

ECONOMIC INTELLIGENCE

4 April 1947 617-107

CONTENTS	<u>Page</u>
SPEAKER -- Major General William J. Donovan, 2 Wall Street, New York, New York	1
GENERAL DISCUSSION	11
General Donovan	
Students	

THE INDUSTRIAL COLLECT OF THE ARMED FORCES
Washington, D. C.

RESTRICTED

THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

PUBLICATION NUMBER L47-109

RESTRICTED

RESTRICTED

11-5

ECONOMIC INTELLIGENCE.

4 April 1947

GENERAL MCKINLEY:

Gentlemen, this morning we are very fortunate in having with us Major General William J. Donovan. As you all very well know, General Donovan achieved unusual distinction in both world wars. His command of the old 69th New York Regiment during World War I won him the Congressional Medal of Honor for action in France, as well as a number of lesser decorations. Between the wars, General Donovan served in various public capacities, including that of Assistant Attorney General of the United States. In 1941, he was appointed Coordinator of Information, and in 1942, Director of the Office of Strategic Services. He is eminently qualified to speak to us this morning on the subject of economic intelligence. I take great pleasure indeed in introducing Major General William J. Donovan.

GENERAL DONOVAN:

Gentlemen, I don't know that I am peculiarly qualified to discuss this subject, but to enable you to determine what value to give to what I may say, perhaps, in view of the introduction of the General, I ought to state some of the factors that entered into my recommending the organization of what was known as the OSS.

Like every civilian who was a reserve officer, I undertook to get some credit in my service as a reserve officer, recognizing that there were forces at work that might invite war. I had had experience in the Far East and in some of the wars that took place preceding World War II.

For example, in late 1935 and early 1936, I had been in a tough lawsuit and I thought a good way to get that out of my head was to go over and see what was happening in Ethiopia. I tried to make clear to Mussolini that we in America didn't think much of the Italian Army and what it could do; that we thought if he wanted to be a new Julius Caesar, he had to show that he could develop a new Tenth Legion. He got very indignant and insisted that I go over to Ethiopia and look at the war there.

One of the reasons that impelled me to go was this: You remember there was great insistence at that time that we impose oil sanctions on Italy. Just as a simple American, I felt that to do this might have repercussions in every election district in America. What was the basis for sanctions? So I went to Ethiopia and I found this: that the only oil whatsoever you could find in the hangars and warehouses, outside of the Albanian oil, was Dutch Shell and Anglo-Persian.

RESTRICTED

RESTRICTED

Now, both of these were British controlled. The only way of getting in the mail, which constituted the one source of amusement and entertainment and relaxation for the Italian soldiers, was to have it delivered with the oil from the oil drums that the British had across the Suez. When I came out of Ethiopia, I was convinced from what I saw of the operations that the British either had to close the Suez or sign the Hoare-Laval Treaty, one or the other, because the Italians were going to win. I told our people that when I came back. I also expressed that opinion to British authorities.

Now, the British were unwilling to do that, because, you remember, the Baldwin Government wanted to have peace, and the League of Nations Union had the same kind of influence upon those members of Parliament as the prohibition group had upon our members of Congress. So that, while they felt that something ought to be done, they thought they didn't dare to do it, because of the political condition in England.

In 1938, being in Europe on business, I looked at the situation in Spain, because there it was very evident to anyone who could understand that the Civil War was a laboratory for the testing out of what was going to be done in the new war. It was important to observe from Franco's side, because, as all you gentlemen who were in the service then will remember, the only representation the Army and Navy had was on the other side; and yet where the job was being done in developing new methods was on the Franco side.

There is one thing that occurs to me as I say this. You will recall that in the history of the war in Europe, reference is made to the fact that we had great trouble with the development of our 90-millimeter gun, because we had no knowledge that the 88-millimeter gun had been an all-purpose gun. The only information, according to this report, was during the progress of the war, that the Germans were using it only as an anti-aircraft weapon.

