INTELLIGENCE - ACTIVITIES

SPAIN & PORTUGAL

Declassified and Approved For Release 2013/08/15 : CIA-RDP13X00001R000100160001-6

TOP SECRET

SIGNATURE RECORD SHEET

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No. of pages: 1	

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1.	[illegible]	[illegible]	[illegible]	[illegible]			
2.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4.							
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10.							
11.	TSCO						

As soon as the officials concerned have read this document, the TSCO must sign on line 11, detach this sheet from the document and retain it as a permanent record in his files. He must then deliver the document by Officer Courier to the next TSCO listed on the saloon routing sheet attached to this document.

The attached document was released to the _____ (branch or office), Courier Receipt No. _____

TOP SECRET

OSS
Form 40 (Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE: January 2, 1944

FROM: PARIS, FRANCE

TO: OFFICE OF STRATEGIC SERVICES

PRIORITY
ROUTINE
DEFERRED

IN 145

DISTRIBUTION

FOR ACTION: SHEPARDSON (1)

FOR INFORMATION: DIRECTOR(2), SECRETARIAT(3), MARKUDER(4), X-2(5-6), MTO(7),

U. S. GOVERNMENT PRINTING OFFICE 16—27100-2

RECEIVED IN CODE OR CIPHER

TOP SECRET

#5069. From Olivix, Paris to 154, Washington.

109 has approved Aquitaine mission establishing out-cut controlled agents into Spain to obtain types of intelligence. 109 requests you to advise Madrid. Pouching details.

TOP SECRET

TOR: 1/2/45 3:36 P

FILE COPY

COPY # 2

OFFICE OF STRATEGIC SERVICES

DATE NOVEMBER 9 1944 IN 25203

FROM KREEK, LISBON

TO OFFICE OF STRATEGIC SERVICES SECRET

ACTION: OSS

INFORMATION: DIRECTOR, SECRETARIAT, MACRUDER, BIGELOW, MCCTO, ETO, X-2

11063

SECRET

25077. FROM ARGUS TO ROYAL.

AM LEAVING LISBON TONIGHT. EXPECT ARRIVE NEW YORK SUNDAY. ADVISE ATLAS AND MIDAS.

SECRET

FILE

TOR: 11/10/44 112:52AM

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE November 8, 1944

FROM

MADRID, SPAIN

TO

OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

IN 25049

DISTRIBUTION

(FOR ACTION)

DIRECTOR

(FOR INFORMATION)

SECRETARIAT, SE, MAGRUDER, X-2, TRANSPORTATION

SECRET

RECEIVED IN CODE OR CIPHER

SECRET

#9637.* 109 and Royal, Washington, Noble, London and relay Paris. Information Caserta from Argus.

Leaving today for Lisbon and expect take clipper Friday for visit to States

* Number subject to correction.

TOR: 11/8/44 12:44 PM

SECRET

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE NOVEMBER 3, 1944 REC'D 11/3/44 4:44 p.m.

TO CABINER, ITALY

PRIORITY

ROUTINE

DEFERRED

FROM OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

OUT-01957

(CONFIRMATION TO ORIGINATOR)

SI

(FOR INFORMATION)

DIRECTOR, SECRETARIAT, MAGRUDER, BIGELOW, MEDTO, X-2, ETO, SO

SECRET

TRANSMITTED IN CODE OR CIPHER

SECRET

f0164. Rodrigo to SI French Desk.

Following just received from Argus Lisbon under date October 13 relayed to you for files: "Believe now little cause anxiety about implication any our organization personnel in tense situation north of Pyrenees. Fuller was SO agent detached to SHAEF and in Tarbes under General Koenig's orders. As result of French Minister, Madrid, complaint to Ambassador Hayes and Spanish police fears expressed to Elton, I brought matter to attention of JCS and Haskell brothers in London, also Tertius. As result believe Fuller withdrawn after successfully completing his mission. Zenda has been traveling in area to disband our French agents under an agreement with Soustelle and orders from 7th Army. Those agents' safety will be assured by identification by Zenda to French authorities. Am pouching you full copy of Elton report and Soustelle agreement. Our only present danger involvement in Spanish Maquis situation is through discharge by Zenda of Spanish Republican radio operators parachuted by Algiers who plan residence on Catalan border, but believe we can safely disclaim responsibility for their future behavior when released. Of course, blast from Hayes will be expected if this personnel becomes active. Possibility of appointment X-2 mission in Toulouse comprising some of Donald's Spanish friends was reported to Elton by Zenda and should be avoided regardless of their potential value, as they are now too well known to Spanish OS who have agents in area and their presence would be liability adding strain to our relations with French service and Embassy."

TOD: 11/2/44 6:25 p.m. FTR BRH JEO EMD JF CAB

INITIALS OF "RELEASING" OFFICER

SECRET

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

REC'D 11/[illegible]/44 7:44 PM

DATE NOVEMBER 1, 1944

TO MADRID, SPAIN

FROM OFFICE OF STRATEGIC SERVICES

PRIORITY X

ROUTINE

DEFERRED

OUT: 21863

DISTRIBUTION

(CONFIRMATION TO ORIGINATOR)

DIRECTOR

(FOR INFORMATION)

MACRUDER, SECRETARIAT, O'GARA

TRANSMITTED IN CODE OR CIPHER

SECRET

SECRET

57367. Argus from Donovan.

Following is for Ambassador: "Kindly accept my sincere gratitude for your helpful and sympathetic letter of the 5th. Am in complete agreement with your comments concerning [illegible] of SI activities and personnel. Much has already be[illegible] [illegible]ne, as you know, in accordance with suggestions proposed by [illegible] last July, in view of quick transformation of French situation.

I do not understand your letter to recommend the absolute cessation of SI activity in Spain, but you are quite right in saying that any secret intelligence organization run by us should be secret not only in name, but also in fact. Necessary personnel should, of course, be replaced in so far as it has been compromised. I firmly believe that the vital interests of the US demand the support of secret intelligence machinery and sources in Spain for use during emergencies and, until JCS issue contrary instructions, I am required to maintain some SI facilities in Spain. I am fully aware of the delicate diplomatic situation and as you indicate we should not do anything injurious to our national prestige. This is difficult problem and we cannot safely discuss it in letters or cablegrams. Therefore, Thomas has my instructions to return here for consultation as quickly as he can do so. It would be a great help if before his departure you would have a full and frank talk with him so that your specific ideas may be available to us. I shall try to work out a plan with Thomas for curtailing SI activity and personnel to a bare minimum in Spain, consistent with OSS responsibilities to JCS. Therefore, your specific suggestions on this subject would be extremely valuable.

TOD: 1/2/44 2:06 AM

WJD EJP

INITIALS OF "RELEASING"

SECRET

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

REC'D 11/1/44 7:42 PM

DATE 11/1/44

TO MADRID, SPAIN

FROM OFFICE OF STRATEGIC SERVICES

X PRIORITY
ROUTINE
DEFERRED

OUT 21880

DISTRIBUTION

(CONFIRMATION TO ORIGINATOR)

(FOR INFORMATION)

DIRECTOR

SECRETARIAT

TRANSMITTED IN CODE OR CIPHER

SECRET

#735. Argus from Donovan.

Please return to Washington for consultation as promptly as you can conveniently do so.

SECRET

TOD: 11/1/44 11:36 PM

WJD/EJP
INITIALS OF "RELEASING" OFFICER

SECRET
[illegible]
November 2, 1944
[illegible] [illegible] [illegible]

Madrid
October 27, 1944
833 [illegible]

[illegible] [illegible] [illegible] of August 19 and [illegible] [illegible] [illegible] of October 24, many inquiries have been [illegible] you from this mission as to the need for French troops on the north side of the Franco-Spanish boundary. During this entire period this Embassy has received no word either from SHAEF or from the Department as to any action taken or proposed. We should be glad to know whether the area in question is part of the French zone of the interior, and also what responsibility the U.S. has for events and controls along the frontier.

I should be particularly glad to get such information at this time because [garble] the French Provisional Government plainly is not able to keep order and prevent raids over the frontier which result in destruction of Spanish lives and property.

In the above connection, he [Franco] has called attention to our control of military activities in France and to our November 1942 assurances that Spanish sovereignty and neutrality would not be infringed, and has asked us to give assistance.

Sent also to Paris for SHAEF.

HAYES

/Repetition of garbled passages has been requested./

OFFICE OF STRATEGIC SERVICES

DATE [illegible] 19, 1944

FROM [illegible], MADRID

TO OFFICE OF STRATEGIC SERVICES

ACTION:

INFORMATION: DIRECTOR, SECRETARIAT, [illegible], [illegible], [illegible], [illegible], [illegible], [illegible]

SECRET

[illegible] TO 100, PARIS, REIS, LONDON, ROYAL, WASHINGTON, [illegible] ARGUS, LISBON.

