

INTEL. SERV. SPAIN
BACKGROUND MATERIAL

SECRET

11 July 1943

MEMORANDUM FOR COLONEL D. W. STONE, ASSISTANT CHIEF OF STAFF,
THE JOINT CHIEFS OF STAFF

Subject: OSS Activities in Spain and Portugal

In compliance with your request for information as to OSS activities in the Iberian Peninsula contained in your memorandum of 27 July 1943, there are submitted herewith the following documents:

a. Tab A. A folder containing the following Directives and other Joint Chiefs of Staff Authorizations for OSS activities in Spain and Portugal:

Military Order of the Commander-in-Chief, dated June 13, 1942, creating the Office of Strategic Services

JCS 155/4/D dated December 23, 1942

JCS 155/7/D dated April 4, 1943

OSS General Order No. 2, dated January 3, 1943

Approval by Joint Chiefs of Staff of OSS General Order No. 3, dated January 16, 1943

JCS 170 dated December 18, 1942, and certain subsequent correspondence in connection therewith

Memorandum from the Joint Chiefs of Staff for the Director of Strategic Services dated April 10, 1943, with reference to JCS 251

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21 July 1943

Colonel C. R. Peck -

JOS 764 22 - April 23, 1943

The specific references to operations in Spain and Portugal are indicated in red.

b. Tab B. An outline of OSS activities in Spain and Portugal covering the information requested in paragraphs 2 through 4 of your memorandum.

c. Tab C. An outline of OSS counter-espionage activities and control in Spain and Portugal. This memorandum is an amplification of Tab B and is submitted in view of the separation of the administration of espionage and counter-espionage within OSS, effected only on June 19, 1943.

d. Tab D. OSS Organization Chart of the Iberian Peninsula and adjacent islands as requested in paragraph 7 of your memorandum.

2. Pursuant to our conversation of July 20 on the subject, we will make available for your examination those of our files which contain the details of our under-cover agents, including their names and cover indications.

3. Complete explanation and discussion of the issues raised in Ambassador Hayes' memorandum to Secretary Hull dated June 16, 1943, (received in OSS 17 July 1943) and in General Strong's memorandum for the Chief of Staff dated 6 July 1943, are being prepared and will be submitted to you as soon as completed.

G. Edward Buxton
Acting Director

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10,000

SPAIN, Madrid, Foreign, Minister, Jorcoy, JOE

10,040

PORTUGAL, State Dept, Protocol, Howland

7940

WAR DEPT. Portuguese Newspaper

7430

PORTUGAL, British, Military Agreement, Diaby

7727

LISBON, Intelligence, Attache, JCB

9827

SPAIN, Portugal, Representative, State

~~AMERICAN REPRESENTATIVE~~

10,041

SPAIN, Petroleum Attache, Intelligence, Kimmel

10,500

CHIFFRE, Section, 2/2/45 Spain, Portugal, Representative

*Background material for
Hayes report*

*Intelligence Review from
VPS - 154/D*

Handwritten: Draft
~~Confidential~~

To: General DeLoach
From: School District

Subject: Contents of School Register of the State of
reply to Ambassador Lacer

2. This first draft does not set forth all available defenses against the Ambassador's accusations as to how certain personnel happened to be here. I feel also that the draft

approval of our personnel. We have, in General DeLoach's reply to ICS, admitted certain personnel. We do however state that considerable part, chosen for us by the State Department, including the State Department. We of the people selected went out over the world. This should be

planned list. When the Ambassador later was personally selected by the State Department. In fact, Di Iacova was so highly regarded by the Secretary of the State that he declined to permit this

exceptional employee to leave the Treasury until he had written a note to the Secretary of State outlining Di Lucca's importance and adding that he would not let him go if he were not assured of the great importance of the mission. Negotiations made it a condition that Di Lucca should be attached to the Embassy as Financial Attache.

There may be other equally cogent points to be made in defense of some of the personnel selected by the State Department with full sponsorship by them.

2. I think the draft is particularly weak in explaining why we waited from March until the present date and continued our endeavors to get Gregory Thomas into Madrid.

The second sentence on the top of page 8 makes a very unfortunate and inaccurate admission: "This action destroyed all hope that Mr. Thomas could promptly accomplish the improvements of the Madrid situation for which the Ambassador had been clamoring." In place of this sentence, I think there should be a sentence which frankly meets possible criticism, such as: "The question naturally arises why, under these circumstances, did not OSS endeavor at once to replace Mr. Thomas." Later on this page are given many excellent reasons why we did not attempt immediately to replace

[The text in this section is extremely faint and illegible due to heavy noise and horizontal streaks.]

July 21, 1943

Draft

The strategic importance of the Iberian Peninsula has long been recognized by the Director of OSS and steps were taken to develop an intelligence system in that area even before OSS was organized as an agency of the Joint Chiefs of Staff.

The New York SI office which was established early in 1942, when General Donovan was Coordinator of Information, was instructed to explore the New York area with a view to discovering personnel competent to handle Iberian matters, not only field agents but administrative officers and contacts through whom close relations could be maintained with important Spanish groups in this country, notably, the Basque and Catalan groups.

On May 15, 1942, Mr. H. Gregory Thomas of 19 West 55th Street was appointed a special assistant on the staff of the New York office and given charge of Spanish and Portuguese activities in the New York area and the

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integration thereof with the work of the Washington headquarters. By education, experience and apparent natural aptitude Mr. Thomas was peculiarly well qualified for this assignment. He was born in New York in 1907 and educated in Switzerland, France and England, receiving his doctorate in law at the University of Paris, obtaining first class honors in modern language tripos at Cambridge University and passing the Inner Temple examination for admission to the English bar. In addition, he studied in Spain in 1924-25 and at the Universities of Oviedo, Madrid and Salamanca at various times between 1926 and 1931 obtaining his doctorate in law at Salamanca in 1931. A synopsis of his education, professional and business experience is attached hereto marked Annex 1.

The American occupation of North Africa increased the strategic significance of the Iberian Peninsula and in the winter of 1942-43 the OSS re-examined its position in the

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Peninsula for the purpose of strengthening its organization and developing new and even more vital intelligence sources. The Director decided that the first and most effective step would be the dispatch to Madrid and Lisbon of the best qualified man who could be found, giving him overall responsibility for the Iberian Peninsula and "tactical" control over both the Lisbon and Madrid offices. Mr. Thomas was selected for this post because of his intimate knowledge of Spain, his perfect command of French and Spanish, and his thorough knowledge of French problems and personalities.

The decision to assign Mr. Thomas to the Peninsula was discussed with the Department of State, and after an agreement in principle had been reached the Director of OSS wrote to the Department on February 18, 1943 requesting the designation of Mr. Thomas to Spain and Portugal as Attache to the Ambassador at Madrid and as Attache to the Minister at Lisbon. A copy of this letter is attached hereto marked

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Annex 2. Under date of March 9, 1943 Mr. Thomas was informed by the Department of State of his designation as Attache to these two Missions. A copy of the Department's letter is attached hereto as Annex 3.

For reasons which have never been fully explained to OSS Mr. Thomas has been prevented by the State Department from taking up his duties in Madrid. It will be recalled that the American Ambassador at Madrid made certain allegations regarding OSS activities in Spain and that the Department of State, under date of March 26, 1943, transmitted to the Joint Chiefs of Staff a copy of a telegram from Ambassador Hayes to the Secretary of State dated March 18, 1943 and a memorandum from the Ambassador dated March 8, 1943. The Joint Chiefs of Staff requested the Director of OSS to submit an answer to the allegations contained in these two documents and on April 9, 1943 a 25-page memorandum was submitted by the Director to the

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Joint Chiefs. A copy of this memorandum is attached hereto as Annex 4.

On April 10, 1943 the Joint Chiefs of Staff replied to the Department's communications and instructed General Donovan to regard that reply and especially the last paragraph thereof "in the nature of a Directive from the Joint Chiefs of Staff to the Director of Strategic Services." The paragraph in question reads as follows:

"The Chiefs of Staff are sympathetic to Ambassador Hayes in the trouble that he has been given by poorly selected representatives of OSS. They have given instructions that all representatives whose conduct causes embarrassment to the Ambassador or to the other officials of the Embassy be summarily withdrawn. They are hopeful that with the arrival of Mr. Thomas in Spain such incidents as those which prompted Ambassador Hayes' protests will be eliminated."

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The text of the letter is attached hereto as Annex 5.

It is to be noted from the Director's memorandum of April 9 (Annex 4) and the letter from the Joint Chiefs of Staff to the State Department of April 10 (Annex 5) that OSS has been fully aware of the inadequacy of its earlier representation in the Iberian Peninsula and the shortcomings of some of its agents in that area. Mr. Thomas was specifically instructed to improve that situation and it was the conviction of OSS that upon his arrival in Madrid Mr. Thomas would be able to explain matters to the satisfaction of the Ambassador and with the latter's cooperation take the necessary steps to perfect OSS intelligence projects in Spain or based thereon. As stated above, however, Mr. Thomas has not yet been permitted to assume his post in Madrid.

The Embassy at Madrid remains critical of OSS activities

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and personalities there and insists that something be done about it, but the OSS program for accomplishing the desired improvement has been frustrated in one way or another. At one time it was a question of passport and visa delays; at another it was a question of Mr. Thomas' alleged Falangist affiliations, allegations which were completely refuted by Mr. Thomas in a personal conversation and written statement to Assistant Secretary of State Shaw.

When, in May 1943, Mr. Thomas had received his diplomatic passport, his Portuguese visa, and was about to sail for Lisbon (it should be pointed out that the Department had not succeeded even then in obtaining his Spanish visa) he was suddenly notified that his designation as Attache in Madrid had been cancelled and he was asked to present his passport for amendment. When pressed for an explanation by OSS the Department merely stated emphatically that it

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*The question naturally arises - Why, under these
circumstances, did not the OSS advise at once to
recall Mr. Thomas*

was impossible to send him to Madrid as an Embassy Attache and added that he should not be permitted to go to Madrid even as a visitor for at least two months. This action destroyed all hope that Mr. Thomas could promptly accomplish the improvement in the Madrid situation for which the Ambassador had been clamoring. Consideration was naturally given to the possibility of selecting some other person than Mr. Thomas as OSS representative in the Iberian Peninsula, but it was decided that this would be unwise, both because it was hoped that the Department could be persuaded to reconsider its arbitrary action after Mr. Thomas reached Lisbon; because to train another man effectively would be a matter of months; because Mr. Thomas had made such an excellent impression on certain State Department officials; and finally, because of Mr. Thomas' outstanding ability and characteristics. He was, therefore, instructed to proceed to Lisbon.

Mr. Thomas has now been in Lisbon for about two months.

Reports reaching OSS from Lisbon indicate that he ~~(enjoys the confidence)~~ *is*

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has established himself very competently in that city and that he enjoys the confidence of the American Minister and of the Legation staff. OSS representatives in Madrid have come to Lisbon to confer with him and he has done his best to deal with their problems in that manner. It has not been a satisfactory arrangement and his usefulness to OSS and the usefulness of OSS to the Joint Chiefs of Staff have been seriously impaired because of our inability to carry out the plans formulated for Mr. Thomas' work in the Peninsula.

Meanwhile, OSS has done everything possible to make the best of this bad situation. We dispatched to Madrid from the Washington Office Mr. Frank Ryan, who was instructed to cooperate in every way with the Embassy, and we brought Mr. Pratt, who had been our principal officer in Madrid, to Washington in May to inquire first hand from him regarding the situation. Furthermore, on the recent return of Mr. Smith, head of the Oil Control Commission, we discussed the oil problem in great detail with him and the officers of the State Department concerned, and, as a result, an

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arrangement satisfactory to all parties was drawn up on July 13 - 14. A telegram jointly drafted by Mr. Smith, the State Department, and SI, is now ready to be sent to Madrid and will, as requested by Mr. Smith, be despatched as soon as he arrives there. We have likewise sent to the Battle Order School one of the new "Oil Observers" so that he may be instructed along this important line. The officer in question is now ready to go to Madrid. In addition, we are sending one of our best map experts to Madrid, a man who is also proficient in the processing and coordination of reports. This official should be of great assistance in coordinating map material and collecting bookshop material, while affording the office at Madrid considerable assistance and education in the processing of material for the Reporting Board at Washington. *Lastly, OSS is sending*

*an ornate present of our to the Bureau
Perrin, and Alexander by so has offered to attend*

The present situation wherein OSS, notwithstanding the letter to the State Department written by order of the Joint Chiefs of Staff on April 10, 1943, notwithstanding the conspicuous qualifications of Mr. Thomas for the assignment given by him by the

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Director, and notwithstanding the great and growing need for intelligence work in the Iberian Peninsula, is prevented from establishing Mr. Thomas in Madrid seems indefensible, and any inadequacy in the quality or quantity of OSS intelligence reports from the Iberian Peninsula in recent months or any indiscretions on the part of its personnel in that area cannot be charged to OSS which has done its utmost to provide for effective and efficient coverage and to strengthen its representation along the lines requested by Ambassador Hayes. General Donovan's instructions to Mr. Thomas as special OSS representative in the Iberian Peninsula gave him supervision and control of all existing and future intelligence projects in the Peninsula or based thereon and were given him only after very careful study and consideration by General Donovan, the Officers of OSS concerned in Washington and New York, and a lengthy discussion with Mr. Thomas himself. They were detailed and specific and defined with exactitude his duties, responsibilities and functions.