As showing the value of getting your intelligence material and having it properly indexed so that those who come afterward will be able to know what is happening, let me tell you my experience in Spain. I remember being at the Battle of the Ebro. I went down to a German battery and talked to them. I found that they had this 88-millimeter gun and that they were using it there--and I saw it--not only to cover the advance of the infantry, but they were using it as well as an anti-aircraft gun against the Russian planes. Although I did not see this myself, the Spanish officers told me they had likewise been using it in anti-tank defense.

I thought that was an important item and that I would get some credit for my work as a reserve officer in the Service. I carefully prepared a report after I got back and went to see General Craig, the Chief of Staff, and G-2 and gave them that report. And yet two or three years later it had never reached the Ordnance Department.

RESTRICTED

RESTRICTED

That points up, I think, the importance of this whole intelligence question--that it does no good to procure information and have your raw material there unless you evaluate it and measure it and interpret it. And then it does no good unless you disseminate it. So much is false in the use of this term "security," because security is very often a cover for stupidity. It is also a cover for hoarding information. There is something very peculiar about that. A man gets some information that he thinks no one else has and his great delight is to hug it to his breast. It is of no use unless you get it properly disseminated.

Now, those things, plus the fact that a lot of my law practice had to do with trying questions dealing with the anti-trust laws or other things affecting the Government, taught me the value of research and of having economists as expert witnesses. So, when the task was given to me in 1941, at a time when America had no intelligence service, at a time when the war was creeping up on us and shutting us off from the main sources of information, so that we had to depend upon information gathered by other hands and shaped by other minds, on which to base our decisions, you gentlemen can well imagine that it was something of a challenge to be asked to set up an intelligence service.

What I undertook to do was to establish it on an intellectual basis, because, at any rate, however many disadvantages there were, it was an advantage to start something new upon the basis of the intellect rather than upon the basis of a police state. You see, so many of the disadvantages in other nations consist in the fact that the intelligence service evolved from the fact that a police unit had been set up to protect the fellow in power, and intelligence came afterward. On the contrary, here the first thing we did was to go to the Library of Congress and say, "Who are the five men whom we could talk with and with whom we could work out a basis of setting up a coordination of the information that has been gathered?"

It was perfectly obvious that if we ever undertook to coordinate the various intelligence services that existed, we would be starting a Thirty Years War. The most you could hope to do was to get the material that was there and see if it could be coordinated. That was what we undertook to do.

I think it might be helpful if, just as showing the body of doctrine upon which we undertook to base that work, I read you just the first paragraph of the paper I submitted in July, 1941, for the establishment of a Service of Strategic Information.

"Strategy without information upon which it can rely is helpless. Likewise information is useless unless it is intelligently directed to the strategic purpose. Modern warfare depends upon the economic base-- on the supply of raw materials, on the capacity and performance of the industrial plants, on the scope of agricultural production, and upon the character and efficacy of communications. Strategic reserves will determine the strength of the attack and the resistance of the defense.

RESTRICTED

RESTRICTED

Steel and gasoline constitute these reserves as much as do men and powder. The width and depth of terrain occupied by the present-day army exacts an equally wide and deep network of operative lines. The 'depth of strategy' depends upon the 'depth of armament.'

Now, it was upon that theory that we undertook to build. The other things that came after were simply those accretions of activity that we had to develop, because in modern warfare, even as in ancient, there is a part that is fulfilled by the unorthodox and irregular. Intelligence can be obtained not merely by propaganda against the enemy, but as well by operation with resistance groups behind the enemy lines, because out of that comes a huge element of intelligence that can be of great value.

Now, all of that, it seems to me, leads to this: In the world in which we live, made up as it is of sovereign states, each state has certain national interests; each state seeks to protect itself from attack by other nations; and each may come in conflict with the desires of other nations. Therefore, national policy is the determination and the redetermination of the course of action to be followed in order to protect that nation from actual or potential danger. A national intelligence, therefore, is the flow of reports that bear upon the danger of those conflicts and an appraisal of them in general or specific instances that may likewise bear upon that conflict.

