

Spymaster: Dai Li and the Chinese Secret Service

Intelligence in Public Literature

Frederic Wakeman, Jr. Berkeley: University of California Press, 2003, 650 pp. Photos, index.

Reviewed by Bob Bergin

Spymaster is a rich, but very complex book, difficult to read in places, but rewarding for the reader willing to struggle through the difficult parts. It tells the story of Dai Li, “an extraordinary secret policeman,” and of the immense espionage apparatus he built. More importantly, in detailing American involvement with Dai Li, the story offers a lesson, relevant today, in the nature of intelligence relationships between allies, how wrong they can go, and how the OSS deftly handled a relationship gone bad.

Dai Li was Chiang Kai-shek’s spymaster during World War II, “the claws and teeth” of the Chinese Nationalist leader and the “Chinese Himmler” to the British. As chief of the Bureau of Investigation and Statistics of the Military Affairs Commission or *Juntong*, he controlled tens of thousands of spies in China and in every country that had a Chinese community. Official sources claim that Dai Li had 100,000 agents in the field by 1945. “There were 50,000 regular agents running assets, amounting to about 500,000 spies and informers, making the Juntong the world’s largest espionage organization at the time.” Aimed primarily at Chiang’s political enemies and the communists, the Juntong carried out “all kinds of espionage and intelligence work.”

Dai Li was a natural for the job: his was the classic rise from obscurity to great power through cunning, intelligence, and deviousness. He was born

in 1897 in the hills of Zhejiang Province, where even as a teenager he was seen as a natural leader, but also as “a trouble maker addicted to sex and gambling.” Caught cheating at cards, he ran off to join the army, and then deserted—but not before he connected with the Green Gang, the notorious gangsters who controlled the Shanghai underworld. It was a link that would serve him well in times to come.

In 1921, while “living off the land” in Shanghai, he met Chiang Kai-shek and ran errands for him. In 1926, possibly with Green Gang help, he managed to get admitted to the Whampoa Military Academy, where Chiang was the chancellor. To ingratiate himself with Chiang, who wanted to use him as a batman, he reported on the ideological purity of his fellow cadets. The ones he identified as communists were eliminated in a purge at Whampoa in 1927.

Whampoa and its alumni were the base on which Chiang’s power was built. His loyalists moved in a swirl of associations, secret societies, and front organizations. At the core was the most secret *Lixingshe* (the Society for Vigorous Practice) and the front organization it controlled, the *Fuxingshe*, or Renaissance Society. Permeating the mix was Chiang’s personal espionage apparatus of secret intelligence organizations that he let fight among themselves for funds and authority.

In 1928, Chiang established a 10-man intelligence unit called the Liaison Group and put Dai Li in charge. Later called the “embryo of all subsequent party and state military intelligence organizations,” the group had to compete with many others. To strengthen his hand, Dai Li formed the “League of Ten,” Wampoa graduates he put on his private payroll who became the core of his personal “secret service.”

In 1932, when Chiang needed intelligence that others were unable to provide, he directed Dai Li to turn his League of Ten into a formal Special Services Department. The Ten became more than a hundred, and Dai Li’s rise began. Dai Li became Chiang’s primary source for political intelligence, and, in 1938, Chiang established the new independent security agency that was the Juntong. Dai Li was made its chief.

Before the outbreak of war with Japan, Dai’s activities centered on Shanghai, where he suborned the police and drew on the skills of his associates in the Green Gang. Kidnapping and torture became tools to gather intelligence and root out Chiang’s enemies and the communists. Trafficking in narcotics and other contraband was the means to

supplement budgets as Dai Li's activities and power grew. Dai Li was the only man allowed armed into Chiang's presence. He became the most feared man in China; mothers invoked his name to make their children behave.

After the Japanese attack on Pearl Harbor, Americans started streaming into China, some with big ideas for winning the war and access to the funds to do it. Dai had never taken well to foreigners and avoided dealing with them. Then he met a US Navy officer open to his ideas. Commander Milton E. Miles, known to history as "Mary" Miles, was the nearest thing the US Navy had to a China expert. A graduate of the Naval Academy, he had spent five years with the Asiatic fleet. In early 1942, Chief of Naval Operations Admiral King sent him to China to establish weather stations and "to heckle the Japanese."

Dai Li took Miles on a trip into occupied China and impressed him with how easily the Juntong could operate behind Japanese lines. Before the trip was over, Dai proposed the creation of a 50,000 strong Chinese guerrilla army under Sino-American control. Without consulting Washington, Miles agreed, and the two started working on the creation of what became the Sino-American Cooperative Organization (SACO) to carry out espionage, special operations, and signals intelligence. The Chinese would provide the manpower; the United States the rest. Dai Li would be the SACO director, Miles his deputy.

Washington's approval of the SACO agreement required that Miles be appointed chief of OSS activities in China. OSS chief "Wild Bill" Donovan resisted the idea, but because OSS needed a Chinese base for its Asia operations, he agreed to "an unhappy alliance with Miles and Dai Li." The OSS was admitted to China "as subordinate partners of General Dai Li's intelligence service." Personnel from OSS and the US Navy started arriving at Dai Li's base, "Happy Valley," outside Chunking to instruct Dai's people in everything from guerrilla warfare to criminal investigation, even an "FBI school" to train Dai Li's secret police.