ELTON JUST RETURNED FROM FRANCE REPORTS THAT COUNTER-INTELLIGENCE CORPS MISSION HAS HEADQUARTERS AT TOULOUSE UNDER [illegible] TUCKER AND CENTRAL POINTS AT CERBERE AND [illegible]. MISSION ENTIRELY AMERICAN STAFFED. IT SEEMED COMPLETE CLOSING FRANCO-SPANISH FRONTIER [illegible] TIME LAST WEEK. COMMANDANT RICHARD ALT PAU, MILITARY COMMANDER OF FRONTIER, WHO IS IN CHARGE OF ALL FRENCH FRONTIER CONTROL, WAS NEVER NOTIFIED OF CLOSING. TUCKER NEVER APPROACHED RICHARD AND TOLD ELTON HE HAD NOT TIME TO DO SO. CIC CONTROL OFFICER AT CERBERE PHONED FRANCH CONTROL AT LEPERTHUS NOT TO ALLOW ELTON AND CAPTAIN LE DONTE, HEAD OF FRENCH INTELLIGENCE AT BARCELONA, AND IN CHARGE OF ISSUING PERMITS FOR CROSSING, TO ENTER FRANCE. FRENCH CONTROL STATED HE HAD NO SUCH INSTRUCTIONS FROM SUPERIORS. ELTON AND LIZONTE PROCEEDED BEYONE PERPADLAN AND COMPLETED MISSION. CERBERE CIC OFFICER HAD ORDERED FRENCH LEPERTHUS OFFICER TO "LET YO SIE ACROSS, NOT EVEN THE AMERICAN AMBASSADOR". REACTION OF FRENCH MISSION IN MADRID TO SITUATION WILL BE SUBJECT OF CABLE FOLLOWING SHORTLY.

TOR: 10/21/44

SECRET

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 19, 1944

REC'D

TO GABRITA

FROM OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

DISTRIBUTION

CAT. 29750

CONFIRMATION TO ORIGINATOR

FOR INFORMATION

O'GARA

DIRECTOR, SECRETARIAT, MACRUDER, X-2.

TRANSMITTED IN CODE OR CIPHER

SECRET

6954. O'Gara to Clavin.

SECRET

Before we decide if Schoonmaker may remain France kindly advise us exact nature of special assignment mentioned your 8334.

FILE COPY SECRET

RCD: 10/19/44 - 9:21 PM

FTR HQU JFO EHD.jr

INITIALS OF "RELEASING" OFFICER

IT IS FORBIDDEN TO COPY OR REPRODUCE THIS CABLE WITHOUT AUTHORIZATION FROM THE SECRETARIAT

OSS
(Name of Service)

OFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

DATE October 16, 1944 REC'D 10/16/44 4:30 PM

TO CASERTA, ITALY

PRIORITY
ROUTINE
DEFERRED

FROM OFFICE OF STRATEGIC SERVICES

OUT 20419

DISTRIBUTION

CONFIRMATION TO ORIGINATOR	FOR INFORMATION
O'GARA	DIRECTOR, SECRETARIAT

U. S. GOVERNMENT PRINTING OFFICE 16—37867-1

TRANSMITTED IN CODE OR CIPHER SECRET

SECRET

#6414. Glavin from O'Gara. In reference to your #7564.

Agree defer return Schoonmaker until after 109 has conferred Rodrigo.

Brain X

SECRET

FILE COPY

TOD: 10/16/44 5:10 PM

HH JEO EHD

INITIALS OF "RELEASING" OFFICER

USS Form 49 (Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 16, 1944

FROM CASERTA

TO SECRETARY OF STATE ~~OFFICE OF STRATEGIC SERVICES~~

PRIORITY / ROUTINE / DEFERRED

IN 23149

DISTRIBUTION

(FOR ACTION) STATE DEPARTMENT

(FOR INFORMATION) DIRECTOR, SECRETARIAT, MACRUDER, BIGELOW, MDTO, FTO, SI, X-2

U. S. GOVERNMENT PRINTING OFFICE 16-42969-1

RECEIVED IN CODE OR CIPHER SECRET

SECRET

776.

The War Department has been informed by General Devers that a US counter-intelligence detachment has been set up on the Pyrenees frontier, with headquarters at Toulouse. It functions under orders of the Forward Counter-Intelligence Detachment (Anglo-American) in Marseille, which in turn is controlled directly by SHAEF. The Forward Detachment has power to control all travel into (words missing; Spain ?) and into south France. Its control is exercised jointly with Direction Securite Militaire, and it jointly authorizes transit across the border. Oct. 2 a Counter-Intelligence Control Unit was established at Hendaye and at St. Jean Pied de Port. Established at Bourg-Madame ---- (words missing) According to Devers, the French officials in the vicinity of the border have cooperated with these control units. SHAEF controls all policy matters relating to the Pyrenees border.

YIRK

FILE COPY

SECRET

STATE DEPARTMENT PARAPHRASE
TOR: 10/18/44 2:26 PM

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 25, 1944 RECD 10/25/44 3:33 p.m.

TO USMAVIC, LONDON

X PRIORITY
ROUTINE
DEFERRED

FROM OFFICE OF STRATEGIC SERVICES

OUT-21234

DISTRIBUTION

(CONFIRMATION TO ORIGINATOR) (FOR INFORMATION)

DIRECTOR SECRETARIAT

TRANSMITTED IN CODE OR CIPHER SECRET

SECRET

177384. 109 to 105. Action: Paris (#1054)
Information: London.

Concur under circumstances Schoonmaker should remain to handle matter you outline.

DUNE

TOD: 10/25/44 3:44 p.m. WJD:EJP

SECRET

FILE COPY

INITIALS OF "RELEASING" OFFICER

Form 41 (Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 24, 1944

FROM PARIS, FRANCE

X PRIORITY
ROUTINE
DEFERRED

TO OFFICE OF STRATEGIC SERVICES

IN 23707

DISTRIBUTION

(FOR ACTION)

DIRECTOR

(FOR INFORMATION)

SECRETARIAT

SECRET

RECEIVED IN CODE OR CIPHER

No Washington number. (Number requested).
Paris to London # 12294.
To 108 Washington from 108 and Cassidy in Paris.

Your cable to Gamble regarding Schoonmaker. We have considered this situation carefully and strongly feel subject your approval Schoonmaker should handle this situation and is only person available and fitted to do it. We believe will take 6 weeks and is only way handle our obligations to agents and dispose of them. He will be under command Paris office, will have headquarters Toulouse, will not under any circumstances cross Spanish border personally or by agent penetration. If this liquidation is not speedily accomplished and our agents disposed of, they will be likely cause trouble and embarrass us. Please wire answer priority as Schoonmaker nowhere. At conclusion this task Schoonmaker will return Washington thirty days leave. Gamble familiar and concurs this.

SECRET

FOR: 10/24/44 5:41. P.M. Answ. 77384

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 10, 1944

TO CASERTA, ITALY

RECD October 11, 1944 6:14 PM

FROM OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

INFORMATION TO ORIGINATOR

DISTRIBUTION

REPORT

OUT 80687

FOR INFORMATION

SECRETARIAT, MACRUDER, X-2, SHIPS, ARGSON

TRANSMITTED IN CODE OR CIPHER

SECRET

Code: 109 to Gamble. Re yr. 0334.

I am very anxious to meet any requests you make. Unfortunately Schoonmaker has created in the mind of certain authorities the impression that by reason of special association that he has with Spanish Republicans he is inevitably drawn into arrangements that militate against the peace and good order of Spain. Whether this is true or not that impression remains and his movement throughout that area would immediately arouse suspicion and result in reports and cables. This would not be good for any of us, particularly Schoonmaker. At the same time I am anxious as you are to clean up whatever obligations there may be to individuals who aided in the preparation of the attacks. Having explained the dangers of the situation to you, I must rely upon your judgement in order to determine whether Schoonmaker should do as requested in your cable or should return to report here immediately. Having in mind all of the circumstances, will you please let me know. Rodrigo just arrived and feels very strongly that matter of settlement of any claim should be handled by someone else and that Schoonmaker should return at once.

