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STATE DEPARTMENT PROBLEMS IN SSU LIQUIDATION

I

THE PROBLEMS

The interdepartmental committee survey of SSU was confined to the immediate question of the disposition of the functions and facilities of SSU, which is now in the War Department and whose ultimate liquidation has been irrevocably decided upon. Nevertheless, certain long-term policy questions affecting the State Department were raised which the committee could not decide but which must sooner or later be decided. Among these are:

- (1) Should CIC assume the operation of clandestine intelligence activities?
- (2) Should FBI be assigned a permanent world-wide role in foreign intelligence procurement; and, in case FBI continues or expands its foreign coverage, what controls over the FBI personnel and policies should be exercised by CIC?
- (3) Should CIC undertake research activities?

In view of the narrow issue before the Committee and the urgency of the problems of operation before CIC, it seems likely that the Committee will recommend that the SSU group be kept intact for operational purposes -- at least until long-term decisions are reached. However, the position of the State Department in this entire field is a key one, and it is important that State Department ~~needs and views~~ needs and views should be clearly established at an early date.

A. Clandestine Operations

Clandestine operations may be defined as efforts directed by persons in the employ of the United States government to obtain secret information in a foreign country against the desires and in possible violation of the laws of the government of that country. The operators may be Americans or, more commonly, local agents -- their American supervisors functioning in such a manner as to insulate the Americans from the natives. It is common to use "sleepers" -- that is, foreign or American long-time residents of the country with their own full-time occupations, reporting when necessary on specified subjects through devious ways and confined as much as possible to areas of investigation close to their own ostensible business.

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In addition to the purely clandestine operation, there is also the operation of liaison with intelligence agencies of the local government and the intelligence agencies of other governments operating locally with a view to mutual cooperation against a common target. It is not necessary that this liaison officer be charged with any clandestine operations at all; and it may be desirable to distinguish also between liaison for "counter" or police purposes (as, for example, on the problems of communistic infiltration) and "positive" intelligence (as, for example, on atomic energy developments in unfriendly countries). This matter is also raised in the discussion below in this memorandum on the FBI-X2 problem. The fact that liaison officers are maintained is generally not publicized, although in some areas it may be useful to let the public know that a single United States representative -- not necessarily a diplomat -- is available to receive from volunteers certain kinds of foreign security intelligence.

B. The FBI-X2 Problem

X2, set up originally as a separate OSS intelligence unit, was limited in its functions to counter-intelligence in aid of the military operations against Germany, Italy and Japan. In military areas, the unit has performed by means of attachment to the military counter-intelligence organizations under the direction of theater commanders. In civil areas, solely in the Eastern hemisphere (X2 being excluded in favor of FBI from the Western hemisphere by Presidential directive) where there were normal diplomatic missions, X2 personnel were attached to the missions as part of the staff. With the military defeat of the enemy, X2 has been operating solely on an ad hoc arrangement basis with the State Department and the military. Apart from its military operations (which are constantly diminishing), X2 is engaged in the following:

- (1) Study of the local government's intelligence operation and identification of its personnel.
- (2) Study of the foreign intelligence organizations operating in the local area.

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- (3) Residual war intelligence problems -- such as interrogation of interned enemies, repatriation, etc.
- (4) Vetting -- that is, checking files for security purposes -- of SSU personnel and tracing names arising in SSU operations.
- (5) For the State Department missions, handling detailed work in connection with visa and passport control and conducting such special investigations as may be assigned by the Chief of Mission. Actually, this is a small part of the X2 total function, but it constitutes the chief operational value of X2 to the State Department. From the point of view of X2, it is this function which provides the valuable "cover" for X2's other operations and gives opportunity for legitimate contacts with local police, agents, informants, foreign intelligence organizations, etc.

The SIS section of FBI, on the other hand, has operated primarily in Latin America with attachments to the local American diplomatic missions as "legal attaches." Generally speaking, whatever the earlier attempts at concealment and deception, the identity and purpose of the legal attaches are now universally known, although their sub-agents and informants may or may not be known, depending presumably on the nature of local government surveillance. While SIS operations were originally designed for and geared to the security of the Western hemisphere against Axis infiltration and were primarily considered in aid of the internal security function of FBI in the United States, the type of work done by SIS has been substantially analogous to that done by X2.

It should be added that while FBI has been limited to the Western hemisphere and OSS to the Eastern hemisphere, extensions have been attempted on both sides. At the present time, FBI maintains SIS agents, for purposes of liaison in matters affecting the Western hemisphere, in London, Paris, Madrid and Lisbon and for a time had a group attached to the Army of occupation in Germany and Italy. Moreover, it appears that, by special invitation of General MacArthur, FBI agents are at work for MacArthur in Japan and the Philippines (MacArthur has excluded OSS from his own theater of operation). The situation is thus confused.