For example, Mr. Thomas' functions and duties as head of

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the OSS in the Iberian Peninsula (including the Balearics) were set forth in part as follows:

1. To have with full responsibility for all OSS activities operated within the Peninsula or based thereon;
2. To report fully to OSS Washington on all matters related to the discharge of that responsibility;
3. To be kept informed of all OSS activities operated through the Peninsula from any external point and whenever practicable be given an opportunity to express approval or disapproval thereof or make constructive suggestions with respect thereto;

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4. To keep OSS Washington fully informed regarding such activities;
5. To cooperate fully with OSS personnel in London or Africa in connection with activities directed from those theaters which involve Spain, Portugal, and for the African or insular possessions of either or Spanish Morocco;
6. To be given an opportunity to express an opinion as to the feasibility or political advisability of any projects under consideration for OSS operations within or based upon the Peninsula;
7. To be given an opportunity to express an opinion with respect to the acceptability and general qualifications of any OSS personnel ~~xxx~~ selected for assignment to the Peninsula prior to formal assignment;
8. To be authorized to discontinue forthwith services of any OSS employee operating within the Peninsula whenever in his judgment such emergency action is necessary for reasons of security or otherwise;
9. To cultivate and maintain cordial relations with the

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chiefs of the American Diplomatic Missions in Madrid and Lisbon,
and with all diplomatic, consular, military, naval and other officers
of the United States on duty in the Peninsula.

~~Mr. Thomas was likewise instructed previously concerning his
operational duties and responsibilities~~

The Office of Strategic Services believes it is in a
position to render ever more valuable and unique service in the Iberian
Peninsula. It possesses detailed information as to the necessities
and opportunities for intelligence work in that area; it has a
considerable group of agents and sub-agents now operating in Spain
and Portugal and their possessions; in the person of Mr. Thomas it
has an extraordinarily well qualified representative and principal
officer whose fitness for his duties has been approved by the Joint
Chiefs of Staff, and who as appears above has received full instruc-
tions and adequate authority from the Director of Strategic Services.
For reasons beyond the control of this office, the OSF Program for
work in Spain has been frustrated, and while it is still possible to
carry it forward, the loss of vital time has been most prejudicial.

The OSS has received within the last few days, a copy of

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Ambassador Hayes' despatch #991 of June 16, 1943, "Transmitting Memorandum of Consul General Makinson on Certain Barcelona Incidents and Offering Comments and Recommendations on OSS Activities in Spain". A detailed reply will be submitted dealing with the Ambassador's misapprehensions as set forth therein. Two statements are made, however, which in effect constitute criticism of OSS for failing to send Mr. Thomas to Madrid. These statements are as follows:

"On March 9 the Department informed me by airgram (No. A-166, 12:35 pm) that Mr. Gregory Thomas was being assigned to Spain and Portugal as 'Principal Representative of OSS', and from what I heard of his character and attainments I gathered that at last we might be obtaining a really competent head of the organization here. Only at the end of May, however, did Mr. Thomas arrive in Lisbon, and Mr. Pratt now tells me that he, himself, is to remain as head of the organization in Spain while Mr. Thomas is to concentrate on Portugal with only brief visits to Spain," (page 12), and "The OSS

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organization in Spain should have a head, or chief, who would bear the same mutually respectful relationship to me and to the Embassy as the Military and Naval Attaches bear, and who would have appropriate background and training, would inspire confidence and would be discreet and honestly cooperative ... No OSS representative in Spain at the present time, with the possible exception of Mr. Frank Schoonmaker, has these qualifications. It is supposed that Mr. Gregory Thomas has them, but he cannot supervise in necessary detail the work of the organization in both Spain and Portugal, and unless he is assigned exclusively to Spain, someone else should be."

(page 22)

It is incredible that the OSS should be criticized by the American Ambassador at Madrid for failing to do things which it urgently desires to do, but which it is and has been prevented from doing by the Department of State. Mr. Thomas is not at his post in Madrid because ~~his~~ his appointment to Madrid was cancelled by the Department, and because OSS was advised by the Department not to

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permit him to proceed to Madrid after his arrival at Lisbon. Apparently the Department's attitude has not been communicated to the Ambassador and OSS finds itself in the intolerable position of apparently failing to respond to the Ambassador's request for the improvement and strengthening of OSS activities in Spain, when in fact it is in no way to blame for the existing situation.

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

April 13, 1944

TO: General William J. Donovan

FROM: Whitney H. Shepardson

A cable from Ryan, dated April 12th (CD-17382), brings out several interesting and encouraging points:

1. Real progress is indicated in the matter of recruiting French refugees in Barcelona.
2. A very detailed sequel to 368's recent Cartagena triangle report is forthcoming.
3. It is strongly indicated, although not specifically stated, that our shuttle service, comprising three small ships, operating between Spain and North Africa, is operating satisfactorily.
4. A new agent, called Conde, has been recruited locally and is located in Seville under Armstrong's company. Ryan seems enthusiastic about his ability.
5. One of our oil control men is now permanently stationed at Palma, Mallorca. Another agent, who is under his own commercial cover, left Spain for the Balearics April 6th.
6. Although Ryan suggests Metro's remaining in Madrid until a few weeks after Gregory's arrival, I am cabling Ryan today that our decision to have Metro return here for a conference immediately remains unchanged. In view of the attendant circumstances, I am confident Ryan will appreciate our motives.

Whitney H. Shepardson

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TO DIRECTOR FROM MADRID:

Your letter of January 12th has just been received.

Regarding your Paragraph 4d, you say that we should not make a practice of turning over to the Embassy all the information that we are able to gather, except for cases in which the State Department requests us to supply specific information about a particular product shipped on a certain date, over a certain route, that you have previously reported to us.

This subject brings us face to face with the entire problem of our relations with the Embassy, and, through them, with the State Department. In our extensive conversations with Jim Huppa mentioned the considerable difficulties that the OSS is encountering in its dealings with the different embassies throughout Europe, such as Stockholm, London, etc., and said further that this was one of the biggest headaches that our organization had to face.

I can tell you, without exaggeration, that we went through exactly the same troubles here in Madrid, being the subject of criticism from the Ambassador on down. For example, on about November 10 I had a long talk with the Ambassador regarding results in Spain of our operation in North Africa. At that time he told me flatly, and in irate words, that he thought our organization was wasting its time and wasting the money of the American Government, because we were obtaining no amount of information that could reasonably justify our existence.

I told him that I had certain definite objectives in view, but that I, myself, could not direct the work toward these objectives because the final decisions did not rest with me.

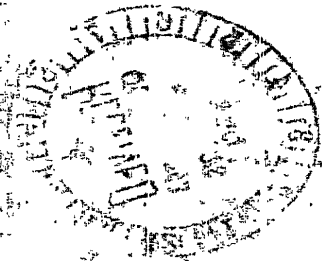
However, I did not point out to him the fact that such information as our organization was able to obtain in Spain was hidden from the Embassy as much as possible, and sent direct to Washington, even to the point of the paraphrasing our telegrams as given to the Embassy, which were not always exact.

Since our existence in force in Spain, and our ability to communicate with you by pouch and cable depend entirely upon the good-will of the State Department, I consider that one of our important jobs is to win this good-will. The only way to do this is to convince the

our utility, and the only way to so convince him
we have made a practice of doing this for the past two months
with most gratifying results. The attitude of the Ambassador and the
Counselor, as well as that of other officers in the Embassy, has
so far been able to help has completely reversed itself, as I know
from their statements as reported to me. We are definitely out
of the dog-house and on the way to being considered worth our salt.

You instruct me now to discontinue the policy that we have been
following lately. I would like to ask you to reconsider your decision,
not only because of the effect it will have upon our relations with
the Embassy - whose good will is so vital - but also because a great
deal of the information that we obtain, including that on domestic
should be made use of immediately in Madrid. The mail service
between Madrid and Washington is so irregular that weeks may pass
between the receipt by us of information and its receipt by you. To
this loss of time must be added further loss in transmission from
our source to us.

Therefore, if we cannot turn over our information immediately
to the Embassy for distribution by them to the interested depart-
ments in Madrid, the only value left in much of our information is
that of a historical document.



2. Intelligence Services (OSS - and) etc.
** Spent*
** Hqs. and C*
** Evaluation*
** OSS reports*

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

December 22, 1942

MEMORANDUM:

TO: Colonel Donovan
FROM: David Bruce

I am returning our memorandum of December 12, 1942, together with copies of the attached reports, which I believe you wish to send to General Wademyer.

DB
D. B.

SECRET
OFFICE OF STRATEGIC SERVICES

6001396

Intel Saw 8117
Espionage
State Dept
Cables

OFFICE OF STRATEGIC SERVICES

INTEROFFICE MEMO

TO: Colonel Donovan
FROM: David Bruce
SUBJECT:

DATE: December 12, 1942

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OFFICE OF STRATEGIC SERVICES

*Intel -
I will
do so -
returning this
to you
for
reference*

In view of the report made to General Weidemeyer that our military and naval despatches from Spain were considered without value, I have had the two attached reports prepared which you might care, for the sake of the record, to submit to him.

D. B.

P.S. Please advise us before these reports are transmitted, so we may have them reproduced for our files.

Wally Bruce
Will you please
hand a memo for
me
A/B/M

December 10, 1948

MEMORANDUM

TO: Major David Bruce
FROM: Frank T. Ryan
SUBJECT: OSS Reports from Spain

To refute the claims that have been made in certain quarters as to the reliability and accuracy of the reports which we are receiving from our various representatives in Spain, I wish to submit to you the following supporting evidence to show that the information being reported from Spain is highly rated and approved by various government agencies to which it is disseminated, particularly ONI and NIS.

1. Evaluation of SI reports submitted to ONI in the period October 23 to December 4, 1948, together with an analysis of the ratings applied to these reports.
2. Memorandum from Dr. B. A. Callahan, Military Liaison Officer, expressing favorable opinion of NIS on the information received from Spain through SI/OSS sources.
3. Ambassador Hayes of the United States Embassy in Madrid has, during the month of November, used sources of SI/OSS information in his cable reports to the State Department. OSS information was contained in the following cable messages:

Nov. 21st	OSS 8538	C.N. 10148
Nov. 20th	OSS 8534	C.N. 10150
Nov. 18th	OSS 8534	C.N. 10250
Nov. 10th	OSS 8503	C.N. 10068
Nov. 10th	OSS 8504	C.N. 10069

(Last paragraph)

4. The following excerpts are taken from a Memorandum of Dec. 10th, written by Major Frederick Todd to Major Bruce, relative to evaluation of information received from SI sources in Spain.

of particular interest to the Intelligence Agency.

It is noted that reports concerning the movement of Spanish aircraft and personnel to the frontier of Spain, and the reports of the presence of aircraft in the area of the frontier, are of great interest to the Intelligence Agency.

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It is noted that reports concerning the movement of Spanish aircraft and personnel to the frontier of Spain, and the reports of the presence of aircraft in the area of the frontier, are of great interest to the Intelligence Agency.

- 5. Reports which we have received from time to time from our Representative in Tangiers have received commendation from all interested Agencies.
- 6. The Department of State is on record as being particularly interested in our reports concerning the movement of goods across the frontier in Spain, as well as the complete list of cargoes which leave Barcelona by boat. This type of information is also of much value to the DDC.
- 7. Our Representative in Tangiers has submitted very important military and political information, much of which has been rated A-1.