SECRET

COD: 10/10/44 7:19 PM

FILE COPY

WJD

INITIALS OF "RELEASING" OFFICER

IT IS FORBIDDEN TO COPY OR REPRODUCE THIS CABLE WITHOUT AUTHORIZATION FROM THE SECRETARIAT

OSS Form 69 (Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 15, 1944

FROM CASERTA, ITALY

TO OFFICE OF STRATEGIC SERVICES

PRIORITY: ROUTINE / DEFERRED

IN 22921

DISTRIBUTION

FOR ACTION: SHEPARDSON

FOR INFORMATION: DIRECTOR, SECRETARIAT, MAGRUDER X-2

U. S. GOVERNMENT PRINTING OFFICE 16—37883-1

RECEIVED IN CODE OR CIPHER

SECRET

#8164. O'Gara and Rodrigo from Glavin

SECRET

Gamble advises Schoonmaker is accepting special assignment based on Paris. He recommends that Schoonmaker should be allowed to carry this out.

We are advising Gamble that Rodrigo will discuss entire matter with O'Gara.

Spain X

SECRET

FILE COPY

TOR: 10/15/44 10:36 P.M.

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE [redacted]

FROM CASERTA, ITALY

TO OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

IN 22921

DISTRIBUTION

(FOR ACTION)

SHEPARDSON

(FOR INFORMATION)

DIRECTOR, SECRETARIAT, MACRUDER

X-2

RECEIVED IN CODE OR CIPHER

SECRET

#8164. O'Gara and Rodrigo from Glavin

SECRET

Gamble advises Schoonmaker is accepting special assignment based on Paris. He recommends that Schoonmaker should be allowed to carry this out.

We are advising Gamble that Rodrigo will discuss entire matter with O'Gara.

SECRET

FILE COPY

TOR: 10/15/44 10:36 p.m.

SECRET

OFFICE OF STRATEGIC SERVICES

9 October 1944

TO: Director, OSS

FROM: Acting Chief, SI

SUBJECT: Out 18523. #70477 to London.

The man referred to is Frank Schoenmaker (sometime a wine dealer in New York) who went abroad for Spanish Desk, SI, twenty-two months ago.

He was arrested in Spain and spent some months in jail in Madrid for offenses against the monetary laws. He has not been a particularly competent administrator.

In the Spring of 1944 he served as head of the Spanish Desk, SI, at Algiers and as liaison with Meduse till the merger of the French Desk and the Spanish Desk at Algiers.

He is now in France, at Headquarters of 7th Army.

The wire sent to the Message Centre read "... NO SPANISH PERSONNEL..." and it was so transmitted to Madrid. In the copy for London, the Message Centre made an error in sending out "... MO SPANISH PERSONNEL...", and a correction goes today to London.

No carbon copy made

SECRET

[illegible]

[illegible]

[illegible]

FILE COPY

[illegible]

OFFICE OF STRATEGIC SERVICES

DATE OCTOBER 8 1944 IN NINJA

FROM CASERTA, ITALY

TO OFFICE OF STRATEGIC SERVICES SECRET

ACTION: DIGELOW

INFORMATION: DIRECTOR, SECRETARIAT, DASHMAN, SEATO, SI, X-2

SECRET

66694. DIGELOW FROM DAVIS. YOUR #30984 AND #32 4064.

1. FULLER WAS HEAD OF REMUHON TEAM BURATTI OPERATING ON FRENCH SIDE OF PYRENEES ESPECIALLY AINSA TARBES. HAS NOW BEEN DEBRIEFED AND DISPATCHED TO TH CHAMPS-ELYSEES, PARIS. WE DO NOT HAVE REPORT OF HIS DEBRIEFING AS YET SO CANNOT SEND YOU FULLY STORY OF HIS ACTIVITIES BUT WILL DO SO WHEN REPORT ARRIVES HERE.

2. ALSO POUCHING YOU COPIES OF DEBRIEFING OF CAPT. RUTHERFORD AND LT. UNDERWOOD WHO OPERATED AS SO MISSION IN SAME AREA WITH INFORMATION ON SAME SUBJECT.

3. FOR INFORMATION ON SIMILAR CHARGES AGAINST RICHBONMAKER SEE OUR CABLE #7161 TO GAUBLE.

Need D

Page 51 + 50 for

their comments

FILE COPY

TOR: 10/8/44 2:57PM

SECRET

SECRET

OFFICE OF STRATEGIC SERVICES

INTER-OFFICE MEMO

TO: Director, OSS DATE: 18 October 1944

FROM: Acting Chief, SI

SUBJECT: In 28250, #3694 from Caserta

The reference in paragraph 3 is to In 28095, (#3334. Caserta to Bari, information copy to Washington) which reports:

a. That S poses as an American Colonel, with a staff of Spanish civilians; and

b. That S apparently is engaged with Spanish Communists in political activities.

We can imagine no adequate explanation, and unless S can offer ample expiation and propitiation for our sins, we think he should be dismissed on his return.

On 19 September, we wired Glavin to concur in his recommendation to Gamble that S be withdrawn forthwith from French-Spanish border, and on 10 October, we wired Glavin to send S to Washington "for consultation" immediately.

No carbon only made. File

SECRET

Cable No. 5607 [illegible]

[illegible] tell his [illegible] that [illegible] will not make use of any of these Spanish republicans.

[illegible]

Director's office

Form 38 (Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 13, 1944

FROM MOSCOT, LISBON

TO OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

(FOR ACTION) DIRECTOR

(FOR INFORMATION) SECRETARIAT

SECRET

RECEIVED IN CODE OR CIPHER

#5607. Argue to 109. Will reference to your #[illegible].

Believe now little cause anxiety about implication any our organization personnel in tense situation north of Pyrenees. Fuller was SO agent detached to EMFFI and in Tarbes under General Koenig's orders. As result of French Minister, Madrid, complaint to Ambassador Hayes and Spanish Police fears expressed to Elton, I brought matter to attention of 105 and Haskell brothers in London, also Tertius, as result believe Fuller withdrawn after successfully completing his mission. Zenda has been traveling in area to disband our French agents under an agreement with Soustelle and orders from 7th Army. These agents' safety will be assured by identification by Zenda to French authorities. Am pouching you full copy of Elton report and Soustelle agreement. Our only present danger involvement in Spanish Maquis situation is through discharge by Zenda of Spanish Republican radio operators parachuted by Algiers who plan residence on Catalan border, but believe we can safely disclaim responsibility for their future behavior when released. Of course, blast from Hayes will be expected if this personnel becomes active. Possibility of appointment X-2 Mission in Toulouse comprising some of Donald's Spanish friends was reported to Elton by Zenda and should be avoided regardless of their potential value, as they are now too well known to Spanish CE who have agents in area and their presence would be liability adding strain to our relations with French Service and Embassy.

SECRET

TOR: 10/13/44 11:36 p.m.

FILE COPY

Date of Receipt

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 13, 1944

FROM IGHEST, LISBON

ROUTINE
PRIORITY
DEFERRED

TO OFFICE OF STRATEGIC SERVICES

IN-22705

DISTRIBUTION

(FOR ACTION) DIRECTOR

(FOR INFORMATION) SECRETARIAT

SECRET

RECEIVED IN CODE OR CIPHER

#5607. Argus to 109. With reference to your #608.

Believe now little cause anxiety about implication any our organisation personnel in tense situation north of Pyrennees. Fuller was 50 agent detached to MMFI and in Tarbes under General Koenig's orders. As result of French Minister, Madrid, complaint to Ambassador Hayes and Spanish Police fears expressed to Elton, I brought matter to attention of 105 and Haskell brothers in London, also Tortius, as result believe Fuller withdrawn after successfully completing his mission. Zenda has been traveling in area to disband our French agents under an agreement with Soustelle and orders from 7th Army. These agents' safety will be assured by identification by Zenda to French authorities. Am pouching you full copy of Elton report and Soustelle agreement. Our only present danger involvement in Spanish Maquis situation is through discharge by Zenda of Spanish Republican radio operators parachuted by Algiers who plan residence on Catalan border, but believe we can safely disclaim responsibility for their future behavior when released. Of course, blast from Hayes will be expected if this personnel becomes active. Possibility of appointment X-2 Mission in Toulouse comprising some of Donald's Spanish friends was reported to Elton by Zenda and should be avoided regardless of their potential value, as they are now too well known to Spanish CE who have agents in area and their presence would be liability adding strain to our relations with French Service and Embassy.

SECRET

FILE COPY

TOR: 10/13/44 11:55 p.m.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : General Donovan

FROM : John E. O'Gara

DATE: 14 October 1944

SUBJECT: Cable #404 from Paris

Subsequent to receipt of the attached cable on which you requested my ideas, cable #7564 was received advising us of Colonel Rodrigo's return with a report on Schoonmaker's activities. I presume you will wish to discuss Colonel Gamble's proposal with Col. Rodrigo.

