly become of primary importance. Thus it is known that enemy organization will normally plant as many "sleeper" agents as they can to be alerted and used at a later date. It is well in all cases to go on the old CE axiom: "Once an agent, always an agent—for someone." Such individuals may not be important in themselves, but they will in due time be visited by and call attention to more significant figures.

The assembling of CE records is usually a long and expensive business. The European intelligence services—because of the geographical, industrial, military, and political situation of their states vis-à-vis their neighbor states—have been forced to recognize the significance of security information. They never go out of business, and they regard the money laid out for keeping up their files as money well spent. CE operations cannot be mounted quickly and still be made to yield useful returns.

Liaison with other government agencies and the intelligence services of friendly governments and, on occasion those of unfriendly ones, provides a valuable source of CE information. This is particularly true in time of crisis or of war when mutual interest can be served by exchange of information, thus the X-2 liaison in Washington with FBI, G-2, ONI, State Department, Office of Censorship, Treasury Department, Foreign Economic Administration (FEA) and Office of War Information (OWI), was carefully maintained throughout the war. The reports passed on by other branches of OSS also added valuable material to the files. The richest sources, however,

were those opened to the Branch by the British, and, in varying degrees, by other Allied services.

Like control of the enemy's pouches messages, the interception, when possible, of his telephoned, telegraphed, or wireless messages provided positive and security intelligence of the highest value. A CE organization inevitably secures—especially in wartime from captured agents—information very useful to the cryptographic department of its government; in turn, such relevant information as those departments pass on is used to protect the security of national interests. Interchange of mutual services apart, there is normally in all major intelligence systems a close tie, based on security considerations, between the overseas CE organization and the departments that work on codes.

The improvement of the mechanics of the Registry, and of the related processing of reports by intelligence desks, was a matter of constant concern to X-2. The efficiency of the CE Registry is an index of the efficiency of the organization that exists to produce and apply it; any maladjustments in the organization of the headquarters office is felt there seriously; maladjustment in the Registry, in turn, reacts on the work of the liaison section and on the operations of the agent network. The basic principle that the CE registry must be separate from other intelligence registries and be served by people trained in CE methods and procedures was recognized at an early date; when an independent section of the OSS Registry within X-2, manned by Branch personnel, was established. It took some time, however, to get the Registry and desk arrangements running smoothly. Such arrangements aimed at a full and free flow of information from and to the field, a speedy, accurate recording system, and an organization of the records which would at once reflect the worldwide unity of the agency and make all items easily available. In the beginning, the Registry-desk problems arose chiefly from a lack of experience and of trained personnel.

The Branch Chief was able to announce in September 1945 that X-2 had received a total of more than 80,000 documents and reports and 10,000 cables, yielding a card file of some 400,000 entries. Lists, reports, and studies based on this material had been

distributed to US departments and agencies, to Allied organizations, and to X-2 offices in the field. In the period 1 April 1944 to 1 April 1945, for example, X-2/Washington distributed 2,780 classified reports, ranging from overall studies to reports of more usual length, to government departments and agencies.

Personnel Procurement and Training

The Personnel Procurement and Training and the Administrative Sections were faced with multiple difficulties, which inevitably grew out of the rapid expansion of the Branch in the first six months. The task of carrying through the necessarily slow processes of contacting, checking, assessing, indoctrinating, training, and briefing more than 200 CE workers and subsequently dispatching a large percentage of them to the field was particularly formidable in view of the Branch's rigid security standards. The strictness of the procedural and security arrangements of a CE machine, the tightness of allotments of Army and Navy personnel during those months, the shortage of transportation, and other elements in the wartime situation restricted freedom of choice and movement.

With settlement of policy and practice with respect to recruiting and training and the acquisition of a larger number of more experienced officers in the Washington field office to help with the program, the



Percy E. (Sam) Foxworth, Special Agent in charge, FBI, New York City.

training of the 400 recruits, later added to X-2, became more manageable. A formal indoctrination course, which followed attendance at the assessment school, was set up in June 1944 for overseas personnel. It was given in part in the headquarters offices and in part at a staging area in New York City while personnel awaited transportation to the field. A month later a program was established for the training of headquarters officers and secretarial workers.

Inter-Branch Relations

All matters of inter-Branch policy were determined in Washington. Questions arising on matters within the jurisdiction of the London office were decided in Washington on information from London. As the field operational control office, London was vested with the authority to make decisions necessary for field operations in Europe, North Africa, the Balkans, and the Middle East.

Problems of adjustment were inevitably numerous in the first few months—especially those that involved interpretation of the basic principles of X-2 to other branches of Special Operations (SO) and to other agencies.

The peculiarities of a CE organization were for a time not fully understood within OSS and the necessity for special X-2 arrangements was not at first acknowledged. The need for separateness of its Registry was one such matter. Unique CE security regulations, especially with respect to cable communications, was another.¹ Also, Special Training (ST) had originally based its curricula on the special needs of SI and SO, and changes, which were necessary for the adequate training of X-2 personnel, could only be brought about slowly. Misapprehensions as to the close relations between X-2 and the British services were not infrequent. For the last months of 1943, then, the establishment of Branch policy in these respects was one of the main preoccupations of the Branch Chief and his assistants.

The definition and adjustment of such policy decisions in terms of the organization and work of the Branch were constant. Frequent adjustments within the frame of established policies were called for by management difficulties that arose from forces beyond the control of the Branch—the regulations of other

services and the like—and by those that came from the necessarily exploratory and tentative character of the organizational pattern during a period of very rapid expansion.

Liaison With Other Agencies

One of the chief activities of X-2/Washington was the transmission of CE information to other user agencies and for that reason the Liaison Section was one of its busiest units. In addition to responsibility for arrangements within the Branch to expedite liaison with Allied services, the Section maintained continuous liaison with State Department, G-2, ONI and FBI, as well as with Air Intelligence (A-2), the Office of Censorship, FEA, OWI, Treasury (including the Bureau of Narcotics, Secret Service, War Refugee Board, Foreign Funds Control, Bureau of Customs, Bureau of Internal Revenue), and such other governmental departments and bureaus as were interested in CE information. It also maintained the American contact with British counterintelligence and British Imperial Censorship.

In the year before the German collapse, more than 3,000 reports were disseminated to Washington agencies. Of these, 682 went to the Office of Censorship, 410 to FBI, 977 to G-2, 480 to State, and 125 to ONI. In addition to such disseminations, X-2 made available to FBI a list of approximately 5,000 documents of an intelligence nature from its records. The liaison with FBI was concerned largely with the exchange of information on the overseas background of persons of interest to the Bureau; with intelligence regarding enemy agents who might operate in the United States; and with the coordination of policies and arrangements for the handling of certain double agents prior to their departure from Europe for the United States.

Special Units

A Watch List Unit was set up in July 1943 to collect for dissemination to the US Office of Censorship, British Imperial Censorship, and French Censorship all CE information derived by X-2 from the communications of known or suspected agents. The Unit listed all names of such agents and their cover addresses, letter boxes, or mail drops so that enemy communications could be intercepted and surveyed. It was possible for the Unit to pass on to the censorship

offices with which it cooperated studies not only on persons and organizations but also on methods of secret communication. In turn, it received like information from those offices.

An Insurance Unit was established when X-2 headquarters were in New York, and its work was directed from there throughout the existence of the Branch. Its function was the detection of enemy intelligence activities operated through insurance cover. As its work progressed, it evolved into an X-2-SI unit, with its most profitable investigations those of a secret intelligence nature. Never a large unit—it was staffed by six officers who were insurance experts—it did impressive work. For example, its London office secured, after other American intelligence investigations had failed, information valuable to the military, naval, and especially air commands with regard to the Far East, as well as Europe. The procurement of such information illustrated once more the intelligence principle that the richest intelligence on an area frequently can be gathered at a point outside that area.

A CE Smuggling Unit, planned toward the end of 1943, was designed to coordinate information on smuggling from all available sources because of the frequent tieup between that activity and espionage. It was hoped that such a unit, surveying, for instance, the smuggling traffic between Iberia and South America, could produce for OSS, FBI, and other American intelligence agencies studies on the relations between various Fascist intelligence systems, their communications, etc. Actually, this promising plan came to nothing because of a shortage of officers. As a result, the geographical desks had to deal piecemeal with such problems as they arose.

An X-2 Art Looting Investigation Unit was established in the second half of 1944, when it became apparent that the Germans intended to carry on with plans for subversive action after the cessation of hostilities and were making arrangements for a supply of funds during the post-hostilities period. It was known that various sorts of treasure, in the form of items of small bulk but great value (jewels, paintings, objects d'art), which could be converted into money, had been stolen or otherwise acquired and were being stored at various places in Europe. The Allies appoint-

ted the Roberts Commission and the McMillan Commission to advise the US War Department and the British War Office, respectively, on questions involving the return of such objects to their rightful owners. X-2 was primarily interested in the people who would attempt to dispose of works of art of this kind, as a source of information on current and future activities and plans of the enemy. The staff of the Art Looting Investigation Unit, which was related to the commissions mentioned above, worked under the direction of the London office.

OSS Field Security

The rapid growth of CE files, resulting from Washington and London liaison and from field operations, made it possible by early summer of 1944 for X-2 to be increasingly useful to OSS field security at a time when SI and other OSS operations ramified on the European Continent. Pursuant to a directive from Donovan, X-2 took over the CE investigation of a large number of new categories of OSS personnel: In July 1944, 677 names were vetted;² in August, 1,167. Field stations of American agencies, other than OSS, had recourse to X-2 files for the vetting of employees, especially in enemy territory under American control, as did foreign offices of the State Department in connection with visa applications and arrangements for the entry of members of foreign missions to the United States. Such work was performed under the supervision of an X-2 Vetting Officer.

By 1944, also, careful studies of prisoner-of-war lists were undertaken through liaison with the Captured Personnel and Materials (CPM) Branch of MIS, with increasingly interesting results. Subsequently, an arrangement was made whereby an interrogation officer from CPM was assigned to X-2 for CE liaison. He was briefed by X-2 from its files so that CPM could use the material without endangering the security of sources. Relations with the office of the Provost Marshal General were maintained to locate prisoners of war in order that identifications of certain prisoners as known or suspect agents could be supplied.

Field Operations

The principal function of CE was to penetrate the enemy's or potential enemy's closely guarded

undercover intelligence services in order to discover his intelligence objectives. Knowing the enemy's aims, it was the further function of CE to neutralize his intelligence efforts or control and direct them to its own purposes.

One of the principal methods by which this was accomplished was the manipulation of double agents, that is to say, captured agents who would be persuaded to continue their activities for the enemy, ostensibly in good faith but actually at the direction of X-2. Various forms of pressure were brought to bear upon such agents, depending upon the particular situation. Generally, however, the motivations of self-interest and self-preservation were sufficient. A second standardized form of double-agent operation would be the case of an agent recruited by X-2 and infiltrated into enemy territory to induce the enemy to employ him as an agent and return him to Allied territory.

In both of the above basic types of double-agent operations, there were varying benefits from the stand point of intelligence. The controlled agent could call for supplies or money. His reports to the enemy could attract replies, which revealed not only actual or projected enemy intelligence activities, but enemy intentions of greater magnitude. Further, such a controlled agent could serve as a magnet to draw other enemy agents into the CE-controlled network.

Such operations naturally required the utmost delicacy in handling. The two basic types of operations mentioned above were subject to an infinity of variations and adaptations, depending upon the particular circumstances. On occasion, operations involving controlled agents became extremely complicated. The enemy, of course, engaged in the same types of activity. Thus, an enemy agent might be infiltrated into Allied territory to seek employment as an agent. His objective would be to return to enemy territory, ostensibly working for an Allied service, but actually operating for the enemy. Such an agent might be tripled, if his real purpose were discovered when he sought employment with Allies.

Another variation would be a captured agent who might agree to be doubled, that is, to continue ostensibly operating his radio or other channel of

communication for the enemy while under Allied control. If the enemy realized that such an agent had been "turned," he might try to feed the Allies deceptive material in the form of questionnaires. However, if it were realized that the enemy was aware of Allied control, the agent might be quadrupled in an intricate operation of deception and counter-deception. On occasion, the operation might become too complicated, whereupon it would be dropped.

One of the principal uses of double agents was to feed the enemy such seemingly good information from a given area that he would feel no need of sending additional agents to the region. In this fashion, X-2 could gain complete control of the intelligence, which the enemy received from a particular area.

There were infinite variations in methods of manipulating agents. They depended solely upon imagination, ingenuity, and judgment. The value of success in such operations was, of course, great. Control of the enemy's intelligence instruments provided an important channel of deception; examination of the enemy's intelligence questionnaires to agents gave an indication of what he wished to know and thereby provided a basis for deducing his plans and intentions.

A primary principle was not to induce open defections on the part of enemy agents. If the enemy were aware that one of his agents had defected to the Allies, not only was an important channel of deception and a source of information closed, but the enemy would be inclined to send other, and perhaps more successful, agents to the region in question.

The actual operations of X-2 were, of course, carried out in the field. It was the function of the Washington headquarters to receive and preserve in usable form the fruits of field operations. The Washington Registry, however, made many field operations possible. The central Registry, in which was collected all available data concerning enemy intelligence organizations, agents, and subagents, as well as organizational and individual relationships, provided the coordinating instrument, which was vital to success in counterespionage. Those files did not lose their value at the conclusion of the given operation, or of a war.

Individuals or relationships, which have seemed dormant for a long period, may become active again and provide the key to detection of widespread intelligence activities.

The uncoordinated fragments of enemy subversive personality lists, which had existed in June 1943 when the Branch was established, had by 1945 grown to a registry of some 400,000 carded names. These records, together with those of the FBI, provided a foundation for American security intelligence.

By October 1945, when OSS liquidated, X-2/Washington had become the headquarters for a widespread net of overseas stations, with a total of some 650 personnel. London was operational headquarters for North Africa, Western Europe, the Balkans, and the Middle East, with missions in France, Belgium, Italy, Germany, Austria, Switzerland, Sweden, Spain, Portugal, Rumania, Bulgaria, Hungary, Greece, Turkey, Syria, and Egypt. CE work in India, Burma, Ceylon and China had been organized around headquarters in New Delhi, Myitkyina, Kandy, Kunming, and Shanghai, each of which reported directly to Washington.

In addition to the valuable files of CE intelligence kept current by these stations and the reports resulting from liaison, X-2 had developed two other major elements of an effective CE organization: A pool of trained and experienced personnel and a net of relationships, principally in the form of basic agreements and operating contracts, with Allied counterespionage services at home and abroad.

Virtually all of the X-2 staff had received extensive CE operational training and experience in cooperation with Allied specialists in such work, both in the United States and overseas. The high success of a number of exclusively conducted X-2 operations in the field indicates the degree to which the staff of the Branch benefited from this experience.

In the two years and four months of its existence, X-2 worked out firm agreements with the FBI, G-2, and the State Department. In London, the basic operating agreement that was negotiated in 1943 with MI6(V) was supplemented by a scarcely less important agreement with MI5 in early 1944. X-2 thus

gained full access to the experience and extensive files of both the external and internal British CE services. Similar working agreements were concluded with the French services. Liaison contacts were established with the competent services in liberated countries, notably Belgium, Holland, Denmark and Norway. Basic agreements with the military, for example, SHAEF, AFHQ, Com Z, and 6th and 12th Army Groups, implemented by SCI units had prepared the way for X-2 to service the occupation authorities after the collapse of Germany. Similar agreements in the Far East had opened up an additional field of operations.

Starting at a late date, X-2 developed a CE organization for wartime service, which could take its place among the major security services of the world. No small part of the credit for making this achievement possible was due to the records and experience made available by the British. In the course of exploiting that opportunity for wartime purposes, the United States assembled the elements of an effective CE service.

(b) X-2/London

A Counterintelligence Division of SI, organized March 1943, became the Counter-Espionage (X-2) Branch of OSS by June of that year. Despite the late start, by 1945 the United States had acquired an experienced group of professionals in the complicated techniques required for the protection of US services abroad. The advance was made possible by the extensive cooperation of British MI6 (Section V) and MI5.³

The British Services

From the beginning of the war, the British had urged creation of such a service either in OSS or jointly between OSS and the FBI. After it had been formed, the British carried out a thorough policy of offering the new section complete access to files in London, sources, secret methods, procedures, and knowledge of the personnel, organization, and operations of what was probably the world's most experienced and efficient, and therefore most carefully safeguarded, security system.