WJL/dr
Dec. 10, 1948

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Reporting Date: 10/15/51
 Reference: 10/15/51

In the period October 11 - December 4, 1951, ONI has processed 77 reports originating from 100 Spanish agents. ONI has evaluated 22 of the 27 sent to that agency, with the following results:

I. In terms of moral interest:

16 items rated "1" (of primary moral interest)
 14 items rated "2" (of secondary moral interest)
 3 items rated "3" (of minor interest)
 0 items rated "4" (worthless)
 1 item rated "0" (impossible to estimate)

II. In terms of reliability of material:

4 items rated "1" (equivalent of OSS/SI "1")
 2 items rated "2" (equivalent of OSS/SI "2")
 4 items rated "3" (equivalent of OSS/SI "3")
 0 items rated "4" (equivalent of OSS/SI "4")
 20 items rated "5" (equivalent of OSS/SI "5")
 impossible to evaluate)

III. In terms of timeliness:

22 items rated "1" (of immediate and current interest)
 5 items rated "2" (valuable, but out of date)
 4 items rated "3" (worthless, since out of date)
 1 item rated "0" (equivalent of OSS/SI "0")
 impossible to estimate)

IV. In terms of originality:

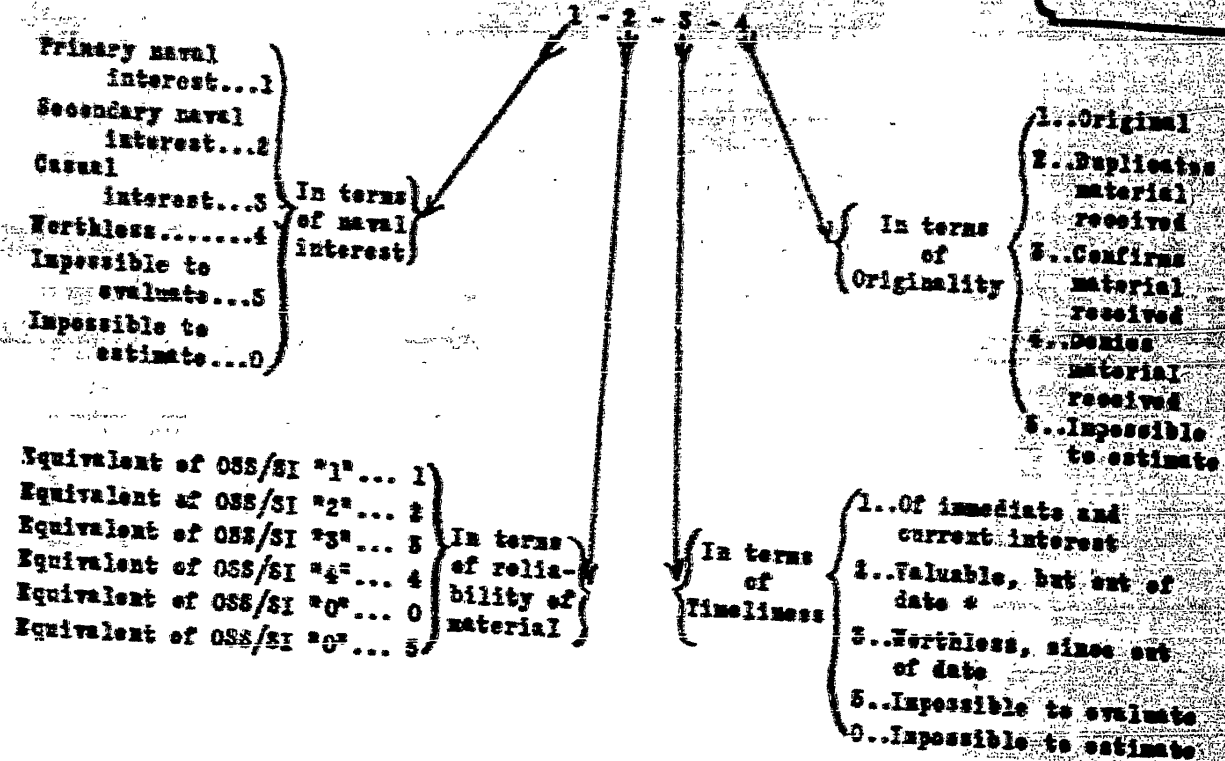
25 items rated "1" (original)
 1 item rated "2" (duplicates material received)
 6 items rated "3" (confirms material received)
 0 items rated "4" (denies material received)

The reports thus noted, while not of top timeliness, are frequently not regarded by ONI as out of date. They are characterized simply as "valuable".

GUIDE TO OEI EVALUATIONS

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OEI evaluations employ four sets of numbers:



* OEI frequently adds to this ratings "The reports thus noted, while not of top-timeliness, are not regarded as out of date. They are characterized ...simply as valuable."

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File No.	Serial	Description	Reference	Date
A-292	B-217	Contact and espionage activity in Malaga. 2 pp. Nov. 11	B-2	1911
A-292	B-218	Military situation in Malaga. 2 pp. Photograph and map. Nov. 11	B-2	1911
A-292	B-219	Rebuilt military airfield. 1 p. Nov. 11	B-2	1911
A-292	B-218	Survey of Malaga. 6 pp. Nov. 11	B-2	1911
A-292	B-218	Survey of Malaga Islands. 2 pp. Nov. 11	A-2	1911
A-187	F-1040	Military activity in Malaga region, morale of German troops in France. 2 pp. Nov. 11	A-2	1911
A-187	F-1040	Spanish soldiers Juan Luis Diaz and Almirante Valdes located at Santander. 1 p. Nov. 11	B-2	1911
A-292	F-1040	German shipments of medicine and gasoline to Spain. 1 p. Nov. 11	B-2	1911
A-187	L-287	Freight movements Spain to Occupied France, Sept. 23-Oct. 15. 1 p. Nov. 11	B-2	1911
A-187	L-287	Freight movements Spain to Occupied France, Oct. 8-19. 1 p. Nov. 11	B-2	1911
A-187 &c	L-287	25 photographs of German fortifications and military activity at St. Juan de Luz. Nov. 11	A-2	1911
GD-10023	L-287	Air and military activity, Lugo. 1 p. Nov. 23	B-2	1911
GD-10272	L-287	Movement war supplies Malaga to Melilla. 1 p. Nov. 27	B-2	1911
GD-10439	L-287	Military and other supplies landed at Tenerife Nov. 20-22. 1 p. Dec. 1	A-2	1911

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File No.	Date	Description	Classification	Page Count
A-500	1-22	Report on release of aircraft and equipment in Germany and photographs. Nov. 2	A-1	1011
A-501	1-22	Spanish's description of people in Germany. 4 pp. Oct. 22	A-1	1012
A-502	1-22	German military activity in area. 1 p. Oct. 22	A-1	1013
A-503	2-12	Mail service, changed by British in Germany (Belgium). 1 p. Oct. 27	A-1	1014
A-504	2-12	Reports from Portugal and Spain of persons and via to France. 1 p. Oct. 24	A-1	1015
A-505	2-12	German aviation activity at Sevilla. 1 p. Oct. 27	A-1	1016
A-506	3-12	German airplanes, Tenerife. 1 p. Oct. 27	A-1	1017
A-507	3-12	Spanish fear of Russian warships in American inside P. Atlantic. 1 p. Nov. 11	A-1	1018
A-508	3-12	Instructions issued regarding agents by German secret services in Spain. 3 pp. Nov. 22	A-1	1019
A-509	3-12	Port facilities, Spain. 3 pp. Nov. 11	A-1	1020
A-510	3-12	Air force with Blue Divisions; German plane losses. 1 p. Nov. 11	A-1	1021
A-511	3-12	Italian submarine at Santander. 1 p., photograph. Nov. 7	A-1	1022
A-512	3-12	Military airfield near Burgos. 1 p., photograph. Nov. 9	A-1	1023
A-513	3-12	General airfield near Burgos. 1 p., photograph. Nov. 9	A-1	1024
A-514	3-12	Disposition of four Spanish destroyers. Oct. 15-16. 1 p. Nov. 11	A-1	1025
A-515	3-12	Proposed changes in Spanish Government. 1 p. Nov. 11	A-1	1026

SECRET

CONFIDENTIAL
EXCLUDED FROM AUTOMATIC DOWNGRADING AND DECLASSIFICATION
EXCEPT BY THE ISSUING OFFICE

Major David Bruce

December 15, 1950

Franklin A. Callahan

Information on Spain

In an informal conversation, the interested officers of HIC expressed their general approval of the information furnished by SI/HIS on Spain. It was pointed out that the political and economic information on the topic has been consistently useful and timely. The military information has shown a marked improvement in the past six weeks and is now estimated to be of considerable value.

S.A.C.

SA/122

COPY

OFFICE OF STRATEGIC SERVICES

Interoffice Memo

December 12, 1942

TO: Major David Bruce
FROM: W. A. Roseborough
SUBJECT: Bombing Targets in Spain

Substantial progress is being made on the program for charting specific bombing targets in Spain. In addition to the detailed military map of Spain and the detailed map of the City of Madrid, we have received further detailed control maps of the Cities of Barcelona and Malaga, and such maps of other of the larger towns and cities of Spain have been received or are on the way.

The procedure being followed for charting the bombing objectives is briefly as follows:

- 1) As specific bombing objectives (such as transportation facilities, military barracks, arsenals, ammunition and materiel depots, harbor installations, airfield installations, factories engaged in production of military materiel and other vital material, etc. etc.) are located, they are blocked out on sheets of semi-transparent paper with references to the coordinates of the control map in question.
- 2) These sheets as received can then be placed over the control map and the bombing objective blocked in on that map.
- 3) We are requesting our representatives to give us a more particular description of each of the objectives, with specific reference on the type of construction in the case of buildings or other structures and reference points which will assist in determining the type of bombs which would be necessary to destroy the objective, and will assist in locating the objective from the air.

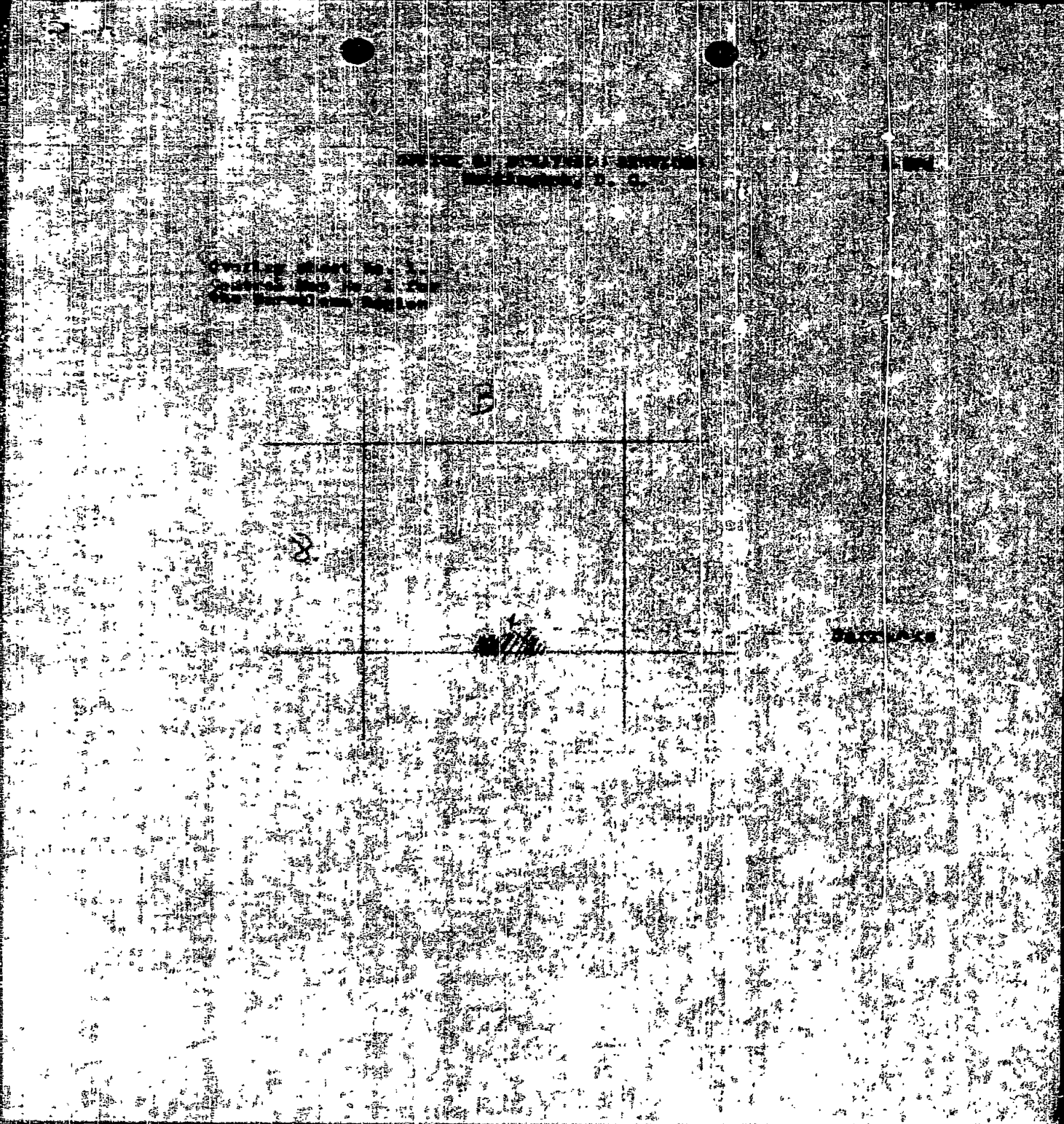
The work being done in this connection was recently submitted to Donald Leith of the Target Information Section of A-2, who has expressed great satisfaction and interest in it and stated that they were receiving nothing from our Air or Military Attaches in Spain which would permit them to prepare any similar chart of the bombing objectives.

COPY

- 2 -

We are, of course, causing reproductions of the control maps to be supplied to G-2, A-2 and ONI and shall until instructed otherwise continue to supply these services with the detailed material as it is received.

W. A. R.



THE [unclear] [unclear] [unclear]
[unclear] [unclear] [unclear]

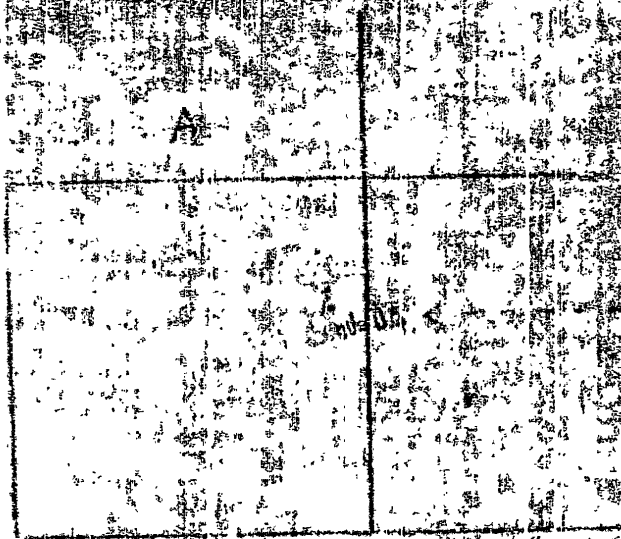
[unclear]

[unclear]

Overleaf Sheet No. 2
Control Map No. 1 for
the [unclear] Region.