SECRET

John E. O'Gara

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 11, 1944

FROM PARIS

TO OFFICE OF STRATEGIC SERVICES

PRIORITY
ROUTINE
DEFERRED

IN 22533

DISTRIBUTION

(FOR ACTION)	(FOR INFORMATION)
DIRECTOR	O'Gara (1 copy) SECRETARIAT, X-2, Magruder

RECEIVED IN CODE OR CIPHER

SECRET

Paris. To Donovan from Gamble, 7th Army (relayed by Paris from 7th Army).

In view 7th Army insistence we maintain small HQ group concerned only with immediate 7th Army matters, recommend Schoonmaker, who has about 4 more weeks of important work connection disbanding Spanish chains, be assigned directly under you for completion this important job. At end of work he would return Washington for 30-day leave and report to you verbally as well as in writing on his activities. He would set up HQ at Toulouse with secretary and driver and issue you weekly reports. Advise.

SECRET

send copy to O'Gara asking for his comments for Lt. D.

RTP 10/13

TOR: 10/11/44 8:37 PM

FILE COPY

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 6, 1944 SECRET

TO

CASERTA, ITALY

FROM

OFFICE OF STRATEGIC SERVICES

DISTRIBUTION OUT 19633

CONFIRMATION TO ORIGINATOR	FOR INFORMATION
DIRECTOR	SIGNE NOT

TRANSMITTED IN CODE OR CIPHER

SECRET

#4897. 109 to Algiers.
#4897 Washington-Caserta. #615 Washington-Italy.

We are informed government in France has little control of holding certain areas. Problem is particularly serious Bordeaux-Toulouse area where it is reported to be complicated by presence of armed Communist and Spanish Republican groups. Are Zenda, Fuller or other OSS people involved in any activity in this area or with these groups? Please report fully.

FILE COPY

SECRET

TOR: 10/6/44 4:34 PM

WJD/rt
INITIALS OF "RELEASING" OFFICER

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 6, 1944

FROM GIBERTA, TAD

PRIORITY / ROUTINE / DEFERRED

TO OFFICE OF STRATEGIC SERVICES

IN 22095

DISTRIBUTION

FOR ACTION: MRX

FOR INFORMATION: DIRECTOR, SECRETARIAT, O'GARA

RECEIVED IN CODE OR CIPHER

SECRET

#6334. Glavin to Gamble and Schoonmaker. Information 109 and O'Gara, Washington.

1. Schoonmaker has written letter to Glavin re his Spanish Activities. Letter is being pouched to Washington for their action.

2. The following message is brought to your attention. "FO PSINE* to David, relay of 116 from Baker. Reliable French source reports that Frank Schoonmaker of SI is posing as American Colonel and introducing himself and Spanish civilian staff as American officers to high French officials in Mont Louis and Prades, Pyrenees Orientales.

The French are distrubed. Full report was made to De Gaulle's headquarters. Schoonmaker is apparently engaging in political activities with Spanish Communists. He may be working under agreed cover, but is apparently fooling nobody. You might tell some."

3. Please take appropriate action and report to us.

* As received.

TOR: 10/6/44 11:29 PM

FILE COPY

SECRET

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

1083

DATE October 4, 1944

FROM USTRAVIO, LONDON

TO OFFICE OF STRATEGIC SERVICES

PRIORITY
ROUTINE
DEFERRED

IN BULK

DISTRIBUTION

(FOR ACTION) DIRECTOR

(FOR INFORMATION) SECRETARIAT

CONFIDENTIAL

RECEIVED IN CODE OR CIPHER

#77841. 100 from Foxgani. In reference to your #72401.-

Owing delays handling at Registry, Secretariat, Embassy and Foreign Office letter missed Embassy Lisbon pouch 21st, but caught pouch 25th. Embassy estimates 10 days average additional time Lisbon to Madrid, hence expected Hayes will receive letter today or Thursday.

FILE COPY

CONFIDENTIAL

TOR: 10/4/44 7:04 AM

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 5, 1944

FROM AGENT, LISBON

TO OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

(FOR ACTION) DIRECTOR

(FOR INFORMATION) SECRETARIAT

CONTROL NO. 21624

RECEIVED IN CODE OR CIPHER

SECRET

#5587. 109 from Argus, via Lisbon.

Your letter of September 13th just now received by Hayes but his position remains unchanged. Expect be in Lisbon, Sunday, October 8.

FILE COPY

SECRET

TOR: 10/4/44 1:35 AM

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE October 2, 1944

FROM MADRID, SPAIN

TO OFFICE OF STRATEGIC SERVICES

PRIORITY / ROUTINE / DEFERRED

IN 21785

DISTRIBUTION

(FOR ACTION)	(FOR INFORMATION)
DIRECTOR	SECRETARIAT

SECRET

RECEIVED IN CODE OR CIPHER

#9187. 109 from Argus.

Ambassador has now received your letter. There is no change in his views. I expect to be in Lisbon October 9 for about 2 weeks.

FILE COPY

TOR: 10/3/44 4:24 PM

SECRET

OFFICE OF STRATEGIC SERVICES

OPERATIONAL DISPATCH

DATE October 1, 194[illegible] TIME [illegible] OUT [illegible]

TO: [illegible]

FROM: DIRECTOR, OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

CLASSIFICATION

SUBJECT

SOURCE OF SIGNAL

ACKNOWLEDGE

PRIORITY

ROUTINE

CONFIDENTIAL TO ORIGINATOR

FOR INFORMATION

DIRECTOR

SECRETARIAT

OUTGOING HEADING

UNLESS DESIGNATED OTHERWISE, TRANSMIT THIS DISPATCH AS DIRECTED

TRANSMIT

CONFIDENTIAL

#72-01. 109 for 105 and Tiflis.

Argus Advisor Hayes has not yet received letter which 154 was to send to him in my name. Can you give me reason why not?

CONFIDENTIAL

WJD:HT

TOD: 10/2/44 12:28 PM

OPERATOR'S RECORD

INITIALS OF "RELEASING" OFFICER

FILE COPY

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE September 30, 1944

FROM

HUFT, LIGRON

TO

OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

IN 21590

DISTRIBUTION

(FOR ACTION)

DIRECTOR

(FOR INFORMATION)

SECRETARIAT, JACRUDER, BIGELOW, MEDT, ITO, SI, X-2.

RECEIVED IN CODE OR CIPHER

#5557. 109 from Lisbon.

SECRET

Re your #672. Argus tells me this matter been satisfactorily taken care of in Madrid. In reply your #670, received partly garbled, Argus says your letter to Ambassador which Jackpot was to have forwarded has not yet been received by Hayes. I shall be in Washington in few days and will be able to talk with you on Spanish situation.

This information is for the attention of Royal. Trunk referred to in our #549 belongs to Lois Lombard who left Washington May 30. Cannot locate letter now but we were advised trunk was shipped July. Is it lost?

TOR: 10/1/44 12:47 AM

FILE COPY

SECRET

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE September 25, 1944

FROM MADRID, SPAIN

TO OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

IN 91181

DISTRIBUTION

FOR ACTION

DIRECTOR

FOR INFORMATION

SECRETARIAT, MACRUDER, BIGELOW, SHEPARDSON, X-2

RECEIVED IN CODE OR CIPHER

SECRET

#9127. Argus to 109 Washington; Action: Rockport; Information: London.

Ambassador reaffirms his position towards our continued operation in Spain as that given in his recent cable to State Department, which he recommended be discussed with you.

SECRET

FILE COPY

TOR: 9/20/44 3:56 PM

Book of Cleveland

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE September 24, 1944

FROM

London

TO

OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

DISTRIBUTION

IN: 20931

(FOR ACTION)

SI

(FOR INFORMATION)

DIRECTOR, SECRETARIAT, MACRUDER, SHELOW, RTO, MEDTO, X-2

U.S. GOVERNMENT PRINTING OFFICE 16—47881-1

RECEIVED IN CODE OR CIPHER

#5487. To Allen from Dulles.

SECRET

Your Bonato message telephoned Argus yesterday. Argus seemed very concerned over attitude of the Chief there, who is quite certain inconsistent in all our dealings. I do not know what upshot will be but will keep you posted. Am somewhat pessimistic.

[illegible] 9/24/44 - 8:37 [illegible]

SECRET

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE 9/21/44

FROM MADRID, SPAIN

PRIORITY / ROUTINE / DEFERRED

TO OFFICE OF STRATEGIC SERVICES IN 20712

DISTRIBUTION

(FOR ACTION) SI

(FOR INFORMATION) DIRECTOR, SECRETARIAT, MACRUDER, BIGELOW, MDTO, ETO, X-2

RECEIVED IN CODE OR CIPHER

#9067. From Queres to Regis and 154.

SECRET

Ambassador reluctant to approve further permanent appointments of personnel to Spain. He suggests that Bryant could be stationed in Portugal and get visitor's permit for Spain or be sent out to Spain on a temporary visitor basis which will not require his assignment here. I recommend his assignment to Portugal if possible as he will be able to spend adequate periods here under this arrangement.

