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BEW-OSS
Agreement

Exposure is $\frac{1}{25}$ @ f.6.3

BEW. 11,122
 * OSS Agreement
 * Map Division

April 1, 1943.

Mr. Harlan Cleveland,
 Assistant to the Chief,
 Office of Economic Warfare Analysis,
 Board of Economic Warfare,
 Washington, D. C.

Dear Mr. Cleveland:

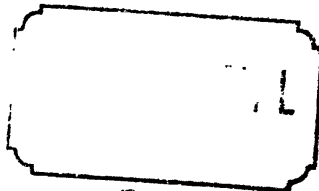
After thinking over the mutual problems raised during our last conference, it seems wise to me that each agency should have its own cartography group. We have therefore presented to the Bureau of the Budget a request that the number of positions allotted to the Board of Economic Warfare in our 1944 budget be deleted and that the Board of Economic Warfare be permitted to set up its own cartography section.

I regret that the nature of the work involved, that is, cartography, precludes the cooperative use of personnel. I see no reason, however, why there should not continue to be the best of personal coordination between the efforts of the two sections. There may be many technical services which we may render to the Board in connection with cartographic work, and we shall be happy to do so if it is desired.

Sincerely yours,

William J. Donovan,
 Director.

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.



September 7, 1942

B. G. W. 2217
Economics

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x j s c
x u q

MEMORANDUM

TO: Colonel Donovan

FROM: Donald C. McKay

SUBJECT: Addendum to Memorandum of September 2 from Emile Despres to Colonel Donovan on "Letter to General Smith from Milo Perkins Dated August 28, 1942 and Attachments."

The previous memorandum emphasized the fact that the Economics Division is an integral part of the Research and Analysis Branch (hence should under no condition be divorced from it). That fact is brought out even more clearly by the current organization of capabilities teams for the purpose of rendering more effective the work of the Office of Strategic Services for the Joint Intelligence Committee.

These teams are of two types--functional and area. The functional teams (e.g., Japanese manpower, industrial resources, military supplies, etc.) consider basic problems of Japanese potential. The area team for Japan considers how the Japanese could utilize in particular areas this basic overall potential.

Area teams use economists, geographers, historians, political scientists working in close cooperation. This cooperation is even more evident in the functional teams: a team on Japanese manpower will involve the intimate cooperation of research analysts thoroughly conversant with the Japanese language and economic analysts who are students of manpower problems in general. Neither could function without the other. The same situation obtains elsewhere in varying degrees (e.g., in the study of Russian, Chinese, and German capabilities).

So significant is the work of the economists and so closely related to that of other specialists that any divorce of the Economics Division from OSS would at once eliminate our program of serving the J.I.C.

- 2 -

The function of the capabilities teams will be obvious from the attached outlines on "General Japanese Capabilities" and "Japanese Capabilities in a Given Area." Similar outlines are being prepared as guides to the preparation of papers for the J.I.C. in other areas.

D.C. M.

CONFIDENTIAL

NOTE

The Planning Committee presents herewith two outlines: The first, on "General Japanese Capabilities," is offered as a guide to the study of overall Japanese war potential. The second, "Japanese Capabilities in a Given Area," is concerned with the application of this potential to a specific geographic region. This second outline envisages offensive action by Japan. With slight modifications, it can, however, be used for the study of Japanese capabilities to resist attack in areas she now holds.

Although these outlines have been prepared as the basis specifically for studies of Japanese capabilities, it is hoped that they may be of use as general guides for the study of Axis capabilities in other areas.

August 12, 1942

(2460)

CONFIDENTIAL

General Japanese Capabilities

The primary object of this type of analysis is to determine and evaluate Japan's objectives and the military strength that Japan now has available, or will have available in the future, to pursue these objectives in any or all theatres of war; another object is to arrive at an evaluation of Japan's long-term staying power under alternative conditions of conflict--i.e., to determine the effects on actual military strength of the exhaustion of irreplaceable resources and of social and political developments; a third is to ascertain Japan's principal vulnerabilities as a guide to United Nations' policy for bombing and other forms of direct action; and a final object (in conjunction with the analyses of Japan's capabilities respecting specific areas) is to appraise the relative importance of military, economic, and political factors in the determination of Japanese strategy.

I. Objectives

- A. By whom and by what process are Japanese short-term and long-term policies established? What degree of flexibility do they have? To what extent are they influenced by public opinion?
- B. What are the long-term objectives of Japanese policy which influence her conduct of the war? What are the intellectual and emotional foundations of Japanese policy?

(2460)

CONFIDENTIAL

- 2 -

- C. In the eyes of those controlling Japanese policy, what is the relative importance and urgency of the various specific objectives open to Japan at any one time?