The survey committee, in view of its limited jurisdiction, could make no recommendation with respect to FBI's role. It is generally agreed that the division of jurisdiction between FBI and OSS on a hemisphere basis is unsound in terms of future operation and cannot effectively endure. Any final decision regarding disposition of some of the functions of X2 must necessarily be based on a decision with respect to FBI.

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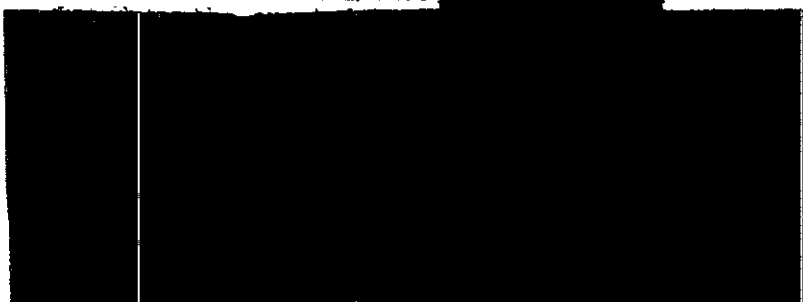
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It appears that:

- (1) The overlapping made mutual aid, cooperation and liaison essential for the successful performance of both FBI's and X2's duties. This does not seem to have taken place on the whole. X2 personnel in the course of the present survey have complained of the lack of cooperation from FBI on common problems -- not limited to SIS, however -- and the difficulty of liaison with FBI; they have emphasized the divergence of purpose and attitude of FBI, alleging that FBI has a police and "case" bias which is inconsistent with the conduct of intelligence operations. FBI, on the other hand, undoubtedly makes complaints against X2.
- (2) Assignments of tasks to either organization and criticism leveled at either of them seem, to some extent, to be based on personal or policy considerations rather than on actual judgments of organizational efficiency.
- (3) No attempt has been made to subject SIS to any examination or survey. Its efficiency has, on the whole, been accepted on the basis of the acknowledged efficiency of FBI as a whole and because of the satisfaction of the chief customer of SIS, namely, the State Department missions abroad.
- (4) It must be borne in mind that there is a distinction between the overt operations involved in checking visas and passports and the obtaining of clandestine intelligence or of other forms of intelligence.



C. The R&A Problem

The Committee has found that lopping off R&A from the rest of SSU has produced a difficult situation. In the first place, R&A appears to be the chief customer for the secret intelligence operators, providing the guidance for further investigation, briefing agents for field work, and sharing

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accumulated files, research studies and the like. In the second place, the existence of an R&A group in the secret organization tends to provide cover to some extent for the operation itself but especially reduces the area in which clandestine operations have to be performed. The result at the present time is, on the one hand, that the men working in SSU tend to continue their contacts and even attempt to develop them in R&A, with consequent security dangers, while on the other hand there is a definite tendency to duplicate R&A functions in SSU.

R&A has not been surveyed. There are recriminations, however, between some SSU and some R&A personnel, arising allegedly from duplication of work, but also from charges of insecurity of some R&A personnel. To this some R&A personnel retort that the calibre of SSU employees is subject to question. The point, however, is not of decisive importance.

Moreover, if CIG undertakes to operate any field intelligence organization, the need for a research and analysis group will become evident and insistent.

The seed of bitter jurisdictional dispute or of indifference that would end in a withering of the CIG or the State Department research groups would be sown by a failure to provide close liaison and collaboration.

II

POSSIBLE SOLUTIONS

There are alternative possible answers to the questions raised above. Each involves, however, at least one policy decision by the State Department.

A. Clandestine Operations

The chief claimants for clandestine information are generally likely to be the military services, although in various areas today the State Department is a major claimant.

Ideally, it is clearly in the best interests of the Department that its personnel in the field should be as far removed as possible from clandestine operations conducted without the knowledge and against the interest of the local government. If such operations are conducted at all, the Chief of Mission should be in a position to repudiate any persons discovered to be engaged in the operations.