SECRET

TOR: 9/22/44 1:0

FILE COPY

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OFFICE OF STRATEGIC SERVICES

DATE SEPTEMBER 21, 1944

FROM CASERTA, ITALY

TO OFFICE OF STRATEGIC SERVICES

INFORMATION: DIRECTOR, SECRETARIAT, MARRINER, BIGELOW, X-2, MORTON.

SECRET

SECRET

#3194. CLAVIN FROM GAMBLE. SEE FREE TO WASHINGTON AND #141 TO LONDON. #51 SUNNYRIDGE TO CASERTA.

SCHOONMAKER MOVE AT SUNNYRIDGE AND STATES HE DOES NOT INTEND RETURN TO INFONER AREA. NO SPANISH PERSONNEL THERE. HE TRIED ARRANGE CONTACT WITH MADRID REPRESENTATIVE TO SETTLE MATTER MADRID AGENTS. UNDER BRUSTELLE-CASSADY AGREEMENT ALL XEN AGENTS WILL REPORT TO FRENCH AUTHORITY WITHIN PERIOD OF 30 DAYS AFTER LIBERATION THEIR AREA. THIS THEY WILL DO TO REGULARIZE THEIR MILITARY STATUS UNDER FRENCH GOVERNMENT. LIST OF SUCH AGENTS BEING COMPILED BY SCHOONMAKER FOR MILLER WHO WILL LIAISE WITH BRUSTELLE. PAYMENTS TO WIDOWS OF AGENTS AND TO AGENTS WHO NEED HELP MADE BY HIM IN ACCORD WITH RECOMMENDATIONS BY CHIEF OF CHAINS IN FRANCE AND RADIO OPERATORS PARACHUTED FROM ALGIERS WHO BUT HE IS THERE TO DO THIS ALL IMPORTANT JOB? FULL REPORT BEING PREPARED BY ZENDA FOR YOUR INFORMATION.

TORI 9/21/44 9:30 AM

SECRET

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

REG

DATE

TO

FROM OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

CONFIRMATION TO ORIGINATOR

TRANSMITTED IN CODE OR CIPHER

[illegible] In reference to [illegible]

[illegible] under our [illegible] instructions or directives [illegible] dated [illegible] [illegible] 2nd army [illegible]

[illegible] 9/19/44 9:36 AM

[illegible] 9/19/44 FTR/AH

INITIALS OF RELEASING OFFICER

OSS Form 9151

Date 5/25

To: General Donovan

Attached is copy of cable #9017 from Madrid which you requested to see.

E. J. Putzell Jr.

Office of the Executive Officer

(30459)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

RECD

DATE September 29, 1944

TO STRATTO, LONDON

FROM OFFICE OF STRATEGIC SERVICES

OUT 1834

PRIORITY

ROUTINE

DEFERRED

DISTRIBUTION

(CONFIRMATION TO ORIGINATOR)

(FOR INFORMATION)

DIRECTOR, SECRETARIAT, MAGRUDER, BIGELOW, MEDTO, ETO, X-2

SI

SECRET

TRANSMITTED IN CODE OR CIPHER

#6994. Royal to Quarns Action Madrid (#70.) Information 154 London.

Recommendation made in your #90[illegible] for immediate removal of Zerda and other OSS personnel particularly Spaniards is being carried out by Glavin.

We have cabled Glavin to also instruct Zerda that OSS must have nothing whatsoever to do with the commission scheme outlined in your #9017.

Let me see Glavin

SECRET

DCL: 9/20/44 - 6:50 PM FTR BHR ROF/VTMB OJS EHDJR/CA

FILE COPY

INITIALS OF "RELEASING" OFFICER

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE: September 19, 1944

FROM: USTRAVIC, LONDON

TO: OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

PRIORITY / ROUTINE / DEFERRED

IN 20535

(FOR ACTION)

CAMBLE

(FOR INFORMATION)

DIRECTOR, SECRETARIAT, MAGRUDER, BIGELOW, ITO, TEDTO, SI, ~~X-2~~

U. S. GOVERNMENT PRINTING OFFICE 16—87883-1

SECRET

RECEIVED IN CODE OR CIPHER

#76204. To Gamble, 7th Army - Information Washington and Caserta.

We concur in principle with Caserta's 1414 to you concerning Zenda. However, yesterday we referred decision to Washington, and cable today states that Regis will cable instructions following immediate conference with 109.

SECRET

TR: 9/20/44 3:54 AM

OFFICE OF STRATEGIC SERVICES

DATE SEPTEMBER 11, 1944 (NIGHT)

FROM CIBERTI, ITALY

TO OFFICE OF STRATEGIC SERVICES SECRET

ACTION: GIBBLE.

INFORMATION: DIRECTOR, SECRETARIAT, MARANDER, BELOW, MEDTO, X-2, SI.

SECRET

FROM: BRIEN CLAVIN AND MADDOX TO GIBBLE. INFORMATION: SI, LONDON AND REGIS, WASHINGTON.

FOLLOWING CONFERENCE WITH OUR AMBASSADOR, MADRID OFFICE REPORTS NEED FOR IMMEDIATE WITHDRAWAL OF ZENDA AND ANY OTHER OSS PERSONNEL IN BORDER AREA, PARTICULARLY SPANIARDS. BORDER SITUATION IS TENSE AND REPERCUSSIONS WITH BOTH FRENCH AND SPANISH AUTHORITIES ARE EXPECTED IF THIS ACTION IS NOT TAKEN.

2. WE CONCUR IN THIS RECOMMENDATION. NOTIFY US AT ONCE WHAT ACTION YOU TAKE.

3. RODRIGO LEAVES SOON FOR MADRID TO INVESTIGATE SITUATION FURTHER.

4. MADRID INQUIRES ALSO ON WHAT AUTHORITY ZENDA HAS PAID OFF AND DISMISSED MEMBERS SPANISH CHAIN.

SECRET

TOR: 9/10/44 9:57 AM

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE September 15, 1944

FROM MADRID, SPAIN

TO OFFICE OF STRATEGIC SERVICES

X PRIORITY
ROUTINE
DEFERRED

DISTRIBUTION

FOR ACTION: SI

FOR INFORMATION: DIRECTOR, SECRETARIAT, MAGRUDER, BIGELOW, ETO, MEDTO, X-2

IN-20301

SECRET

RECEIVED IN CODE OR CIPHER

#902. From Queres. In reference to our #901 to Washington, #491 to London, #390 to Algiers and #88 to Lisbon. Action: Jackpot and Regis. Information: Zanda, 105, Argus.

Conference with Ambassador today on tense conditions on French-Spanish frontier indicate desirability immediate withdrawal of Zanda and any other OSS personnel, particularly Spaniards, from this area. Elton going to Perpignan September 19th for conference with Zenda to emphasize absolute necessity of this action. Elton's trip being made to endeavor avoid probable repercussion with both French and Spanish, if Spanish agents with our organization are not removed. On what authority is Zenda interviewing, giving money to, and dismissing members of Spanish chains? For our information and direction we urgently want to know what instructions and directives he has for such action. Please answer most immediately for Elton's and our guidance.

IOR: 9/16/44 6:22 p.m.

SECRET

OSS Form 1084b

DATE 22 Sep 44

TO: General Donovan

Schoonmaker has been ordered out and told that neither he nor anyone else is to engage in this type of activity.

FROM:

(32816) EXT.

Declassified and Approved For Release 2013/08/15 : CIA-RDP13X00001R000100160001-6

SECRET

BS by Army
September 25, 1944

Madrid
September 15, 1944
OSS # 39324

/Spain: Ambassador Hayes strongly protests OSS activities at Perpignan/

At Perpignan close to the French frontier there is now an OSS mission which has been making use of a car bearing American colors and markings of the inter-Allied staff. The mission consists of four Frenchmen and two Spaniards. The latter two are exiles and are now wearing uniforms bearing American insignia. The mission was recruited in North Africa by the OSS. An OSS operative, Frank Schoonmaker, seems to be awaited by the Mission, who seem otherwise to be without directives.

Last September in Spain Schoonmaker was put in jail by the police but eventually he was let out and put in my official charge. Then, after arrangements had been made secretly with the Foreign Office, we smuggled him out of Spain, without making the police aware of it. Now he seems to be engaged along the Spanish-French frontier in getting in touch with Spanish groups. On this roving commission he wears the uniform of a colonel in the American Army. Schoonmaker is said by two OSS representatives in American uniforms to plan to bring in from Marseilles more Spanish exiles working for OSS. These would operate along the French side of the border, and attempts are being made to get them commissioned in the Spanish Maquis. The tense situation for which the Spanish Maquis have been responsible in this area has been reported in my /OSS # 39027/ of August 28 and later messages.