II. Moans

- A. Supply and utilization of manpower and commodities.

Intensive study of the items listed below should thoroughly cover the following points, wherever relevant (1) establishment for some past date of reliable figures for (a) strength, or quantity on hand, (b) quality, and (c) rate of production (or training), and productive capacity; (2) construction of a time-curve of production (or training) from that date to the present; (3) construction of a time-curve of losses (battle losses, ordinary consumption, depreciation, and obsolescence) from the base date to the present; (4) estimate of present strength or quantity on hand (1+2-3); (5) detailed distribution among various uses of present strength or quantity on hand; (6) comparison of requirements (consumption, losses, etc.) in current year with probable supply; (7) forecast of strength or quantity on hand at end of year; (8) forecast of distribution at end of year

1. Manpower.

*a. Military, naval, air: strength, training and distribution

*It is understood that in a finished study these elements must be integrated into a total picture of military strength.

(2460)

- 3 -

CONFIDENTIAL

- b. Para-military services.
- c. Employed population--occupational breakdown and training.
- d. Other members of population
(Note: Availability of non-Japanese populations should be considered.)

2. Finished commodities

- * a. Military, naval, air equipment; ammunition; high explosive
- b. Plant equipment (factories, mines, farms, etc.)
- c. Transport equipment (rail, road, air, water)
- d. Communications equipment
- e. Consumer goods

3. Semi-finished commodities

- a. Iron and steel (ingots, armor plate, special alloy steels, etc.)
- b. Non-ferrous metals
- c. Light metals
- d. Chemicals
- e. Other

4. Raw materials

- a. Mining
- b. Agriculture
- c. Fishing
- d. Forestry

* It is understood that in a finished study these elements must be integrated into a total picture of military strength.

(2460)

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ic power
and communications facilities
roads

and canals

telegraph, telephone, and radio

* C. Technological capabilities

* D. Political capabilities

1. Effectiveness of administrative organization
 - a. In Japan
 - b. In occupied areas
2. Wisdom and efficiency of economic planning and control
 - a. In Japan
 - b. In occupied areas
3. Effectiveness of morale and propaganda organization
 - a. In Japan
 - b. In occupied areas
 - c. Vis-à-vis neutrals or opponents
4. Effectiveness of diplomacy in winning allies or influencing neutrals

* Study of the factors included under headings C and D is designed to indicate (1) the extent to which political and social attitudes, and morale, are or may influence the military situation and (2) the extent to which technological advancement and administrative efficiency affect the rate and effectiveness of substitution and the rate of progress in developing new resources.
(2460)

CONFIDENTIAL

III. Vulnerabilities

- A. To military attack by land, sea, or air
- B. To propaganda attack
 - 1. Social cleavages
 - 2. Attitudes of subject peoples
 - 3. Phobias
 - 4. Relations with allies or neutrals
- C. Economic shortages
- D. Time factors

(2460)

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JAPANESE CAPABILITIES IN A GIVEN AREA.

- I. Definition of the area under consideration
1. Total area under consideration.
 2. Lesser part or parts that might be subject to conquest without requiring conquest of the whole area.
 - a. Relation of these parts to each other and to the whole in terms of routes and sequence of conquest.

(If there are any possible subdivisions, then all the studies throughout the outline must anticipate answering questions according to alternative hypotheses for (1) the entire area, and (2) each possible lesser part).

II. Objectives.

This rubric is concerned with what Japan wants to accomplish, not with what she can accomplish.

1. Military Considerations
 - a. How would such a conquest improve Japan's position? c.g.,
 - By preparing the way for further conquests.
 - By providing Japan a more defensible position.
 - b. How would such a conquest weaken the United Nations' position? c.g.,
 - By reducing their power and bringing the war nearer to a conclusion (c.g., through the capitulation of China).
 - By reducing or eliminating a foreign menace to Japan (c.g., by the conquest of Eastern Siberia).

(2460)

-3-

CONFIDENTIAL

- d. Vegetation cover.
 - e. Water Supply.
 - f. Health and Hygiene conditions.
 - g. Notable logistic difficulties within the area -- inadoquacy of ports, railroads, roads, etc.
 - h. Special problems presented by vital, defended points.
 - i. Probably popular resistance to, or interference with, the conquest of the area and the subsequent administration of it.
3. Strength of the United Nations in the given area and facility with which reinforcement could be accomplished.

IV. Requirements and Costs.

- 1. Size and character of military, naval, and air forces estimated to be necessary for accomplishment of total or limited objectives.
- 2. Estimated costs to the Japanese of such an operation-- in men and materiel.