So it is not the function of intelligence to determine policy or to enforce it. It is the function of intelligence simply to appraise and interpret and sum up what it finds, and to do that same thing time and time again. Indeed, there is nothing mysterious or sinister in it. It is simply a gathering together of many items that constitute a mosaic of knowledge upon a given situation and then the interpretation of that information.

I think we are apt to miss this: that intelligence has its strategic as well as its tactical use. What weight shall be given to one or the other and how intelligence shall be geared into a given situation depends largely upon whether you are at peace or whether you are in imminent danger of war.

There was a time when the concept of strategy was the handling of armed forces in a campaign. In that day it was perfectly understandable that the political phase of it should be handled by diplomats and that the military had a peculiar obligation in dealing with the intelligence which was mostly concerned with military activities.

But that belongs to the Dark Ages of our thinking. Today there is a growing concept that strategy consists of the integration of all those resources of a nation; and it includes, as total war must be interpreted, the commitment of all the people of a nation to the cause. In addition to that, jet propulsion, bacteriological warfare, atomic energy, and all of those necessarily place the intelligence as your first line of defense, because with the annihilation of space, the only defense in depth you have

RESTRICTED

is defense in depth in time, and that can be availed of only by superior knowledge.

It would be an interesting thing, I think, if someone should make a study and show how many wars were started because some man, the king, dictator, or whoever he may have been, believed he had the edge on the other fellow and that by the advantage of surprise he would be able to win before the other fellow could get ready. What we have to do is to unmask the intentions of the enemy in order to anticipate the attack. That can best be done in time of peace.

Let us apply that to this last war and see if that premise is correct.

I don't think it is too much to say that not only as a people, but as officers and political leaders, our great difficulty in the beginning of World War II lay in the fact that we started with preconceptions. The whole investigation of Pearl Harbor shows that we had a preconception as to Japan's weakness; so that when all of this material came in in the way of intelligence, as you read the reports of the Pearl Harbor investigation, you can see that the "Daily Intelligence Gazette" was regarded as news sheets. When they were read, they were thrown away--new ones looked for--and they in turn treated as spot news. There was established no pattern of conduct or course of action from which certain definite inferences could be drawn. Who is there to say that if that had been done, there would not have been driven out of the minds of the high command the preconception that existed that Japan could not do what she did do on December 7th?

Now, on the other hand, in regard to Germany we had a preconception of the German might. You gentlemen know very well how many of your brother officers believed that because of the German machine it was impossible to lick Germany. And in addition to that, because of the belief in the efficiency of totalitarian governments, everyone started with the conception that Germany must have geared all her people and subordinated all economic activity to the winning of the war, that she was set for a long war and had her various elements all tied in to that purpose.

Subsequent events and the discovery of documents and the strategic bombing surveys have disclosed the fact that she was not set for a long war. She believed that it could be quickly won by surprise and by the use of blitz methods. Hitler believed that it would not be a long war. Accordingly, there was only a gearing of the economic machine to the point where it would be necessary to carry out a short war by speedy methods.

But we didn't know that, so our decisions had been made upon false assumptions. And when this thing started, economists and your other scholars who were brought in had to work under the difficulty of pulling the correct from the incorrect reports, because all that we had here were mainly reports by economic and political writers, plus some English intelligence that had been obtained from abroad. It was only later, with the resultant loss of time and the giving of effort that should have been done before

RESTRICTED

there ever was a war, that there had been a correction made in these particular factors.

As a result of that, it was believed that decision had to be made on the estimate of scholars who said "This is what Germany ought to be able to do." Based upon those estimates it was assumed that Germany in 1940 was making a thousand planes a month when Britain was making a hundred planes a month. It was afterward discovered that in truth and in fact Britain was making more planes a month at that period than Germany was.

