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ORGANIZATION FOR ECONOMIC INTELLIGENCE

3 June 1948

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GENERAL VANAMAN: Gentlemen, I first ran into General Donovan in Berlin in 1938. I use the words "ran into" advisedly because ~~one~~ **one does** not just meet "Wild Bill" as he is affectionately known; one literally runs into him, and a spark is generated.

I thought at that time that I was an expert on Germany. I soon found out how little I actually knew. We watched a parade of German might and I was impressed and surprised by General Donovan's wide knowledge of the entire setup of Germany. When you read his biographical sketch, I know you were impressed with the many jobs he has held in the service of his country. He is well qualified to answer your questions, not only on the subject of this morning's talk but on all phases that you are studying at the present time.

We are indeed fortunate to have General Donovan with us this morning. He will speak to us on "Organization for Economic Intelligence." General Donovan.

GENERAL DONOVAN: Gentlemen, I am rather overwhelmed by the introduction.

I have been asked to discuss Economic Intelligence. I will begin with the definition itself. Economic Intelligence comprises the relevant, evaluated information on the production, trade, distribution and consumption of those natural resources which make up the material wealth of a nation. It also includes the relevant data on the transportation and communications systems, the financial capacity, and the labor and employment situation of a country.

When we speak of Economic Intelligence, we are not discussing a separate branch of intelligence, but rather one particular phase of intelligence. I should like to stress that point now because there is a tendency in intellectual circles, as well as in military circles to treat these branches of intelligence separately. For example: I observed at the end of this war in talking with people of various countries that the assertion was always made that the determining factor in our winning the war was our productive power. But no one ever considered what was behind that productive power in our political setup. The fact that we were able to do what we did was due to the kind of government we had. Whether or not they agreed with our form of government, they had to consider it as a factor. It illustrates the error that can be made if you fail to consider the economic and the political as one.

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From what sources can we get such information? It always seemed to me that in our own country, providing we knew where to get such information, and were able to put it through the wringer, we would have the information bearing upon any enemy's potential and that would probably constitute 70 to 75 percent of the material needed.

Take the question of electric power position of Japan. That was built up from the information which was obtained in the journals and the literature that existed in this country.

Of course, the difficulty with all these things is to get them to the one responsible for the plan, who is dependent upon such information. I think that all of us in America are too much conditioned to the thought of "cloak and dagger" work in intelligence, whereas, as I have often said, the conductor of a freight train moving from France into Switzerland, might be infinitely more important and have more valuable information than any "Mata Hari" who was a friend of a General. That is an important thing to keep in mind.

Government files, expert knowledge, books, pamphlets, newspapers, technical and scientific journals are always valuable sources of information.

Then there is the analysis of intercepted radio broadcasts. I remember in the early days of the war we took over a station of the National Broadcasting Company. It was an intercept station at Reseda, California. We thought businessmen and others in Japan, carrying on their business, might divulge some useful information. We held on to that radio station and ultimately its authority was accepted by the Services. Today that station has become a very important factor in the interception of open messages going through the air.

One great source of information which we found was the insurance companies, for they get very detailed information which no other business houses would ordinarily have need for or wish to obtain.

We also learned that censorship was a very vital means of obtaining economic intelligence. I don't think we fully recognize what a potent source it was. Censorship organizations here had been built on British experience. In World War I, British censorship, at our request, continued until after the Armistice to examine mail between the United States and Europe. But in World War II, Britain established control of communications, mail, cable, radio, and travelers. Some of you may remember the installations at Bermuda and at Trinidad before we ever were in the war. The British gradually turned over to us the control of these communications in the United States and this control was established to protect our communications and to lay open the communications of enemies and neutrals. In this war of communication the enemy held the central position. We had to draw a ring around it so that all communications would pass through Allied control.