[illegible]

[illegible]

[illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] Spaniards. [illegible] wearing uniforms bearing American insignia. [illegible] by the OSS. [illegible] by the [illegible] questions.

[illegible] September [illegible] in Spain [illegible] was put in jail by the [illegible] but eventually he was released and put in my official charge [illegible], after arrangements had been made secretly with the Foreign [illegible], we smuggled him out of Spain, without making the police aware of it. [illegible] along the Spanish-French frontier in getting in touch with Spanish groups. In this [illegible] he wore the uniform of a colonel in the American Army. [illegible] in American uniforms [illegible] Spanish [illegible] working for [illegible] along [illegible] side of the border, [illegible] in the Spanish [illegible]. The [illegible] for which the Spanish [illegible] have been [illegible] in this area [illegible] of August [illegible] later [illegible]

for

[illegible] Madrid, [illegible], September [illegible], 1944

We also [illegible] be gravely involved [illegible] of Spanish [illegible] [illegible] of the Spanish police [illegible] of the [illegible] [illegible] [illegible] [illegible] the Spanish police [illegible] [illegible] to investigation of his disappearance following his provisional release [illegible] Political [illegible] are also likely from OSS proceedings.

I have protested many times against using Spanish exiles in OSS projects. In this [illegible] no additional [illegible] by irresponsibles can be allowed, in view of the [illegible] of the [illegible]. The French Minister has already been assured by me that we will [illegible] the Perpignan group; I am now requesting that [illegible] be ordered, along with other personnel of OSS, Spanish [illegible], to get out, without delay, from the frontier area. On [illegible] September [illegible] is [illegible] to be in Perpignan. Orders could be given him through [illegible] here, who [illegible] quite apprehensive and are wiring [illegible] in London, Algiers and Washington. I should like to [illegible] on this.

Sent also to [illegible] and to London for [illegible].

HAYES

OSS FORM 105

TOP SECRET
SECRET
CONFIDENTIAL
RESTRICTED
FREE

DIRECTOR'S OFFICE

CROSS REFERENCE SHEET

Letter
Memo
Cable

re situation on Spanish border

DATED: 15 September 1944

FROM: Querez and Monte

TO: Jack Pot and Regis

SUBJECT: 12 and 13 September in Perpignan Elton met Lt. Fitzgerald, Zenda's assistant. Elton reports as follows:

2 uniformed Spaniards bearing American shield insignia constitute part of OSS mission there.

Balance of mission composed of 4 Frenchmen, one of whom is in charge locally. No American is present. Cars requisitioned by this group bear words "Etat Major Interallie". Fitzgerald mentioned plans to request a General Fernandez, who seems to head Spanish Republican Forces on Franco Spanish frontier, to comission OSS agents of Spanish nationality in his Maquis. In view of present frontier tension any move such as this might provoke serios trouble of international scope for which Americans could be blamed. Urge immediate removal of all Spanish agents from frontier. Please cable action taken.

#9017 (In 20228) from Madrid

ORIGINAL FILED IN: Mrs. Jenks cable files.

FILE #:

[illegible]

[illegible]

[illegible]

September 13, [illegible]

[illegible]

[illegible]

This has been [illegible]

[illegible]

[illegible]

that the [illegible]

[illegible] on such a large number of [illegible] on the frontier, especially [illegible]

Sent also by courier to Lisbon and [illegible] to London.

[illegible]

[illegible]

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE 9/6/44

RTG'D 9/6/44 8:03 PM

TO ULTRAVIO, LONDON

FROM OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

DISTRIBUTION

OUT 17328

(TRANSMITTION TO ORIGINATOR)

EDITOR

(INFORMATION)

SECRETARIAT, DIGILO, MO, JCS, SAO, X-2,

TRANSMITTED IN CODE OR CIPHER

Re 154, 109 and Argus from Cheston.

SECRET

In view of present attitude of Spaniards as reflected in very recent messages coming here, believe that this is not appropriate time to approach him on amendment to agreement to permit MO in Spain. MO, SSO, Planning Group and I concur in this view. No doubt Argus will confirm.

SECRET

TOD: 9/6/44 8:17 PM

SECRET

CDC/RJP

INITIALS OF "RELEASING" OFFICER

[redacted]

[redacted]

September 9, 1944

[redacted]

[redacted]

[redacted]

September 11, 1944

[redacted]

[redacted] of September 4 from San Sebastian.

We have received information stating that Russell alias Fuller is a U.S. Marine Corps Lieutenant Colonel and is allegedly representing the Allied High Command in Paris. Please send us information as to his status so that we may relay the fears of the French Ministry. The latter, in its efforts to avoid trouble with the Spanish over border incidents and disorders fomented by exiles from Spain, might give the impression that the U.S. was responsible. Many Spanish Maquis members are reported to be moving toward the frontier in the Toulouse and Tarbes areas, causing a disquieting situation.

Sent also to Algiers, Caserta, London, San Sebastian.

VFD

[redacted]

SECRET

TW

September 7, 1944

Complaint by American Camps
Trouble at Bilbao

The Embassy

September 4, 1944

OSS # 38522

Zenillo, the French Minister, has addressed to me a complaint that at Toulouse an American, (whose real name is Fuller although he uses an official alias), is sending telegrams by the Spanish railway.

I am told by the Chief of OSS in this country that in that area he himself does not have any operatives and that he does not believe that the troublemaker can be the man named Fuller who was working for OSS at Bilbao at once time and since then has been relieved. The French Minister believes, on the other hand, that the troublemaker is connected with some official U.S. agency.

Sent to Madrid also.

HAYES

TF

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE September 2, 1944 REC'D 9/2/44 6:17 p.m.

TO USTRAVICO, LONDON

PRIORITY
ROUTINE
DEFERRED

FROM OFFICE OF STRATEGIC SERVICES

OUT-17033

DISTRIBUTION

CONFIRMATION TO ORIGINATOR	FOR INFORMATION
DIRECTOR	SECRETARIAT, MO, BIFLOW, MAORUDER.

SECRET

TRANSMITTED IN CODE OR CIPHER

5 pa

X

#66464. 109 from Cheston.

Have considered with MO question of reopening with Hayes agreement so far as it prevents MO work against enemy. In view of desirability of taking action on this and reopening questions mentioned your #72081, if you are to meet with Argus in London it might be well to go into the whole question with him, letting us know what action is to be taken so that we may clear the way here with State Department. I will therefore hold message that I was about to send to Hayes through Argus in re carrying on MO operations in Spain. Please advise.

SECRET

TOD: 9/2/44 8:54 p.m. GSC

FILE COPY

INITIALS OF "RELEASING" OFFICER

Form 47 (Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE September 1, 1944

FROM DETRAVIO, LONDON

PRIORITY

ROUTINE

DEFERRED

TO OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

IN-10087

(FOR ACTION) (FOR INFORMATION)

DIRECTOR

SECRETARIAT

CONFIDENTIAL

U. S. GOVERNMENT PRINTING OFFICE 16—43003-1

RECEIVED IN CODE OR CIPHER

FROM. Chapton from LOO.

I have read #17174. We should reconsider the whole question with Hayes so that we ~~XXX~~ stress the importance of getting material affecting Japan.

72-081

* Appears to be incorrect

TOR: 9/1/44 0155 p.m.

CONFIDENTIAL

FILE COPY

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1 of 3

Form 48 (Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE August 28, 1944

FROM MADRID, SPAIN

PRIORITY

ROUTINE

DEFERRED

TO OFFICE OF STRATEGIC SERVICES

IN 18679

DISTRIBUTION

(FOR ACTION) SI

(FOR INFORMATION) DIRECTOR, SECRETARIAT, MACRUDER, DIGELOW, ETO, MTO, X-2

U. S. GOVERNMENT PRINTING OFFICE 16—87562-1

RECEIVED IN CODE OR CIPHER

SECRET

#8717. To Royal and Regis from Argus for Quaker. In reference to your #6757 and #6617.

It is impossible to clear any personnel at this time. However, we still require a bookkeeper. Any additions to the staff are frowned upon by the Ambassador, now absent, because it is his belief that our field of endeavor has been limited by the military developments. We advise that when it is opportune the entire situation relative to our subsequent operations and standing be clearly defined with the approval of the State Department and the Joint Chiefs of Staff. In the interim we are continuing all endeavors along lines which appear to juntify our consideration. We have not been able to find our pouch #136 in State Department registered sack #445 covered by bill #C-145 which was dispatched the 29th of last month. Please wire the Department registry number of the pouch we cannot locate. We assume our SI pouch was not dispatched by the Department sea pouch. The sea pouch which left Washington the 29th of last month, and reached here on August 15, did not include our material.