Characteristic of the apprentice training offered OSS by the British was that given to some X-2

members in the double-agent section of MI5(B). These officers were assigned desks in the offices of that section and had free access to the files of double-agent cases, to the traffic of current ones, and to the officers who had directed or were directing such cases. Normally, in the course of their study, they met both double and controlled enemy agents whom the British were operating, helped to gather the "chicken feed," which was to be transmitted to the Germans, and learned the relationship between the section to which they were attached and the other intelligence organizations which shared the exploitation of double-agent networks. One American officer was given a desk in the room of the director of the double-agent section and was made party to all conversations and conferences on problems arising in connection with management of current British cases, some of which were of a long-range character and therefore involved the highest security. When the secret methods of the British agencies were fully understood, the importance of the security risk they took was appreciated as overwhelming.

It was on this basis that X-2/London opened offices adjoining those of the British and began in March 1943 to learn the job. It became obvious early that London would have to be the center of X-2 operations in Europe, North Africa, and the Middle East due to the presence in London of other Allied counterespionage services and the sources of intercepted material, which were available only there. It was clearly impossible to transmit in a short time the vast stores of CE material in the British Registries, made available to X-2 through its liaison with MI6(V). Until the Washington CE files had grown from liaison sources, and from X-2's own subsequent field operations, to something like the quantity of those in London, action on cases of American interest would have to be handled by the group stationed in England.

This decision was not intended to, and did not, stop the flow to the United States of CE material of all classifications. The accumulation of CE files in the OSS Registry by the end of the war attested to the steady and voluminous flow of CE reports and studies from the London desks to those in Washington. It did mean, however, that, on the whole such material would be of use there chiefly for information purposes and for organization into a basic American registry of CE

intelligence relating to areas outside the Western Hemisphere.

Other Liaisons

The prime necessity of maintaining a direct and close coordination, not only with the British but with other Allied CE agencies was another important consideration in centering American overseas CE headquarters in London—at least until the last stages of the war. The headquarters, files, and staffs of the Free French, Norwegian, Dutch, Belgian, Polish, Czech, Greek, and Yugoslav Governments were located in London, as were those of the French Service de Securite Militaire. The eagerness of the chiefs and officers of these services to cooperate with the Americans provided an opportunity that no American CE group could disregard.

Liaison with the French was closer than that with other agencies, although it never reached the level of that with the British. British counterespionage agencies were unwilling to admit the French services and reserved joint operation to X-2 only.

Source material came not only from Allied counterespionage services but also through liaison with SHAEF Evaluation and Dissemination Section, Combined Services Detailed Interrogation Center (U.K.), London Military Documents Center (the earlier Military Intelligence Records Section), War Department, War Office, War Crimes Commission, Special Operations Executive (SOE), Admiralty, FBI, ONI and US Army Central Registry of War Criminals and Security Suspects.

Training

CE schooling of the more formal kind supplemented the apprentice training. From the earliest days, English and French officers from London headquarters or from the field shared their experiences with X-2 personnel in frequent formal training talks. The subjects of these talks ranged from notes on communications, office procedures, and the like to analyses of the overall CE situations in certain areas. One series illustrated the interrogation methods of the Germans (by men who had been interrogated by them) and of the English (by men who had conducted the interrogations of enemy agents). Such English establishments as central registries, interrogation

centers, and training schools were open to X-2 officers for observation visits. Another principal element in the X-2/London training was the schooling that grew out of the day-to-day association with colleagues in the British and other Allied CE services.

Desks

X-2 was first organized on a regional basis to match British opposite numbers: (1) The Western European section was established with three main desks, French (including Belgian and Dutch), German, and Swiss; (2) the Iberian section included Spanish, Portuguese, Italian and—through 1943—North African desks; (3) The Scandinavian; and (4) the Middle Eastern sections (established during the first quarter of 1944) handled the affairs of their areas under an arrangement of one desk each. American CE interests in Eire were covered by an officer who made visits to Dublin at regular intervals and kept close liaison with the section of MI5 that dealt with British security problems in southern Ireland.

In May 1944, Reports section was added to these and placed under an officer whose responsibility was the supervision of all X-2/London reporting procedures.⁴

The work of these desks comprised the bulk of X-2 activity: carding, collating, and interpreting all reported items of CE information in terms of the centralized intelligence available in land through the London registries; preparing notes for the field based on these studies, embodying information, suggestion, and direction; answering specific inquiries of field officers; preparing, for Washington and the field, handbooks, and other overall studies of the CE situation, enemy organizations, and enemy methods; disseminating relevant intelligence items to other Allied agencies; and conducting liaison with other OSS, American, British, and Allied offices.

X-2 also personally checked SI agents against the British files, as well as employees of other US agencies. Such vetting had disturbed SI/X-2 relations for some time, because SI feared that the tracings would reveal its agents to the British services. Growing recognition by the other branches of OSS that such revelations could be avoided and that the benefits received from that service were valuable

enabled X-2 to carry out more fully the directives of the Joint Chiefs of Staff and of the Director, OSS, to safeguard the undercover operations of the other branches in the field. Further evidence of profitable cooperation between SI and X-2 was the preparation by the X-2/French Desk, in July 1944, of CE briefs used for SI agents who were dispatched into five areas in France during that month. As the armies advanced, X-2 also conducted interrogations of SI agents who had been overrun by the armies and had been returned to England.

Preparing Special Counterintelligence Teams (SCI)

In preparation for the invasion of Europe, the X-2 intelligence sections for the areas to be occupied had two main tasks: the gathering of as great a store of basic counterespionage files as possible from the registries of the British and other Allies; the preparation of a machine consisting of Special Counterintelligence teams⁵ for work with invading armies, and a headquarters War Room to support their operations.

These tasks were clearly parts of the one main purpose: the liquidation of the enemy intelligence and subversion services. The earlier operations, from neutral countries and newly gained footholds in Africa and on the Continent, aimed at drawing a tight intelligence ring about the periphery of enemy-occupied and dominated Europe; those that accompanied the attack of the armies applied in the field the stores of intelligence so far gathered toward the neutralization and control of enemy services.

There was in London a startlingly large and accurate mass of data on individual enemy agents and their organizational relationships, on channels of communication and the like; it was possible not only to list and map enemy offices and operational stations, communications chains and training schools, but also to pinpoint the location of individuals and of related groups of the German satellite undercover agencies. This information had been gathered from the activities of Allied CE stations in neutral countries, the surveillance of known enemy chains, the operations of double agents and controlled enemy agents, the interrogation of defected or captured enemy agents, censorship sources and various other means. The SCI

teams carried this information to the field with them—information, which they, and the CIC teams of the armies, exploited with results that expanded at times in almost geometrical progression: the swift capture and interrogation of one pinpointed agent led to the identification and location of one, two, or three others, who each might yield like identifications in his turn.

Members of the SCI teams to accompany American armies in the field were trained and briefed in the X-2/London office, and, for a group of selected officers, in the double-agent section of MI5 (B). The training consisted of formal lectures on enemy organizations and their relationship; the study of CE files of invasion areas; classes in codes and communications procedures; work with desk personnel in the preparation of SHAEF cards, target lists, and the like; land discussion and study group meetings with experienced British and American officers.

To supply a stream of information to SCI and CIC teams in the field, a series of cards was prepared by MI6 (V) and X-2. These were file cards, edited in a standard style, on which were summarized in a complete but compact form all information available from all sources on a single enemy or suspect personality. Cross references to organization and personal relationships were contained in the data given or were specially noted. A maximum use of symbols and abbreviations made it possible to pack the cards with information, so that reference to related cards could provide the basis for a quick but fairly thorough interrogation. Additions were to be made to these cards as new information came in; when need arose, amended new cards were to be printed and distributed. The cards were produced in several colors: data on persons connected or believed to be connected with the Abwehr or the Sicherheitsdienst (the main target of Allied CE agencies) were printed in pink cards; those on political quislings and collaborationists, on buff; those on friendly persons, on white. The Evaluation and Dissemination Section (EDS), which was set up by SHAEF to collect and collate information on the Nazi Party, police, paramilitary organizations, etc., received the pro forma of the pink cards assembled by X-2 and MI6(V), and printed and distributed them to the CI staffs.

War Room

In late April 1944, the training of the SCI units and Western European Desk's arrangements to serve them, were tested in a three-day field exercise carried out, together with SI and SO units, at Horsham under simulated battle conditions. An analysis of the weakness of the liaison and communications methods, brought out under this test, indicated the need of more standard procedures, which were accordingly prepared and published in May. The document fixed the terms under which a joint British and American headquarters' Western European Desk, to be known as the SCI War Room, was to operate, and defined the relationships between SI, SO, and X-2 with respect to the handling of agents, the interchange of information, and the interrogation of certain categories of persons. The plan established two separate organizations in Chief of Staff to the Supreme Allied Commander (COSSAC). One of these was the Evaluation and Dissemination Section (EDS) to compile, analyze, edit, and distribute (a) the semi-overt type of counterintelligence (on collaborationists, police, political papers, etc.), and (b) such secret intelligence as MI6/X-2 furnished it for production and distribution in the form of handbooks and pink SHAEF cards. The other was the so-called SCI War Room, an unofficial arrangement completely under the control of MI6/X-2 for the purpose of servicing SCI unites in the field and EDS in London.

The SCI War Room contained master maps pinpointing all known German agents and espionage centers, including "national" subagents of Allied-controlled German agents. It was a headquarters desk, geared to serve as the operational and intelligence base for the units with the armies. In the period before the liberation of Paris, it handled all requests, even for supplies, from the field.

Besides the normal desk work of receiving, processing, carding, and distributing the mass of information from all sources and preparing target lists and studies for the unites, it answered queries for checks on arrested or suspect agents, assisted with fuller information for field interrogations, and arranged with field units for shipment to the UK interrogation centers of enemy agents of importance or special promise as double agents. By September 1944, X-2 began to receive and distribute through the

War Room copies of the valuable "020 Reports"⁶ (on the interrogation of enemy agents at Camp 020, the chief British interrogation center for agents apprehended in the United Kingdom or brought there from other countries). Until a special Vetting Desk was set up at the end of 1944, the War Room had also the task of carrying through security tracings on an increasingly large number of SI agents recruited in the files as military operations progressed.

Reorganization

In early March 1945, a reorganization of the War Room and desk system was accomplished, which (a) made of the War Room a broader and less secure agency, and (b) gave to the desks the job of handling double agents. The desks were now organized, not according to countries within the SHAEF area of responsibility, but according to branches of the German intelligence services.

The SHAEF G-2 Joint Counterintelligence War Room was to work directly for the SHAEF Counterintelligence Branch (CIB) staffs during the last phase of military operations and through the liquidation period that would follow the collapse of Germany. It was based on the large and efficiently staffed MI5 registry, together with that of MI6, and a number of posts in it were assigned to MI5 officers, secretaries, and clerical help. The French services were also admitted to participation.⁷ The Director and Deputy Director were attached to SHAEF and were not responsible to their respective Services. The War Room had neither concern with the running of agents, although it did receive relevant information produced from such operations nor was it responsible for German activities outside the SHAEF area except for Austria, which, by special agreement, was to be the concern of the War Room during the occupational phase.

The new War Room was looked upon by the CIB staffs as part of their own machine, and they had recourse to it constantly for information on the German intelligence services and guidance in the conduct of their operations. This relationship made for a diffusion of information on enemy intelligence personnel and organizations to lower field units, which had hitherto known little or nothing about them. The War Room assisted in training and briefing interro-

gators assigned to American Interrogation Centers, a number of whom came to London for study and conference. It also sent to the field overall studies on enemy sabotage activities and methods, although none was prepared on such general topics as types of agents employed, missions, cover stories, etc.⁸

At the same time, it was decided that the London headquarters' handling of double-agents cases should be done, not by the War Room, but by the appropriate desks of X-2 and MI6(V), with the understanding that information derived from double-agent sources necessary for the operations of the CI staffs would be transmitted to the latter in a secure form by the War Room staff.

Desks were also relieved of the manual work of producing or amending SHAEF cards, by an arrangement that had all checking and processing, as well as the making of new entries on cards, done by a staff of expert women at the Registry. The translation, evaluation, and distribution of all in-coming captured documents were managed by a single section under the direction of an experienced officer, who supervised the production of English precis of relevant documents and of accession lists of all documents for officers of the interested desks. That officer also supervised Registry action on his material. Such work as overall studies, including the London weekly survey of the CE situation for SHAEF, was taken care of by a small section of expert editors.

The most striking of the new features, however, was that the desks were assigned, not to the study of the GIS in certain areas, but to that of highly particular sections of the Abwehr or the Sicherheitsdienst themselves. Thus the several desk officers could become final experts on assigned sections and subsections of the German Intelligence Service (GIS). Given that concentration of specialty, an officer could have at his command all the information available on his subject and could, therefore handle more business more effectively in a day than he could if his interests were more dispersed and the necessity of refresher reading on various kinds of scattered cases necessary. Such functional arrangement of targets was an ideal one for a CE agency since the targets were not areas, but enemy undercover agents and operations themselves. Normally the area desk was the only

workable solution to the problem of world coverage; the final integration of data had to take place in general study sections working with registry files. In 1945, however, the enemy undercover agencies were concentrated in a small enough area to permit desk specialization.

An X-2 London Desk

A typical desk history, through the various reorganizations, was that of the German Desk, which began its work in January 1944. As was true of all the London desks, its first activities centered chiefly on the job of building up its basic file of records from the large accumulations of the counterpart British desk. It focused on the enemy undercover organizations in Germany, which for the purposes of the Desk, included Austria.

In August, of 1944, the Polish, Czechoslovak, and Swiss desks were incorporated into a German Desk, in preparation for a German War Room to service SCI teams and the field stations, before and after the German surrender. Actually, no such War Room came into full operation for the season that the joint Z-2/MI5/MI6 SHAEF, G-2 Counterintelligence War Room came into being in time to deal with the mass of work on the arrests, interrogations, and the like, that came with the decline and collapse of the German military strength. The new arrangement left to the Desk the management of all special cases and the processing and distribution to Washington of the reports transmitted to it by the War Room on German cases. Lists of suspect persons, organization studies of the GIS, and area target lists and similar material made in preparation for the support of the field teams in Germany were, despite the change, distributed to the field.

Targets list, worked out from sources ranging from Top Secret material to German telephone books, were found to be highly useful to Theater-Forces (T-Forces) and CIC teams, which went into towns and cities with the first army units. Such raids yielded in turn, from captured documents and the speedy interrogations of captured GIS personnel, fuller and more recent information of target ahead. A staff of the German section in the Paris office worked on this project exclusively. Its lists, produced and distributed at top speed, were, when time allowed, supplemented and

corrected by cabled and pouched notes drawn from the London files of the German Desk and of the War Room. Headquarters could, by this time, draw on fully checked and detailed interrogation reports of captured or defected German officers and agents of high grade. Toward the end of the fighting and after, only the more highly placed and more knowledgeable members of the GIS could be given thorough interrogation. They would yield more information of the significant personnel in the echelons below and above them, with the least expenditure of time and energy.

The German Desk collaborated with the War Room, not only in making target lists, but in the preparation of studies and reports on the methods and techniques of German intelligence services, recent changes in the relationships among branches of the various German services, their plans for long-range resistance, sabotage and intelligence operations, and related activities.

During the period of settlement after VE-Day, the Desk served the X-2 staffs at Wiesbaden, Frankfurt, Munich, Salzburg, Berlin, Stuttgart, and Bremen. All special cases handled by these stations were directed by the London German Desk.

The SHAEF War Room aimed at rapid self-liquidation as possible. By the end of the summer of 1945, the German intelligence services had disappeared as organizations. By that time, too, the Counterintelligence Branch (CIB) staffs were in a position, with the information provided by the War Room, to take over much of the work hitherto done by that unit. In September 1945, it was terminated, and X-2 London remained the controlling center for US counterespionage operations in Europe.