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a newspaper, it had been pulled together so that men with the technique of research and analysis could have worked on it. I believe that that might very well have driven out of the minds of the High Command the preconception that existed. I know it existed because I was there in 1940, having come back from England. I was on maneuvers out near Johnston Island, stationed on the Enterprise, and flew from the ship back to Honolulu. I said to them at that time, "If we can do this, why in the hell can't the Japs do it?" They said, that was ridiculous; nothing like that could happen; the Japanese could never get there.

That brings us to the question of gathering intelligence. The time to get your basic material is in time of peace.

You may be interested in a project which we had undertaken just at the close of the war. It seemed to us that if there had been war over there once, it might occur again, and this would be opportunity to try a unique method of getting economic intelligence. So we set up a combination of our field photographic unit, made up mostly of Reserve officers and enlisted men of the Navy under John Ford, the well-known movie director, who was a reserve captain in the Navy, together with our research and analysis group.

We worked out an arrangement with the Navy and with the Air Force in Europe to make a survey of the ports of Europe by complete photographic coverage. All known maps and charts were compiled. All information concerning the economy and functioning of these ports was brought together and a detailed analysis made. On the basis of these studies it was possible to determine the peacetime capacity of each port, its vulnerable points as a target in wartime, the results of its destruction, and the effects of particular types of damage if the port was to be reopened after capture.

Now, for the first time in our history, in a unique degree, we have the opportunity of getting intelligence in an unprecedented manner. We are now putting into effect the Marshall Plan. There is a problem in connection with the Marshall Plan. In testifying before the Senate Committee I suggested that the greatest error we could make would be looking upon the Marshall Plan as a solution of the problem in Europe. There was the danger of making it appear as a kind of economic Maginot Line. If it gave way, then it would fail and we would have the same psychological repercussion that occurred when the physical Maginot Line didn't stand up.

It seemed to me we could only view the Marshall Plan as one weapon-- a necessary, maybe a vital weapon, but only one weapon--that had been buttressed and supported by many other countermeasures. It had been made clear by Zhdanov, leader of the Soviet satellite group, that their intention was to sabotage that effort. We can go ahead and proceed on that, without acting on the assumption they are going to try it, but it will certainly be a lot wiser if we prepare for that kind of attack in whatever form it takes.

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QUESTION: General, this information from the sixteen countries perhaps would shed a little information on industrial capacity of Russia?

GENERAL DONOVAN: That's right.

QUESTION: Could you tell us how we could find that out? And also if there are any other means of intelligence, how we could get it on the industrial capacity of Russia?

GENERAL DONOVAN: I will now deal with the first part of your question. To my mind, as this material comes in, where it shows their relations with other countries--and nearly everyone has had some dealings with the satellite countries--out of that I am sure, we would get certain leads which ought to be followed. I cannot envisage with particularity how that would be done, but I can see the opportunity that it would present if we are alert to take advantage of it.

As to the other means of determining what may exist behind the Iron Curtain, you just have to do the same thing there that you would do in any job of intelligence. You have a lot of written sources. You have those who are doing business in Russia. You have the ships that are coming here from Russia. In Paris, particularly, there are hundreds of competent men who have fled from Russia. If we had an institute of research which were able to give haven to scholars who have fled from behind the Iron Curtain, it would be a very valuable thing for us. We have never had any study made of outer Mongolia. We haven't even had any study made of China for that matter.

You will find in Paris today many men of ability and of competence who have information which would be of value if we could only get them and put them through the proper intellectual wringer. A great many of these sources exist. If we would only go after them!

One thing that occurred to me which might be a good way is to take an enlisted man, a Russian, who has deserted and come over to us. Let us take his clothing, beginning with his shoes and going through his socks and underwear. Let's analyze those clothes and those socks through experts. In that way you begin to get a very good idea of that part of the economy of Russia. There are a million things that can be done if people are on the job and if they were worked out on a sensible basis.

QUESTION: General Donovan, during peacetime within the governmental structure we have the CIA, which is basically a collating, evaluating, disseminating, and to some extent, an acquisition agency for Government. In wartime we have not had such an agency, basically, for all intelligence.