V. Japanese Capabilities.

- 1. Forces Available.
 - a. Ground.
 - What forces are immediately available?
 - What forces are available elsewhere and with what facility can they be moved into the theatre of operations? How do commitments elsewhere affect Japanese capabilities in the given area?
 - b. Air.
 - c. Naval.
- 2. Supplies for these forces (with emphasis on the availability of supplies in or near the area under

(2460)

- 4 -

CONFIDENTIAL

consideration)

- a. War materiel.
 - b. Fuel.
 - c. Food.
3. Transport.
- a. Ports and shipping.
 - b. Railroads and rolling stocks.
 - c. Roads and commercial trucking.
 - d. Air transport facilities.
 - e. Communications.
4. Morale.

VI. Timing.

1. Do general strategic and other considerations, as developed above, point to an early or to a delayed attack?
2. What is the relation of the current position of the Axis in Europe to the timing of an attack?

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

September 2, 1942

MEMORANDUM

TO Colonel William J. Donovan

FROM Edna Despres

SUBJECT Letter to General Smith from Milo Perkins Dated August 28, 1942 and Attachments.

SUMMARY

1. The papers submitted reflect an attempt by technical staffs of O.S.S. and B.E.W. to eliminate duplication in the field of enemy analysis.
2. It was agreed by O.S.S. and B.E.W. that this work falls into three categories:
 - (a) Procurement of raw intelligence
 - (b) Preparation of basic reports on specific industries
 - (c) Economic analysis on the strategic level (mainly for J.I.C.)
3. It was also agreed that, for the third category, O.S.S. "has gone farther than B.E.W., and has a better staff, better equipped to do the analytical work required." The record shows that O.S.S. has made important contributions to the work of the J.I.C., while B.E.W. has contributed little.
4. B.E.W. has not withdrawn from this field, however. Nominal duplication and real friction have continued. The fact that O.S.S. cannot withdraw from the first two categories of work also presents problems.
5. Division of function between the two agencies, which is one possible solution, has thus not been successful. It is doubtful that it can be unless the Chiefs of Staff issue proper directives to the two organizations concerned.
6. The amalgamation of the two agencies is an alternative solution.
7. The transfer of either the Economics Division or the R. and A. Branch of O.S.S. to B.E.W. is unthinkable. Both are essential to the successful functioning of O.S.S.
8. The transfer of the Enemy Branch of B.E.W. to O.S.S. is entirely possible. This Branch has little connection with the rest of the B.E.W. organization. Such ties as it has are a handicap to it. It would be highly advantageous if the transfer to O.S.S. could be effected.

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

September 2, 1942

MEMORANDUM

TO Colonel William J. Donovan
FROM Emile Despres
SUBJECT Letter to General Smith from Milo Perkins Dated August 28, 1942, and Attachments.

The letter from Milo Perkins to General Smith of August 28 referring to informal conversations between the staff members of the Office of Strategic Services and the Board of Economic Warfare, along with enclosed copies of an informal agreement, and a summary of the conversations to date as drawn up by the Board of Economic Warfare, have been examined. Some further investigation of the problems posed therein has been made. Objectives of Conferences: Obstacles to Their Achievement

The following sentence on Mr. Perkins' letter correctly states the objectives commonly sought by those staff members concerned in the two agencies, -

"The purpose of these meetings and of the informal agreement was to try to avoid duplication between the two agencies, especially in connection with the work which is done for the Joint Intelligence Committee."

In the interval that has elapsed since the meetings were held, those members of the staffs of the Office of Strategic Services and the Board of Economic Warfare who are chiefly concerned in the matter have been in frequent contact in an effort to implement the spirit of the agreement. Such implementation has faced certain difficulties, due

-2-

particularly to physical separation and a divided administrative responsibility, to the further internal reorganization of the Board of Economic Warfare, and to certain disagreements between the two agencies in their conception of the problems to be handled.

Three Categories of Work

Avoidance of duplication has been to some extent facilitated, on the other hand, by the fact that the interests and capabilities of the staffs of the two agencies have caused them to concentrate in different fields of work. Thus, it has not been difficult to avoid duplication on work done for the J.I.C. This is largely because the Board of Economic Warfare has concentrated its energy on the first two of the three types of jobs referred to in the summary of the meeting of July 15: namely, (1) procurement of raw intelligence (in the case of B.E.W. contributions to such intelligence are almost entirely obtained from business firms and business men in the United States who are knowledgeable on the enemy economy), and (2) preparation of certain basic reports covering specific enemy industries (most of which have been on the Far East). The third job--economic analysis on the strategic level--has been largely neglected by the Board of Economic Warfare, while at the same time it has been the special concern of the Research and Analysis Branch of the Office of Strategic Services. Thus, the overlap in this type of work so far has been more nominal than real.