The War Room had been an arrangement for the servicing of the mobile CE units that mediated between the London registries and the CIB staffs with armies and at army groups. However, much CE data one X-2 filed unit might carry with it, it was unlike SI or SO field units in its continued dependence on the central registries. Swift recourse to the full information in the central files was a prime requisite for counterintelligence and counterespionage operations. Control had to rest at the center in which the registries were located.

The only serious division of authority occurred in September 1944, when a Paris office was established to coordinate, under London direction, US counterespionage in France. Despite the difficulties inherent in this division, the office and the SCI teams offered an excellent opportunity for many of the X-2/London personnel to test independently, in actual field operations, their extensive British training.⁹

Insurance Unit

The Insurance Unit had been established in Washington under COI and continued under Z-2 because of the counterespionage value of its researches.¹⁰ The London unit was initiated in February 1944 to tap British insurance companies for intelligence on firms in enemy territory. Its main product, however, was positive secret intelligence, and its chief liaison within OSS was with the Research and Analysis Branch (R&A). Outside OSS, it worked with FEA and other American and British agencies responsible for assembling economic intelligence and target information for Army, Navy, and Air Force commands from the files of insurance and other commercial sources in the United Kingdom.

Before writing, for example, a fire policy, an insurance company must make decisions based on thorough studies of the locations to be insured: buildings, docks, warehouses, industrial plants, and related installations. No company will consider insuring a building unless it has complete blueprints of the construction plan, details of wiring and hundreds of other facts, which can be evaluated only after a complete study of the physical composition of the area. Obviously, such detailed and current information was of great intelligence value. An exhaustive indexed library of such material—architects' or insurance engineers' plans, detailed inspectors' reports, copies of fire insurance schedules, photographs of establishments, waterfronts and towns, harbor town, street, water supply, police land fire plans, city and telephone directories, and the like—provided current, checked data of a kind that only large chains of expensive agents could have gathered at great risk and with much uncertainty.

At first, the Insurance Unit's chief problem was that of care in approaching the British companies. It was important to know by how many intelligence

research agencies they had already been approached and how thoroughly their sources of information had been canvassed. It took some time and much tact to discover that the FEA mission, which was cooperating with a Far East Foreign Service officer attached to the American Embassy, had by one means exhausted available sources.

The Unit's first liaison was with the Fire Officers Committee, a group of senior officers of insurance firms, which had been providing the RAF with material for target folders on industrial objectives on the Continent. Through this Committee, it was possible to examine files which turned up items of value on the Far East that had never been collected before. The discovery led to an arrangement to index methodically, through one project, all such information on each area of the Far East, in the files of all the companies in London engaged in international business. The manpower problem was solved by the companies providing clerical help, which would work under direction of the Insurance Unit. A system of symbols and of protected channels assured the security of the operation.

From the beginning, the Unit forwarded material to Washington, for the R&A Branch there, and carried out research on industrial and other installations in Far East at R&A request. The work led to direct liaisons with various Far East divisions of the British services and agencies, including Navy Intelligence Division-21 (the collection agency for Inter-Services Topographical Department, ISTD), which had contact with some two thousand British firms with interests abroad and had indexed the materials available in the UK for all prominent firms with Far East interests. The liaison made the files of NID-21 available to the unit and opened the way to profitable direct liaison with various sections of ISTD itself. ISTD, in turn, developed like liaisons with Ministry of Economic Warfare and with A-13(c) 1 of the Air Ministry. The Unit had a channel to the War Office through the geographic section of R&A. Thus, by June 1944, it was sending Far East material reproduced by it to OSS/Washington and to FEA through FEA/London. It was, in like manner, distributing information to ISTD, NID-21, Ministry of Economic Warfare (MEW), A-13(c)1, and to the Ministry of Home Security, (which prepared target folders for the strategic

bombing of Europe and, later, of the Far East, particularly Japan).

An example of the kind of service the Unit was able to give Washington was the reply to a questionnaire calling for detailed information on 94 installations and activities in the Hong Kong area. The Unit returned answers on 64 items. Much of its information came from insurance sources; other important items were obtained through its liaisons. The War Office handed to the Unit complete engineering details of railway lines. The Admiralty provided complete plans and up-to-the-minute intelligence reports on naval installations. ISTD made available all its information on both topographical and economic matters and also introduced the Unit to the British Crown agents, who opened their files to the Unit. NID-21 approached all commercial firms known to have interests in the area for relevant data.

The Unit also maintained coverage of the European Theater. For example, it provided important intelligence for the Eindhoven airborne operation of September 1944. Through its index, the Unit knew that buildings in Eindhoven, which were on the Allied priority list had been insured by London companies since 1926. Complete and accurate plans of the entire area were speedily made available to the Allied military authorities.

Establishment of Central Intelligence Agency

Substantive Authority Necessary in Establishment of a Central Intelligence Service

In order to coordinate and centralize the policies and actions of the Government relating to intelligence:

1. There is established in the Executive Office of the President a central service, to be known as the _____ as head of which shall be a Director appointed by the President. The Director shall discharge and perform his functions and duties under the direction and supervision of the President. Subject to approval of the President, the Director may exercise his powers, authorities and duties through such officials or agencies and in such manner as he may determine.

2. There is established in the _____ an Advisory Board consisting of the Secretary of State, Secretary of the Treasury, the Secretary of War, Attorney General, the Secretary of the Navy, and such other members as the President may subsequently appoint. The Board shall advise and assist the Director with respect to the formulations of basic policies and plan of the _____.

3. Subject to the direction and control of the President, and with any necessary advice and assistance from the other departments and agencies of the Government, the _____ shall perform the following functions and duties:

(a) Coordination of the functions of all intelligence agencies of the Government, and the establishment of such policies and objectives as will assure the integration of national intelligence efforts;

(b) Collection either directly or through existing Government Department and agencies, of pertinent information, including military, economic, political, and scientific, concerning the capabilities, intentions and activities of foreign nations, with particular reference to the effect such matters may have upon the national security, policies, and interests of the United States.

(c) Final evaluation, synthesis and dissemination within the Government of the intelligence required to enable the Government to determine policies with respect to national planning and security in peace and war, and the advancement of broad national policy;

(d) Procurement, training and supervision of its intelligence personnel;

(e) Subversive operations abroad;

(f) Determination of policies for and coordination of facilities essential to the collection of information under subparagraph (b) hereof;

(g) Such other functions and duties relating to intelligence as the President from time to time may direct.

4. The _____ shall have no police or law enforcement functions, either at home or abroad.

5. Subject to paragraph 3 hereof, existing intelligence agencies within the Government shall collect, evaluate, synthesize and disseminate departmental operating intelligence, herein define as intelligence required by such agencies in the actual performance of their functions and duties.

6. The Director shall be authorized to call upon departments and agencies of the Government to furnish appropriate specialist for such as may be required.

7. All Government departments and agencies shall make available to the Director such intelligence material as the Director, with the approval of the President, from time to time may request.

8. The _____ shall operate under an independent budget.

9. In time of war or unlimited national emergency, all programs of the _____ in areas of actual or projected military operations shall be coordinated with military plans and shall be subject to the approval of the Joint Chiefs of Staff. Parts of such programs which are to be executed in a theater of military operations shall be subject to the control of the Theater Commander.

10. Within the limits of such funds as may be made available to _____ the Director may employ necessary personnel and make provision for necessary supplies, facilities and services. The Director shall be assigned, upon the approval of the President, such military and naval personnel as may be required in the performance of the functions and duties of the _____. The Director may provide for the internal organization and management of the _____ in such a manner as he may determine.

Executive Order 9621

Termination of the Office of Strategic Services and Disposition of Its Functions

By virtue of the authority vested in me by the Constitution and Statutes, including Title 1 of the First War Powers Act, 1941, and as President of the United States and Commander in Chief of the Army and the Navy, it is hereby ordered as follows:

1. There are transferred to and consolidated in an Interim Research and Intelligence Service, which is hereby established in the Department of State,

(a) the functions of the Research and Analysis Branch and of the Presentation Branch of the Office of Strategic Services (provided for by the Military Order of June 13, 1942), excluding such functions performed within the countries of Germany and Austria, and;

(b) those other functions of the Office of Strategic Services (hereafter referred to as the Office) which relate to the functions of said Branches transferred by this paragraph. The functions of the Director of Strategic Services and of the United States Joint Chiefs of Staff, relating to the functions transferred to the Service by this paragraph are transferred to the Secretary of State. The personnel property, and records of the said Branches, except such thereof as is located in Germany and Austria, and so much of the other personnel, property and records of the Office and the funds of the Office as the Director of the Bureau of the Budget shall determine to relate primarily to the functions are transferred to the said Service. Military personnel now on duty in connection with the activities transferred by this paragraph may, subject to applicable law and to the extent mutually agreeable to the Secretary of State and to the Secretary of War or the Secretary of the Navy, as the case may be, continue on such duty in the Department of State.

2. The Interim Research and Intelligence Service shall be abolished as of the close of business December 31, 1945, and the Secretary of State shall provide for winding up its affairs. Pending such abolition:

(a) the Secretary of State may transfer from the said Service to such agencies of the Department of State as he shall designate any function of the Service,

(b) the Secretary may curtail the activities carried on by the Service,

(c) the head of the Service, who shall be designated by the Secretary, shall be responsible to the Secretary or to such other officer of the Department of State as the Secretary shall direct, and,

(d) the Service shall, except as otherwise provided in this order, be administered as an organizational entity in the Department of State.

3. All functions of the Office not transferred by paragraph 1 of this order, together with all personnel, records, property, and funds of the Office not so transferred, are transferred to the Department of War; and the Office, including the Office of the Director of Strategic Services, is terminated. The functions of the Director of Strategic Services and of the United States Joint Chiefs of Staff, relating to the functions transferred by this paragraph, are transferred to the Secretary of War. Naval personnel on duty with the Office in connection with the activities transferred by this paragraph may, subject to applicable law and to the extent mutually agreeable to the Secretary of War and the Secretary of the Navy, continue on such duty in the Department of War. The Secretary of War shall, whenever he deems it compatible with the national interest, discontinue any activity transferred by this paragraph and wind up all affairs relating thereto.

4. Such further measures and dispositions as may be determined by the Director of the Budget to be necessary to effectuate the transfer or redistribution of functions provided for in this order shall be carried out in such manner as the Director may direct and by such agencies as he may designate.

5. All provisions of prior orders of the President which are in conflict with this order are amended accordingly.

6. This order shall, except as otherwise specially provided, be effective as of the opening of business October 1, 1945.

Harry S. Truman
The White House
September 20, 1945

Recommendations from the Bureau of the Budget, Dated 20 September 1945

Many of the specific changes to internal organization that are indicated from a consideration of the conclusion are of interest or concern only to one department. Recommendations applicable to a single department are presented in broad terms only when they are of general interest to illustrate the broad principle involved. Recommendations, concerning proposed change or action of common or over-all concern, are, however, presented to some detail.

The greater portion of this section of the report is thus devoted to the proposed central coordinating machinery. This should not lead to the assumption that the creation of central machinery is view as the most important step to be taken. Of far greater importance is the creation of strong departmental organizations particularly in the State Department, and the separation of security intelligence operations from the more basic intelligence operations especially in the State, War, and Navy Departments.

More Widespread Understanding of Intelligence

Throughout this memorandum it has been noted how vital to a more adequate Government-wide foreign intelligence program is a more wide-spread understanding of what intelligence is, how it is produced and how the intelligence agency relates to and serves the action-taking or policy-determining groups. No specific recommendation is possible.

Conduct of the Intelligence Operation at the Departmental Level

Each department (and in some cases subdivision of department) which has important responsibilities

in international matters including our national defense, or which has public responsibilities for providing foreign information should provide for a competent foreign intelligence operation.

The kind of facilities which will be required in the various departments and their size will vary. Except in the case of departments with major responsibilities, such as the State Department, the facilities can be quite small.

In each case however, some provision must be made for the following functions:

1. The careful determination of the departments' actual requirements. This determination will require the development in each department of a Planning Staff. The requirements of the department of a Planning Staff will need to be expressed in accordance with a standardized terminology and classification of intelligence and will need to be stated in sufficient detail to guide reporting, either by activities of the department itself or of other departments on which on which the department may rely for information.

2. The systematic cataloging and utilization of all possible sources to supply the needed information or intelligence.

3. The thorough analysis and evaluation of information through research techniques. In this way new information is tested against the accumulated knowledge and established facts of the past and a complete and digested picture is available in which each pertinent piece of relevant information is present and in the right place with the whole so interpreted that conclusions can be drawn and trends are visible.

4. Careful dissemination of the resultant evaluated product rather than the mere distribution of incoming reports 'of interest'. The intelligence office must be responsive to the needs of its department and see that those needs are supplied in full and when needed. On the other hand, it must protect the department from the voluminous flood of casual, unrelated, and unevaluated reports or scraps of information. Just as one expects its statistical office to analyze, tabulate, and summarize data and point to its significance, so in

its search for knowledge and foreign nations, peoples, conditions or events it must look to its intelligence office to do a similar job on the raw material of foreign information.

Our wartime experience has shown that the need for foreign information and intelligence in any department far exceeds the ability of its intelligence office to secure or produce without the utilization of facilities that exist elsewhere. In each case therefore, whether the intelligence facilities provided in a department are large or small, the responsibilities of such groups would include not only responsibilities of their departments but to total Government program as well. In the latter category are responsibilities such as (1) to participate in the planning of a Government-wide program, (2) to interpret the needs of their agencies to the other agencies of which they may rely for evaluated summary intelligence, (3) to review the adequacy obtained through the competency of result with respect to intelligence obtained through other agencies, (4) to serve as the liaison point between their agencies and the intelligence groups of other agencies. In general, the departmental intelligence units should only establish such independent facilities for collection, evaluation or dissemination as are constant with their role in a Government-wide program.

The success of our post-war intelligence operation rests on the creation within the State Department of an intelligence operation with responsibilities such as those stated above. The creation of a centralized intelligence operation in State Department would not only provide that Department with facilities it has long needed. In addition it would serve to provide the place where leadership of Government-wide intelligence activities would be centered.

The intelligence operations of the Army and Navy Departments need to be readjusted to post-war needs. The war has been responsible for an emphasis on current news as exemplified in daily situation reports and on operational intelligence as reflected in large scale order—of battle operations. Neither the organizations nor organization nor the staffing have been fully developed to serve the purposes of active Army and Navy Department participation in interdepartmental discussion of high future policy. In

the Navy Department as an illustration, the entire intelligence mission is stated to be in support of the fleet. In neither of the two Departments has sufficient emphasis been given to research and analysis nor has provision been made for all available information to be brought together at one point for evaluation. Further, as already pointed out both still permit an over-emphasis on security intelligence to interfere with the full development of more basic intelligence.

Other Departments such as Commerce and Agriculture need to recast their intelligence organizations so as to become participating groups in a total Government-wide foreign intelligence program.

Separation of Security Intelligence Activities

The security intelligence activities either at home or abroad, serving internal security purposes should be separated organizationally from the more basic intelligence activities, except for the mutual exchange of highly evaluated and summarized reports of general import (not merely of “cases”). It is further recommended that an integrated security program including the security intelligence activities that support it be planned for the Government as a whole.

The implementation of the first recommendation will require action in a number of departments, not necessarily simultaneously.

In the State Department, for example, the creation of new central intelligence facilities should not be accompanied by a transfer of activities now centered in the Office of Controls in the Division of Foreign Activities Correlation.

In the Navy Department some separation had been undertaken by the creation of new intelligence facilities in the Office of the Commander of Chief apart from the Office of Naval Intelligence which is the principal Navy Department organization concerned with security and security intelligence. These new facilities offer the possibility of becoming the nucleus for an expanded basic intelligence operation in the post-war era when the needs for strictly operational intelligence will be greatly curtailed irrespective of whether the Office of the Commander in Chief is retained is or not. The role of NO, however, as the central staff agency for security matters is not clear, and a number

of related activities, not only in Bureaus and Auxiliary Services but in the Office of Chief of Naval Operations itself, are not now coordinated under a single head or staff unit.