We must assume that clandestine operations will be, in fact, conducted with over-all direction by CIG. The State Department might consider, therefore, the following positions with respect to the conduct of such operations:

(1) The operating responsibility should be in the military services, leaving, so far as possible, only general direction and planning to CIG. Arguments in favor of this position would be:

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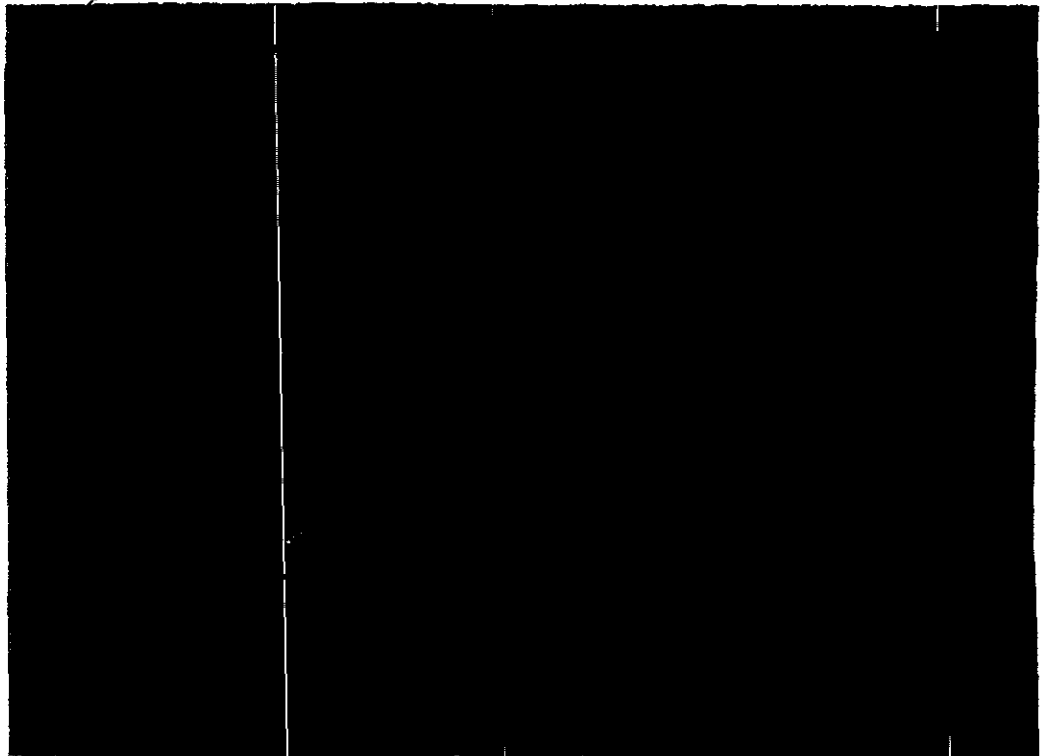
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- (a) Military discipline would provide more effective sanction against security violations and negligence than a civilian department could impose.
- (b) A parallel would also be provided in this way to the OSS operation, which was conducted under the Joint Chiefs of Staff.
- (c) An advantage would be provided in placing operational control in the hands of the chief customers.

However, it appears to be fact that the military services are unwilling for various internal reasons to undertake this type of operation.

(2) Emphasis should be constantly placed on a fundamental policy of exhausting all overt sources of information before resort is made to clandestine methods. This should be a CIG responsibility, but, within NIA and CIG, the State Department should be alert to the fullest possible implementation of this policy.



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B. The FBI-X2 Problem

There are several possible solutions to this problem.

(1) The optimum position for the Department is one in which:

- (a) Counter-intelligence activities to protect the clandestine intelligence work can be carried on safely.
- (b) Police and travel control activity are nevertheless safely and securely carried on with maximum efficiency to the State Department and with the least danger of impairment by any involvement in [REDACTED] clandestine operations.

Therefore, it seems desirable to consider a scheme by which the overt operations are divorced as completely as possible from the clandestine, leaving the so-called function of counter-intelligence to operate solely in the clandestine field and the passport and visa control and police liaison to operate in the law enforcement and travel field.

(2) The SIS Section of FBI might be removed from FBI and its functions and personnel and those of X2 divided between the State Department, to be combined with visa and travel control, and CIG, to be combined with intelligence. The withdrawal of FBI from this field would provide an analogy to the British handling of this problem by sharply distinguishing between internal security organization and foreign security organization. The operating organization under CIG would also cover the entire world. FBI would be called upon for certain types of fundamental training and auxiliary services; but a specialized training organization for supplementary specified requirements would be needed.

This solution presents difficulties in the probable unwillingness of FBI to permit it, the necessity for maintaining a training organization (which, to some extent -- although this has not been investigated -- exists in FBI), and the necessity which would exist for setting up a close supervisory organization in the State Department.