Superior Analytical Qualifications of OSS

The reason for this is indicated in the statement on page 2 of the report of the meeting between staff members of the two agencies as

-3-

prepared by the Board of Economic Warfare: "In this field (analysis of strategic economic factors) the Office of Strategic Services (Economics Division) has gone further than the Board of Economic Warfare and has a better staff, better equipped to do the analytical work required."

Some overlap in the functions of the Research and Analysis Branch of the Office of Strategic Services and the Board of Economic Warfare still persists in respect to the work on industrial objectives, despite the efforts of the Office of Strategic Services to avoid this field. Here again the quality of the staff of the Office of Strategic Services has resulted in the Air Force repeatedly requesting this Office for strategic information and studies.

Possible Solutions

Two possible solutions for eliminating the overlap in the functions of the two organizations were suggested on page 3 of the minutes of the July 15 meeting: (1) Division of function, and (2) Amalgamation.

Division of Function

The section of the minutes which discusses possible division of function shows clearly that those attending the meeting felt that if this solution were attempted, O.S.S. should be given a clear field in analytical work for the J.I.C. and other clients, while B.E.W. should work on studies of industrial targets for the Air Force.

Insofar as procurement of intelligence is concerned, B.E.W. had established a field organization for obtaining information from American business men and business files, while O.S.S. was establishing

-4-

its espionage service. Both agencies received information from a wide variety of other sources.

Obviously, B.E.W. needed the O.S.S. espionage services, and R. and A. needed the information obtained by B.E.W. Each organization has made information available to the other.

Because of the close contacts of O.S.S. with English and American military intelligence organizations, the flow of information to the R. and A. Economics staff is, on the whole, more complete than that going to B.E.W. It is likely that R. and A. will further improve its relative position in this respect over coming months.

In practice, the division of functions envisaged at the meeting six weeks ago, has been difficult to achieve. A number of reasons were listed above. In addition to these, however, it should be pointed out that the difficulties have been increased because (a) B.E.W. has been unwilling to abandon its desire to work in the analytical field, and (b) the Air Force has repeatedly requested strategic information of an economic character from O.S.S., as noted above. The excellent staff of O.S.S. has made it difficult for the Air Force to apply elsewhere for certain specialized studies which O.S.S. was especially competent to provide.

It is possible that the overlapping between B.E.W. and O.S.S. in respect to industrial objectives will disappear as B.E.W. becomes better organized to handle this type of work. However, in work done for the J.I.C. there is a possibility of continuing duplication. Efforts to avoid it raise a host of administrative problems, particularly since O.S.S.

-5-

has been prepared to handle this type of work while B.E.W. has not been.

Comparative Work Records: O.S.S. and B.E.W.

The record of economic work done for the J.I.C. bears out the above statement. Since the inception of the J.I.C. in the middle of February 1942, O.S.S. has prepared large parts of the following papers submitted by the J.I.C. Sub-Committee to the Joint Intelligence Committee:

- J.I.C. Capabilities of Northern and Southern Supply Routes to Russia
- J.I.C. 14 Japanese Capabilities in Aleutians
- J.I.C. 18 German Military Casualties
- J.I.C. 19 Vulnerability of Air Ferry Routes
- J.I.C. 21 French Capabilities
- J.I.C. 25 Russian Capabilities
- J.I.C. 36 Japanese Capabilities and Intentions regarding Siberia
- J.I.C. 32 German Strength in Western Europe
- J.I.C. 40 German Spanish Intentions in Northwest Africa
- J.I.C. 42 Air Transport Route to China
- J.I.C. Axis and Russian Capabilities in the Caucasus

In addition, the O.S.S. has contributed to a large number of other J.I.C. reports. The contribution of B.E.W. to J.I.C. reports, on the other hand, has not been considerable, and usually has been subjected to review by O.S.S. analysts. In a case where B.E.W. has contributed jointly with O.S.S. to a paper on Japanese Economic Capabilities, the analysts of the two agencies disagreed on a number of points, but the

-6-

opinion of the O.S.S. was finally accepted in the majority of instances.

The Economics Division of O.S.S. has also prepared a number of analyses for the Joint Intelligence Committee's Daily Summary. Among these have been:

1. Japanese Air Strength
2. German Manpower Position
3. The German Food Position
4. German Submarine Strength
5. British Bombing Operations

Finally, the extent to which the staff of O.S.S. has acquired knowledge and specialization in the broad field which encompasses the relation of economic factors to the strategic position of the enemy is revealed clearly each week in the work embodied in the O.S.S. publication The War This Week.