In the War Department, too, some separation has resulted from the reactivation of the Office of the Provost Marshal General. The predilection for continuance in field of security intelligence, however, still permits the Military Intelligence Service to become too engrossed with matters that could be further centralized outside MIS. Further, because of its organizational placement the PMG cannot be fully effective as a staff agency to coordinate all security matters. In both the War and Navy Departments the separation of the security intelligence operation and the more basic foreign intelligence operation should be furthered and the security intelligence and the various forms of internal security operations be more closely coordinated.

The implementation of the second recommendation will require the creation of an interdepartmental coordinating committee described below.

Coordination of Intelligence and Security Operations

To insure that the intelligence and security activities of the Government, carried on by a number of agencies, fulfill all the national requirements, that they are developed as a total program producing the maximum result with a minimum of duplication, overlap and confusion and that adequate planning is accomplished for their expansion in any future emergency, it is recommended that two interdepartmental groups be organized under the leadership of the Department of State.

To one group, which would consist of the Assistant Secretaries of State, War, Navy and Commerce, would compose an Interdepartmental Intelligence Coordinating Committee. It would be concerned with developing an integrated Government-wide foreign intelligence program. It also would be concerned with planning for the future.

The other group, consisting of the Assistant Secretaries of State, War, Navy and Treasury and the Assistant Attorney General, would compose an

Interdepartmental Security Coordinating Committee. It would be concerned with developing an integrated Government-wide internal security program and of an integrated Government-wide security intelligence program. It also would be concerned with planning for the future.

These two groups by direction of the President and by means of planning conducted by permanent staff of their own working through sub-committee including representatives of any agency of interest either as customer or contributor, would develop a series of specific operating plans. These plans would serve as common directives for the assignment of operating responsibilities among the departmental intelligence and security agencies. The manner in which such planning would be conducted will be the same in both the security coordinating committee and in the intelligence committee, and is described below.

Except as directed later under 'Conduct of Central Operations' the committees would have no responsibilities for the production of intelligence itself nor for the conduct of operations. Rather their responsibilities would consist of the following.

1. To develop a detailed and clear statement of the national intelligence objectives and requirements, including those of all departments and agencies.
2. To determine the means in terms of actual operations for meeting the national intelligence and national security requirements.
3. To assign, through a series of specific operating plans, operating responsibilities to the various departments.
4. To review the adequacy and economy of the total intelligence program of the Government and of the total security program of the Government.
5. To develop plans, legislation and other instruments in readiness for the adjustment of the intelligence and the security programs in the event of emergency or other changed conditions.

The above list of responsibilities describes in effect the steps in planning. The visible result of such planning and, therefore, the principal concern of the committee would be the operating plan itself. Each operating plan when issued would reflect the determination of the appropriate committee under each of the first three continuing an long range responsibilities shown above, i.e., the requirements, the means for their accomplishment, and the specific operating assignments allocated to the various departments and agencies. When issued, the specific operating plans would be directives to the department and agencies. When issued, the specific operating plans would be directives to the departments and agencies would adjust their operations to conform to them.

Production of High Level Intelligence

The need to provide for some facilities to serve groups at a level above the departments themselves is one which should be anticipated but action is not now recommended.

With principal intelligence activities of the Government being carried on in the departments in accordance with a planned and coordinated program, such intelligence as may be needed at the top of the Government can be produced through or secured from the intelligence operations in the department. The State Department would provide the principal facilities for bringing to bear on any high level problem the total intelligence available anywhere in the Government.

Should it later be found, however, that independent facilities are desirable to serve the President in the occasional instance in which he may wish direct and immediate access to the intelligence involving a matter of high decision, these facilities, which should be organized in his own office, can be small and need not engage in large scale initial research and analysis on original raw material.

Conduct of Central Operations

The strengthening of intelligence activities in the departments and agencies and their coordination by a central planning staff are the principal means of providing a total operation serving the total national needs. Central facilities should not be created, therefore, to engage in operations which can be performed at the departmental level.

The planning conducted by the two coordinate committees may result in a decision that some types of operation may be found to be practicable only if operated centrally or under strong day to day central direction. It is recommended that any such services as is determined to require centralization, be conducted as an interdepartmental service under the appropriate coordinating committee.

Memorandum for the Director of the Strategic Services Unit

Subject: Transfer of OSS Personnel and Activities to the War Department and Creation of Strategic Services Unit

26 September 1945

By letter from the Deputy Chief of Staff dated today, you have been designated to represent the War Department in the transfer of those OSS activities which will come to the War Department in their continued operation. I shall recommend that the Secretary of War confirm this designation as requested by you.

These activities will become for the time being, as a matter of War Department organization, subject to the authority of my office and for convenience will be referred to as the Strategic Services Unit. This assignment of the OSS activities, so to be transferred to the War Department, is a method of carrying out the desires of the President, as indicated by representatives of the Bureau of the Budget, that these facilities of the OSS be examined over the next three months with a view to determining their appropriate disposition. Obviously this will demand close liaison with the Bureau of the Budget, the State Department and other agencies of the War Department, to surveying that the facilities and assets of OSS are preserved for any possible future usefulness to the country. However, any integration of its activities with those of other agencies of the War Department should proceed only after consultation with the Bureau of the Budget and State Department, in view of the desire of the President (expressed in his letter of 20 September to the Secretary of State) that the Secretary of State take the lead in surveying the whole

field of intelligence operations during the next few months. Obviously the whole subject is one for careful and cooperative study and analysis of the functions now being performed by OSS.

In the meantime, the continuing operations of OSS must be performed in order to preserve them as a going operation. As you know the staff of my office is too small to exercise detailed supervision over an enterprise of the size of the OSS activities to be subject to your control. It is not desirable to increase that staff. Accordingly on matters of administration, I expect that you will conform, as fully as is practicable, with applicable War Department policies and regulations and will consult and coordinate your actions with the appropriate War Department agencies.

I am particularly anxious that you keep the Budget Fiscal and Accounting officers of the War Department fully advised of the activities of the Unit and arrange to obtain their assistance and guidance to the fullest practicable extent. In general, I expect you to keep not only my office, but also the Deputy Chief of Staff, advised of your plans and activities so that he may be in a position to furnish to the Secretary of War and to me advice and recommendations.

Major questions of policy should be discussed with my office. I am particularly anxious that my office be kept informed as to proposals for the disposition of particular substantial operations, facilities or assets of the present OSS organization. I think you should inaugurate a system of periodic written reports of progress and outlines of future plans, of which copies should be furnished to the Deputy Chief of Staff.

I desire that the status of the assets to be taken over by the War Department as of 1 October 1945 be carefully checked by the proper Budget and Fiscal Officers of the War Department, to the extent that they deem necessary, and as you know, instructions for such check, by inventory and otherwise, have been given.

If you require additional assignment of staff from the War Department, I expect that you will ask for the assignment of the necessary personnel and make direct arrangements with Deputy Chief of Staff for such assignment.

This memorandum is furnished for your information and guidance as an expression of my general views as to policy

John J. McCoy
Assistant Secretary of War

Memorandum for the Brig. Gen. John Magruder, USA

*War Department
Washington, DC
27 September 1945*

By Executive Order dated September 20, 1945, the President terminated the Office of Strategic Services, effective 1 October 1945; transferred certain of its personnel, records, property and funds to the Department of State; and transferred the remaining functions, personnel, records, property and funds to War Department. You are hereby appointed as the representative of the Secretary of War and War Department to exercise, administer, and operate (with power of delegation and successive redelegation where appropriate) the functions, personnel, records and property which have been, or will be, transferred to the War Department and the Secretary of War under the Executive Order and to administer all funds allocated to you by the Budget Officer of the War Department, such operations to be known as Strategic Services Unit. Subject to the authority of and policies determined by the Assistant Secretary of War, and such persons as he may designate, you will continue the program of liquidation of those activities and personnel so transferred which are no longer necessary or desirable, and persevere as a unit such of these functions and facilities as are valuable for permanent peacetime purposes, or which may be required by Theater Commanders or occupational authorities to assist in the discharge of their responsibilities.

You will report to and receive instructions from the Assistant Secretary of War or such persons as he may designate. Subject to the authority of the Assistant Secretary of War or of the persons designated by him, you may have direct contact with

any of the appropriate offices of the armed services or government departments as may be necessary for the proper performance of your duties.

I would appreciate your informing all of your personnel of the importance which I attach to the achievement of the objectives set forth in this memorandum.

/s/ Robert P. Patterson
Secretary of War

Contents of Memorandum Signed by Gen. Magruder

26 November 1945

1. This memorandum is written to clarify a problem which has gradually developed over the last six months concerning the handling by representatives of SI and X-2 Branches of material dealing with foreign intelligence services. It is of sufficient importance to warrant this statement of policy which you will refer to the principal field representatives of SI Branch (in particular the Reporting Board) and X-2 Branch for their positive guidance.

2. It is to be understood that all information concerning foreign intelligence services falls within the exclusive jurisdiction of the X-2 Branch, regardless of source. Such information includes, but is not necessarily limited to, intelligence concerning individuals, structure, plans and operations of such services. This means that X-2 Branch has the sole responsibility for processing and disseminating intelligence of this character. All such information originating with SI will be given to X-2 in the field with only such preliminary processing as may be required for the protection of sources. The local representative of X-2 will determine what field distribution, if any, will be made. He will, of course, respect any requests by SI for special handling of reports originating with that Branch when the security of a source may be at stake. Counterespionage intelligence handed over to X-2 will be forwarded through X-2 channels to Washington for checking, supplementing, and for dissemination. SI will make

no dissemination of such material unless specifically authorized by X-2.

3. The handling of counterespionage information in any other manner not only short-circuits the extensive machinery of central records, staff experience and counterespionage contacts which have been built up by X-2, but in many cases may result in the discrediting of counterespionage material, the blowing of penetration operations and agents, and the loss of operational value which such information may have X-2 field work.

4. It should be emphasized that this places upon X-2 Branch the active responsibility to present to SI in Washington and in the field, by proper briefing of field operatives or through the preparation and delivery of written material, all information concerning foreign intelligence systems and agents which is necessary for the planning and protection of SI operations and useful for their implementation. Information delivered to SI for such purposes will not be disseminated outside SI. If circumstances require, SI field personnel will be originally briefed by X-2 Washington prior to departure for the field, with the added expectation that secure arrangements for supplemental and emergency briefings by the X-2 field representative will be made.

5. In accordance with the basic directives of SSU, X-2 will continue to deliver to SI for processing and dissemination all intelligence collected by X-2 which is not counterespionage in nature. As to certain foreign organizations, political or economic in character, but also engaged in or furnishing a cover for subversive activities (for example the Falange, Anti-Fascist League, Communist Party and certain Refugee organizations) it is recognized that both SI and X-2 may have legitimate interests. Both Branches will collaborate closely in the preparation of reports and studies concerning such organizations. Dissemination will be special and limited when the X-2 field representative requests such handling for specific security reasons. The "Communist Party" as used here does not mean the Russian Intelligence System as such; the Russian Intelligence system is understood to be of X-2 interest in accordance with the provisions of paragraph 2 above. When items of positive intelligence are delivered to SI in the field or

in Washington by a representative of X-2 Branch, his statement of the necessity of source protection will be honored and his instructions, if any, with regard to special dissemination will be followed. SI source protection will be similarly respected by X-2 as to any counterespionage information collected by SI.

**Gen. Donovan's Letter to the Director
of the Bureau of Budget,
Harold D. Smith**

As our liquidation proceeds (Donovan states) it will become increasingly difficult to exercise our functions so that we have found it necessary to set up a liquidating committee with procedures and controls to provide for the gradual elimination of our services in step with orderly reduction of personnel.

It is our estimate, however, with the strictest economy of man-power and of funds the effectiveness of OSS as a War Agency will end as of January 1, or at latest February 1946, at which time liquidation should be completed. At that point I wish to return to private life. Therefore, in considering the disposition to be made of the assets created by OSS, I speak as a private citizen concerned with the future of his country.

In our government today there is no permanent agency to take over the functions which OSS will have then ceased to perform. These functions while carried on as incident to the war are in reality essential in the effective discharge by this nation of its responsibilities in the organization and maintenance of the peace.

Since last November I have pointed out the immediate necessity of setting up such an agency to take over valuable assets created by OSS. Among these assets was establishment for the first time in our nation's history of a foreign secret intelligence service which reported information as seen through American eyes. As an integral and inseparable part of this service there is a group of specialists to analyze and evaluate the material for presentation to those who determine national policy.

It is not easy to set up a modern intelligence system. It is more difficult to do so in time of peace than in time of war.

It is important therefore that it be done before the War Agency has disappeared so that profit may be made of its experience and "know how" in deciding how the new agency may best be conducted.

I have already submitted a plan for the establishment of centralized system. However, the discussion of that proposal indicated the need of an agreement upon certain fundamental principles before a detailed plan is formulated. If those concerned could agree upon the principles with which such a system should be established, acceptance of a common plan would be more easily achieved.

Accordingly, I attach a statement of principles, the soundness of which I believe has been established by study and by practical experience.

Principles—The Soundness of Which It is Believed Has Been Established by Our Own Experience And First-Hand Study of the Systems of Other Nations—Which Should Govern the Establishment of a Centralized United States Foreign Intelligence System. The formulation of a national policy both in its political and military aspects is influence and determined by knowledge (or ignorance) of the aims, capabilities, intentions, and policies of other nations.

All major powers except the United States have had for a long time past permanent world-wide intelligence services, reporting directly to the highest echelons of their governments. Prior to the present war, the United States had no foreign secret intelligence service. It never has had and does not now have a coordinated intelligence system.

The defects and dangers of this situation have been generally recognized. Adherence to the following would remedy this defect in peace as well as war so that American policy could be based upon information obtained through its own sources on foreign intentions, capabilities, and developments as seen and interpreted by Americans.

1. That each department of Government should have its own intelligence bureau for the collection and processing of such informational material as it finds necessary in the actual performance of its functions and duties. Such a bureau should be under the sole control of the department head and should not be encroached upon or impaired by the functions granted any other governmental intelligence agency.

Because secret intelligence covers all fields and because of possible embarrassment, no executive department should be permitted to engage in secret intelligence but in a proper case call upon the central agency for service.

2. That in addition to the intelligence unit for each department there should be established a national centralized foreign intelligence agency which should have the authority:

A. To serve all departments of the Government.

B. To procure and obtain political, economic, psychological, sociological, military and other information which may bear upon the national interest and which has been collected by the different Governmental departments or agencies

C. To collect when necessary supplemental information either at its own instance or at the request of any Governmental departments or agencies.

D. To integrate, analyze, process, and disseminate, to authorized Governmental agencies and officials, intelligence in the form of strategic interpretive studies.

3. That such an agency should be prohibited from carrying on clandestine activities within the United States and should be forbidden the exercise of any police functions at home or abroad.

4. That since the nature of its work requires it to have status, it should be independent of any department of the government (since it is obliged to serve all and must be free of the natural bias of an operating department). It should be under a director,

appointed by the President, and be administered under Presidential direction, or in the event of a General Manager being appointed, should be established in the Executive Office of the President, under his direction.

5. That subject to the approval of the President or the General Manager the policy of such a service should be determined by the Director with the advice and assistance of a Board on which the Secretaries of State, War, Navy, and Treasury should be represented.

6. That this agency, as the sole agency for secret intelligence, should be authorized, in the foreign field only, to carry on services such as espionage, counterespionage, and those special operations (including morale and psychological) designed to anticipate and counter any attempted penetration and subversion of our national security by enemy action.

7. That such a service have an independent budget granted directly by the Congress.

8. That such a service should have its own system of codes and should be furnished facilities by departments of Government proper and necessary for the performance of its duties.

9. That such a service should include in its staff specialties (within Governmental departments, civil and military, and in private life) professionally trained in analysis of information and possessing a high degree of linguistic, regional, or functional competence, to analyze, coordinate and evaluate incoming information, to make special intelligence reports, and to provide guidance for the collecting branches of the agency.

10. That in time of war or unlimited national emergency, all programs of such agency in areas of actual and projected military operations shall be coordinated with military plans, and shall be subject to the approval of the Joint Chiefs of Staff, or if there be consolidation of the armed services, under the supreme commander. Parts of such programs which are to be executed in the theater of military operations shall be subject to control of the military commander.