There were problems from the start. Dai's secret police were directed against Chiang's internal enemies rather than the Japanese. There was the matter of torture: Happy Valley, which had a sanitized mess hall and western toilets for the Americans, also had "a grim prison about which unpleasant stories were told." There was Miles, who insisted that nothing be kept secret from the Chinese; they would work directly with the Americans and everything would be shared. There was Dai Li, whose hand

was seen in thwarted OSS operations. Free Thai agents being infiltrated into Thailand were delayed and several killed. Dai Li had his own plans. He would invade Thailand with a force of 10,000 Chinese guerrillas disguised as Thai—on 10,000 Tibetan ponies.

The situation was further complicated by Allied suspicions that Dai was trading secrets with Japanese intelligence. In October 1943, Donovan was ordered to gather intelligence in China's communist-controlled areas. Donovan told Roosevelt, "We cannot do our job as an American intelligence service unless we operate as an entirely independent one, independent of the Chinese and our other allies." The president agreed.

Donovan visited China in late 1943. Over a dinner in Dai Li's residence, Donovan told the spymaster that OSS would work unilaterally inside China. Dai responded that he would execute any OSS agent found operating outside the SACO agreement. Donovan slammed his fist on the table and shouted, "For every one of our agents you kill, we will kill one of your generals!" The next day Donovan met with Chiang Kai-shek, who spoke of Chinese sovereignty, and asked that OSS act accordingly.

Leaving Miles to work with Dai Li's operations, Donovan circumvented them both and secretly set up a separate clandestine OSS intelligence collection mechanism. The senior US officer in the China-Burma-India Theater, General Joseph Stilwell, was no help, but in the 14th Air Force commander, General Claire Chennault, Donovan found an ally. Chennault had served as Chiang's aviation adviser since 1937. He had no use for Dai Li and had turned down an early offer to work together. But as the war expanded, Chennault's bombers needed more intelligence than the Chinese could provide. He created his own network of American operatives who worked behind Japanese lines.

Chennault agreed to work with Donovan. The result was the 5329th Air and Ground Forces Resources and Technical Staff (AGFRTS), or "Ag-farts," as it was popularly called. OSS would run operations inside Japanese territory using the 14th Air Force as cover from the Chinese. Donovan later wrote: "AGFRTS succeeded where SACO had failed, and its results were almost immediately apparent." OSS agents behind the lines gathered intelligence on Japanese shipping and rail traffic and other targets, interrogated prisoners, trained guerrillas, sometimes engaged in guerrilla warfare, and did a host of other things important to the war effort.

By contrast, "no intelligence or operations of any consequence have come

out of SACO,” Donovan reported to Roosevelt in November 1944. The judgment is shared by Wakeman and other historians. It was Dai Li and his “clandestine empire” that benefited. Dai Li emerged from the war at the pinnacle of his power. But as the postwar repositioning began, he became convinced that Chiang intended to abolish the Juntong. In the spring of 1946, rumors of Dai Li’s retirement were rife. On 17 March 1946, an aircraft carrying Dai Li crashed into the hills outside Nanjing. Dai Li was dead, but many refused to believe it. Some blamed the crash on communist sabotage, others on a bomb planted by OSS. The most common rumor was that Dai Li had faked his own death.

But Dai Li was dead, and it was bad weather that did it, not the OSS. He was buried on a hillside outside Nanjing, not far from Sun Yat-sen’s mausoleum. In 1949, his remains were destroyed by the communists. A hero to some, a demon to others, Dai Li with his genius for organization had created the largest spying machine of its time, but reviews of its effectiveness are mixed. Its success was greatest against Chiang’s internal enemies and dissidents of his regime, less so against the Japanese and their collaborators, where intelligence collection was subordinated to the lucrative trade between the Chinese and Japanese under the guise of infiltrating each other. With the Juntong’s main target, the Chinese Communist Party, there appears to have been only limited success, but here Wakeman and other historians necessarily depend on information that comes mainly from former Dai Li agents re-educated by the communists.

While the current utility of the lessons of intelligence cooperation are relatively clear—intelligence partners almost always give precedence to self-interest; sovereignty is likely to trump better sense; and mismatches in cultural norms strain, if not make impossible, good relationships—other elements of Wakeman’s meticulous scholarship are worth noting for what they might say about China’s present intelligence apparatus and about the way in which such organizations might form in periods of national stress.

First, Wakeman’s research reveals the bewildering array of organizations and personal connections that eventually grew into an internal security apparatus. Organizational sprouts—societies, unions, clubs, cliques, etc.—large and small, came and went in the chaotic environment of newly republican China. Many thought themselves destined for big things but were gone or aimless soon after they were created. Amazingly, Wakeman seemed to have found them all in the minutest detail—it is the feature of this book that makes it such difficult reading at times. His effort, however,

speaks to the energy, dynamism, and potential for manipulation of Chinese intellectuals in the 1930s and 1940s who were looking in almost every conceivable direction for ways to combat the Japanese (or other enemies) and to bring the nation into modern times. This chaotic scene eventually coalesced in 1949, but Wakeman's effort is a powerful reminder of the complexity of the underlying coalition and the challenges that complexity presents in understanding China and the responses of its people in difficult times, and in knowing with whom to deal in such eras of change in China or anywhere.

The views, opinions and findings of the author expressed in this article should not be construed as asserting or implying US government endorsement of its factual statements and interpretations or representing the official positions of any component of the United States government.