The record of B.E.W. in the field of economic analysis evidences nothing to match the work of the O.S.S. staff. Indeed, it is unlikely that a completely civilian organization which is denied important information of a military nature can carry out analytical studies of this character. Nevertheless, B.E.W. apparently is attempting to develop a staff for such studies. The necessity for continued interchange of views between O.S.S. technicians and B.E.W. technicians, while J.I.C. or other studies are in progress, then raises all the administrative and other problems detailed above.

In view of the situation herein outlined, the Joint Chiefs of Staff if they do not wish to see all economic intelligence work placed under one organization, might well contribute to the more effective

-7-

working of B.E.W. and O.S.S. if they should direct that all analytical work for the Joint Intelligence Committee or for the Joint Psychological Warfare Committee be handled exclusively by O.S.S. while the B.E.W. confine itself to the compilation and analysis of information on industrial objectives which could be made available to the Air Intelligence. Insofar as the procurement of intelligence is concerned, each organization now fulfills or has undertaken specialized tasks. These might well be continued in the case of B.E.W. as well as O.S.S., with each organization making available to the other such information as was relevant to its analytical problems.

Feasibility of Amalgamation

As noted in the minutes of the meeting between representatives of O.S.S. and B.E.W., the possibility of amalgamation of the economic intelligence activities of the two organizations was discussed. At that time, the alternatives of each joining the other were considered and neither was found illogical. Since then, however, the personnel, activities, and opportunities of each economic group have been under more close observation and certain conclusions have emerged clearly: (a) the only feasible amalgamation would involve the transfer of the two analytical sections of the Enemy Branch of B.E.W. to the Research and Analysis Branch of O.S.S. (b) such a transfer would vastly improve the economic intelligence services for the Joint Chiefs of Staff.

The logic of a transfer of the analytical sections of the Enemy Branch of B.E.W. to O.S.S. is clearly established. O.S.S. is an

-8-

institution devoted almost exclusively to the gathering of information on the enemy and the analysis of his position. B.E.W. is a large organization concerned chiefly with operations relative to the control of exports and imports from neutral territories, particularly South America. Information on the enemy's economic position for blockade and other purposes has an extremely limited value to B.E.W. Almost all of the information that is required is already available to B.E.W. through the Ministry of Economic Warfare. Within the Office of Economic Warfare Analysis at B.E.W., the Enemy Branch is but one part. The other branches consume a very considerable portion of the time of the Director of the Office of Economic Warfare and Analysis. Thus, although he sits on the J.I.C., he can devote little of his energy to intelligence matters. Indeed, it was only recently that the Enemy Branch of the B.E.W. evolved (through a series of reorganizations) into a group recognized as being separate from other B.E.W. functions. This separation was shown to be essential if enemy economic intelligence was to be at all adequately handled. Ties that still exist between the Enemy Branch of the Office of Economic Warfare Analysis and the other branches are a handicap rather than an aid to the Enemy Branch. The complete separation of these ties, as a result of the transfer of the Enemy Branch to O.S.S., now appears to be both a feasible and a beneficial step to all concerned. As indicated above, if the Enemy Branch remains in B.E.W., its functions must eventually be quite limited because of its inability to obtain from military sources much of the basic information required for a thorough analytical job on enemy economic analysis.

-9-

On the other hand, the transfer of the Economics Division from the Research and Analysis Branch of O.S.S. is impossible. The Economics Division is an integral part of a larger team: the whole R. and A. Branch. The Economics Division can not be separated without destroying the work of the Branch. The R. and A. Branch and its work are absolutely essential to O.S.S. Hence its amalgamation with B.E.W. is unthinkable.

OFFICE OF STRATEGIC SERVICES
INTEROFFICE MEMO

File
0477 7612
1. 6/20/42
2. 9/14/42

TO: Mr. Wayne Nelson
FROM: Emile Despres *ED*

DATE: September 14, 1942

SUBJECT: New Developments in Relationship between Research and Analysis Branch, OSS, and Enemy Branch, BEW.

The principal new developments in the relationship between the Research and Analysis Branch, OSS, and Enemy Branch, BEW, have been as follows:

1. The arrangement for joint representation in London on economic intelligence matters contemplated in the informal agreement of July 21, 1942, has now been carried out. The arrangement is outlined in a letter from Winfield Riefler, who has been appointed Minister in charge of international economic matters at the American Embassy in London, to Dr. Baxter dated September 4, a copy of which is attached.