**Executive Directive of 22 January 1946
Addressed to the Secretaries of
State, War, and Navy**

1. It is my desire, and I hereby direct, that all Federal foreign intelligence activities be planned, developed, and coordinated so as to assure the most effective accomplishment of the intelligence mission related to the national security. I hereby designate you, together with another person to be named by me as my personal representative, as the National Intelligence Authority to accomplish this purpose.

2. Within the limits of available appropriations, you shall each from time to time assign persons and facilities from your respective departments, which persons shall collectively form a Central Intelligence Group and shall, under the direction of a Director of Central Intelligence, assist the National Intelligence Authority. The Director of Central Intelligence shall be designated by me, shall be responsible to the National Intelligence Authority, and shall sit as a non-voting member thereof.

3. Subject to the existing laws and to the directions and control of the National Intelligence Authority, the Director of Central Intelligence shall:

a. Accomplish the correlation and evaluation of intelligence relating to the national security, and the appropriate dissemination within the Government of the resulting strategic and national policy intelligence. In so doing, full use shall be made of the staff and facilities of the intelligence agencies of your Departments.

b. Plan for the coordination of such of the activities of the intelligence agencies of your Departments as relate to the national security and recommend to the National Intelligence Authority the establishment of such over-all policies and objectives as will assure the most effective accomplishment of the national intelligence mission.

c. Perform, for the benefit of said intelligence agencies, such services of common concern as

the National Intelligence Authority determines can be more efficiently accomplished centrally.

d. Perform such other functions and duties related to intelligence affecting the national security as the President and the National Intelligence Authority may from time to time direct.

4. No police, law enforcement or internal security functions shall be exercised under this directive.

5. Such intelligence received by the intelligence agencies of your departments as may be designated by the National Intelligence Authority shall be freely available to the Director of Central Intelligence for correlation, evaluation, or dissemination. To the extent approved by the National Intelligence Authority, the operations of said intelligence agencies shall be open to inspection by the Director of Central Intelligence in connection with planning functions.

6. The existing intelligence agencies of your departments shall continue to collect, evaluate, correlate, and disseminate departmental intelligence.

7. The Director of Central Intelligence shall be advised by an Intelligence Advisory Board consisting of the heads (or their representatives) of the principal military and civilian intelligence agencies of the government having functions related to national security, as determined by the Director of Central Intelligence.

8. Within the scope of existing law and presidential directives, other departments and agencies of the executive branch of the Federal Government shall furnish such intelligence information relating to the national security as is in their possession, and as the Director of Central Intelligence may from time to time request pursuant to regulations of the National Intelligence Authority.

9. Nothing herein shall be construed to authorize the making of investigations inside the continental United States and its possessions, except as provided by law and presidential directives.

10. In the conduct of their activities the National Intelligence Authority and the Director of Central Intelligence shall be responsible for fully protecting intelligence sources and methods.

NIA Directive No. 1, Dated 8 February 1946: Policies and Procedures Governing the Central Intelligence Group

Pursuant to the attached letter from the President, dated 22 January 1946, designating the undersigned as the National Intelligence Authority, you are hereby directed to perform your mission, as Director of Central Intelligence, in accordance with the following policies and procedures:

1. The Central Intelligence Group shall be considered, organized and operated as a cooperative, interdepartmental activity, with adequate and equitable participation by the State, War and Navy Departments and, as recommended by you and approved by us other Federal departments and agencies. The Army Air Forces will be represented on a basis similar to that of the Army and the Navy.

2. The Central Intelligence Group will furnish strategic and national policy intelligence to the President and the State, War and Navy Departments, and, as appropriate, to the State-War-Navy Coordinating Committee, the Joint Chiefs of Staff, and other governmental departments and agencies having strategic and policy functions related to the national security.

3. The composition of the Intelligence Advisory Board will be flexible and will depend, in each instance, upon the subject matter under consideration. The Special Assistant to the Secretary of State in charge of Research and Intelligence, the Assistant Chief of Staff G-2, WDGS, the Chief of Naval Intelligence and the Assistant Chief of Air Staff, Intelligence (or their representatives will be permanent members). You will invite the head (or his representative) of any other intelligence agency having functions related to the national security to

sit as a member on all matters within the province of his agency.

All recommendations, prior to submission to this Authority, will be referred to the Board for concurrence or comment. Any recommendation which you and the Intelligence Advisory Board approve unanimously and have the existing authority to execute may be put into effect without action by this Authority. If any member of the Board does not concur, you will submit to this Authority the basis for his non-concurrence at the same time that you submit your recommendation.

4. Recommendations approved by this Authority will, where applicable, govern the intelligence activities of the separate departments represented herein. The members of the Intelligence Advisory Board will each be responsible for ensuring that approved recommendations are executed within their respective departments.

5. You will submit to this Authority as soon as practicable a proposal for the organization of the Central Intelligence Group and an estimate of the personnel and funds required from each department by this Group for the balance of this fiscal year and for the next fiscal year. Each year thereafter prior to the preparation of departmental budgets, you will submit a similar estimate for the following fiscal year. As approved by this Authority and within the limits of available appropriations, the necessary funds and personnel will be made available to you by arrangements between you and the appropriate department through its members on the Intelligence Advisory Board. You may determine the qualifications of personnel and the adequacy of individual candidates. Personnel assigned to you will be under your operational administrative control, subject only to necessary personnel procedures in each department.

6. The Central Intelligence Group will utilize all available intelligence in producing strategic and national policy intelligence. All intelligence reports prepared by the Central Intelligence Group will note any substantial dissent by a participating intelligence agency.

7. As required in the performance of your authorized mission, there will be made available to you or your authorized representatives all necessary facilities, intelligence and information in the possession of our respective departments. Arrangements to carry out this will be made with members of the Intelligence Advisory Board. Conversely, all facilities of the Central Intelligence Group and all intelligence prepared by it will be made available to us and, through arrangements agreed between you and the members of the Intelligence Advisory board, subject to any authorized restrictions, to our respective departments.

8. The operations of the intelligence agencies of our departments will be open to inspection by you or your authorized representatives in connection with your planning functions, under arrangements agreed to between you and the respective members of the Intelligence Advisory Board.

9. You are authorized to request of other Federal departments and agencies any information or assistance required by you in the performance of your authorized mission.

10. You will be responsible for furnishing, from the personnel of the Central Intelligence Group, a Secretariat for this Authority, with the functions of preparing an agenda, reviewing and circulating papers for consideration, attending all meetings, keeping and publishing minutes, initiating and reviewing the implementation of decisions, and performing other necessary secretarial services.

NIA Directive No. 4, Policy on Liquidation of the Strategic Services Unit

2 April 1946

Pursuant to paragraph 1 of the letter from the President dated 22 January 1946 which designed this Authority as responsible for planning, developing and coordinating the Federal foreign intelligence activities so as to assure the most effective accomplishment of the intelligence mission related to the national security, the following policies and procedures relating to the

liquidation of the Strategic Services Unit (SSU) are announced:

1. The national interest demands that the complete liquidation of SSU shall not be accomplished until it is determined which of its functions and activities are required for the permanent Federal foreign intelligence program, and should therefore be transferred to the Central Intelligence Group or other agencies in order that its useful assets may not be lost. Such determination and transfers shall be made and the liquidation of the remainder of SSU shall be completed as promptly as possible and prior to 1 July 1947. The Director of Central Intelligence shall issue the necessary directives to effect the liquidation. He will make recommendations to this Authority as to the intelligence activities permanently required in the peace-time effort.

2. During the period of liquidation the SSU should be administered and operated so as to service, to the extent practicable, the intelligence agencies subject to our coordination. The Director of Central Intelligence shall issue the necessary directives to the Director of SSU required to accomplish this mission. In addition, the Director of SSU will make available to the Director of Central Intelligence, upon his request, any facilities and services of SSU which may be useful in the performance of an authorized function of the Central Intelligence Group.

3. The Director of Central Intelligence will be responsible for determining which funds, personnel and facilities of SSU are required for the performance of an authorized function of the Central Intelligence group. Such funds, personnel and facilities of SSU will then be transferred to an appropriate War Department unit. The Director of Central Intelligence will be responsible for making the necessary administrative arrangements and for issuing the necessary directives to the Director of SSU.

4. The War Department will take the necessary budgetary action to carry out this program.

5. The War Department shall retain the right to determine what portion of the War Department funds, personnel and facilities can be made available to SSU by the War Department.

**CIG Directive No. 6,
“Liquidation of Strategic Services Unit”
(Top Secret)**

8 April 1946

Effectively immediately, you are directed to continue the liquidation of the Strategic Services Unit (SSU) as ordered in paragraph 3 of the Executive Order dated 20 September 1945, subject: “Termination of the Office of Strategic Services and Disposition of Its Functions.” The liquidation will be completed not later than 30 June 1947.

The liquidation of SSU will be coordinated with the development of the permanent peace-time intelligence program. You will carry out the liquidation in accordance with the instructions of the Director of Central Intelligence or his designated representative. The Director or his representative will deal directly with you. He will have such staff as he requires working with SSU.

During the period of liquidation you will administer and operate the SSU as so to service, within your capabilities, the intelligence agencies subject to coordination by the National Intelligence Authority in accordance with directives provided by the Director of Central Intelligence or his designated representative. In addition, you will make available, within your capabilities, to the Director of Central Intelligence, upon his request, any facilities and services of the SSU which may be useful in the performance of an authorized function of the Central Intelligence Group.

Enclosure “B”

Pursuant to the provisions of NIA Directive No.4, dated 2 April 1946, it is hereby directed that you administer and operate the Strategic Services Unit, War Department, in accordance with the initial policies set forth herein:

1. Operations.

a. Until otherwise directed, you will continue such operations services and liaisons considered absolutely essential to:

(1) US Armies abroad,

(2) The United States sections of Allied Control Commissions,

(3) Diplomatic missions,

(4) Departmental agencies in the United States now being served.

b. You will perform such collecting missions, distribution, and other intelligence services as may be ordered from time to time by my representative.

c. Nothing contained in sub-paragraph 1-a will be construed as an authority for any expansion of the functions and facilities now operating, nor will additional personnel be assigned to duty outside the continental limits of the United States without the approval of my senior representative.

2. Administration.

a. You will continue the orderly liquidation of the Strategic Services Unit.

b. You will furnish the administrative support to operations indicated in paragraph 1.

c. You will furnish such administrative support to the Central Intelligence Group as may be called for by my representative.

d. You will provide the necessary administrative facilities to effect the transition of personnel, funds, and communications, records, services, and facilities, with the necessary means of maintenance, from SSU to an appropriate group in the War Department or to other appropriate agencies, as subsequently determined.

3. Command Liaison.

Colonel Louis J. Fortier, USA, Assistant Director and Acting Chief of Operational Services, CIG, is designated as my senior representative. Further

directives and orders will be issued to you by me or by my senior representative. You will keep my senior representative informed of the progress of the mission outlined herein. Captain Thomas F. Cullen, USNR, will be his deputy.

Appraisal of Operations of OSS and SSU

(1) Introductory Comment

As has been explained, the work of OSS included sabotage, organization of resistance groups, black propaganda against the enemy, and other para-military and subversive operations, as well as various special services for the Joint Chief's of Staff and the theater commanders. The appraisal herein set forth, however, is confined to the work of the intelligence branches—SI (Secret Intelligence, X-2 counterespionage and Research and Analysis.)

(2) General Statement

During the war just ended, OSS accomplished the following:

(i) It established, for the first time in American history, an organized network of secret agents who operated behind enemy lines, and who penetrated enemy installations in neutral countries, in order to obtain vital intelligence. These agent networks were established in Europe, North Africa, the Near and Middle East, and the Far East.

(ii) It established, for the first time in American history, an organized system of counterespionage which penetrated and neutralized enemy espionage organizations, operating for these purposes in Europe, North Africa, the Near and Middle East, and the Far East.

(iii) It organized the resources of American scholarship to supplement, and integrate into comprehensive studies, the intelligence procured from the various channels and sources available to the national government.

3. Shortcomings

The work of OSS during the war was handicapped by defects in organization, personnel and orientation. Fundamentally, all of these defects derived from the same source: the fact that the United States had no centrally controlled and comprehensive espionage system in being when the war broke out, and no experience in the development and direction of any such system. As in so many other aspects of the war establishment, the nation had to improvise. There were few other phases of the war, however, in which the nation so completely lacked a nucleus around which to build a body of experience upon which to draw as in the field of espionage and counterespionage. As a result:

(a) The personnel of OSS, recruited and brought together in haste under the stress of the emergency, tended to be uneven in quality. Functions which were well-conceived were performed unequally at different points by different people. Unsatisfactory personnel were steadily weeded out, and the highest quality personnel steadily moved into positions of primary control and responsibility. But the effects of haste and improvisation were felt to the end. This could only have been avoided by a careful and orderly preparation for the job during the years of peace.

(b) During the early period of fumbling in the development of the proper relationship of OSS to the War Department, the Navy Department and the State Department, certain of the efforts of OSS tended to be misplaced, in the sense that they were not properly related to the needs and plans of military and political authorities, and was impeded by the failure of OSS adequately to indoctrinate its personnel with respect to the relationship of OSS to Army and Navy.

(4) Appraisal of over-all operations of government intelligence agencies:

(a) Introductory Comment. The OSS and SSU are in no position to offer an appraisal of the performance of other intelligence agencies of

the United States during the war. The appraisal herein set forth, therefore, is confined to an appreciation of defects in the inter-relationships among the intelligence agencies or the Government which became manifest in the course of the practical experience of the OSS.

(b) Elements of Duplication and Lack of Coordination. The effectiveness of OSS espionage and counterespionage was seriously handicapped by a failure to receive adequate direction from the military and political authorities as to the categories of information particularly needed. Where, as in the case of U.S. 3rd and 7th Armies and the China Theater under General Wedemeyer, and in the cases of the American Legations in Switzerland and Sweden, intimate relations were established between OSS and the Army command or diplomatic authorities, and where systematic and intelligence direction of activities existed operations were unusually effective.

A full and free interchange of intelligence among the various intelligence-collecting agencies of the Government—e.g., the War Department, the Navy Department, the State Department, the Navy Department and the State Department, FEA and OSS—was never achieved or even closely approximated. Without an effective mechanism for such interchange, gaps in information at key points and wasteful duplication of effort were inevitable.

There was inadequate team-work in intelligence collection on the American side, and no effective mechanism for an all-American flow and coordinated evaluation of intelligence. For example, certain data obtained through War Department G-2 Special Branch activities, which were vital to certain OSS espionage and counterespionage work, were never made available to OSS by G-2. This failure in collaboration was ironically underscored by the fact that much information of the same type was made available to OSS by British sources. Similarly, certain prisoner-of-war interrogation data which would have facilitated the espionage and counterespionage work of OSS was denied to OSS. Again, data collected by OSS (and by French, Polish, Dutch and other Allied intelligence agencies who made such data available

to both OSS and British agencies) sometimes reached the higher echelons of combined command only through British channels as British reports. In China, the intelligence activities of the U.S. Ground Army, the 14th Air Force the Naval Task Group for China, the U.S. Embassy and OSS were for a long time at cross purposes. In the Pacific, the clandestine services of OSS were not permitted to operate. This impeded the mutual support of American intelligence in the Pacific, created a serious void in American knowledge of the Japanese espionage system.

The desire for and practice of cooperation among various intelligence agencies of the Government on the working levels tended often to be impeded and sometimes stopped because of misunderstanding or disagreements at top levels.

Owing to the lack of a central coordinating body, there were gaps and duplications in the dissemination of intelligence.

There was no central mechanism for pooling and comprehensively developing the various bits and pieces of intelligence collected by the various intelligence procurement agencies of the Government.

(c) Additional Comment On Over-All Intelligence organization of the U.S. Government. From the standpoint of OSS in its relationship to the combined commands it seemed that the United States military services placed inadequate emphasis, as compared with our Allies, upon the role, position and importance of army and naval intelligence and counterintelligence officers.