Now, out of all that there had to be built up in this country the various parts that would contribute the machine of intelligence. Intelligence from an economic standpoint had to be developed out of organizations not only in G-2, CNI, and the State Department, but in BEW, afterward known as the Foreign Economic Administration, which had to do with the enforcement of the blockade, with imports and exports, and with preemptive buying. It in itself was an operating unit, which indicated the growth and development of our whole governmental machine. And it had to have research people and scholars.

In addition to that there was censorship, which is a misnomer. Censorship really is a control of communication. Censorship is a means of enforcing an economic blockade. Censorship was able to do a great many jobs. It was the first to report the delivery by submarines by Japan of rubber to Spain. It was the first to unlock that part of the German espionage machine in South America, particularly in Brazil and in Cuba, which was able to pass information on the loading of ships. It also was very important in the control of foreign exchange, and in getting information through its examination of business letters of what Germany and her agents were doing in regard to violation of our freezing orders.

Furthermore, through operating very closely between the economists of FEA and the economists of OSS and setting up a group of economic experts, men who had experience in construction abroad, we were able to send to Britain at her request, for example, the information on the power plant in Athens. We were able to send to Britain and to supply our own people with all the material that had been gathered together by the Alien Property Custodian on the doing of business and the kind of material that had been gathered by the Mitsui and Mitsubishi people. Those kinds of practical instances illustrate what can be done if you can get these units in Government to work together.

Now, I suppose that there were three broad technical accomplishments from the economic standpoint that were especially impressive. They were these: first, the determination of the German casualty list; second, the development of a target system for bombing; and, third, the ability finally to ascertain the pin point targets in the oil installations of Germany.

You will remember that, for example, there was a great controversy between the British G-2 and the American G-2 on the German casualty list.

RESTRICTED

RESTRICTED

448

Of course, that list had a great bearing upon manpower, upon production, and upon German ability in the field. Finally, under Dr. Mason, our chief economist, there was developed a study of the newspapers of Germany. These newspapers were studied for this reason: that every German officer who died in battle had an obituary notice. That was not true, of course, of the enlisted men. But by gathering all of these newspapers and by putting them together and working out the ratio, making the necessary corrections through the change of time and making a determination of the number of men that were killed in relation to officers, there was evolved an estimate bearing upon the number of casualties, which was finally accepted and found to be pretty accurate. It was accepted finally by the G-2 of both the British and ourselves.

In addition to that, I ought to speak of this: the determination of the production of tanks, planes, and trucks by serial number analysis. Every car that was turned out by the Germans had a serial number on it. They were worked up by these economists that were put in the field. I think it was the first time that economists, young and old, were put in uniform and sent to the field. They got this material as soon as it could be obtained and examined it for its serial number. With typical German procedure the serial numbers were always consecutive. There was no break in them. So when you found that out, you had a large part of the job done right there. At any rate, whether it was completely accurate or not, it did furnish a point of checking for whatever other information came in.

Now, the next thing was this: We were at work with certain of the labor unions here and with the Labor Department trying to get in contact with labor union organizations in Europe. The group with which we had particularly good results was the motor transport corps of France. It was in working with that group, which constituted all of the members of the transport workers' on the railroads, that we were able to get information that we could not in any other way. You can get from the conductor on a French train information on the freight that is on that particular train and the value that it would be to you if you had it when you were trying to determine the movement of goods preceding D-Day.

But there is another phase of this that I would like to talk to you about. It bears on one of the things that I said I thought were important.

Intelligence is also important in the kind of men you get to do the job. In Hamburg in 1933, there was a young Jewish fellow named Walter Levy. He was in school there. A demand was made that all should stand up and "Heil Hitler." He refused to do it. The next day he got out of Hamburg and got to England and resumed his studies there.

This man had a peculiar aptitude as a statistician and he took as his particular target--oil. He worked there with the British and he did good work. He was able, by reading simply our Commerce reports, that were made available at the embassy in Britain, but which didn't have general

RESTRICTED

RESTRICTED

circulation, to find that almost immediately after war was declared and before we were in it, we were making a series of shipments of lubricating oil to the neutral countries surrounding Germany. He brought that to the attention of the British, and by the use of the navicert control these shipments were completely blocked.