2. Arrangements in Washington for pooling of intelligence and of personnel in regard to particular projects and assignments have progressed further, as a result of conversations between BEW and OSS representatives. A study of Japanese economic capabilities is now being undertaken jointly by the two agencies. Conversations have been begun looking toward joint handling of air target objectives work in the future.

Attachment

SECRET

**THE JOINT CHIEFS OF STAFF
WASHINGTON**

R. M. Stewart



BOARD OF ECONOMIC WARFARE
~~BOARD OF ECONOMIC WARFARE~~

WASHINGTON, D. C.

OFFICE OF THE EXECUTIVE DIRECTOR

AUG 28

Brigadier General W. B. Smith
Secretary
Joint Chiefs of Staff
Washington, D. C.

Dear General Smith:

You may be interested in the attached statements which outline the informal working agreement which has been reached between the staff of our Enemy Branch and the Economics Division of the Office of Strategic Services. One of these statements is an informal agreement initiated by Colonel Donovan and myself; the other is a summary of two informal meetings held between people in the Board of Economic Warfare and the Office of Strategic Services.

The purpose of these meetings, and of the informal agreement, was to try to avoid duplication between the two agencies, especially in connection with the work which is done for the Joint Intelligence Committee. It applies only to the work of the Economics Division of the OSS, and not to any of the Geographic Divisions in that agency.

Sincerely yours,

W. B. Smith
Executive Director

Attachments - 2

**INFORMAL AGREEMENT BETWEEN THE WORKING
STAFFS OF THE ENEMY BRANCH,
BEW, AND THE ECONOMICS
DIVISION, OFFICE OF
STRATEGIC SERVICES**

As a result of conversations between the working staffs of the Enemy Branch, BEW, and the Economics Division, the following points have been accepted as the guiding principles for allocations of work between the two agencies:-

1. The Board of Economic Warfare will attempt to do a thorough job in the field of economic intelligence from all sources available to it; including censorship and radio intercepts, returned travelers, refugees, American business firms with connections abroad, the British Ministry of Economic Warfare, etc. This intelligence data will be available to the analysts working for both the BEW and OSS.
2. Economic intelligence from espionage sources will be procured entirely by OSS; BEW will not attempt to enter this field. Such intelligence will be made available to the BEW.
3. The BEW will be responsible for work on industrial objectives, making recommendations to the intelligence services of the Army and Navy for the destruction of specific industries, factories, shipyards, transportation facilities and other economic installations in enemy and enemy-occupied territory.

Such recommendations are based on detailed analysis of the structure and inter-relations of specific industries, including the flow of raw materials, components, fuel, power and finished products with a view to discovering the bottle-necks whose destruction would result in the most damage to the enemy's economy.

The raw material for such analysis consists primarily of data furnished by the BEW Economic Intelligence Division, plus such information as may be available from research sources, and data made available by OSS from economic espionage.

OSS will not enter the industrial objectives field, except for evaluations of bombing policy. Data prepared by BEW analysts working on industrial objectives will be made freely available to OSS.

-2-

4. Both B&W and OSS are now being called upon for studies in the broad field of economic strategy, and estimates of the enemy's war potential. Such studies frequently are prepared under directives from the Joint Intelligence Committee.

At the request of the J.I.C., the two agencies may prepare joint or separate reports, as may be desirable. When either agency initiated a major study, it will consult the other.

In order to make such consultation close and effective, B&W will attempt to provide office space for two or three OSS representatives in Temporary T, and OSS will attempt to provide similar facilities for B&W people in its office.

5. The two agencies will attempt to work out an arrangement for joint representation in London.

July 21, 1942

ECONOMIC WORK FOR THE ARMED FORCES

A dinner meeting was held Wednesday evening, July 15, at Brookings Institution. Following were present:

From O.S.S.

Edward S. Mason
John D. Wilson
Emile Despres
Chandler Morse

From B.I.W.

William T. Stone
John Fischer
Winfield Riefler
Harlan Cleveland

The meeting was called in an effort to discuss at the working level, what economic jobs need to be done for the armed services, and through what form of organization these jobs can be done most effectively. The immediate issue involved is the degree of overlap between OSS and BIW in the field of economic intelligence and analysis, especially in the work for the Joint Chiefs of Staff.

The jobs to be done fall quite readily into three types:

1. Procurement of raw intelligence.

2. Preparation of basic reports covering specific industries to be used largely but not exclusively, in the selection of specific economic objectives for bombing and other military or naval action. This involves piecing together scraps of information from research and intelligence sources into a detailed analysis of the structure and inter-relationships of specific industries - including the flow of raw materials, components, fuel, power, and finished products - with a view to discovering the bottlenecks whose destruction would result in the most damage to the enemy's economy.