If there are 14 as indicated. In addition, there are the
following: one floating of 60 tons, one floating of 60 tons,
two floating of 30 tons, one fixed of 30 tons, one fixed of
10 tons, and various small fixed cranes.

DEPARTMENT OF THE ARMY
WASHINGTON, D. C.



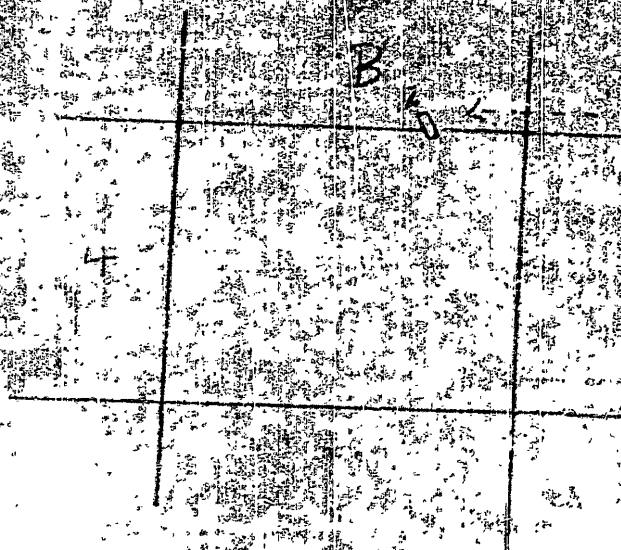
13

Overlay Sheet No. 1
Control Map No. 1
The Barcelona Region

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

A-170

Overseas Street No. 1
Central Mail No. 1-101
Singapore Region



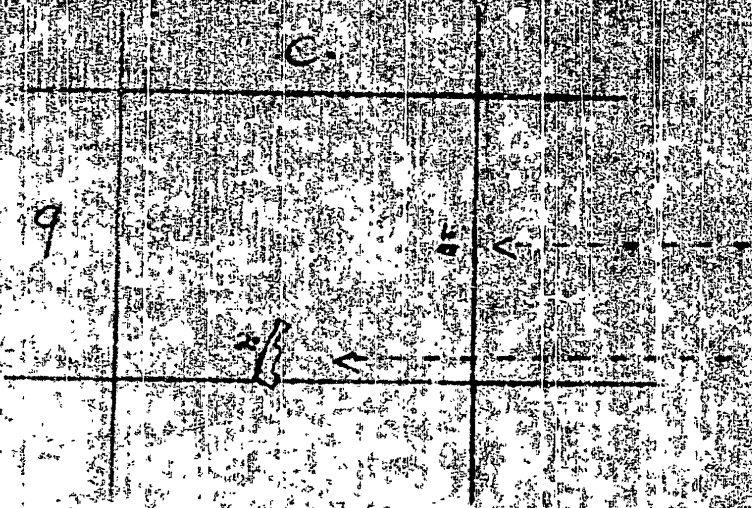
Water
Storage

OFFICE OF THE DIRECTOR
CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

SECRET

CONFIDENTIAL

Operating Manual for
The Raytheon Model 100



Water
Storage

Powder
Magazine

OFFICE OF SPECIAL OPERATIONS
MEMORANDUM FOR THE DIRECTOR

OPERATIONAL INFORMATION
CONCERNING THE
THE BUREAU OF INVESTIGATION

F

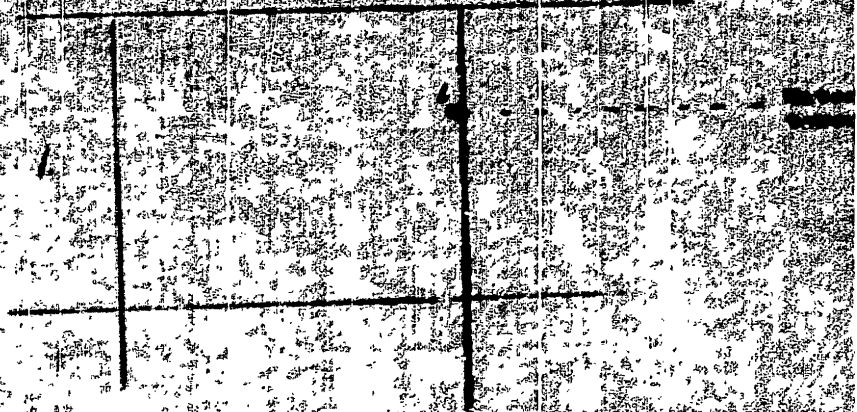
~~CONFIDENTIAL~~

CONFIDENTIAL

OFFICE OF POLITICAL AFFAIRS
WASHINGTON, D. C.

Special Agent in Charge
Department of State
Washington, D. C.

6

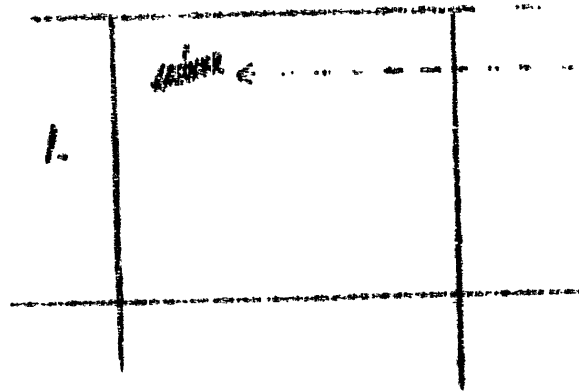


OFFICE OF STRATEGIC SERVICES
Washington, D. C.

A-870

Overlay Sheet No. 9,
Control Map No. 1 for
the Barcelona Region.

H

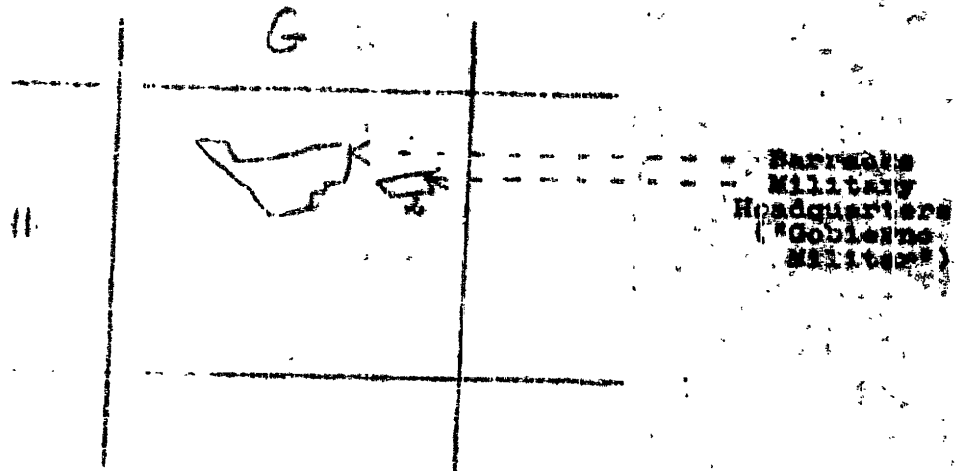


"Barcelona"
Radio
Broadcasting
Station

OFFICE OF STRATEGIC SERVICES
Washington, D. C.

A-070

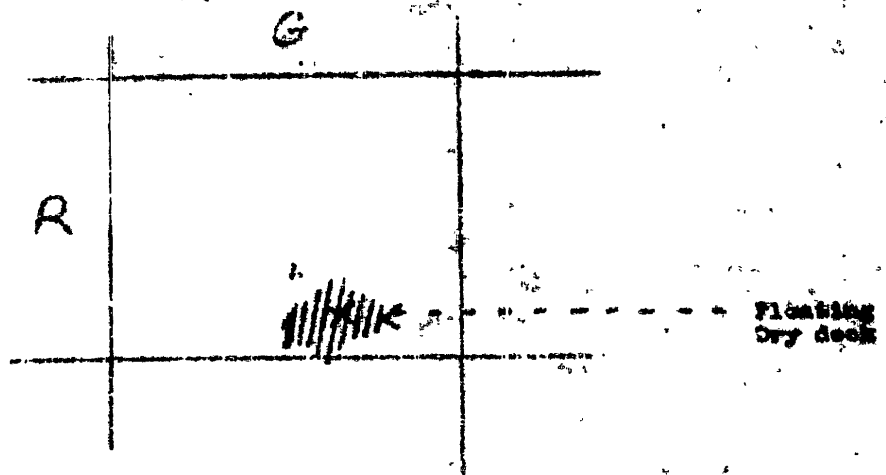
Overlay Sheet No. 10.
Central Map No. 1 for
the Barcelona Region.



OFFICE OF STRATEGIC SERVICES
Washington, D. C.

A-170

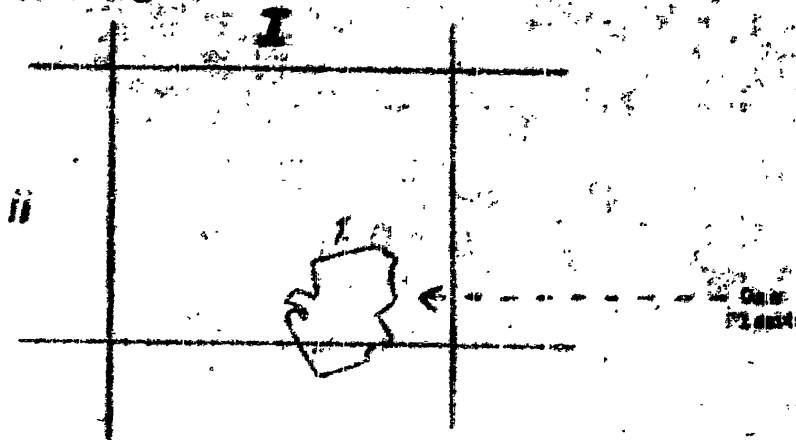
Overlay Sheet no. 11
Control Map No. 1 For
the Barcelona Region.



OFFICE OF STRATEGIC SERVICES
Washington, D. C.

6-870

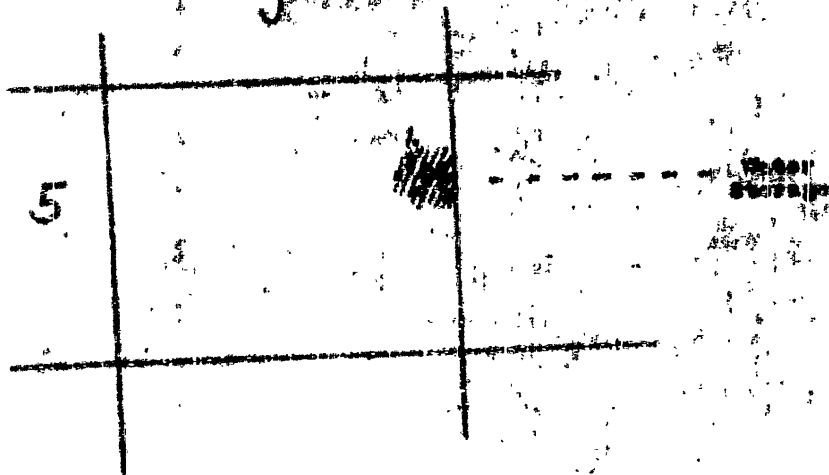
Overlay Sheet No. 13
Control Map No. 14 for
the Barcelona Region



OFFICE OF STRATEGIC SERVICES
Washington, D. C.

AA270

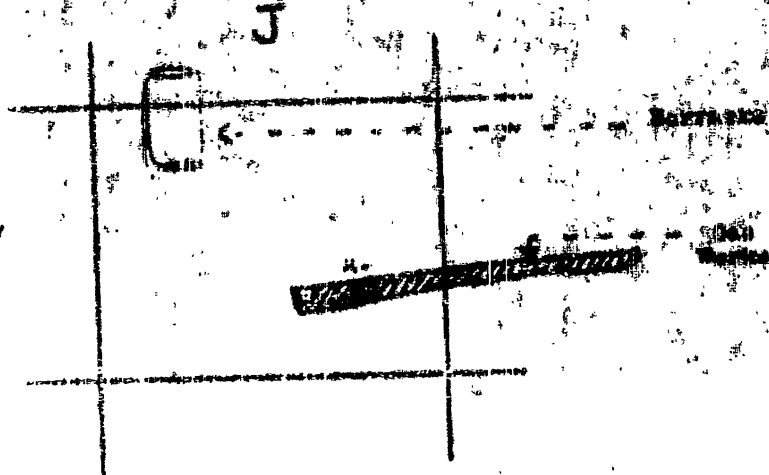
Overlay Sheet No. 13.
Control Map No. 1 for
the Barcelona Region.



OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

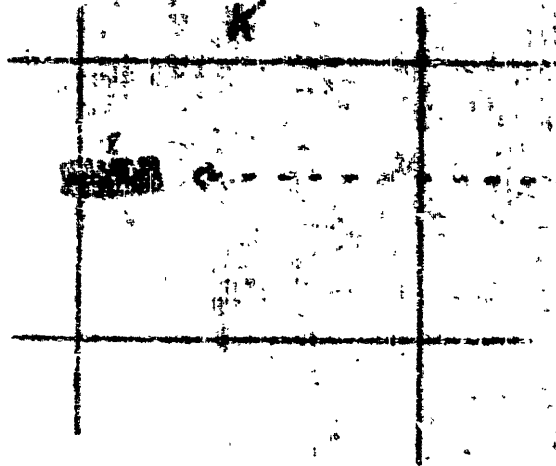
A-870

Overlay Sheet No. 1
Control Map No. 1
the Barcelona Region



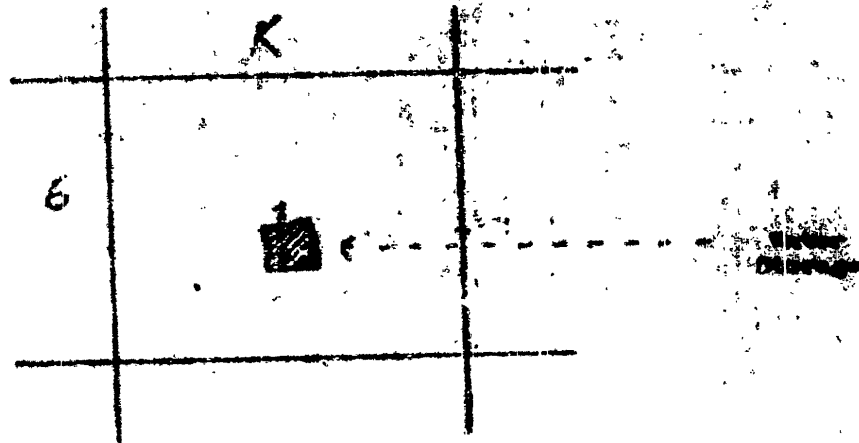
OFFICE OF OPERATIONAL RESEARCH
Washington, D. C.

Overlay Sheet No. 16,
Control Map No. 1 for
the Barcelona Region.



OFFICE OF STRATEGIC SERVICES
Washington, D. C.

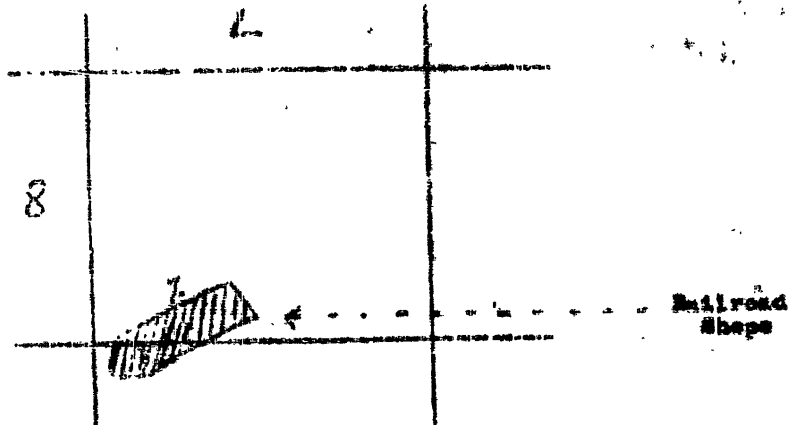
Overlay Sheet no. 16,
Control Map No. 1 for
the Barcelona Region.



OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

A-571

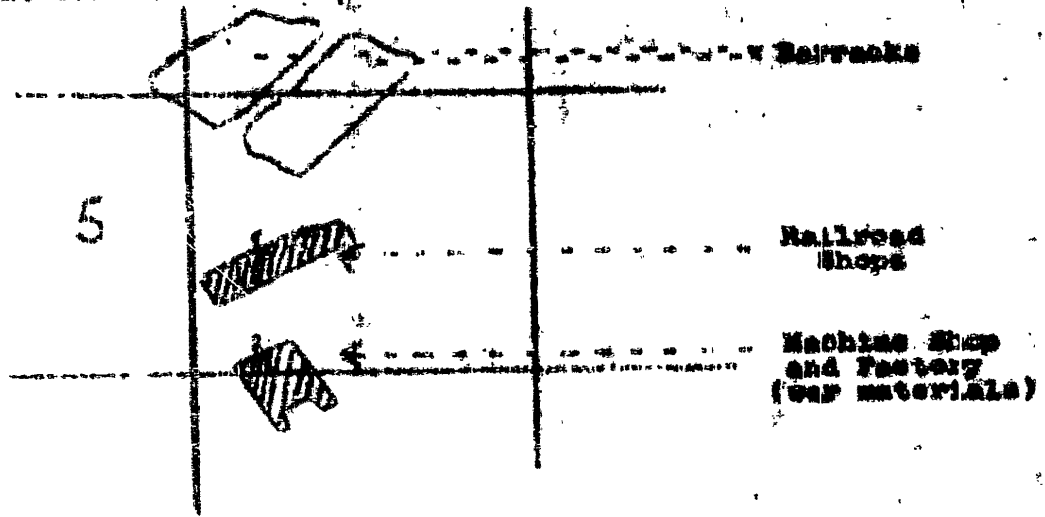
Overlay Sheet No. 17
Control Map No. 1 For
the Barcelona Region.



OFFICE OF OPERATIONS SERVICES
Washington, D. C.

A-870

Dredley sheet No. 18
Control Map no. 1
the Barcelona area.



COPY

BRUCE no four
RETURNED 12/14

INTELLIGENCE

8147

x State Dept.
x Cable

December 12, 1942

MEMORANDUM TO MAJOR DAVID BRUCE

Upon reflection I have become convinced that the attached extract from Ambassador Hayes' Cable to the Department should not be read as indicating that he has been preventing our representatives from sending in to us reports on the military information which they receive, but rather as an explanation to the Department as to why he has not been submitting this material in his own dispatches.

It is, of course, something more than an implied criticism of the accuracy of the information being obtained by this organization, to which criticism it would be easy to reply in view of the indications we have received from ONI and G-2 as to the accuracy and value of the information we have obtained from Spain. Hayes' cable also confirms the fact that all material received by our representatives is being submitted to him and by him to the Military Attache in Madrid. I doubt, however, the advisability of raising a direct issue on these points at the present time and I am, therefore, inclined to think that no reply to Hayes' cable is required.

W. A. Roseborough

SECRET
OFFICE OF MILITARY SERVICES

Handwritten notes:
A. L. ...
X ...
...
...
...

Handwritten: 1 of 9/4

My dear Mr. Ambassador:

Thank you very much for your letter of September 17, 1948. I am glad of the opportunity of having had this exchange of correspondence with you, and I am pleased to note that the matter which you brought to our attention has shown indications in recent weeks of correcting itself.

The Spanish Desk, which is in direct communication with Plaza has recently contacted him and impressed upon him the type of information this Office is desirous of obtaining.

I am sure you will appreciate that the task our men in the field have is not an easy one, and any kindly advice which you may be able to give them from time to time will be very much appreciated by me.

Sincerely yours,

William J. Donovan
Director

By me

The Honorable
Carlton J. H. Hayes
American Ambassador
Madrid

WJ:son

Donovan

Intell. Div. 8147
A. Quinn
A. Hagan
1. Hagan
(Cable)

OFFICE OF STRATEGIC SERVICES

INTEROFFICE MEMO

DATE: October 8, 1948

FROM: Hugh R. Wilson
TO: Colonel William J. Donovan
SUBJECT: Reports from Spain

I am returning the correspondence which you have had with Ambassador Hayes on the subject of the quality of information we are receiving from our agents in Spain. Also attached is a reply to the letter which you have asked me to prepare to the Ambassador.

In accordance with your request, I am directing to your office herewith all the Spanish material which has to date been received. As it is necessary for the Spanish Desk to make repeated reference to these files, may I ask that they be returned as promptly as possible.

HRW

Intelligence Bureau
117
Revised
11/11/42

EMBASSY OF THE
UNITED STATES OF AMERICA

Merid, September 17, 1942.



Confidential and Confidential

Colonel William J. Donovan,
Director, Office of Strategic Services,
Washington, D. C.

My dear Colonel Donovan,

I am very glad to have your letter of September 1, with its ample confirmation of what I had hoped was true - that the reliability of the information which is supplied your Office by O.S.S. agents in the field is carefully assessed and rated.

The difficulty which I specified in my telegram 1190 of August 26, and which in a general way I had felt for some time, is explicable, I imagine, by reason of the fact that the Embassy sees only paraphrases of O.S.S. reports. These do not indicate what evaluation is placed on an individual report - that is, whether it is deemed reliable or of doubtful reliability, etc. Mr. DiLucia has stated that such evaluations are placed in the coded messages.

And yet in conversation, both Mr. DiLucia and Mr. Pratt almost invariably take the attitude that their information is completely reliable. Repeatedly, when the Embassy has suggested that given reports sounded fantastic and might mislead persons in Washington, they have taken the attitude that the reports were completely reliable. Some of these reports have conflicted directly with information which the Embassy received in the normal course of its business, and which proved to be accurate.

Some of the reports have concerned incidents which occurred weeks and in some cases months previously and which are well known to the man in the street. Such reports have frequently contained garbled versions of the incidents.

Recently, for example, Mr. DiLucia submitted a paraphrase of a sensational report concerning an alleged conference between Serrano Suñer and Hitler. When he was asked when the conference took place he replied that he did not know, but that he would "call up and find out".

He

He decided not to send the telegram when his informant told him the alleged conference had taken place a year or two before. The report, as submitted, was a garbled and inaccurate version of several incidents which actually took place over a long period of time. DiMeola maintained that it was intended to be informative, when as a matter of fact it was grossly misleading. However, as noted, DiMeola decided not to send this message.

The Embassy has naturally not inquired concerning the sources of the information submitted by O.S.S. representatives. Some of the sources of political information have obviously been bad, and few of the agents seem to me to have the background necessary to a proper interpretation of the bits of information gathered.

One valuable field these representatives can work in is that of personal observation. They have freedom to move about the country, to enter and inspect industrial plants, to interview all sorts of persons, etc. etc. Mr. Booth, for example, submitted a wholly admirable report on the military installations of the Balearic Islands. He reported what he had observed and was told on the spot.

It is particularly in the political field that these observers have submitted misleading reports, most of which they have maintained, in conversation at least, were completely reliable. However, it is noticeable that the number of these reports has greatly diminished during recent weeks.

This Spanish job is a big one. We need, and are getting, splendid cooperation in grappling with it.

With the kindest personal regards,

Sincerely yours,

Carson J. H. Hayes

Int'l. Affairs - 211
9/1
K. Callahan

My dear Mr. Secretary:

I enclose herewith an unsealed letter to
Ambassador Hayer in Madrid.

I trust you will be good enough to read the
letter yourself and then forward it through the
diplomatic pouch to its destination.

I am, my dear Mr. Secretary,

Very sincerely yours,

William J. Donovan
Director

Enclosure:

Unsealed letter.

The Honorable

Cordell Hull,

Secretary of State.

SECRET

Intel. Serv

207

9/11

My dear Mr. Ambassador:

Through Army sources your telegram no. 1190 of August 26 has come to my attention. In it you commented upon a telegram despatched to O.S.S. under your number of the same date.

Let me say how much I appreciate the comity and thought that you are giving these matters. At the same time, I feel that your telegram may evidence a lack of understanding of the purpose which the Office of Strategic Services is trying to serve.

We are endeavoring to get for the armed forces of the United States the most complete records of all sorts of information. To this end two types of collection of information are available. The first type is that where representatives abroad act as a sort of filter, assessing all information that comes in their possession and only sending forward that to which they give credence. The second system is the more comprehensive one. It consists in receiving from agents and other sources all phases of information, trustworthy, rumors even of a dubious character, in order that from all these bricks a mosaic may be formed of the general patterns of events. Both methods are in operation in O.S.S. functions.

Further, no information is sent out of O.S.S. that is not carefully assessed and rated. The rating scale reads as follows:

- | | |
|-------------------------|---|
| A - Absolutely reliable | 1 - First hand |
| B - Previously reliable | 2 - Information supported by other evidence |
| | C - Doubtful |

The Honorable
Carlton J. H. Hayes,
American Ambassador,
Madrid.

SECRET

OFFICE OF STRATEGIC SERVICES
~~CONFIDENTIAL~~

C - Doubtful reliability

3 - Information unsupported but probably true

D - Unreliable

4 - Improbable

Z - Reports from O.S.S. agents in the field

Under this type of rating the particular message to which you refer would have been rated C-4, especially as the first line of the cable of the O.S.S. reads as follows:

"A report from a casual Italian acquaintance just returned, et cetera."

All the recipients of our information are aware of our rating scale; hence it is impossible that a message such as you have under reference would ever carry undue weight to the recipient.

I am sure that this explanation will relieve you of the apprehension that you show in your telegram.

Sincerely yours,

William J. Donovan
Director

SECRET

Intell Serv. 8147

OFFICE OF STRATEGIC SERVICES

INTEROFFICE MEMO

DATE: AUGUST 31 1942

FROM MARGARET FELDMAN
TO MR. MURPHY
SUBJECT.