• Finally Levy came to this country and wrote an article for Fortune on oil. I read that article. I asked the head of our economic group to bring in the author and see if he had something for us. He came to us and we had him specialize the oil situation and made him our representative on the Enemy Oil Committee, which became a subcommittee of the Joint Intelligence Services.

Now, through reading the German newspapers he found a reference to a Railway Gazette, issued by The Nazi Government. The Railway Gazette published monthly the royalty rates on domestic oil. A special rate was given to the shipments of oil that had been made at home.

Now, where could that German Gazette be obtained? We found by inquiry of our representative in Switzerland there was a copy of this Gazette sent periodically to the library there. These things appeared: first, that these rates were always published about two months before production began; second, they disclosed two places in Austria, two new oil fields, where that rate applied; and, third, that in the autumn of 1942, special rates were established for shipments of oil from Baku. You can see what that kind of information meant. I think it gives a very practical illustration of our subject "Economic Intelligence" and the way it can be obtained.

Now, in addition, the British were basing their estimates of synthetic oil production upon statements made by Major General Schnell, who had been acting for Hitler in charge of all synthetic oil production. But the estimates made by Levy and his group, based upon items of information not only from the German press but from the neutral press, showed a different picture. As a result of Levy's study and recommendations, the reports on oil by Schnell were disregarded as misleading and the Levy estimates based upon these various items were accepted.

Later, after the memorandum of the conversations that Hitler had with various people were found, a memorandum of the talk between Speer and Hitler disclosed that at Speer's instance Schnell was removed because of the unreliability of the information that he had prepared for Hitler.

Now, in addition to that we had one of our men escape from Norway with a report on the actual oil situation in Norway. That report coincided almost exactly with the estimates that had been made by our economists on what the oil situation was there. It was so close that this fellow said, "If I had known that, I wouldn't have risked my life in this way getting this report out."

RESTRICTED

RESTRICTED

49

There is only one other item I would like to discuss, and that is the final selection of oil as a target. It illustrates what must be done in order to determine such a question. First of all, there had to be an analysis made of all the oil sources for Germany. In that, this Gazette that I spoke of played a very important part. There had to be a determination of the synthetic position. There had to be fixed and analyzed the requirements of consumption both for civilians and for the military. Then when this was pulled together, upon that could be based a target system.

Now, all of this, gentlemen, when we speak of economic intelligence in the strategic sense, emphasizes the immediate use that must be made of the information. You may speak of it as something that is distinct, but in a larger strategic sense it is just like discussing one limb on the whole body of intelligence, because, changing the metaphor, all of these, whether military or economic or technological or whatever they are, are simply channels entering into one reservoir of intelligence. Unless we get that into our heads, it is going to be pretty difficult for us to make the approach to the kind of intelligence that we must have in the modern world.

That brings me to this consideration: It has always seemed to me that intelligence has always been an Orphan Annie in the Services. There has been no recognition of the fact that in and of itself it is a profession, that it has its body of doctrine, that it has its particular phases that must be understood and its methods that must be developed, and that it has its techniques without which there cannot be a proper analysis and evaluation of the material that is gathered. We have always ignored that, so we had gone for over a hundred years without a real system.

When the time came that I felt the threat of OSS ought to be cut and we ought to get out, I recommended that there had to be developed certain assets as bearing upon the intelligence that ought to be conserved; and that that ought to be put in an organization of peacetime in order to preserve the peace, because it is a whole lot harder to prevent war than it is to wage it. We see that every day. In order to do that, there should be set up a central intelligence agency with a civilian head. It should report to the same official whether it be the President or the Secretary of National Defense or the Assistant President, that the Services, the Army and the Navy, report to. That ought to be done, because, unless you have intelligence independent instead of being a hand-maiden, you cannot get that freedom of action or of thinking that is needed in order to have it of value. You fellows know very well that the great thing, whether it is in a military organization or a political organization, is that if you subordinate the field of intelligence to the field of command it is always destructive of ideas. The man must feel that he can be free in his thoughts.