3. Economic analysis on the strategy level - including estimates of enemy economic strength in various localities, overall comparisons of economic potential, as between the Axis and the United Nations, etc.

The "market", or clientele, for the raw intelligence (No. 1) is generally the groups working on Nos. 2 and 3. The markets for the work on economic objectives done in No. 2 are groups No. 3, and the intelligence services of the armed forces - A-2, A-2, and O-1. The market for the strategic estimates done under No. 3 is the Joint Chiefs of Staff, via the Joint Intelligence Committee.

There are several areas of economic work in which OSS and BIW do not overlap at all. These are:

1. In the field of intelligence
 - a) Espionage and undercover work (OS')

- 2 -

- (b) intelligence from non-military sources (American business firms, censorship and radio intercepts, returning travelers, etc.) (B&W)
- (c) military sources (e.g., analyses of captured equipment, intelligence from air reconnaissance), which neither OSS nor B&W are at present able to tap to any great extent.

2. In the research and analysis fields:

- (a) Strategic surveys (very detailed work on topography, transport, climate, population, leading products, etc) (OSS)
- (b) Apply problems (detailed work for the Quartermaster Corps) (B&W)

In the field of industrial objectives, B&W has done more work than OSS; the latter has taken on work in this field only when specifically requested to do so by the Army.

The real overlap comes in the third category of work - the analysis of broad questions of economic strategy, generally for the J.C.C. In this field the OSS (Economic Division) has gone farther than the B.E.U., and had a better staff, better equipped to do the analytical work required. The basic problem, therefore, is how the overlap in this field can be eliminated.

There was general agreement that, ideally, Nos. 1, 2, and 3 should be combined under one roof. The question is whether it is possible to amalgamate economic intelligence and analysis staffs of the two organizations and still maintain the advantages that each organization has, now or in prospect. These advantages are:

Advantages:

- (1) a good economic analysis staff
- (2) A close administrative relationship with the Joint Chiefs of Staff, which gives OSS:
 - (a) A good market for its analytical work; and
 - (b) The prospect of being able to get information from air reconnaissance and other military sources (better prospects than B&W in this regard, because B&W is wholly civilian.)

- 3 -

B-2 advantages

- (1) An intelligence procurement staff already well set up.
- (2) A skeleton staff on economic objectives
- (3) The recognized position of "opposite number" to the British Ministry of Economic Warfare, which is useful both as:
 - (a) A source of information, especially on Europe.
 - (b) A market for finished work.
- (4) Independent status and operating functions in many related economic fields: blockade, import control, etc.

In the effort to eliminate overlap and combine these advantages, there are two alternative lines of action:

1. Division of functions. The two organizations could remain as they are, with an effort to separate their functions and thus avoid overlap. For example, we could agree that B-2 was to stick to intelligence procurement and industrial objectives; and that the Economic Division of B-2 was to confine itself to analytical work for the JIC. But, administratively, this would be a very difficult thing to do. The analytical work for the JIC depends on the raw intelligence, and must be supported by the pillars of facts built up painstakingly by the people working on economic objectives. If the analysts in Echelon No. 3 do not have a close relationship to the people in Echelons 1 and 2, their work won't represent the best work of the U. S. Government on the problems of economic strategy. The No. 3 analysts must be able to direct the work of the other two echelons, and that would be very difficult if they were not all in the same agency.

2. Analysation. All three echelons could be combined in one agency. If, for example, the Economic Division of B-2 were transferred to B-1 this might perhaps mean that the Economic Division would lose its "market" (the Joint Chiefs of Staff) and the possibility of getting economic information from military sources. The transfer would not necessarily mean this, but it might. Whether it did mean it or not would probably depend on the importance of the organization relationship of the Economic Division to the Joint Chiefs of Staff in comparison with other factors.

If, on the other hand, the Navy Branch of B-2 were to be absorbed by the Economic Division of B-2, difficulties would arise in connection with supplying economic intelligence to the other Branches of B-2. The question of analysation thus requires careful study before concrete proposals can

be said. Immediate action along this line is desirable for still another reason. Mr. Macdonald, the Joint Chiefs of Staff have given Colonel Johnson a written and verbal commitment that the Joint Staff should be kept informed of developments in this area during which the relations of the Joint Staff to the CIA should be established in the future.