Pursuant to our conversation on Saturday, August 29th, there is attached herewith paraphrase of Telegram No. 1190 of August 26th from the American Embassy in Madrid to the Secretary of State.

The "Embassy's telegram no. 1188, of August 26th" referred to in the first paragraph of the attached paraphrase is a cable from SAVOY to OSS, Nos. 17-20, of August 26th, copy of which I understand is in your files.

It is my understanding that copy of SAVOY's telegram, as well as copy of the attached, have been brought to the attention of Mr. Hugh Wilson.

M. F.
M. F.

Intell Sec. U. 8147

PARAPHRASE OF TELEGRAM

FROM: American Embassy, Madrid
TO: Secretary of State
DATED: August 26 1942 (Rec'd 11:50 pm)
NUMBER: 1190

STRICTLY CONFIDENTIAL

Reference is made particularly to report of the Office of Strategic Services contained in the Embassy's telegram (no. 1188, August 26).

The report under reference may be of some interest as an example of prop. genda emanating from the Germans or Italians. However, no attempt has been made by the writer to evaluate the report from his point of view or any other point of view.

It is believed that the following comment may be of use to the Office of Strategic Services and to the Department if the report in question is to be treated as factual and if it is intended to be factual.

The report refers to Spanish food being sent via Free (sic) France to Germany and implies that substantial quantities of food from Spain are going to unoccupied France. Writer of the report told me that he assumed that foodstuffs were being shipped through Canfranc, although he had no evidence that this is so. A visit was made to Canfranc recently by an officer of the Embassy and it was ascertained that although considerable quantities of Portuguese wine were shipped through there in transit to Switzerland that no (repeat no) Spanish products are being exported through Canfranc and the Embassy has information that foodstuffs of Spanish origin are being shipped to unoccupied France in only negligible amounts.

With regard to Panzer divisions in France, information from the best sources available to the Military Attache including French Military and Naval Attaches in Madrid, British Intelligence and our Military Attache at Vichy, etc. is that there were thirty-five divisions in France and Belgium at the end of July and that there were three (repeat 3) Panzer divisions in France and that a fourth was probably on its way. Although I understand from representatives of the Office of Strategic Services that their office desires information of all kinds whether it is unreasonable or reasonable or unconfirmed or confirmed, I wish the Department to know that a great deal of the information submitted to the Office of Strategic Services is in many instances in conflict with

information received from reliable sources which have been tested over a long period of time. Furthermore, a great deal of the information submitted is little more than hearsay. In view of the circumstances mentioned above I sincerely hope that relations of our Government with Spain and our Government's attitude with Spain will not be based in any way upon the so-called information from representatives of the Office of Strategic Services until this information is checked with the Embassy in order to determine its reliability.

HAYES

Intelligence Service (OSS, Spain) 8147-A
** Portugal * Fish, Bunt*
April 3, 1943
** Financial Attache*
** Dikoria, F.*

MEMORANDUM FOR: BRIGADIER GENERAL WILLIAM J. DONOVAN
FROM: G. EDWARD BUXTON

I have read your revised letter and the one which you asked General Magruder to look at.

I assume from your revision that you do not wish to enter into a long and intimate discussion of our work. In this I think you are right.

As I read over your revision, however, I think it would stand a little more specific statement that his constructive criticism has been of great benefit and that Mr. Thomas is coming with a clear conception of past difficulties and their causes. You are certain that the Ambassador will find Mr. Thomas a man thoroughly familiar with the European scene, excellent personality and a highly cooperative spirit.

Wed :
GEB

My dear Mr. Minister:

My recent telegram to you will have indicated how much we appreciated the opportunity of reading your dispatch #762 of January 4, 1943, to the Department of State regarding the position and activities of the Financial Attache in Lisbon. Such comment and advice as you incorporated in this report have been immediately helpful to us in the building up of our plans and policies.

Since you have been kind enough to evidence a ~~work~~ work, I am taking it at some length upon which we

*Amuse yourselves
I am not interested
with this letter. But
you love it it is*

hard to say right
in itself with any
with the relations
or with respect
countries. This is
s are properly the
t of State, and of
departments or
representatives
ob to obtain and
rect bearing upon
lies, and to dis-
tments or agencies

~~with carrying on the~~ with carrying on the war or with hindering or frustrating the effort of the enemy. Further, it is our duty to employ this information in the discharge of our psychological warfare responsibilities under a directive of the Joint Chiefs of Staff.

In doing this, we would serve no useful purpose if we merely duplicated the work of the members of our diplomatic and consular missions. These missions can and do secure and report such information as can be obtained through official and normal channels and contacts. Our activities, therefore, should begin where those of the permanent members of our diplomatic and consular missions are forced to leave off.

D W P H T

We are not, for example, interested in what any official wishes to tell our Government or desires it to know or believe, but rather in what he does not wish to tell it or to have it know. We are interested in using a foreign "neutral" country as a base for penetrating enemy-occupied and controlled territory as well as in preparing for the day when that "neutral" country may become such territory, which would cut off our Government from even the normal sources of information.

Obviously, any work done in our field involves a certain amount of risk of embarrassment to our Government and to its official representatives abroad. If we do our work well, this risk will be reduced to a minimum. But we should always keep in mind the possibility of being caught and the desirability of our regular official representatives being in a position to repudiate our agents and their activities, should this seem the wise course.

For this reason, it is our feeling that the risk of compromise would be greatly reduced if these activities were not fully known to and hence not under the continuous control of the Diplomatic Mission, in the normal or regular sense of the term, so that, in case of need, let me repeat, the Chief of Mission could disavow knowledge of our acts and repudiate them if they were brought to light. Obviously, the Chief of Mission should be kept generally informed of everything in his bailiwick; he should know what is going on but not the "how" and the "who", if we may put it that way.

To summarize, the two pillars of our purpose, as indicated above, are; first, that OSS activities in the intelligence field should begin where those of the regular members of our diplomatic or other Government missions are forced to leave off; and secondly, that the chief of the diplomatic or other Government mission should be in a position to disavow knowledge of our agents and repudiate them if circumstances so dictated. Guided by these two signposts of policy in cooperation with other Government agencies, we hope that we may be able to work out an entirely satisfactory basis for successful accomplishment.

- 3 -

With regard to the detailed, practical phases of this matter, to such a large degree a question of personalities and psychology, we believe they can be best served by their discussion which we hope our representative, Mr. Gregory Thomas, will shortly have with you. We have great confidence in Mr. Thomas's abilities and judgment, in his understanding of our duties and in his knowledge of our great desire to support your efforts and those of the other officials of our Government in the winning of the war.

With all best wishes and kind regards,
believe me,

Yours faithfully,

William J. Donovan

The Honorable
The American Minister
Lisbon

DRAFT 4-1-43

My dear Mr. Minister:

My radio of _____ expressed my appreciation of your dispatch number 762 of January 4, 1943, in which you analyzed the intelligence situation in Lisbon and proposed constructive measures for integrating the work of our Financial Attache with that of the other agencies. It is obvious from your dispatch that, aside from other difficulties, the question of personalities ~~was an objection to~~ ^{is a major consideration} ~~of the work of the part of representatives from~~ ^{is a major consideration} ~~this office.~~ I regret that so much time has elapsed in the solution of this problem, but, as you may well understand, the selection of high-grade personnel is not easy in ^{existing} the circumstances.

I am happy to inform you that our office in Lisbon will shortly be headed by Mr. Gregory Thomas, a man of outstanding abilities, personality, and judgment. Mr. Thomas will be familiar with the status of this office in the national intelligence organization and with the relationships of the intelligence agencies as they are now conceived by the Joint U. S. Chiefs of Staff. These relationships,

DRAFT

as established in Washington, will inevitably be reflected to a certain extent in the field. I am confident, therefore, that many of the difficulties which have heretofore existed in Lisbon, in so far as OSS agencies may be responsible, may be eliminated.

You will appreciate that the nature of activities to be undertaken by our representative will be governed by the mission assigned to the OSS by the JCS. Of course, it is recognized that, with several intelligence agencies operating in the same field, a high degree of coordination is not only desirable but necessary. Your own very important position as the diplomatic representative in a neutral country is fully appreciated. Your desires in effecting the coordination of intelligence efforts will be fully regarded by Mr. Thomas.

Many of the difficulties abroad in the past have been due to a lack of understanding of the missions of ~~the various~~ several intelligence agencies of the government. ~~The missions of these agencies were, for a time, far from clear even in~~ Washington. Now, happily, we have at least a fairly clear definition of functions of the various national

-3-

agencies. In brief, the OSS has been assigned as intelligence functions the furnishing of intelligence for the planning and supervision of execution of psychological warfare, in addition to the collection of specified types of information to be made available to the armed forces. For these purposes, among other activities, it is prescribed that the OSS conduct espionage and counter-espionage in enemy-occupied or controlled territories. This means that with respect to the Iberian Peninsula this office has the responsibility of establishing bases of operations ~~with~~ⁱⁿ the neutral territories for the purpose of reaching into enemy-controlled or occupied territories.

~~Mr. Thomas~~ will be made fully aware of our responsibilities and limitations in ^{the} intelligence ~~activities~~^{field}, and will be instructed to discuss freely with you the most appropriate methods of accomplishing our task. He will, I am sure, be able to reach agreements agreeable to you and to the other American and British agencies operating in that field. You will understand, of course, that the operational details of espionage and counter-

-4-

espionage are matters of extreme secrecy, concerning which the most meticulous measures of security must be observed. ¹²Mr. Thomas will be instructed to keep you always informed of the general activities in progress and make available to you all information you may desire other than, of course, those operational details of which you would doubtless prefer not to know and which it would be highly inadvisable to make known outside of the agency itself.

Sincerely yours,

William J. Donovan

The Honorable
The American Minister
Lisbon

8147 A

*Financial Attache
Intelligence Committee
British Intelligence Service*

OFFICE OF STRATEGIC SERVICES

INTEROFFICE MEMO

2257 200

TO: COLONEL DONOVAN

DATE: FEBRUARY 2 1949

FROM: WILLIAM A. KIMBEL

SUBJECT: COORDINATION OF ACTIVITIES OF FINANCIAL ATTACHE IN LISBON WITH THOSE OF THE BRITISH EMBASSY.

Pursuant to document recently handed to you on the above subject, I hand you herewith copy of dispatch addressed to the Secretary of State by Bert Fish. This refers to procedures in Portugal which have led to "crossed wires". It refers to a copy of a document handed to Mr. Roseborough of the OSS last August.

The question is raised by the Department of State as to the existence of an Interdepartmental Intelligence Committee to which a matter of this sort would be referred. Investigation leads to the indication that a committee to consider the related interests of their several departments is in existence and is composed of General Strong, Admiral Horne and J. Edgar Hoover. State questions why OSS is not represented on this committee. They would like to know if it is our intention to participate in any consideration which this committee might give to this dispatch received from Minister Fish.

They would also like to have advice as to what action has been taken by OSS, if any, as a result of the document handed to Roseborough by the Minister in August.

W

WAK
W. A. K.

SECRET

Attachment
cc: Colonel Duxton
Mr. Sheperdson

AIR MAIL

No. 773

Lisbon, January 11, 1943

STRICTLY CONFIDENTIAL

Subject: Coordination of Activities of Financial
Attache in Lisbon with Those of the
British Embassy.

The Honorable
The Secretary of State,
Washington.

Sir:

With reference to the matters set forth in my despatch no. 762 of January 4, 1943 concerning the position and activity of the Office of the Financial Attache in Lisbon, I have the honor to transmit, in single copy, a letter just received by the Counselor of the Legation from an official of the British Embassy who is in charge of the counter-espionage work of the British Intelligence Service in Lisbon.

The letter and its enclosure set forth several instances in which the British Intelligence Service and our Intelligence Service appear to have crossed wires and worked at cross purposes with detriment to the interests of both. A copy of the enclosure to the letter was handed to Mr. Roseborough of the OSS last August. It has therefore presumably already received consideration in that organization. The British here, however, have no evidence that any action has been taken as a result of it.

The Department will note that all the incidents mentioned of crossed wires between the two Services concerned persons operating or ships out of Lisbon to the New World, and fall under the heading of counter-intelligence. It was recommended in my despatch under reference that the British Attache's office should continue to work along these lines, but that the ground already covered by the British should be our point of departure and not our goal. In the light of these examples, which were not known at the time my despatch was drafted, are excellent cases in point to demonstrate clearly the urgent desirability of coordination and cooperation.

-2-

They also indicate, however, that before this cooperation can be achieved, there must be a thorough airing of the subject between the OSS, the FBI, the ONI and the British. Since the FBI must come into the picture, I do not think that it would be possible to arrive at any satisfactory arrangements simply through consultation among the responsible persons in Lisbon, even though no questions of personality were involved.

The British here in Lisbon claim that they have no particular desire to do this type of work and are quite prepared to turn it over to us as soon as they can be sure that we are in a position to handle it successfully. Be that as it may, I am afraid that they will always have to have some contact with it, if only because of the light that it sheds on the origins of Axis espionage nets operating into other parts of the world where they bear primary responsibility for Allied security.

The Naval Attache, similarly, must come into the picture here in Lisbon, since his present instructions leave him no choice but to concern himself with these matters.