(5) Counterespionage

In the field of counterespionage OSS made a number of notable contributions both singly and in cooperation with Allied services. Through its neutral country stations it was instrumental in bringing about the defection of important enemy intelligence service personnel, and exploiting the defection of important enemy intelligence service personnel, and exploiting these defections for the demoralization and neutralization of the enemy service. Thus an impor-

tant series of defections in Turkey was followed by a sweeping reorganization of German espionage, culminating in the complete incorporation of the military secret intelligence service (Abwehr) into that of the Nazi Party (RSHA) with resulting friction and loss of efficiency. Neutral country stations also contributed vital information leading to the identification, apprehension, and controlled exploitation of German agents with radio sets left behind in Normandy before the invasion. The field units of OSS counterespionage branch (SCI) set up and operated a considerable number of penetration and deception agents. The former were successful in enticing enemy agents into our control, either as parachutists for line crossers, bringing with them considerable sums of money. By satisfying the enemy with a sufficient amount of true or partly true information, they discouraged him from sending in additional agents who might have operated without coming under our control. The role of OSS-controlled enemy agents with radio sets in assisting the implementation of deception programs has been commended by the competent agencies. It has been learned from interrogations of German intelligence personnel that not one of the OSS controlled agents was ever suspected by the Germans. On the contrary, their information appears to have been believed implicitly, to such an extent that in at least seven cases they were rewarded by the enemy with an Iron Cross.

OSS SCI units operating with T Forces at 6th and 12th Army Groups, seized large quantities of counterespionage material, which was forwarded through Army Documents channel to the Counter Intelligence War Room, London. The head of the War Room estimated that one such T Force operation, concluded in three days, netted identifying information on more than 20,000 German intelligence personnel. This virtually doubled the information on German intelligence personnel which had been made available through all previous Allied counterespionage operations during the war.

The counterespionage branch of OSS has brought together in Washington comprehensive files on the espionage systems of foreign nations, including some 400,000 carded dossiers on individuals known to be, or suspected of being, connected with such activities.

NIA Directive No. 5, Dated 8 July 1946, Functions of the Director of Central Intelligence

Pursuant to the President's letter of 22 January 1946 designating this Authority as responsible for planning, developing and coordinating all Federal foreign intelligence activities so as to ensure the most effective accomplishment of the intelligence mission related to the national security, the functions of the Director of Central Intelligence are hereby redefined as follows, subject to the provisions of said letter:

1. Paragraph 3 of the President's letter of 22 January 1946 defined the functions of the Director of Central Intelligence as follows:

3. Subject to the existing law, and to the direction and control of the National Intelligence Authority, the Director of Central Intelligence shall:

a. Accomplish the correlation and evaluation of intelligence relating to the national security, and the appropriate dissemination within the Government of the resulting strategic and national policy intelligence. In so doing, full use shall be made of the staff and facilities of the intelligence agencies of your departments.

b. Plan for the coordination of such of the activities of the Intelligence agencies of your departments as relate to the national security and recommend to the National Intelligence Authority the establishment of such overall policies and objectives as will assure the most effective accomplishment of the national intelligence mission.

c. Perform, for the benefit of said intelligence agencies, such services of common concern as the National Intelligence Authority may from time to time direct.

d. Perform such other functions and duties related to intelligence affecting the National Intelligence Authority may from time to time direct.

2. In performing the functions specified in paragraph 3-a of the President's letter, the Director of Central Intelligence is hereby authorized to undertake such research and analysis as may be necessary to determine what functions in the fields of national security intelligence are not being presently performed or are not being adequately performed. Based upon these determinations, the Director of Central Intelligence may centralize such research and analysis activities as may, in his opinion and that of the appropriate member or members of the Intelligence Advisory Board, be more efficiently or effectively accomplished centrally.

3. In addition to the functions specified in paragraph 3-b of the President's letter and in accordance with paragraph 4 of NIA Directive No. 1, the Director of Central Intelligence is hereby authorized and directed to act for this Authority in coordinating all Federal foreign intelligence activities related to the national security to ensure that the over-all policies and objectives established by this authority are properly implemented and executed.

4. Pursuant to paragraph 3-c of the President's letter, the Director of Central Intelligence is hereby directed to perform the following services of common concern which this authority has determined can be more efficiently accomplished centrally:

a. Conduct of all organized Federal espionage and counterespionage operations outside the United States and its possessions for the collection of foreign intelligence information required for the national security.

b. Conduct all Federal monitoring of press and propaganda broadcasts of foreign powers required for the collection of intelligence information related to the national security.

5. To the extent of available appropriations and within the limits of their capabilities, as determined by the respective Departments, the State, War and Navy Departments will make available to the Director of Central Intelligence, upon his request, the funds, personnel, facilities and other assistance required for the performance of the functions authorized herein. At the earliest practicable date, the Director of Central

Intelligence will submit for approval by this authority any supplemental budget required to perform the functions authorized herein, in addition to the appropriations which can be made available for this purpose by the State, War and Navy Departments.

6. Where the performance of functions authorized herein requires the liquidation, transfer or integration of funds, personnel or facilities for existing activities of the State, War and Navy Departments, the liquidation, transfer or integration will be accomplished at the earliest practicable date as agreed to by the Director of Central Intelligence and the official responsible for such activities so as to involve a minimum of interruption in the performance of these functions.

House Report No. 2734 of 17 December 1946

A Report on the System Currently Employed in the Collection, Evaluation, and Dissemination of Intelligence Affecting the War Potential of the United States.

Recommendations:

1. That the National Intelligence Authority, established on 22 January 1946, by Presidential Directive, be authorized by act of Congress (This is designed to give the new authority a firmer base).

2. That the National Intelligence Authority shall consist of the Secretaries of State, War, and Navy, or deputies for intelligence. (The Secretaries obviously are too busy to give this highly important subject the attention it deserves.)

3. That the Central Intelligence Group receive its appropriations direct from the Congress. (At present the Group receives its appropriations as grants from the State Department, War Department, and Navy Department, an unwieldy and sometimes awkward procedure).

4. That the Central Intelligence Group have complete control over its personnel. (At present the

Group receives drafts from the Department of State, War, and Navy).

5. That the Director of the Central Intelligence Group be a civilian appointed for a preliminary term of two years and a permanent term of ten years, at a salary of at least \$12,000 a year. (A civilian would be less subject to the control of criticisms of any military establishment, less likely to have ambitions in another direction, would be more in keeping with American tradition, would be more symbolic of the politico-military nature of the problem posed by intelligence in peacetime; furthermore, there is nothing to keep a qualified Army or Navy officer from accepting the post in civilian clothes, and there is every desire, by setting the tenure of office at ten years and making the salary substantial, to make the post attractive to one who has learned intelligence through the Army, Navy, or Foreign Service of the State Department. Continuity of service is recognized as very important).

6. That the Director of the Central Intelligence Group be appointed by the President by and with the consent of the Senate.

7. That the Director of Central Intelligence shall

(a) accomplish the correlation and evaluation of intelligence relating to the national security, and the appropriate dissemination within the Government of the resulting strategic and national policy intelligence, and in so doing making full use of the staff and facilities of the intelligence agencies already existing in the various Government departments;

(b) plan for the coordination of such of the activities of the intelligence agencies of the various Governments as relate to the national security and recommend to the National Intelligence Authority the establishment of such overall policies and objectives as will assure the most effective accomplishment of the national intelligence mission;

(c) perform, for the benefit of said intelligence agencies such services of common concern related directly to coordination, correlation, evaluation, and dissemination as the National

Intelligence Authority shall determine can be more efficiently accomplished centrally;

(d) perform such other similar functions and duties related to intelligence affecting the national security as the Congress and the National Intelligence Authority may from time to time direct. It is specifically understood that the Director of Central Intelligence shall not undertake operations for the collection of intelligence. (This paragraph is intended to enable the Central Intelligence Group to concentrate on the analysis and evaluation of high-level intelligence for the President and others who have to determine national policy. One should not remove any intelligence from the agencies where day-to-day policies and decisions have to be made; the collection and basic analysis in each field of intelligence should be assigned to the agency having primary responsibility in that field.)

8. That paragraphs 2,4,5,6,7,8,9, and 10 of the Presidential Directive of January 22, 1946, relating to the establishment of a National Intelligence Authority be enacted into law, with such revisions in wording as may seem necessary. (The President's directive was carefully prepared and had at the time of its publication, the support of the interested agencies).

9. That the Army be requested sympathetically to examine further the question of the establishment of an Intelligence Corps for the training, development and assignment of especially qualified officers.

ARTIFICE: James Angleton and X-2 Operations In Italy¹¹

In the summer of 1943, as Allied forces reached Italian soil, U.S. Army counterintelligence warned GIs, "you are no longer in Kansas City, San Francisco, or Ada, Oklahoma, but in a European country where espionage has been second nature to the population for centuries."

One soldier who did not need this warning was James J. Angleton, a 26-year-old second lieutenant in the

Office of Strategic Services (OSS), whose code name was ARTIFICE. Not only had the young man spent the better part of his adolescence in Italy, but in the year since he had joined X-2, the counterespionage branch of the OSS, Angleton had picked up a precocious mastery of the discipline, earning the respect of his British mentors and his American supervisors.

When Angleton first arrived in Italy, the administrative head of all OSS counterespionage in that country cabled the X-2 office in London: "Air much clearer."¹² Enthusiasm greeted Angleton's assignment to the field, as it seemed to portend an improvement in the condition of X-2's local operations. In early October 1944, X-2's operational headquarters in London had received a series of signals from which Angleton's supervisors concluded that the 17-man X-2 Rome unit needed a firm hand. (see box below)

Unlike the military, which would not reach its next target city, Bologna, for another 5 months, Allied counterespionage was not in a holding pattern in Italy in the fall of 1944, and X-2's responsibilities were

expanding.¹³ The area under Allied occupation had still to be rid of German informants left behind by the Sicherheitsdienst and the Militarisches Amt when they fled North.¹⁴ In the addition, the counterespionage services bore the burden of identifying, catching, and interrogating the linecrossers that the German military was pushing across no man's land to collect order of battle information.¹⁵ Amid the pressure for more and better information about German spies, the OSS's Italian counterespionage detachment had suffered a crisis of confidence and was losing the respect of other counterespionage services.¹⁶ London wanted Angleton to turn the Rome unit around in 6 weeks so that X-2 could handle the enemy intelligence agents out of the Po Valley and then be able to do its part when it came time to liberate northern Italy.¹⁷

Nearly half a century later it may seem difficult to understand why the now legendary James Angleton inspired not only the trust of men many years his senior but was viewed as a source of wisdom by those around him. With a very few notable exceptions, the current image of James Angleton is that of a rigid, overrated, ideological menace. (The thesis of Tom Mangold's book, *Cold Warrior, James Angleton: The CIA's Master Spy Hunter*, is that Angleton was an ideological cold warrior whose ability to differentiate between possible threats and probable threats deteriorated after he learned that his British colleague H.A.R. "Kim" Philby was a Soviet penetration agent.)¹⁸ Yet the operational files from his Italian posting, which are now in the National Archives, reveal a different man and leave little doubt as to why he was called to the field in 1944.

Angleton provided an adept field operative. The mission that was only to take 6 weeks lasted 3 years. In the last year of the war, Angleton rose from chief of the X-2 unit in Rome to chief of all OSS counterespionage in Italy. By the age of 28, as bureaucratic initials and superiors were changing in Washington, he became chief of all secret activity, intelligence and counterintelligence, in Italy for the Strategic Services Unit (SSU), the successor of the OSS.¹⁹ Although field promotions are not always dependable indicators of operational success, Angleton's rise to the top of all American secret activity in Italy paralleled a remarkable expansion of U.S. counterespionage capabilities in that strategically



James Jesus Angleton

important country. By the end of 1946, Angleton, or those directly responsible to him, had amassed over 50 informants and had penetrated 7 foreign intelligence services, including Tito's Otsek Zascita Naroda (OZNA), the French Service de Documentation Exterieur et de Contreespionage (SDECE), and the Italian Naval Intelligence Service, the Servizio Informazione Segreta (SIS).²⁰ Concurrently, through liaison channels, Angleton was receiving regular reports from various Italian intelligence services that included intercepts of foreign agent radio traffic and information about Soviet and Yugoslav intelligence ciphers.²¹

In this paper, we will review four representative operations to illustrate and evaluate Angleton's activities in Italy. As will be demonstrated, a general study of these operations delimits the contours of a consistent approach to counterespionage. Also discernible in these operations is Angleton's understanding of the role of counterespionage in defending U.S. interests. A study of his Italian career therefore serves not only as a primer on what the OSS and the SSU achieved in counterespionage in Italy

In the fall of 1943, X-2 London received three ominous signals from the field. The Rome unit's monthly report for September betrayed a sense of having fallen behind events. Though the Germans were sending fewer agents into Allied territory, the local X-2 authorities were describing them as "considerably more dangerous" and had warned Washington that each one therefore required more investigation to pin down. Meanwhile, British MI6 officers, who had three of their own counterespionage field units in Italy, were reporting low morale among their American counterparts. Finally, London received an urgent plea for help from the overall chief of X-2 in Italy, Maj. Graham Erdwurm, who believed that the working relationship necessary to conduct counterespionage in Italy were lost because of weak management of the unit. The Rome representative of British counterespionage, it was argued, was increasingly reluctant to share his most secret sources. At the time of Angleton's arrival, the name of the X-2 field unit in Italy was SCI Z. It was derived from the term, Special Counter-intelligence (SCI) unit, which X-2 employed for its French field teams. In October 1944, SCI Z had one substation, located in Florence.

but also as an introduction to the world view, and professional skills of the man who would come to dominate American counterespionage for a generation.

Angleton's approach can be best understood as the implementation of what might be called "Total Counterespionage." The young Angleton was a political Realist.²² He assumed that all governments have secrets that other governments want. The nature of a particular government influenced its capacity though not its desire to spy. When Angleton asked why a country spied, he did so not in search of moral justification but because countries often betray intentions in what they spy for.²³ The agnosticism of his view of the threat supported a broad view of the means necessary to protect U.S. interests. He believed that a counterespionage service had to have an insatiable appetite for information about foreign activities so as to be in a position to restrict, eliminate, or control the ways by which other states collected their intelligence.

The operations chosen represent the principal sources of counterespionage, as a form of information and as a type of activity, available to Angleton in the years 1944-46. The first involves Angleton's exploitation of ULTRA-class intelligence. In other words how he made best use of the fact that he could read many of the radio messages of his adversaries in the German Intelligence Services. The second is the SALTY case. SALTY, aka Capitano di Fregata Carlo Resio, was the pivot of Angleton's broad-based liaison with the Italian Naval Intelligence Service. The SALTY case illustrates how Angleton used cooperation with other services to expand his knowledge of foreign intelligence activities. The third is an example of a successful penetration operation that involved another Italian naval officer, whom we shall call SAILOR. And, finally, a second look will be taken at the notorious Vatican case, VESSEL or DUSTY, which was also a penetration operation but one that failed.

Before turning to these operations, it is useful to note that the end of the Second World War divided Angleton's career in Italy in two. Until August 1945, most of Angleton's operations were the extension of a program of military security.²⁴ As experts in the

personnel and methods of the enemy, X-2 officers assisted the more numerous and large units of the U.S. Army's Counterintelligence Corps in locating and neutralizing German and Italian Fascist agents. X-2 officers were in a position to direct aspects of the Army's security program because of their access to a more extensive archive of counterespionage information. In addition, X-2 case officers had received instruction in the arts of doubling and controlling enemy agents, skills that Army counterintelligence officers did not have. When the army picked up an agent, an X-2 officer was called in to assess the agent's potential as a double agent. If the results of the review were affirmative, the X-2 branch assumed responsibility for the agent. Yet even in these double agent cases, security considerations predominated, and X-2 officers operated with the elimination of the foreign service as their goal.²⁵

After the war, Angleton's concern became almost entirely "long-range counterespionage," in effect the surveillance of all foreign intelligence operations in Italy. The rationale for broad coverage was that the cessation of hostilities had brought the replacement of armies by intelligence services as the means by which countries challenged each other. This change in the international system blurred the traditional lines between positive intelligence and counterintelligence. With threats ill-defined, X-2's penetrations assumed added significance as sources of clues as to the intentions of other states.²⁶ Angleton noted the case with which the intelligence services of the continental powers adjusted to peacetime. In September 1945 he wrote, "(a)s military commitments are gradually discharged, there is a sharp increase in the number of long-term espionage suspects which is accompanying the transitional phase to normalcy."²⁷ Angleton found that in the wake of the collapse of Italian power, the unsettled nature of Mediterranean politics invited intervention by secret services. In his reports to Washington, Angleton underlined that the governments of France, Italy, and Yugoslavia were deploying their secret services to maximum their territorial and political advantages before the stabilization of borders and regimes.²⁸

Besides providing insight into the way in which states defined their interests, Angleton's adoption of broad counterespionage coverage in peacetime

facilitated controls over the movements of likely foreign long-term agents.²⁹ On the strictly security side, Angleton's principal concern was that members of those long-range networks not be permitted to obtain American secrets either through penetration of an American facility in Italy or through the emigration of part of the network to the United States.