I remember that in order to determine for myself what representative I should send to the Intelligence Committee, I went there to observe. I was brought up in the idea that if you had judges sitting on a question, if

RESTRICTED

RESTRICTED

one disagreed, he dissented and gave a reason for his dissent, usually. But sitting on a committee, gentlemen, you know very well that the great effort is to get unanimity of opinion, and in order to get that you sometimes have to subordinate what you really think. So any intelligence unit, in order to be effective, must be free.

In addition to that you must have it central, because if you have it where there is a competing position for empire, then you will have log rolling, each man feeling that he must stick with his team. That isn't conducive to the general good.

Intelligence also has to have an independent budget. That budget must be controlled by Congress, because otherwise you run the danger of a department of that kind acquiring a police set-up. That is likely to happen where the intelligence service has arrogated to itself or perhaps had granted to it by the executive, police power. Any intelligence service should be deprived of the right to have any police function, either at home or abroad.

Now, what do we have today? It is perfectly right and proper to have an advisory council. But what you have is an intelligence authority, and that is only a fancy name for a committee; and how can a committee act as an executive? You can't do it. How often can busy men like the Secretary of State and the Secretaries of War and Navy meet together and determine upon the policy to be followed? That is something where you can't send in the third or fourth team. The varsity must be in there all the time. What you have--and I am talking now about a system and not about individuals--is something that, while seemingly conforming to the recommendations, as I have told the various secretaries, is phony and insidious, phony because it pretends to be what it is not, and insidious because the same kind of fellows and the same kind of work are operating together to keep these little bits of control in separate compartments.

You talk about a merger. Gentlemen, the first thing to do is to merge the feeling between the Army and the Navy in order that they will be on the level with each other in exchanging information that they get. That applies to both services.

Furthermore, if we are going to have a proper development and evaluation of our material, your evaluating group must be with your procurement group. You can't have the evaluating group in the State Department and then have your procurement group in other departments.

My own recommendation, gentlemen, is that what ought to be done is to leave undisturbed the intelligence functions of G-2, ONI, and of the State Department and all other departments of the Government, because they need to develop their own intelligence for the settlement of their daily operating problems. But on the strategic level, on the long-range material, there needs to be set up an organization that can gather together all of this material and supplement it where it is found necessary, and in there should be buried your secret intelligence.

RESTRICTED

Now, there is an awful lot of bunk about the necessity for covering up your intelligence service. The only people that you fool are not the intelligence services of other nations, because every intelligence service that is worth its salt knows about the weaknesses of our system. The only people that are fooled are ourselves and our own people.

In addition to that what is essential to do is to keep in mind that today the question that you have to answer in time of war is no longer where or why, but when. The only way you can answer that question "When?" is by superior knowledge. We want to be sure that in addition to being our first line of defense, intelligence is not our last line of defense.

GENERAL MCKINLEY:

Any questions?

A STUDENT:

General, at the beginning of the course we had a study in one of the student committees of scientific and technical intelligence. We were struck by the fact that in this working organization that gets the information and evaluates it, the problem of making the necessary dissemination to all the different agencies is just immense. We tried to figure out channel-flows for the information. If you put it on a classified basis, it is almost impossible to get the information out. I wonder if you have any suggestion as to what is the best system of getting the information to everybody who needs it.

GENERAL DONOVAN:

As I said in the beginning, that to my mind is one of the most serious problems. We gave a lot of attention to that in the planning that we had in Washington as well as in our many offices abroad. We finally determined that it was necessary to put the information in various categories. Not all would get all the information. There is some special information that has to be reserved for the President, for the Joint Chiefs of Staff, and others, which cannot be further disseminated.

The only thing that we did there--and it had to be done arbitrarily, as best we knew how--was to put the information into various categories, indicating agencies that could be sent particular information. As a point, and matter we determined, through working with them, we knew the kind of things they were working on and the kind of information they needed. The liaison that you actually establish is more important than the chart you set up.