Meanwhile, it is agreed that we should continue to explore the possibility of a Joint Staff resolution which could be submitted to the Joint Chiefs of Staff when the three-month period expires. The Joint Staff should be kept informed of developments in this area during which the relations of the Joint Staff to the CIA should be established in the future. The following is a list of the Joint Staff members who are currently working on this project:

1. Mr. [Name] is an [Title]

2. Mr. [Name] is an [Title]

3. Mr. [Name] is an [Title]

4. Mr. [Name] is an [Title]

5. Mr. [Name] is an [Title]

BEW 7656
 X Econ Div
 X Agreement

September 1, 1942

MEMORANDUM

FOR: Dr. Baxter

FROM: Colonel Donovan

Here is a letter from the Joint Chiefs of Staff with the attached "informal agreement"

Will you look at it and return it to me.

✓ I note in paragraph 1 the statement that the BEW has radio intercepts as well as general economic intelligence. I have not seen any of this material. Would you have whoever is your liaison man obtain that material and see that I get a look at it.

Would you make comments on the paper which you could make were you a member of the JPWC.

B2W 7656
x Economics div.
x Ag. accounts
x Mason.

OFFICE OF STRATEGIC SERVICES

July 29, 1942

Mr. William T. Stone
Board of Economic Warfare
Washington, D. C.

Dear Bill:

I have discussed with Colonel Donovan and also with Bill Langer, who is the acting Head of the R and A Branch in Mr. Baxter's absence, the memoranda on our recent conversation about our informal agreement. Both Langer and Colonel Donovan agree with the general line of cooperation proposed, and the Colonel has indicated his willingness to me to initial either or both of the papers. Chandler Morse and I are having a meeting this afternoon with Fowler Hamilton and James Schoemaker to discuss various questions involved in the implementation of this cooperation. As far as I can see we ought to be able to work out a satisfactory program.

Sincerely yours,

Edward S. Mason



P.26 - 7656
- Economics Division
- reference
- Mason

July 28, 1942

MEMORANDUM

FOR: Dr. Mason
FROM: Colonel Donovan

I have your memorandum about the informal agreement which was discussed in the recent meeting between representatives of the Economics Division and the Board of Economic Warfare. I think this is undoubtedly the best you can do and I would approve.

7656
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COORDINATOR OF INFORMATION
OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

July 15, 1952

MEMORANDUM

TO Colonel William J. Donovan
FROM Edward S. Mason *ESM*

I am attaching a copy of an "informal agreement", the possibility of which was discussed in the recent meeting between representatives of the Economics Division and the Board of Economic Warfare. Langer has a copy of it, and I have discussed it thoroughly with him. Both he and I think that it would be advisable for me to initial it, together with William Stone representing the NEA. I should like to talk with you about it early next week.

FORMAL AGREEMENT CONCERNING THE WORKING
STAFFS OF THE ECONOMIC WARFARE
BRANCH, AND THE ECONOMICS
DIVISION, OFFICE OF
STRATEGIC SERVICES

As a result of conversations between the working staffs of the
Enemy Branch, BEW, and the Economics Division, the following
points have been accepted as the guiding principles for allocation
of work between the two agencies:-

1. The Board of Economic Warfare will attempt to do a thorough
job in the field of economic intelligence from all sources
available to it; including censorship and radio intercepts,
returned travelers, refugees, American business firms with
connections abroad, the British Ministry of Economic Warfare,
etc. This intelligence data will be available to the analysts
working for both the BEW and OSS.
2. Economic intelligence from espionage sources will be procured
entirely by OSS; BEW will not attempt to enter this field. Such
intelligence will be made available to the BEW.
3. The BEW will be responsible for work on industrial objectives,
making recommendations to the intelligence services of the Army
and Navy for the destruction of specific industries, factories,
shipyards, transportation facilities and other economic instal-
lations in enemy and enemy-occupied territory.

Such recommendations are based on detailed analysis of the
structure and inter-relations of specific industries, including
the flow of raw materials, components, fuel, power and finished
products with a view to discovering the bottle-necks whose des-
truction would result in the most damage to the enemy's economy.

The raw material for such analysis consists primarily of data
furnished by the BEW Economic Intelligence Division, plus such
information as may be available from research sources, and data
made available by OSS from economic espionage.

OSS will not enter the industrial objectives field, except for
evaluations of bombing policy. Data prepared by BEW analysts
working on industrial objectives will be made freely available
to OSS.

-2-

4. Both BWB and OSS are now being called upon for studies in the broad field of economic strategy, and estimates of the enemy's war potential. Such studies frequently are prepared under directives from the Joint Intelligence Committee.

At the request of the J.I.C., the two agencies may prepare joint or separate reports, as may be desirable. When either agency initiates a major study, it will consult the other.

In order to make such consultation close and effective, BWB will attempt to provide office space for two or three OSS representatives in Temporary T, and OSS will attempt to provide similar facilities for BWB people in its office.

5. The two agencies will attempt to work out an arrangement for joint representation in London.

July 21, 1942

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