- a) a tripartite standing committee in Lisbon, composed of one representative each from OSS, ONI and the British, to approve major decisions taken in matters dealing with the uncovering of Axis operations out of Lisbon to the Western Hemisphere whenever such decisions demand the cooperation of security authorities in the Western Hemisphere (representatives of other American Republics could conceivably be drawn into the work of this committee when the cooperation of their authorities should be necessary);
- b) the designation of one of these three organizations (preferably ONI) to act as executive organ for the committee and as formal channel of communication between Lisbon and Washington; and
- c) a quadripartite committee in Washington, composed of one representative each from OSS, ONI, the British and FBI, to receive communications of these matters and to see that action in the United States is coordinated among these organizations and consistent with the intentions of the committee in Lisbon.

I hardly need emphasize that this particular question, which involves the lines of communication to the Axis espionage network in the New World, is of outstanding importance in the intelligence work at this post and warrants careful attention and early action.

I should appreciate it if the Department would observe the greatest discretion in making use of the accompanying documents, the nature of which is extremely confidential. In order to reduce chances of leaks, I am keeping no copies of the documents in this Legation.

Respectfully yours,

Bert Fish

-3-

I hardly need emphasize that this particular question, which involves the lines of communication to the Axis espionage network in the New World, is of outstanding importance in the intelligence work at this post and warrants careful attention and early action.

I should appreciate it if the Department would observe the greatest discretion in making use of the accompanying documents, the nature of which is extremely confidential. In order to reduce chances of leaks, I am keeping no copies of the documents in this Legation.

Respectfully yours,

Bert Fish

OFFICE OF STRATEGIC SERVICES

SECRET

INTEROFFICE MEMO

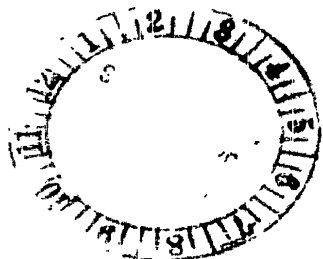
DATE: January 27, 1945.

TO: Colonel William J. Donovan
FROM: Whitney H. Shepardson
SUBJECT:

You referred to Lt. Colonel Bruce a suggestion of a cable to be sent by you to Minister Fish and you asked Bruce for his suggestions.

They are attached as per a draft cable which appears on top of this file.

WHS
W. H. S.



COPY

January 27, 1943

The Hon. Bert Fish
American Legation, Lisbon

The Secretary of State has allowed us to see your report on the position and Activity of Office of Financial Attache in Lisbon. We are grateful for your comprehensive and sympathetic suggestions which we are using as we study the requirements of the Office of Strategic Services for Portugal and Spain.

We shall shortly be making proposals to the Department and to you which we confidently hope will meet our common requirements. In the meantime I send my personal thanks and good wishes.

DONOVAN

Copy ret. to Shepherdson for transmittal.

Intell. Section - 8147A

*x Portugal
x Financial Attache
x D. Luiza
x OLIVEIRA.*

January 20, 1943

MEMORANDUM TO COLONEL DONOVAN:

I return herewith the copy of the communication from the Department of State dealing with OSS representation in Lisbon.

We have since discussed this matter in a general conference and I have no suggestions to make other than the one which I made at that time, namely, that a letter of appreciation should be sent to Mr. Fish for his careful and constructive report on our personnel and activities.

I am not sure, however, whether such a communication is usually made directly or by means of a letter sent to the State Department.

W. H. Shephardson
W. H. Shephardson

Att.

*cc. to [unclear] [unclear]
[unclear] [unclear]
[unclear] [unclear]*

SECRET
OFFICE OF STRATEGIC SERVICES

WB

MR. HALLIDAY
WILLIAM A. KERR

JANUARY 20 1954

We recently received through this office
copy of a memorandum dated 12/22/53, Secretary of State
directed FOR THE USE AND SERVICE OF THE OFFICE OF FINANCIAL
ATTACHE AT LONDON. While attention is particularly directed
to the fact that it is equally important to the State Department
of State has advised to be sure to take into account the
particulars of the case that each application should be
considered as part of a general program and not as isolated
cases. I believe that State will advise that of and so
requirements have been correlated in an appropriate
program before any of their requirements are presented
to State for consideration.

W. A. K.

cc: Colonel Donovan
Colonel Burton

WILLIAMS
X
Financial
X
X

WILLIAMS A. CARR

WILLIAMS A. CARR

One of our connections at the Department of State has handed us for very restricted use an original document from the confidential files of the Secretary of State entitled POSITION AND ACTIVITIES OF THE OFFICE OF FINANCIAL ATTACHE AT LISBON. While this deals specifically with the activities of the OGC representative in that position in Lisbon, it also contains comprehensive background material and evidence which our friendly informant at State thought might be of interest to us.

While the document is signed by the Minister, I am advised that it was not drafted by him, but by an individual whom State considers one of their chief representatives in this field.

In handing us this document, agreement was made that distribution be restricted to principals of OGC.

W. A. H.



Attachment

cc: Colonel Donovan ✓

DEPARTMENT OF STATE
OFFICE OF THE
ATTACHE
LISBON, PORTUGAL

Subject: Financial and Political Activities of the Financial Attaché in Lisbon.

The Honorable
The Secretary of State,
Washington.

Handwritten notes:
I have had a long conversation with Mr. [Name] on the subject of the Financial Attaché in Lisbon. It is not a very satisfactory situation. I am sure that you will be interested in this. I have had a long conversation with Mr. [Name] on the subject of the Financial Attaché in Lisbon. It is not a very satisfactory situation. I am sure that you will be interested in this.

13. 11. 43

Sir:

I have the honor to set forth below certain observations and recommendations concerning the position and activities of the Financial Attaché's office in Lisbon.

The Department will recall that this office came into existence in May of this year shortly after the arrival in Lisbon of Mr. J. Ray Oliveira. Mr. Oliveira did not inform the Legation at the outset of the exact nature of his instructions concerning intelligence work. He gave the Legation to understand that it was not the desire of his Government that these things should be known beyond the confines of his office or that the Legation should be called with responsibility for his acts. The character of his activity could be judged only from what he happened to divulge concerning it in his conversation, and from the repercussions in the community.

In my telegram No. 555 of June 9, noon, I gave the Department my personal view of the suitability of Mr. Oliveira for the position which he ostensibly occupied here. In the absence of any authorization or encouragement from the Department to examine and control his activities, I did not feel justified in going further than that, particularly since I did not wish to obstruct or hamper in any way the performance of important war time functions on the part of other agencies of the Government.

With the receipt of the Department's misinterpreted instruction (Diplomatic Serial No. 1555) of August 15, 1941, concerning the coordination of the activities of various agencies of the United States Government, it became incumbent upon myself and my Counselor, Mr. Rosen, to examine regularly the outgoing correspondence of the Financial Attaché's office and to inform ourselves in a general way of the activities conducted there, in order that these activities might be coordinated with those of other American Government offices in Lisbon. This was done as prescribed in the instructions, and

the work of coordination was carried out, I believe, with a considerable degree of success. Practically all contact between the staffs of the Military, Naval, and Financial Agencies was centralized through the Legation. Frequent discussions were held between the heads of these offices and the Commander of the Legation. Particular efforts were made to avoid duplication of intelligence gathering to prevent the outbreak of this work from being a source of confusion and rivalry among the members of the American official community in Lisbon.

In the course of this process of coordination Mr. Komar and I gained a certain insight into the functioning of the Financial Attaché's office, as a result of which we could not help but question the soundness of some of the conceptions on which this office had been opened and conducted. As we refrained up to this time from bringing this situation to the Department's attention, it has been done again due to a desire to avoid anything which might seem obstructive or interfering in understanding with respect to this important phase of our line activity, which obviously cannot be conducted along the established lines of foreign service procedure and must necessarily be allowed a considerable latitude of action.

Mr. Komar has now recently received visits, however, from the departing Chief of British Intelligence activities in Portugal, Mr. Johns, and from his successor, Mr. Gledhill, both of whom came at their own initiative to discuss the question of their liaison with the Treasury Attaché's office. Both had certain observations and suggestions to make which I feel obliged to communicate to the Department, together with my own views on the subject.

The substance of what they had to say was as follows:

They were not satisfied with their liaison with our Intelligence service in Lisbon. The men who had been in charge of the United States service here had not been, by training and experience or by personal quality, men in whom they felt that they could place unlimited confidence. Far from being able to work profitably in cooperation with the British Intelligence Service, the Americans had often carried on, with the best of intentions, activities which merely complicated and confused the British work. The American representatives were going over ground which they, the British, had covered years ago and seeking information which they had long since had in their files. In some cases, the Americans had paid unnecessarily high sums to persons who had already supplied and were unwilling to supply the British with identical information at much more reasonable cost. On other occasions, the Americans had employed people known to the British to be unreliable. In trying to overcome these difficulties, the British were hampered (a) by the fact that the Americans seemed to have no instructions defining the

scope and purpose of their own activities, which made coordination extremely difficult, and (2) by the fact that they could not feel that the American government ever came into contact with them. They were usually ill-informed about their own activities, not because they were in any sense dishonest or lacking in good faith, but because they did not have sufficient grasp of the situation or this sort of work to be given full confidence. Mr. Jones, who, as stated above, is now being given this work in London, Mr. Jones, said that he was quite prepared to deal with any serious liaison problems personally with London. In the meantime, the latter would deal with the discussion of information necessarily divulged in such discussions, but that he could not take the responsibility of discussing these matters directly with the British Financial Attache. (The result is that London is now obliged to act not only as coordinator of the activities of the various American offices in turn, but also as liaison officer between the American Financial Attache's office and the British Embassy. These duties are time-consuming and are difficult to combine with the manifold ordinary diplomatic work at this post.)

I must add that the views of these British officials were not forthright in most moderate terms, without any suggestion of personal rancor, and in a spirit of tolerant and helpful understanding of the problems of our intelligence work.

I have given careful thought to these comments on our service here and I must say that I cannot find them unjustified. The facts surrounding our intelligence work are substantially as described in these statements. It is true that adequate liaison is extremely difficult in the present circumstances. Differences of personality, methods and approach between the two services are so great that I could not in good conscience encourage the British to attempt to share information or to work together intimately with our representatives. Any real attempt in this direction would probably only result in misunderstandings which, in the long run, would do more harm than good.

Before discussing the steps that might be taken to correct this situation, I should like to say a word about the principle of British-American collaboration in this particular field and in this particular phase of the war effort.

I can conceive that there might be people at home who would take the position that it is unnecessary that our intelligence service in Portugal should be coordinated with that of the British, that a certain amount of competition would not be a bad thing, that the ends to which the British service is directed might not be suited to our interests, and that a parallel existence of two organizations so secret in nature would not necessarily prejudice the work of either.

If any such views exist, I should like to say at once that they are, in the light of my own experience and that of other officers of this Legation, dangerous and erroneous. Although I have never been instructed as to the purpose of the maintenance of our Intelligence Service in Portugal, I assume that this purpose, like that of the British Service, is for the most predominantly the service of the war effort, and that it is the duty of the persons concerned with this work to subordinate to that purpose any other ulterior or more remote aims that they may have. If this were not so, I could not for an instant agree, from the standpoint of the conduct of the war, to the maintenance of an American Intelligence Office in Lisbon at the present time. If it is so, then the first principle in the performance of this work should be understanding and collaboration with the British.

Whom is this search for?

It is not true that intelligence services can be run on parallel lines in an area as restricted as Portugal, or even the Iberian Peninsula as a whole, without causing each other's path and creating dangerous complications for both. For them to try to do so is not only a costly but a dangerous form of duplication of effort. It can mean that valued days and weeks of work are spent, quite without intention, in trying to unravel the threads of a friendly service, when they might be spent in unraveling those of a hostile one. The very existence of two parallel and uncoordinated services, friendly or hostile, is an unending source of uncertainty and suspicion for intelligence officers. Above all, it results in a muddling of the waters as the United Nations (UN) which is ideal from the standpoint of the Army Intelligence. It creates possibilities for the enemy to play Americans off against British and to make fools of both.

As regards the view that if we were to cooperate with the British they might exploit our service to their own ends, I can only say that this thought, while it might conceivably have basis for fact elsewhere, has very little, if any, in Portugal. If the two services are both primarily serving the war effort, as now should be, then such a thought should never arise in the first instance. And there are other points in which I can see that our interests might be common. I am not aware of any great differences in our views and those of the British concerning political developments in Portugal at the moment. Economically, we are working together more closely every day, and all commercial rivalries have long been subordinated, for the duration of the war at least, to an economic cooperation as close as can be practically, partnership.

None (dislike)

Altogether, therefore, I most agree that it is viewed as being as desirable that our Intelligence work in this country should be coordinated with that of Great Britain in the interests of the war effort, and that the efficiency of our service should be judged, at least in part, by the extent to which it is adapted for this purpose.

Coordination and collaboration

that this is of course only one of the criteria which should apply. It is broader than the type of war intelligence which should be sought primarily from the positive side from the actual intelligence itself. In quality and quantity, it will be similar to our intelligence used for the war effort. While I have not seen any of the reports of the Financial Attache's office, I have seen enough to lead me to believe that this office, especially involved in energy and funds or with the international context is doing its maintenance.