A STUDENT:

What percentage of the data do you get by direct methods and what

RESTRICTED

RESTRICTED

by other methods, such as cloak and dagger methods, in peace and war?

GENERAL DONOVAN:

This is an arbitrary figure. I would say that probably 85 percent of the information that you get is through open channels. In point of fact, that is why it is so important to work in peacetime and have this thing set up, because, if war comes, those channels become closed. In reality much of the material that you get by secret means during war you can usually get before war by going through an open door. It is only when the door is closed that you go over the transom.

You speak of cloak and dagger methods. Of course I know that that is the popular way of thinking that this thing is done. But in reality most of the information that you get is gotten by intelligent study, not by the cloak and dagger. It is not the dizzy blond that does that for you. It is done by having a lot of men working on special items and fitting them all together. I suppose in your own experience you have found that there is usually one particular, specific item that illuminates the whole chain. There is just one little bit of carbon that you put in there that makes it go.

When we try to think in terms of percentage I would give the answer that I gave to you in the beginning. I would say it is not more than 15 percent by the cloak and dagger method. The trouble is that that 15 percent may be what is badly needed. If I may, I will just give you a little illustration of that to show you how the thing works out.

I spoke of Levy as an example of getting someone and putting him to work. In Switzerland there was a man in the German foreign office who first came to the British offering his services. Then he came to our men there. Dulles came to me, and after he explained the situation to me, I said we would take a chance and watch and see what developed. What was the result? That man was in the section of the German foreign office where receipt was had of all the reports of all the ambassadors of Germany from the various parts of the world. Every week or ten days he would put those reports in an ordinary envelope, put it under his arm, come over to Berne, and go to a safe house at a safe address that we had there and leave them. Of course, there was great suspicion of those reports by our people and also the British and all others concerned, but they were finally accepted as of great value. He is working for the Government in Germany at this moment.

A STUDENT:

Will you comment, General, on the value and the amount of information that was obtained between us and the English, and also whether it was feasible for the two countries to work jointly in evaluating that information, particularly in the selection of the targets?

RESTRICTED

RESTRICTED

427

GENERAL DONOVAN:

This thing must be borne in mind: The British were defending their own island. They were in a very dangerous position. They were very careful of who should get in and who should receive information. That was natural. They undertook to control any nation that operated with them.

One thing is true. These various intelligence organizations that they have abroad have a kind of union of their own. They won't deal with the military of another nation. They must deal with someone of their own kind. They weren't dealing with any of these others. They sought to impose the same kind of conditions upon us that they were imposing upon those governments to whom they were lending money. They were refugee governments.

We said, "We are not a refugee government. We are going to have intelligence in time. If you are going to shut us out of India, we are going to go over the transom. If you are going to shut us out of Germany, we will go in anyway." Finally we had to have a show-down with them. But we finally won the right of recognition; in establishing and, having won it, there was good, straight dealing across the board.

I think, however, that the British were at their best on defense measures. For example, I suppose very few of the agents that came into England with their radios to report back to Germany got through. You see, in this war, if you captured a man with a radio set, you didn't shoot him. You tried to turn him around and use him. The British were very good at that.

On the affirmative side the British had lost a lot in the beginning of the war by reason of the capture of their people in Holland. You remember, Best and Stevens were the two men whom the German espionage lured across the line into Germany and kidnapped. Of course, through their capture, the whole British system in central Europe was broken up. We had to go in on our own and build our own organization. I suppose at the end of the war we had in Germany about 117 agents, many of whom were Americans of German origin. Some of them were German Social Democrats, who had been forced to flee, and, whom we had picked up years before and trained and sent back.

A STUDENT:

It seems to me one of the big problems of the war was in controlling the intelligence agencies overseas in the theaters of operation. A theater commander would have his own intelligence, G-2, in the field of economics. He would send out his own people. The Joint Chiefs of Staff would send out people. G-2 and ONI would send out people. OSS would send out people. Sometimes you would have the British and other governments with their own people. Would you give us your ideas on the best way that that can be controlled in the theater of operations?