Linking these two periods of Angleton's field career was his talent for exploiting liaison and penetration for counterespionage purposes. Neither activity produced information in hermetically sealed compartments. The sources of counterespionage information available to Angleton interacted constantly to produce a better picture of the adversary. Some hitherto obscure reference in an intercepted message might begin to make some sense, for instance, when compared to an interrogation reported gained from an Allied service. One always hoped for a snowball effect; a deciphered message might lead to penetration operations that brought the release of even more data.³⁰

Angleton's most important course of counterespionage was the product of both liaison and penetration. Code-named ISOS or PAIR, this was a steady stream of deciphered German intelligence messages, mostly but not exclusively sent by members of the Abwehr, the German military intelligence service.³¹ ISOS or PAIR belonged to the now famous ULTRA family of signals intelligence. These decrypts were a British triumph and came to Americans only as a consequence of the unprecedented Anglo-American collaboration that underwrote the Allied conduct of the Second World War.³² When the advent of joint military operations in 1942 transformed the security of American field operations into a British concern, the British made the decision to share their best intelligence with Washington.³³ In exchange for this material, the British required that the OSS imitate their own foreign counterespionage organization. In practice this meant establishing X-2, a self-contained unit with separate communications channels, whose management at all levels, from staff to line officer, was indoctrinated into ULTRA.³⁴ Recalling ULTRA four decades later, Angleton described it as "the superior source" that undergirded all counterespionage operations.³⁵

Angleton's own London apprenticeship had exposed him to the conventional wisdom among Allied counterespionage chiefs that, at least in this war, signals intelligence was the basis of all serious counterespionage.³⁶ From late 1941, readable German intelligence messages were coming to the offices of British counterespionage in bales. By May 1944 the British were circulating 282 of these decrypted messages a day.³⁷ These decrypts created a sense of confidence among counterespionage officers who, perhaps for the first time in military history, believed that a complete understanding of the enemy's intelligence resources was within their grasp. Although sometimes incompletely deciphered and when fully deciphered often filled with code names instead of real names, these messages provided a bird's-eye view of the number of agents the enemy sent into the field and the information that his networks were providing him.³⁸

In Italy, Angleton made a distinctive contribution to the problem of managing this sensitive information. Like many Allied counterespionage officers, he understood that the British sister services employed ULTRA information. Operationally, this meant striking a balance between the protection of this superior source with the requirement of exploiting it to catch spies. As chief of X-2 Rome, Angleton conceived and produced a series of special manuals for use by Army counterintelligence investigators that went a long way toward solving this problem. Between January and April 1945, Angleton developed the concept of the "Key," an easy-to-revise compendium of information about the various German and Fascist Italian intelligence services that could be shown to officers not indoctrinated into ULTRA.³⁹ The trick was to comb POW interrogations for corroboration of facts first learned from ULTRA. Once a detail had been found in a less sensitive place—a SECRET interrogation report instead of a TOP SECRET ULTRA decrypt—it could be disseminated more widely.⁴⁰

The fact that ULTRA materials were the most important products of liaison in the war against Fascist agents did not negate the value of the other cooperative relationships formed by Angleton in the field. For intelligence as well as operational reasons, the counterespionage officer had an incentive to develop liaison channels.

Angleton recognized that the requirement of specific information about the real names, aliases, addresses, missions, modes of payment, and weaknesses of foreign agents placed demands that even the miraculous deciphered messages could not meet. Germany signals, of course, revealed only some of what had to be known about espionage activity Mussolini's rump government. But even where it was a matter of detecting a German-trained and German-supplied agent, the intricate details required to track the agent down were less commonly the product of signals intelligence than the interrogations of capture intelligence officers, agents, and subagents. As X-2 was only one cog in the Allied counterintelligence machine, Angleton had to rely on liaison channels for most of these interrogations. The ratio of his small number of interrogators to the number of suspects being processed at any given moment meant that only the most important cases became the direct responsibility of X-2. Accordingly, X-2 had to make its influence felt indirectly, through interrogation aids such as the "Keys," which guided Army interrogators, or through joint operations with other counterespionage services with the effect of maximizing the number of interrogation reports available to X-2.

Angleton's experience in Italy affirmed the principle that liaison is the most efficient way to expand the sources of a counterespionage service. Intelligence cooperation has the potential of opening archives to a service that it could not have created on its own without a massive investment of labor and capital, if at all. Liaison among counterespionage services has the added inducement that it is the only way for a foreign service to have systematic access to the myriad of banalities routinely collected by domestic institutions that often prove essential in determining the bona fides of a source. Hotel registration lists, airplane manifests, passports and visa information can all be used to detect suspicious activities by individuals or to test the biographical information of suspect agents with whom you have come into contact. The epitome of such liaison is the police file, which, when corrected for the political or cultural biases of the originating institution, can be the most important source of biographical, or "personality," information.⁴¹

Having learned the value of liaison as a desk officer in London, Angleton wasted no opportunity once in the field to broaden X-2 contacts with Allied and friendly services. Of particular importance to him were the under-developed links to the Italian services. Under certain circumstances a foreign service will decide to put its operational resources at a counterespionage officer's disposal. Until 1946 this was mandated for the Italian police and all Italian military intelligence services.⁴² The challenge for X-2 was to provide the basis for a continuation of such collaboration past the life of the mandate.

Angleton's efforts at deepening liaison with the Italians built upon the accomplishments of others, especially those of his own father, Lt. Col. James Hugh Angleton. From late 1943 through half of 1944, the senior Angleton served as X-2's representative in discussions with Marshal Pietro Badoglio and leaders of the Italian military, including the army's intelligence service, the SIM.⁴³ Over the course of his brief career in X-2 (he had left Italy by the time his son landed in Caserta), Lt. Colonel Angleton drew upon the excellent contacts he had developed in the 1930's as the owner of National Cash Register's Italian subsidiary and as president of the American Chamber of Commerce for Italy.⁴⁴ Following the elder Angleton's lead, son Jim's predecessors as unit chief in Rome, Andrew Berding and Robinson O. Bellin, established a measure of collaboration with all five principal Italian intelligence services: the three Italian military services, the police of the Ministry of the Interior (the *Pubblica Sicurezza*) and the Royal Counterespionage Service, or the *Carabinieri*.⁴⁵

Young Angleton considered his immediate predecessor, Bellin, overcautious in dealings with the Italians. Angleton's first important policy decision after arriving in late October 1944 was to overturn Bellin's recommendation that the Marine Unit, a maritime paramilitary arm of the OSS, suspend its operations in Italy. The source of the problem was that the unit had earlier recruited a number of Italian naval saboteurs. When one of these recruits was discovered to be a Germany agent, X-2 and the OSS Security Office in Caserta concluded that the OSS Marine Unit was insecure. So daunting was the task of checking the bona fides of the rest of the Italian group, because ULTRA apparently provided very

little on the Italian services, it was thought best to close down the entire OSS marine detachment.⁴⁶

Angleton understood these concerns but was willing to take a leap of faith in order to deepen X-2's relationship with the SIS. It was a calculated risk. The war had turned against the Germans, and only the most hardened Fascists would resist the call for assistance from the rejuvenated Italian military. Betrayals were still possible, but their cost had to be weighed against the potential rewards of liaison. The Italian Royal Navy had the key to dismantling the German intelligence and sabotage network north of Florence. ULTRA information showed that the Germans were planning to leave Italians behind in strategic centers with missions to report on Allied military movements to headquarters in northern Italy and Austria.⁴⁷ Other information pointed to Prince Valerio Borghese, a former Italian naval officer, as possibly being responsible for setting up part of this organization.⁴⁸ Borghese, the chief of the naval sabotage unit, the *Decima Flotilla MAS*, had not surrendered with the rest of the Italian Royal Navy in September 1943. He and most of his men, who were famous for their underwater assaults against British shipping, had stayed in the north to serve Mussolini's Salo Republic. The SIS knew the biographies of Borghese's group and could predict which men might be vulnerable to an approach by an Allied field agent.⁴⁹

Angleton's reversal of policy, implying U.S. confidence in the Italian Royal Navy, opened the door to wide-ranging joint operations with the SIS under *Capitano di Vascello Agostino Calosi*.⁵⁰ Italian Naval Intelligence was eager to work with the OSS as Angleton was with them. In November 1944, Calosi's chief of intelligence, *Capitano di Fregata Carlo Resio*, approached Angleton with two offers of assistance.⁵¹ First, he said he could provide four trained radio operators for future penetration operations in the north. Second, he urged that the OSS Marine Unit take over the Italian "GAMMA" frogman school at Taranto, which would soon be closed down. Resio suggested that with the equipment and the training staff from Taranto, the OSS could prepare its own naval sabotage group for operations in the Pacific.

By early January 1945, this liaison was producing counterespionage information in addition to operational opportunities. As he began providing reports based on SIS files, Resio earned the sobriquet SALTY.⁵² The first batch of SALTY reports dealt primarily with two theme: one was the threat of communist insurgency and Soviets support for same; the other, the existence of a Fascist residue that had to be wiped off the Italian slate.⁵³

The SALTY reports brought criticism upon Angleton's head for having exceeded his brief. The references to Soviet activity embarrassed Washington, which, in February 1945, cleaved to a policy of not collecting counterintelligence on allies.⁵⁴ In its first assessment of Resio's information, X-2 headquarters lectured young Angleton on the possibility that this information was politically inspired. The SIS, they cautioned, had long been considered royalist and anti-Soviet: "(t)herefore, it seems possible that this information may well be in the nature of a propaganda plant."⁵⁵ Moreover, at a time when Washington was eager for information to confirm the governing assumption that the Germans planned to continue a twilight struggle from the mountains of Austria, Resio's information seemed at best premature. Washington was testy:

*We would rather like to know from you whether you feel that all of this information actually ties in with German activities, either in the present or along the lines of future operations. Without an explanatory tie-in and evaluation, much of this information seems to be rather meaningless.*⁵⁶

Angleton reacted to the upbraiding by never again forwarding to Washington any political intelligence received from SALTY.⁵⁷

Plan IVY, which was the culmination of the wartime collaboration developed between X-2 and SIS by Angleton and Carlos Resio, did meet Washington's criteria. The plan involved the use of Italian naval resources to penetrate Borghese's XMAS network in the north. Resio introduced Angleton to IVY, a source in Florence who had worked in Borghese's XMAS.⁵⁸ IVY provided six radio sets.⁵⁹ For the period after the liberation of the north, he offered XMAS scouts who were to dress as U.S. enlisted men and be assigned to target teams being assembled for Genoa,

La Spezia, Trieste, and Venice. These scouts were to assist X-2 in tracking down Borghese's stay-behind network.⁶⁰

Plan IVY also involved Pubblica Sicurezza and partisan contacts. The object of using them together with Resio's assets was to extend X-2's coverage in the north. Angleton's plan was to work with the SIS, the Pubblica Sicurezza in Rome, and those branches of the OSS that had been active informants among the partisans with a view to reestablishing contact with as many friendly assets in Fascist territory as possible. Once the liberation had begun, X-2 intended to send its few officers to the north to meet up with these contacts, who were expected to be able to facilitate the "raccolta"(collection) of enemy agents and archives.⁶¹

Despite the assistance of the Italian SIS, Plan IVY did not live up to its promise. The credit instead went to the British and Italian military intelligence for capturing the heart of Borghese's organization.⁶² Plan IVY also incurred unexpected costs that would only have been warranted had there been more operational successes. Because IVY's network had not sufficiently coordinated its activity with the partisans in the north, some of its members were arrested and executed despite their work for the Allies.⁶³ One positive byproduct of IVY for X-2, however, was that Prince Borghese turned himself over to the OSS.⁶⁴ Until the Italian government forced his return for prosecution in the fall of 1945, he served as an X-2 source on the backgrounds of various members of the Italian military and diplomatic elite.⁶⁵

After the war, Angleton intensified his cultivation of the Italian Royal Navy. This took many forms. He offered the use of X-2 as a postal service to Agostino Calosi, whose brother had been taken to the United States to advise the U.S. Navy on building torpedoes.⁶⁶ When someone in the Italian SIS requested a copy of the American trade journal that happened to have an article on welding ships, Angleton cabled Washington to have it dug out of the Library of Congress.⁶⁷ Another way of currying favor was to sponsor a hard-earned vacation for a friendly naval contact. In the summer of 1945, X-2 sent the head of B Section, the cryptographic service of the Italian Royal Navy, and his wife to the south of Italy.⁶⁸

This minor investment seems to have paid off. By 1946 Angleton could report that as part of an exclusive arrangement with Section B, he had received a partial reconstruction of a Yugoslav cipher table and was likely to see solutions to messages sent by the Soviets to their field agents.⁶⁹

By 1946 Angleton had developed at least 10, and possibly as many as 14, informants in the SIS.⁷⁰ This network was inexpensive as it was productive. Angleton reported in the fall of 1945 that he did not pay for anything that he received from the Italian Intelligence Service. Simply by turning over some cigarettes or operational goods, he could gratify his opposite numbers without humiliating them. Angleton wrote in one of his general reports:

A few such items represent the equivalent of month's pay to an Italian Intelligence officer. In practice, \$500 worth of operational supplies has the operational value of \$50,000 worth of Lire or more. This method of payment is generally in use by other intelligence services.⁷¹

Angleton's superiors echoed his pride in the liaison system of X-2 Italy. When taking stock of all liaison relationships in 1946, the leadership of X-2 deemed Angleton's liaison with the Italian intelligence community, including the SIS, the "most spectacularly productive" of any maintained by the organization.⁷²

The SALTY case represented how liaison could be used to fill in gaps in ULTRA information. Another way was by means of penetration. Reading the enemy's mail, as typified by signals intelligence like ULTRA, was only one of the forms of penetration available to Angleton. In the handbook of an X-2 officer there were another four ways to penetrate a foreign service; first, by placing an agent within the foreign service; second, by exploiting captured agents; third, by capturing foreign intelligence documents; and finally, by capitalizing on security lapses by enemy representatives in neutral (third) countries.⁷³

Angleton's most productive penetration aside from ULTRA in the years 1944-46 involved an agent in place. As Angleton knew, the "agent in place," or mole, has distinct advantages as a means of

penetration. This kind of operation can potentially combine the virtues of access to high-level information and operational flexibility. Signals intelligence has the former, but it is also a static penetration. The agent in place, on the contrary, can direct his activities in conformity with the shifting priorities of the counterespionage service. Like signals intelligence, the last three kinds of penetration—captured documents, interned enemy personnel, the fortuitous security breach—lack the dynamism of the agent in place. While excellent sources, they can provide only snapshots of the foreign service. The double agent is the only form of penetration that can compete with the flexibility of the agent in place. But since, by definition, he or she is not an officer of the foreign service and operates only in the field, there is little chance of parlaying the agent's new loyalties into a high-level penetration.

Angleton expected that, like the other forms of penetration, the penetration agent could serve an important epistemological function. In practice, the responsibility of the X-2 officer to protect the integrity of the U.S. intelligence community meant checking the channels of information to headquarters to weed out deception or just bad intelligence. Angleton's term for this was "controlling information."⁷⁴ OSS field stations were beset with streams of information, of varying accuracy, from agents of uncertain credibility. Without a system of knowledge, a field officer found himself blindly picking and choosing among these details. There could be little certainty at the best of times for the analyst of current events, but for Angleton there was a way to reduce the possibility of error. If one could control another agent in the same office, or at least one likely to receive similar information, then the veracity of the first source's reports could be tested. The game of multiple penetration required patience and meticulousness—traits associated with Angleton's later hobbies of orchid-breeding and fly-fishing.