X

SECRET

Relayed to Lisbon

TOR: 8/30/44 1:32 AM

FILE COPY

OFFICE OF STRATEGIC SERVICES

DATE: [illegible] 1944 TIME: [illegible] 8/30/44 10:19 AM DIST: [illegible]

TO: [illegible] SPAIN PLAIN-KNOX

FROM: OFFICE OF STRATEGIC SERVICES CLASSIFICATION: SECRET

CONTINUATION: [illegible]

DIRECTOR, SECRETARIAT, MACRUDER, BIGELOW, X-2, ETO, MEDTO.

TRANSMITTED IN BLOCK OR CIPHER

SUBJECT: ARGUS FROM ROYAL, WITH REFERENCE TO YOUR #8377.

WE ARE GIVING SERIOUS CONSIDERATION TO THE MATTER YOU BROUGHT UP IN THE ABOVE-MENTIONED MESSAGE. GOD, TOO, HAS HAD HIS ATTENTION DIRECTED TO IT. WE ARE CONFERRING WITH THE WAR DEPARTMENT. YOU WILL SOON RECEIVE NEW DIRECTIVES CONCERNING ACTIVITIES IN AND NEAR YOUR AREA IN WHICH YOU WILL BE ENGAGED IN THE FUTURE. WE ARE, MOREOVER, READYING OUR SUGGESTIONS FOR NEW ASSIGNMENTS FOR OUR PEOPLE NOW IN SPAIN AND PORTUGAL, IN VIEW OF THE CHANGING STATE OF AFFAIRS AND THE NEEDS OF OTHER REGIONS.

IN THE INTERIM, DATA ON THE FOLLOWING SUBJECTS ARE DESIRED BY [illegible]

FRANCE:

A. WHAT IS THE ATTITUDE HELD BY THE DEPUTIES AND SENATORS WHO STAYED IN FRANCE? WHAT ACTION, IF ANY, DO THEY INTEND TO FOLLOW? [illegible] OF THIS INFORMATION WHETHER IT IS DEFINITELY CONFIRMED OR JUST [illegible].

B. WHAT POLITICAL PROJECTS ARE AFOOT FOR RENDERING INVALID TRANSFERS OF PROPERTY TO QUISLINGS OR NAZIS DURING 1940-44?

C. WHAT ARE THE POLITICAL ATTITUDES AND FEELINGS IN THOSE PARTS OF FRANCE WHICH HAVE BEEN LIBERATED?

(CONTINUED) [illegible]

OPERATIONAL IMMEDIATE

DATE AUGUST 20, 1944 TIME 10:14 AM

TO MADRID, SPAIN

FROM CHIEF, OSS MEDITERRANEAN BRANCH, NAVY BLDG. CASERTA

DECLASSIFICATION

INFORMATION

(CONTINUATION OF #5787, PAGE TWO)

TRANSMITTED IN CODE OR CIPHER

IT IS OUR RECOMMENDATION THAT, DURING THIS INTERREGNUM, YOU CONFER WITH THE AMBASSADOR ON THE METHODS BY WHICH WE CAN HELP TO SECURE THE INTELLIGENCE WHICH THE STATE DEPARTMENT, IN THEIR #2304, DATED AUGUST 19, ASKED FOR, AS WELL AS IN OTHER WAYS. YOU HAVE THE AUTHORITY TO REDISTRIBUTE YOUR 51 PEOPLE IN ANY MANNER THAT WILL HELP ACCOMPLISH THIS END.

[illegible] 8/20/44 4:15 AM

[illegible] ETO, [illegible], RCE

OSS Form 69 (Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE August 25, 1944

FROM

MADRID

TO SECRETARY OF STATE

OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

IN-19177

DISTRIBUTION

(FOR ACTION)

STATE

(FOR INFORMATION)

SI, DIRECTOR, SECRETARIAT, MAGRUDER, SRS, X-2.

U. S. GOVERNMENT PRINTING OFFICE 16—87883-1

RECEIVED IN CODE OR CIPHER

#2911.

SECRET

Yesterday Thomas of the OSS here wired to the OSS in Washington asking how the SI branch of OSS should operate in political and economic fields in the neutral countries. Obviously he wants instructions that will enable him to keep SI operating in Spain now that the success of the military in Spain (sic) is rapidly lessening the authorized activities of OSS, by the agreement which was made with this Embassy last November.

The handling of economic and political matters affecting this country are in the hands of the Embassy, and we are capable of doing what is required. If OSS is permitted to operate independently in those fields this would mean duplication that can not be justified, and confusion. To judge from the past, Washington would begin to receive undigested and fragmentary bits of information.

In view of the agreement with OSS of November 3, 1943, and of what has just been said, I am convinced that this OSS branch (SI) should be restricted to those matters in Spain which the Embassy requires it to do. These requests will not be so very frequent; so the services of a skeleton staff in SI will be adequate.

HAYES

SECRET

TOR: 9/4/44 11:02 a.m.

OSS Form 69 (Revised)

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE August 25, 1944

FROM MADRID

TO SECRETARY OF STATE

OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

IN-19177

DISTRIBUTION

(FOR ACTION)	(FOR INFORMATION)
STATE	SI, DIRECTOR, SECRETARIAT, WAGRUDER, SRS, X-2.

U. S. GOVERNMENT PRINTING OFFICE 16—37843-1

RECEIVED IN CODE OR CIPHER

SECRET

#2911.

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In view of the agreement with OSS of November 3, 1943, and of what has just been said, I am convinced that this OSS branch (SI) should be restricted to those matters in Spain which the Embassy requires it to do. These requests will not be so very frequent; so the services of a skeleton staff in SI will be adequate.

HAYES

SECRET

relay to London for WD

T 9/6/44 11:02 a.m.

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

RECD 8/24/44 7:01 P.M.

X PRIORITY
ROUTINE
DEFERRED

DATE August 24, 1944

TO USSRAFIC, LONDON

FROM OFFICE OF STRATEGIC SERVICES

OUT-16276

DISTRIBUTION

(CONFIRMATION TO ORIGINATOR)

FOR INFORMATION

DIRECTOR

SECRETARIAT, MO, MORUDTH, BIGELOW, FTO, X-2.

TRANSMITTED IN CODE OR CIPHER

SECRET

#64214. Cheston to 109.
This cable sent to Algiers as #56624.

Cable #64204 from Roller to Smith sent to London concurrently with this points out that Hayes agreement forbids MO activity for Spain and requests that sending of Harvard copies to Madrid be cancelled. The Hayes agreement (dated November 1943) states that morale operations will not be undertaken for the present. You may believe this an appropriate time to reopen with Hayes question of MO work particularly where it is directed solely against Germany and, as here, is underground paper which requires no additional personnel in Spain.

SECRET

CBC

INITIALS OF "RELEASING" OFFICER

TOD: 8/24/44 8:33 P.M.

[redacted]

[redacted]

[redacted]

OFFICE OF STRATEGIC SERVICES

DATE AUGUST 25, 1944

FROM MADRID, SPAIN

TO OFFICE OF STRATEGIC SERVICES SECRET

ACTION: SI

INFORMATION: DIRECTOR, SECRETARIAT, MAGRUDER, DISELEW, ETO, MOTO, X-2.

SECRET

PRIOR. ARGUS FOR REGIS.

IT IS APPARENT FROM THE RECENT FAVORABLE MILITARY EVENTS THAT OUR SI ACTIVITIES ON THE PENINSULA MUST RECEIVE NEW EMPHASIS. IT IS ESSENTIAL TO CLEAR WITH THE STATE DEPARTMENT THE EXTENT AND DIRECTION TO BE TAKEN IN POLITICAL AND ECONOMIC FIELDS IN NEUTRAL NATIONS. PG 61/6 JUST ARRIVED, BUT FOR THE MOST PART DOES NOT APPLY. CONSEQUENTLY, RECOMMEND THAT YOU SEND THE TEXT OF THE NEW DIRECTIVES TO US BY CABLE.

Spain

X

SECRET

TOR: 8/25/44 10:42 PM.