RESTRICTED

RESTRICTED

GENERAL DONOVAN:

Yes. I think the best way to do it is to have the theater commander in full control. Of course, the way we worked it in the field with the theater commanders was to go at once and try to have that theater commander designate either the chief of staff or assistant chief of staff to be the one to whom we could report. It was very important to have them understand that we did have a new element, which was irregular warfare, that you couldn't have the same close control that you had in your intelligence services in your mass operations.

We never had any particular difficulty in dealing with the 5th and the 7th Armies right from the beginning. We went to them and worked out an arrangement as to where our reports should go. Also in working in the middle of the war, particularly with Colonel Roderick, we had worked out something that was very effective. Then we also worked it out with the 12th Army Group.

It depends so much on the personality of the theater commander, on what his view is of intelligence, whether he really is looking only for control or whether he is looking for information. It depends also on the kind of fellow that we send in command of our work. If you didn't send the right fellow, then you had to change him. The important thing is to get the man who knows his job, who is prepared to be a team player. That, like all these things, is mostly a matter of personality and training. I don't think you can ever lay down any formula for that.

A STUDENT:

I would like to ask you a specific question on the Russian economic intelligence system. In your opinion are they more interested in the foreign government's economic potential for war and how they may best sabotage that effort, or are they mostly interested in getting technological and economic information to improve their own economic position?

GENERAL DONOVAN:

I think they regard both as parts of the same thing. Let me suggest something here.

I think that for all of us there should be required the reading of the report of the Royal Commission in Canada. I got into that thing before anything had come out about it, and I was particularly interested. So I followed that early report on the trials and what came out in the report of the Commission. That report answers that part of your question that deals with sabotage, because what you see very clearly is that they are pursuing the same kind of thing right here in the strategy of disunity that the Germans pursued--I speak of this because I saw it first-hand--in the Balkans before their attack on Russia.

RESTRICTED

RESTRICTED

112

As you see, they have an appreciation of the fact that in many respects ideological warfare is more dangerous than shooting. If you shoot me, I am simply lost to this country, but if you as an enemy can win me over to your side, not only has this country lost me, but the other side has gained a man. So it can be a lot more effective than shooting.

Now, on the next part of your question, whether they are trying to get all the effective data they can, that in itself is shown by the excellent report of the Commission in the factual presentation. They have a particular interest in the economic side of war. They recognize the need of having all this material together.

There is one great weakness with Russia which we don't have. If we can capitalize on it, it will be a good thing. While they build up great stockpiles of information, they lack the evaluating machinery. They don't have the people who can fully appreciate our spiritual and ideological reactions. We do have those people, if we know how to use them. But we must learn to make a distinction between harmless minority groups and those which are really our enemies.

Let me give you an illustration. During the war the British and the French said to me, "Your great weakness is the presence in your country of all these minority groups. You can be easily penetrated by the enemy." I said, "Yes, but we will show you that what you think is a liability is in reality an asset."

We took men of the racial origin and of the languages of the countries that we were seeking to penetrate and used each man to his talent. Those who were prepared to go in and work with resistance groups behind the lines were used for that purpose. Those who had the intellectual capacity were sent on other tasks. They were of the greatest value to us. That is why I think we have the edge, if we will only use it, that no other country has.

Also in a country like Russia there is danger for us, because if she doesn't evaluate correctly the information that she gets, she may misinterpret something and regard it as a weakness that is not really one. I think that that is a great weakness of Russia.

I think another weakness in their intelligence service is their belief in the use of mass. They get great numbers of agents in the hope that 20 percent will come through. Our own theory is that it is better to get quality.

I think that is why you had better have intelligence that is always fluid, that never becomes static, that is always free. I think the kind of service we had in the war particularly emphasizes certain phases of the service that ought to be discarded. I think we ought to look at it

RESTRICTED

RESTRICTED