Angleton's prize agent in place realized the epistemological potential of his type. An SIS officer, he provided a check on the products of the important liaison with Italian naval intelligence. Angleton code-named him JK1/8, but for simplicity's sake, we shall refer to him as SAILOR.⁷⁵

The passionate debate over the future of the monarchy in Italy, which followed the defeat of Nazi Germany and the Fascist puppet state in northern Italy, undermined the unity of the Italian Royal Navy. Many in the navy, which Angleton himself described as “the stronghold of Monarchism,” opposed an Italian republic.⁷⁶ Angered by the militant monarchism of his superiors, a young republican in Carlo Resio’s intelligence section took matters into his own hands and offered a confidential liaison to Angleton. From the summer of 1945, this officer supplied X-2 with information that cut across the grain of what was received from official Italian Royal Navy sources.

SAILOR represented the ideological agent. Apparently, he was not paid for his information.⁷⁷ Nor is there evidence that SAILOR intended this connection with Angleton to advance his own career in intelligence. On the contrary, 8 months into his work as a penetration agent, SAILOR mused about resigning from the navy to join his brother in South Africa.⁷⁸ SAILOR’s reports betray an antimonarchist bias, reflecting a deep suspicion of his colleagues and concern for the future of the Italian republic.⁷⁹

In the year for which there is evidence of his work for X-2, SAILOR strengthened Angleton’s ability to monitor Italian efforts to rebuild an intelligence capability.⁸⁰ Notably, on three occasions, he revealed secret Italian intelligence activities and then maneuvered himself into a position from which he could act as X-2’s eyes and ears.

As his first operational contribution, SAILOR disclosed contacts between the Italian and the Soviet intelligence services after the Italian Armistice. At the start of his work for Angleton, SAILOR had offered to turn over the files on his meetings with his Soviet counterpart in Istanbul, Akim Nihailov.⁸¹ A few months later, this offer matured into a prospective penetration of the Soviet services. The Soviets attempted to reestablish contact with SAILOR in Rome in the fall of 1945. SAILOR informed X-2, which then monitored the relationship.⁸²

The second major disclosure attributable to this penetration came when SAILOR warned the Americans that anti-Communist Albanians had

approach the Italian Royal Navy for money and weapons to attempt the overthrow of Enver Hoxha’s regime. Angleton’s official contacts also reported this approach. Thus Angleton found himself being asked by both SAILOR and the Italian partners for guidance as to what the Italian response should be. In order to control this relationship between the SIS and the Albanian dissidents, Angleton risked disclosure of his own penetration by boldly recommending that SAILOR be the liaison between the two groups. SAILOR’s superiors agreed, and for nearly a year, X-2 was able to monitor these discussions through SAILOR.⁸³

Finally, SAILOR revealed an old secret to Angleton that he had learned while serving in the codes and ciphers section of Italian naval intelligence. He told the story of DURBAN, a mysterious source who had supplied British and French codes to the Italian in 1939 and 1940 through a cut out, or intermediary, known as Max Pradier. SAILOR recalled this case because in 1945 Max Pradier attempted to reestablish contact with the Italians, and SAILOR thought the United States might wish to participate.⁸⁴ When the Italians later decided to reactivate Pradier, SAILOR was well-positioned to report on the kinds of ciphers that Rome was requesting.⁸⁵

These operational gifts aside, SAILOR’s principal value lay in enabling James Angleton to master the important liaison with Resio (SALTY) and the rest of the SIS. SAILOR was in a position to reveal weaknesses in the service for Angleton to exploit. In January 1946, SAILOR told Angleton that the Italian Minister of the Navy had announced in a meeting with his chiefs of staff that the United States was “the only friend of CB-Land (Italy).”⁸⁶ As it was U.S. policy on the terms of a peace treaty with Italy that had occasioned this comment, Angleton reacted to this intelligence by requesting from Washington all speeches by U.S. Secretary of State James F. Byrnes and other significant U.S. foreign policymakers that highlighted the American predisposition to a soft peace. Intending to mount a serious campaign, Angleton asked to be forewarned by cable of any government speech seemingly favorable to Italy that he could use to convince the Italian intelligence services that “their loyal collaboration with our service works to better their dubious position at the peace table.”⁸⁷ Thinking past

the peace treaty, Angleton felt that this close liaison could be preserved if the Italians believed that the United States had done everything possible to limit reparations to be paid by Rome and to rescue the eastern province of Venezia Giulia, even if neither demand was met in the treaty.⁸⁸

Additionally, SAILOR improved the value of the X-2/SIS liaison by providing a filter through which Angleton could assess the quality of the information he was receiving from the Italian Royal Navy. Intelligence from SAILOR confirmed that the elite of the SIS was actively supporting the Italian monarchy.⁸⁹ This put Angleton on his guard in dealings with his naval informants. While many factors may have contributed to this caution, SAILOR's reports no doubt influenced Angleton's growing suspicion of the quality of political intelligence from the Italian Royal Navy. By the fall of 1945, Angleton's reports to headquarters began to reflect the reserve that Washington had earlier shown, without much cause, toward SALTY. Lumping the SIS with all other Italian intelligence services in a criticism of the political biases of the Italian intelligence community, Angleton cautioned his desk chief in Washington:

The services have used every event, incident to the Italian Revolution, as propaganda material to indicate Russia's subversive intentions of preventing the reestablishment of "law", "order", and democracy in Italy. At no time have the various items of intelligence (when submitted to the test) been proven to be other than consciously composed for the purposes of provocation.⁹⁰

SAILOR was a successful operation. But not all of Angleton's attempts at penetration produced positive results. Whereas SAILOR could be considered a complete penetration by Angleton, the notorious VESSEL case illustrated the problems associated with an incomplete penetration. This case pushed Angleton to the limits of his ability to meet his own high standards of counterespionage, with severe consequences for U.S. intelligence.

The rough outlines of the VESSEL case are well known to students of the OSS.⁹¹ In the fall of 1944, Col. Vincent Scamporino, the head of the Secret Intelligence Branch (SI) of the OSS in the

Mediterranean, began to receive reports from a man who purported to be in touch with an information service in the Vatican. The reports drew the interest of policymakers in Washington, among whom was President Franklin d. Roosevelt, who took the reports to be reproductions of actual Vatican documents. When the documents turned out to be fabrications, the OSS suffered some humiliation.

What is less well known is that this humiliation might have been avoided had bureaucratic politics not prevented James Angleton from assuming control of this operation from the start. Shortly after Scamporino had brought his first Vatican reports, James Angleton began to receive nearly identical reports from his own cut-out, or intermediary, Fillippo Setaccioli, alias DUSTY.

The source of all this Vatican information, both that received by Angleton through Setaccioli and what Scamporino was sending to Washington as VESSEL information, was a former journalist named Virgilio Scattolini, who directed the Social Center of Catholic Action in the Vatican.⁹² Scattolini had sold bogus Vatican information to various newspaper wire services before the war and with the liberation of Rome sought to reestablish this lucrative trade.⁹³

Shortly after his introduction to Setaccioli, Angleton learned that DUSTY was not Scattolini's sole middleman. When Angleton shared the first reports from Setaccioli with SI Italy, Scamporino revealed that his service had been receiving almost identical information from two other sources, one of which SI had code-named VESSEL.⁹⁴

Two considerations rendered the Scattolini case a matter of the highest importance to Angleton. First, if, as then appeared likely, the Vatican material was genuine, it represented a leakage of secrets about U.S. activities in the Vatican.⁹⁵ Scattolini had boasted to Setaccioli of being able to report on Myron Taylor, the U.S. representative to the Holy See. Second, the fact that Scattolini was not the only middleman complicated any attempt to control Scattolini and U.S. secrets.

Angleton believed that his case required at least limiting Scattolini's Vatican operation to one middleman, DUSTY, whom he believed he should control. Angleton had three good counterespionage reasons to want to restrict the information to one channel. The OSS could thus screen all of Scattolini's outgoing reports for information detrimental to Allied interests. With this channel under its control, X-2 would acquire the capability to uncover all of Scattolini's clients, most of whom were foreign intelligence officers in Rome. At some later date, X-2 could employ this channel to plant information on selected foreign intelligence services.⁹⁶

Scamporino rejected Angleton's plan.⁹⁷ The risk inherent in shifting from the middleman VESSEL to Angleton's middleman, Scattolini, made the plan seem inadvisable. The pressure on Scamporino not to fail was great. VESSEL's information gave the OSS the ear of President Roosevelt, who from January 1945 received reports that were entirely the raw intelligence "take" from this source in the Vatican.⁹⁸ The traditional rivalry with X-2—based on SI's ignorance of ULTRA and subsequent mistrust of X-2's aloofness—encouraged the conclusion, moreover, that Angleton's approach to handling the Vatican information was a veiled attempt to monopolize Scattolini.

As a consequence of Scamporino's decision to defer to DUSTY, from January 1945 until August 1945 the OSS paid two middlemen for the same information.⁹⁹ Had a doubling of OSS expenses on Vatican information been its only cost, this interbranch rivalry might have been excusable. The actual damage was much greater because the squabbling between the SI and X-2 prevented the OSS from controlling Scattolini directly. The preclusion of an inside check on the quality of the VESSEL material rendered even more difficult the already challenging task of evaluating information from the Vatican. Since the departure of the German intelligence bureaucracy from Rome and the internment of Germany's diplomatic corps in the Italian capital, ULTRA could provide very little to Scattolini's information. From the ease with which Scattolini's lies were accepted, one can conclude that the American intelligence community had few other sources on Vatican affairs.¹⁰⁰

Angleton tried unsuccessfully to "control" the Vatican information. At the time that he had suggested putting all of the Vatican middlemen out of business save one, Angleton had also advocated direct contact with Scattolini.¹⁰¹ Given Scattolini's Fascist past, Angleton was confident that the fabricator could be compelled to work for the U.S. government. Angleton never had the chance to test this proposition, however, because of SI's opposition to anything that might threaten the VESSEL operation. In the hope of overturning SI's veto, Angleton spent a good deal of time in February, March, and April 1945 fruitlessly arguing the case for turning Scattolini into a double agent. Finally, even fate conspired against Angleton. When it appeared that Gen. William J. Donovan, the Director of OSS, might agree at least to let X-2 place an American penetration officer in the Vatican to watch over Scattolini, President Roosevelt's unexpected death caused Donovan to cancel his trip to Rome, and the whole plan fell flat.¹⁰²

Fortunately for the U.S. government, Scattolini ultimately made a mistake that took the luster off his material. In mid-February, Scattolini, who apparently did not know the identities of all of his consumers, passed a report through VESSEL on a meeting between Myron Taylor and the Japanese representative at the Vatican, Harada Ken.¹⁰³ The State Department was astonished when it received this VESSEL report because Taylor had not reported this particular contact. When Taylor denied ever having met the Japanese representative, the VESSEL material finally fell under suspicion, and the OSS decided to curtail its distribution severely.¹⁰⁴ President Roosevelt, however, continued to receive VESSEL reports on the Far East, as did the other Washington consumers of this material.¹⁰⁵ For no apparent reason, it was thought that, though unreliable about European matters, VESSEL could be trusted when it came to Japan.

Neither Angleton nor X-2 bore direct responsibility for the fact that the President of the United States received a weekly diet of fabricated reports up to the closing down of SI's VESSEL operation in the summer of 1945. A counterintelligence service is ill-equipped to judge the merits of political intelligence. In short, X-2 could better evaluate the messenger than the message. Primarily at fault were analysts in the

OSS Research and Analysis Branch in Washington, whose access to more political information put them in the best position to discredit this material.

While the course of the VESSEL case validated his operational approach, Angleton should not retrospectively escape personal responsibility in the Scattolini case. Despite his admonitions to Scamporino, he shares SI's trust in the basic veracity of what Scattolini was selling. Only he can be blamed for the decision to continue disseminating Scattolini's material after VESSEL, the OSS middleman, was fired in the summer of 1945. Thereafter Setaccioli was the sole source of these so-called "Vatican cables to Angleton."¹⁰⁶ Instead of simply using them to detect foreign intelligence officers in Rome, Angleton held at the view that Scattolini's material was a valuable source of political intelligence. He gave the Vatican reports a high evaluation, shared them with the U.S. Embassy in Rome, and decided to leave Scattolini alone.¹⁰⁷ Why Angleton passed up his long-awaited chance to employ Scattolini as an U.S. agent, at least to bolster his confidence in the man's access to information, is unclear. As a result, a final reckoning for the Vatican material was delayed at least until 1946. Ultimately, a CIA postmortem on the case concluded that Scattolini's reports had contributed to "informing, misinforming and thoroughly confusing those individuals responsible for analyzing Vatican foreign policy during the period involved."¹⁰⁸

The counterespionage officer who emerged from the four preceding X-2 operations is at odds with the fabled James Jesus Angleton of the Mole-Hunt of the 1960s.¹⁰⁹ As evidenced by his treatment of information gained through liaison with SALTY and other Italians, Angleton did not view World War II has a hiatus in the struggle against international communism.¹¹⁰ In fact, at no time was the young second lieutenant transfixed by a single enemy, Communist or Fascist.¹¹¹ His instinctual reaction to DUSTY, it will be recalled, had been to control him in order to monitor all foreign intelligence activities in Italy.

Further evidence of Angleton's pragmatism was the healthy skepticism with which he treated his sources. Aware of the political context in which he was working, Angleton was sensitive to the twin needs of

collecting from sources of all political persuasions and correcting for their political biases. In October 1945, with the benefit of information from SAILOR, he regretfully remarked that the doctrine of military necessity had led to an almost exclusive set of intelligence-producing liaison relationships with the Italian military services, which represented the monarchist right wing of the Italian political spectrum.¹¹² Since it was likely that Italy would become a republic with the center-left inheriting power, Angleton articulated his worry that X-2 faced being shut out of important Italian information.¹¹³

The success or failure of a counterespionage unit is not a simple determination. One ought to resist the tendency to award laurels to Angleton and X-2, for example, simply because the OSS and the rest of the U.S. government escaped serious Fascist penetration.¹¹⁴ After all, the avoidance of penetration may be more the reflection of the weakness of the opponent's intelligence service, or more appropriately in wartime, it may likely be the consequence of one side's military prowess. Nevertheless, standards of competence can be set. If they are exceeded, then the service or the individual counterespionage officer can be said to have been truly exceptional.

In his use of ULTRA material and other products of liaison and penetration operations, Angleton demonstrated a firm grasp of the principles of effective counterespionage. He knew both how to make use of the intelligence that he had and how to develop new sources. Throughout, his objective was to extend his coverage of foreign activities likely to affect U.S. interests. This implied an exacting definition of counterespionage, which obliged the field officer to monitor all foreign intelligence-gathering in strategic areas and to control every possible channel through which an adversary might acquire American secrets.

This sureness of touch also had its negative side. It nourished a self-confidence that occasionally led Angleton astray. The VESSEL debacle showed that Angleton could relax his principles if he became personally involved in a case. Once Scamporino and the rest of SI had lost their claim to the Vatican material, Angleton backed away from his previous bureaucratic

position of stringent checks on Scattolini and ran the operation through the man whom he believed, Setaccioli (DUSTY). Perhaps, too, some arrogance contributed to his decision not to secure the coordination of the IVY plan with the Parisians in the spring of 1945.

Angleton's mistakes in Italy, however, did not diminish his role as exemplar in the development of counterespionage as an American profession. As demonstrated through his operations with X-2 in Italy, Angleton's concept of total counterespionage discouraged the myopia that can lead intelligence services astray. His approach to counterespionage neither necessitated a principal enemy nor was biased politically to expect a great threat from any particular country. Grounded in empirical evidence and historical memory, the world according to Angleton was flexible, open-ended. Though not looking for threats, Angleton as a young man was in a position to perceive them whenever and wherever they arose.

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