Coming back now specifically to economic intelligence, in spite of FEA: We are working on a problem now whereby a projected organization for war

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It is not without significance that in the whole history of our country we never had an attempt made at building up such an integrated service until this war. Why is that? We have seen an exemplification of it, almost to the point of scandal, in the open discussions of the Services on this whole question of adopting a plan of strategic defense for our country. The real trouble today--I haven't any doubt--in CIA comes from the conflict of interest, or felt interest, by one Service as against the other.

Those are things we ought to look at honestly and frankly, gentlemen, in the interest of our country and not in the interest of a particular Service. You ~~cannot~~ have freedom from predilection and loyalty to Service and at the same time have impartial intelligence. It just won't work, particularly today. In the seventeenth and eighteenth centuries, when strategy was considered as the art of handling troops in a campaign, it was a natural thing to put in the hands of the military your control of intelligence. But today, strategy is the art of integrating all the resources of a nation. So, if you have the emphasis on only one side of it you have a distorted view. You have to have all these things come in.

I wouldn't deny to anyone the right to participate in the evaluating, but I would have a civilian, one who is considered impartial, to be at the head of it.

QUESTION: General, my question concerns the utilization of the economic intelligence after it has been evaluated. Would you sketch briefly the main agencies of Government which have an active interest in that, either during the planning for war, preparing for war; or during war?

GENERAL DONOVAN: Of course, I assume in your planning you have all the military there to represent it. Certainly the State Department is interested because the policy may apply. In some respects both the Treasury Department and the Department of Commerce are concerned. In others we have taken care of the intelligence unit because I assume that the evaluation comes from that unit.

Then you also have to consider the irregular forces that may be used in conjunction with the orthodox forces in carrying out a particular operation, whether it refers to the psychological attack, in the narrow sense, or the political, or the economic. It must be advised of such part of the plan as is necessary for it to have in order to carry out its job.

I would think, therefore, what is a very vital matter here, is to have a close tie-up between your unorthodox forces, which, in my opinion, ought to be under the unit of secret intelligence, which in turn ought to be under the CIA. There ought to be a tie-up between your over-all planners and the planning group of that unit so that they can give the proper support. I think others might be included, depending upon the given interest in a particular situation which might arise.

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It always seemed to me that France and Italy--I think of them because we used this station during the war--could buy time on Radio Luxembourg and make that time available in the way the French or the Italians wanted to handle it themselves. One word they say about us is worth a hundred that we would try to bleat about ourselves. It is that forward operation--the reaching of people who are in there--that is the important thing.

Therefore, what you need in organization are the men who know that kind of thing and who can deal with those kinds of people. I can think of a number of individuals who could meet that test. That is where I would start.

QUESTION: Sir, you mentioned that censorship is a valuable source of economic intelligence. Would you comment further on that please, and state where you considered censorship should come in a war economy, that is, the position of the office, and how it should be integrated with, say, intelligence on the one side and the Office of War Information on the other?

GENERAL DONOVAN: My reasoning was that in those kinds of instruments it really must be determined by the top echelon. I always believed, before we had a Secretary of Defense, that they ought to be responsible to the President. Now I think they ought to be responsible to the Secretary of Defense.

I think it is poor organization to have them held responsible to a security council, which, after all, is only a committee and you do not have the fixed authority there. I think they ought to advise with the security council but should not be controlled by it.

It was the same thing I quarrelled about before the CIA was set up--the organization that had the Chiefs of Staff running it. You can't do that. You just have the same old point of view: The kind of clothes fellows have on, if they represent different interests, is bound to cause some back-scratching. It isn't good to have that. You don't get that fixed responsibility.

All of that ought to be tied in to the Secretary of Defense who has taken over those presidential functions on behalf of the President. As I indicated, I think this whole question of censorship has a very vital part in our whole intelligence system. Of course, I believe when it comes to the time of war that all of that must be in the system of defense. That follows from what I have said, that since in time of peace you have got to do your preparing, it ought to be there then.

DR. ASHTON: Would you care to comment on the relationship you think ought to obtain between the FBI and the CIA?

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