(3) FBI's police and State Department services could be extended to all foreign missions, but all clandestine intelligence operations (whether of a positive or counter-intelligence nature) would be excluded and placed under CIG as part of the Department operation. This solution is one toward which the Committee members seem, for the most part, to lean. This would mean that the FBI attaches would engage in completely overt activities (since everything they did could be traced to a legitimate State Department operation). It would

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provide means of contact with local police officials in security matters, except to the extent that contacts were maintained by other personnel with local intelligence officials. The control of the Chief of Mission over the local missions and over the legal attache would be as well established as it is in Latin America, and the legal attache would receive such additional special assignments as the Chief of Mission might wish to give him in the investigational field. Should it be determined that he should be the contact for clandestine communications or for liaison with local intelligence activities, his functions in that regard would be strictly limited and non-operational.

This type of operation would be similar to that of the Soviets, who apparently maintain a so-called illegal network which operates apart from the missions and reports to the NKVD and a so-called legal network which works apparently through the military attache or someone else in the open diplomatic mission. It would have the advantage of unifying the domestic and internal security controls by giving FBI world coverage and, therefore, closer integration of travel in and out of the Western hemisphere and, especially, the United States.

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This solution would thus tend to reduce further the area of clandestine operations, which it is generally recognized should be limited so far as possible.

The question is raised, nevertheless, under the latter alternative, of the extent to which the FBI operation should be subject to CIG control and the extent to which it should be subject to further State Department control in administration, conduct of investigation, training of personnel, standards of recruitment, and the like. At the present time, FBI is not represented except in an advisory capacity in NIA or CIG. So long as FBI operates abroad, some relation of coordination by State and CIG would appear to be unavoidable. The control of the State Department may be effected operationally in the field through the missions as well as through consultation with the Director of FBI in Washington.

(4) "Going underground" may mean for X2 that its personnel will become unusable in some areas. Considering that X2 and SI men were especially trained in the German problem, the function of residual Axis intelligence gathering (especially as exercised by X2 in Germany and Austria) might, with selected personnel, be brought under the State Department to expand the FC and CE work in pan-Germanism and the like. This disposition is also offered as an alternative whether it should be decided to abolish X2 --field or Washington staff -- or to reemploy its staff as a going concern. In any event, this residual function of OSS should be brought more closely under State Department direction -- if necessary, through CIG -- to produce the essential material still needed from Germany, Austria and the occupied countries by FC and CE.

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C. Research and Analysis

The solutions under this heading obviously fall into or between the building of a new research organization in CIG or a transfer of R&A now in the State Department to CIG. In either case, however, closer dove-tailing between the research groups in the State Department and the CIG organization would have to be effected.

There are advantages and disadvantages under each alternative. The return of R&A would leave the State Department without a much-needed research organization and would increase the dependency of the State Department on another agency of uncertain character. At the same time, without a group of scholars engaged in long-term research and commanding specialized knowledge in important fields, CIG could hardly be expected to perform its functions of evaluation, analysis and guidance.

It is believed that it would be valuable while maintaining research groups within the State Department to permit CIG to recruit a small group of specialized experts for review of materials and guidance of the Director with dependence on the State Department for the long-term jobs of research so far as possible. CIG, of course, would command other research organizations by one device or another (including universities, independent institutes, etc.). The value in this solution would lie primarily in the premium placed on close liaison.

The State Department must, however, see to it that its own research facilities are enormously improved so as to be useful to CIG; the officials concerned with subjects for research should be in close contact with the CIG research specialists so that the subjects of mutual investigation might be agreed upon; an attempt should be made so far as possible to avoid the personnel acrimony and the unnecessary duplication of work which lead to distrust and controversy. This means, of course, that from a security standpoint and from the standpoint of scholarship and competence, the most careful screening should be made of the personnel of both agencies according to standards agreed upon by the Director of CIG and the Department.

In this respect, attention is called to the desirability -- almost the necessity -- of introducing into the State Department such improvements as the carding and filing systems which SSU has to some extent used. The value of IBM machines and similar mechanical devices for opening up the mine of State Department treasures so that they may be currently available as intelligence for State Department operations and for research can hardly be overestimated. The following considerations seem paramount:

(1) This would reduce and circumscribe the area of clandestine investigation. Information once obtained by the Department should not have to be sought again -- especially if clandestine means will be needed for the new search -- and clandestine operations may be found unnecessary or carefully limited in directive by the information found in the files.

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(2) The Department would be freed from the necessity of relying on research by the personnel of other agencies such as CIG, and the strength of the Department as an independent agency in this field would be built up.

(3) Mutual interchange among research groups of the Department and of the government would become feasible and more profitable.

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