His statement is not directed as a criticism of the men who have conducted the work in the office. The office has functioned, after all, only a very short time, and the fruits it has revealed are chiefly the factor of national haste and ineptness. But the nature of this office on the part of the authorities at this time is not sufficient and I hope that the Department will use its influence to see that this is accomplished.

As of possible value in connection with such a review and as an indication that the criticisms made above are not intended as destructive criticisms, I am taking the liberty of putting forth a few certain suggestions on the present functioning of this office and primarily from our own standpoint and incidentally from that of the British as well.

There are as follows:

1. Personal

The Office of the Financial Attache has thus far been headed by men whose experience, as far as I am able to judge, has been solely in criminal investigation work in the United States and elsewhere. This experience, valuable as it undoubtedly is, is not an ideal substitute as a background for the exercise of executive authority in general intelligence work. Thus, while the men to have had here have been of integrity, intensely willing, patriotic and hardworking, they have not really had the proper background and training for the work they have been expected to do. In this sense, I consider that their assignment to this work has not been entirely fair to them.

Further to add to hold this work should be a man of good general international background and fairly extensive experience in Europe. He should have what the President once referred to as a "passion for accuracy" and should be prepared to forego all special interests and sportacular rewards. He should have the patience to face the boredom and routine of long service in a foreign

...and should not seem out of place when the idea that he is a ...
...should have sufficient ...
...and should have some idea ...
...and should have some idea ...
...and should have some idea ...

Since the departure of this dispatch was begun, I have learned ...
...which Ambassador Lacer recently made with ...
...of Mr. Di Lucia for work in ...
...I had thought that it might ...
...despite certain obvious ...
...continue to work in Lisbon ...
...and who could occupy ...
...I have no complaints to make ...
...of his relations to this ...
...of the American community here. He ...
...and has undoubtedly approved the ...
...that it would not be advisable ...
...for Di Lucia to remain in ...
...that anyone filling ...
...at Madrid as well as with ...
...that no discredit should ...
...should not be re- ...
...to his record ...
...before ...
...with ...
...return to Lisbon, even ...
...of Mr. Oliveira. I believe that Mr. Di Lucia shares ...
...this opinion.

In closing the subject of personnel, I might mention that ...
...does not appear to be at all ade- ...
...personnel. ...
...cannot be ...
...individuals. It ...
...reliable clerical ...
...Mr. Di Lucia appears

True

to have had even a general idea of the activities in Lisbon, or that which should be taken into consideration before judging too severely the results of their work.

2. Progress in Portugal of Penetration

It has been the experience of other intelligence services that best results were obtained when field officers were given precise instructions as to the type of work they were to do and the type of material which they were to obtain. In the case of our OSS officials in Lisbon, I have not been able to find that any of them have had any clear idea of the limits of their responsibilities.

Intelligence work at the post falls principally into five main categories by technique of operations:

a) Offensive Intelligence

This heading comprises all the efforts made to penetrate into hostile countries, and countries occupied by hostile forces, for the purpose of obtaining information on the enemy's war effort, to discover his military plans, his weaknesses, et cetera.

b) Passive Intelligence

Passive intelligence is that which seeks to obtain the same type of information as in (a) without setting up any secret or underground organizations on the enemy's territory. Here on the Iberian Peninsula there is a steady stream of persons who have recently come out of enemy or enemy-occupied territories or who have some means of communication with these territories or who are quite willing to tell what they know to anyone in whom they have any degree of confidence. The work of passive intelligence consists of assembling and evaluating the numerous reports picked up in conversation, from the press, et cetera. The greater the personal contacts of an office, the more of this information can be gleaned. The deeper the intellectual background of the officers concerned and the more complete their written records, the better this information can be analyzed. This type of intelligence work is one of the normal duties of a diplomatic embassy.

c) Counter Intelligence

At this post the work of counter intelligence consists in uncovering and breaking down the espionage network of the enemy in Portugal, or operating from Portugal, and of devising means to render it powerless or at least ineffective.

Counter Intelligence

The work of the Financial Attaché's Office along these lines has been extensively handicapped by lack of social standing on the part of its officials, by their preoccupation with other matters, and by their lack of background for the evaluation of material gathered. Other Government agencies in Lisbon, particularly the offices of the Naval and Military Attaches, have done far more in this field.

1) Counter Intelligence

A certain amount of work has been done along these lines. The results appear to me to have been meager. The main reason for this is, I believe, that the efforts made were sporadic and unsystematized, and that no attempt was made to analyze results on the spot. Work of this sort performed blindly, by persons who are not interested in their own results, is bound to be limited in scope. I am not aware that the OSS headquarters in Washington may have derived from the material obtained along these lines. The legation has derived almost nothing.

S/ce

More recently, under Kennan's encouragement, the Financial Attaché's office has turned its attention, in a very cooperative spirit, to the activities of the Japanese community in Lisbon, to the activities of the Japanese character of these activities and ascertaining whether Lisbon is being used as a center for Japanese espionage in the Iberian Peninsula. This work, which centers around a concrete, clearly defined problem, is beginning to pay off, I think, in examples of what could be done in general with the aid of the office.

2) Local Military and Naval Intelligence

The efforts of the Financial Attaché's office have been limited to this point in this field. In regard to military and naval intelligence, the existing records of the local and military attaches, have been fragmentary and unreliable.

3) Domestic Intelligence

In this field, the Financial Attaché's office has been handicapped by the fact that the Portuguese government is not particularly cooperative in this regard. The records of the local and military attaches, where they exist, are of low value in domestic intelligence.

b) Economic Intelligence

The work of the Financial Attaché's Office along these lines has been substantially handicapped by lack of contact with the staff of the Office, by their lack of cooperation with this staff, and by their lack of interest in the acquisition of economic intelligence. Other agencies, agencies in the field, particularly the Office of the Naval and Military Attaché, have done the work in this field.

c) Counter Intelligence

A certain amount of work has been done along these lines. The results appear to me to have been meager. The main reason for this, I believe, is that the efforts made were sporadic and uncoordinated, and that no attempt was made to analyze results on the spot. Work of this sort performed blindly by persons who are not interested in their own results, is bound to be limited in scope. I am not aware what the OSB headquarters in Washington may have derived from the material obtained along these lines. The Legation has derived almost nothing.

More recently, under Kennan's encouragement, the Financial Attaché's office has turned its attention, in a very cooperative spirit, to the activities of the Japanese community in Lisbon, for the specific purpose of analyzing the character of these activities and ascertaining whether Lisbon is being used as a center for Japanese espionage in the New World. This work, which centers around a concrete, clearly defined problem, is beginning auspiciously and in, I think, an example of what could be done in general with the work of the Office.

d) Local Military and Naval Intelligence

The efforts of the Financial Attaché have from time to time been applied in this field. The results, as compared with the existing records of the Naval and Military Attaché's offices, have been fragmentary and unreliable.

e) Economic Intelligence

In this field too, the Financial Attaché's Office has occasionally been active. This activity has caused some concern to the other officers of the Government (United States Commercial Company, Commercial Attaché's office and Consulate General) whose files on these matters are incomparably more

detailed and reliable, who are themselves deeply involved in the normal conduct of all sorts of business in the country, and who have learned on occasion that the efforts of the Financial Attache's agents could damage their own interests.

a) **General Intelligence**

In this field, I believe that the Office of the Financial Attache has some valuable and extensive work.

So much for the situation as it exists. The following are my suggestions for a more effective and rational placement of these various functions among the interested agencies:

a) **Offensive Intelligence**

This is to be carried on by the Financial Attache's Office only on a limited scale, and within the framework of what the British are already doing. We have entered this field too late and in too unskilful a manner to have any great independent successes. On the other hand, there is a definite place for us in it. For there are many people who will work with us but not with the British. I believe that we should, in the interests of our own efforts, subordinate our efforts to the arrangements already developed by the British at this post.

b) **Passive Intelligence**

This is anybody's game, and there is no objection to the Financial Attache's participating in it. His countrymen, like those of all the other agencies of the Government here, should strive to build up the current information files of the legislation and of the Government at Washington. Before the Financial Attache can participate successfully in this work, he will have to have a larger staff and his office will have to have a better reputation for discretion.

c) **Counter Intelligence**

This should be the proper realm of the Financial Attache's Office here in Lisbon. But the work should be sharply delimited and defined in precise instructions from home. There is no use in crawling laboriously over the same ground the British have already covered. The British have done excellent work in uncovering and observing the entire

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Handwritten note:
see

... .. The results of this work could be made available to us with the proper approach. This should be the point of departure, not our goal. The British have done this in the past by the use of the Special Air Service and the Special Boat Service. These units have been used in a variety of operations and have performed well. It is our hope that the Special Air Service will be available to perform special operations in the future. The intelligence value of the reports of the Special Air Service is high. It is our hope that the Special Air Service will be available to perform special operations in the future. The intelligence value of the reports of the Special Air Service is high.

Special Air Service and Special Boat Service

The Special Air Service's efforts should be directed in these three fields which should be directed to be more specific and clearly defined for along these lines. Portugal is a small country. The Special Air Service and Military Attachés have had the advantage of being background, special operations units used for special operations, special operations with persons in normal and military life, as well as technical training. Both of these classes are essential in Central about military and special operations in Portugal and need no introduction. For the Special Air Service is considered to be independent in this field will be of little value to the Government and not considered to be the prestige of his own office. This information, silver skill, is assembled principally for the Army and the Navy. If these organizations are satisfied with that they are getting, I believe that well enough should be let alone.

a) Financial Intelligence

The same applies to economic intelligence. The United States Commercial Company, together with the United States Industrial Corporation, is doing many millions of dollars of business in Portugal each year. The officers of our Government who are occupied with fraudulent list matters, who also work in close cooperation with the British, have not shown interest in Portuguese business firms and their connections with the Axis. I believe that the facilities of the Financial Attache's office should be brought into play in this field only when the regular agencies concerned with these matters have exhausted their normal resources and need special assistance in given instances.

b) Customs Intelligence

This is a logical field for the activity of a Financial Attache's office, and it should continue to play a leading part in following these matters. In these questions it should feel free to call upon the assistance of the other agencies in town.

Under the above arrangement, the representatives of the OSS would take a leading part in all matters having to do with counter espionage and with all attempts to smuggle persons or goods or information from Portugal to the New World, or vice versa, for whatever purpose. In addition to this, they would participate in close collaboration with the British in the offensive intelligence work conducted from Portugal, and they would continue to exhaust such opportunities as present themselves for passive intelligence work in this country. These functions, if performed with concentration and thoroughness, can be of real value to our Government and the war effort; and I can assure the Department that they are more than sufficient to absorb all the attention which the Financial Attache's office, with its present staff, or even a considerably increased one, could give to them.

In concluding this despatch I should now like, therefore, in the light of what has been set forth above, to the Department's telegram No. 1763, December 22, 2 Para, concerning the proposed appointment to Lisbon of Mr. John A. L. Hyde in the capacity of "Attache". I am not clear as to just what is envisaged in this proposal. I assume that Mr. Hyde would be attached to the Legation proper and not to the Office of the Financial Attache, since there is no such thing as an attache to an attache. If this assumption is correct and if Mr. Hyde, as stated in the Department's telegram, is to do only reporting, then other questions arise. Would we expect to use the Legation staff to assist him in this work? We have at present only one American stenographer for the entire normal work

of the Embassy and for my own personal work as well. Her services could not really be considered my partner since they have already been. And to whom would his reports be referred? If direct to the OSS, then they are only duplicates of those reports already going forward to the State Department from the same Embassy. If, on the other hand, they are to go through the State Department, in part of the regular reporting of the Mission, then I must exercise the same control over them and take the same responsibility for them that I do for the reporting activity of the other officers of this Mission, and they must be coordinated with the latter.

In general, I am bound to say that it would be a disappointment to me and to the officers of the Legation staff if the Government found it necessary to send to this post at this time a person from outside the regular services of the Government in order to accomplish the sort of political reporting which is already the responsibility of this Mission. I realize that the present staff, for reasons of which the Department is certainly aware, has not been able to devote to this branch of the work the time which would have been desirable. I have not received any indication, however, that the Department was dissatisfied with this situation. Nor has it been demonstrated that if the staff were to be supplemented with an experienced Foreign Service officer whose time could be devoted exclusively to such reporting, satisfactory results could not be obtained.

The above comments are not made for the purpose of obstructing an appointment which might be of real value to the war effort, but out of a desire to have Mr. Ryan's proposed status entirely clarified before the appointment is made and to avoid one more of those awkward and anomalous situations which can so easily arise at a foreign post and which are just as detrimental to the interests of the other agencies of the Government as they are to those of the Department.

In general, I should like to emphasize that the motives which have governed the drafting of this despatch and which have underlain throughout my attitude toward the representatives of the OSS in Portugal have not been the fear of being embarrassed by their activity (although there were grounds enough at times for such apprehension), or the reluctance to understand and accept any useful innovation in Foreign Service procedure. They are based a sincere desire to see the best interests of the Government as a whole, and above all the interests of our war effort, advanced by the efforts of our various representatives at this post. I believe that most of the OSS representatives who have visited Lisbon during recent months have been able to satisfy themselves on this point, and I hope it will be given due consideration in the evaluation of the recommendations set forth above.

Respectfully yours,

/s/ BERT FISK