FILE

OSS ACTIVITIES IN SPAIN AND PORTUGAL

Tab		
A	4/3/43	Ltr fm Sec. Joint Staff Planners and two ltrs from Adolf Berle, and memo from General McNarney
B	4/8/43	Ltr fm General Deane enclosing copy of J.P.S. 154/D "Supervision and Control of Intelligence Activities in Spain" Encl "A" and "B" Berle letters Encl "C" and "D" memoranda from the Deputy Chief of Staff
C	4/9/43	Reply made by General Donovan before the J.C.S. meeting on 4/9/43 in answer to Tab B.
D	4/10/43	Letter fm Sec., Joint Staff Planners, that by direction of the Joint Chiefs they have discontinued consideration of the above papers (Berle's letters)
E	7/17/43	Memo from JCS re investigation of OSS activities in Spain and Portugal. Enclosures: a. J.C.S. 372/1 b. Copy of memorandum for U.S. Joint Chiefs of Staff from Deputy Chief of Staff, U.S.A., same subject as above, dated 11 July 1943, listing three enclosures A, B, and C.
F	7/21/43	Memo to JCS with information requested from OSS
		Tab A - Folder with documents giving authorization (not enclosed)
	(Tab X)	Tab B - Outline of OSS activities in Spain and Portugal requested in paragraphs 2 through 4.
	(Tab Y)	Tab C - Memo implementing above.
	(Tab Z)	Tab D - Organization Chart, Iberian Peninsula.
G	7/23/43	Memo to JCS answer to Tab "C" of JCS memo of 7/17/43 re OSS activities in Portugal (Gen. Strong memo on possible compromise of cryptographic intercept system).
H	7/23/43	Memo to JCS encl. memo on OSS efforts to get Gregory Thomas into Spain.
I	7/31/43	Memo to J.C.S. [illegible] info on Tab H
J	1/30/45	Memo to Pres. J.C.S. [illegible] observations on U.S. Intelligence Services
K	9/25/45	Memo from Ryan re his activities in Spain
L	9/29/45	Memos to & from J.C.S. re F.B.I. activities in Spain
	2/7/[illegible]	[illegible] with Berle re F.B.I. [illegible] in Madrid
M		Hayes agreement of Nov 4. 1943

Declassified and Approved For Release 2013/08/15 : CIA-RDP13X00001R000100160001-6

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY

Madrid,
December 15, 1941.

Dear General Donovan:

I am glad to have your letter of November 29 and its ample assurances that you and I see eye to eye about the situation and needs in Spain and that our understanding continues mutually satisfactory. Gregory Thomas arrived a few days ago at Lisbon, and I expect to see him in Madrid in the very near future.

With kind personal regards,

Yours sincerely,

Carlton J. H. Hayes
American Ambassador

Major General William J. Donovan,
Director, Office of Strategic Services,
Washington.

SECRET

29 December 1944

Ambassador Carlton S. Hayes
United States Embassy
Madrid, Spain

My dear Mr. Ambassador:

Gregory Thomas has reported the results of his several conferences with you prior to his departure from Madrid, and I find his report confirmed by your letter of the sixth which reached me on the sixteenth. It is gratifying to know that we are agreed as to the necessity for continuing SI work in Spain, and I am glad that a satisfactory basis has been established for carrying out the duties required of the Office of Strategic Services under its directive from the Joint Chiefs.

I have discussed your letter with Mr. Thomas and he says that the skeleton SI organization which you propose will, so far as he can now determine, be sufficient to enable him to carry on. I have, therefore, initiated steps to complete the withdrawal of surplus staff, leaving as attaches and Embassy clerks only those persons listed in your letter. You realize, of course, that the actual orders for withdrawal or reassignment have to be issued by the State Department.

I share with you the feeling that there is a possibility that some now unforeseen emergencies may arise in the Peninsula. In such event, it would be necessary to increase our SI personnel in Spain above the bare minimum recommended in your letter of the sixth. I take it for granted that, in any such circumstances, you would view any necessary increase with understanding.

Mr. Thomas tells me that you are satisfied with the X-2 work and staff in Spain. We have been fortunate in obtaining an unusually capable group of trained men and women for the performance of that function, and I am aware of the fact that their task has been simplified by the facilities which

Yours sincerely,

SECRET

SECRET

you have made available to me.

With kind personal regards, I am

Sincerely yours,

William J. Donovan
Director

SECRET

[redacted]

To	Room No.	Date	Officer's Initials	Comments
Chief				

Each comment should be numbered to correspond with number in To column.
A line should be drawn across sheet under each comment.
Officer Designations should be used in To column.
Each officer should initial (check mark insufficient) before further routing.
Action desired or action taken should be indicated in Comments column.
Registered sheet should always be returned to Registry.
For Officer Designations see separate sheet.

SECRET

SECRET

24 November 1944

To Mr Whitney H Shepardson

From Spencer Phenix

At Gregory's request, I send you herewith a draft reply from the General to Ambassador Hayes which he and I believe meets the requirements of the situation. I think it important that the General sign a reply before he leaves so if you will be good enough to take the matter up with him perhaps that can be accomplished.

SECRET

21 November 1944

Draft of letter from General Donovan to Ambassador Hayes

My dear Mr Ambassador:

Gregory Thomas has reported to me in detail the results of his several conferences with you just prior to his departure from Madrid, and I find his report confirmed by your letter of the sixth which reached me on the sixteenth. It is very gratifying to me to know that we are all agreed as to the necessity for continuing SI work in Spain, and I am glad that a satisfactory basis has been established for carrying out the duties required of the Office of Strategic Services under its directive from the Joint Chiefs of Staff.

I have discussed your letter with Mr Thomas and am assured by him that the skeleton SI organization which you propose will, so far as he can now determine, be sufficient to enable him to carry on the activities required of him. I have, therefore, initiated steps to complete the withdrawal of surplus staff, leaving as attaches and Embassy clerks only those persons listed in your letter. You realize, of course, that the actual orders for withdrawal or reassignment have to be issued by the State Department and while I shall endeavor to expedite matters, I do not know what State Department delay may occur.

I share with you the feeling that there is a possibility that some new unforeseen emergencies may arise in the Peninsula. In such event, it would be necessary to increase our SI personnel in Spain above the bare minimum recommended in your letter of the sixth and

SECRET

agreed to by Mr Thomas. I am confident that, in such circumstances, you would view any necessary increase with sympathetic understanding of the requirements of the Joint Chiefs of Staff and would cooperate in meeting the need promptly.

I am much pleased with what Mr Thomas tells me of your satisfaction with the X-2 work and staff in Spain. We have been fortunate in obtaining an unusually capable group of trained men and women for the performance of that important function, and I am aware of the fact that their task has been greatly simplified by the facilities which you have so generously made available to them, and by your constructive interest in the overall X-2 problem.

My conversations with Mr Thomas have been concluded and he tells me that the State Department is arranging for his departure before the end of the month.

Very sincerely yours,

With kind personal regards, I am

Frank Pace

To: Planning Rep

This is our only file copy - please return.

Leo Nomee

Director's Office

(3308)

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY

Madrid, November 6, 1944.

Personal and
Strictly Confidential

Dear General Donovan:

Mr. Gregory Thomas has showed me the message which you telegraphed him for me on November 1. I am grateful for it and delighted to know that our minds run along so closely together. Naturally, I have discussed its contents with Thomas and likewise with Embassy officers directly concerned.

My specific ideas, as now crystalized and communicated orally to Thomas, are as follows:

1. The C.E. work of O.S.S. should continue as it is under Medalie, in intimate contact with the Embassy and Consulates, on the present scale of operations and with the personnel already designated and accepted. In view of the fact that the entire Embassy staff, including its other auxiliary services, is being very considerably reduced, it would upset the balance to increase further the present C.E. contingent, especially since it appears as ample as it is to perform needful significant work. In other words, I wish neither decrease nor increase of present C.E. personnel.

2. The S.I. situation is different. In the past, as long as German armies were occupying France, there was a clear and important function for S.I. of O.S.S. to perform in and from Spain, and justification for its maintaining a large staff here. But that function and hence that justification have now become purely historic. Spain has ceased to be strategically important in itself or as a base for penetrating the enemy.

3.

General William J. Donovan,
Chief, Office of Strategic Services,
Washington.

3. I agree with you, however, that S.I. of O.S.S. in Spain, while being reduced to a skeleton organization and to a bare minimum of activities, should not be withdrawn altogether unless or until the Department of State or the Joint Chiefs of Staff direct otherwise or the situation within this country is further clarified.

4. The one reason for continuing a skeleton S.I. organization in Spain is the possibility--though in my opinion it is not a probability--that within the next six months there may be a domestic revolution or uprising which might precipitate a renewal of the Civil War with possibly complicating effects on our own war effort. If such a contingency, however remote, should actually arise, it would be desirable, in my opinion, to have already in Spain a nucleus of secret intelligence which could then be newly expanded to meet that emergency.

5. Meanwhile, there seems to be very little for a continuing nucleus or skeleton of S.I. or O.S.S. to do needfully or profitably in Spain. The Embassy, the several Consulates, and the C.I.C. organization are so fully staffed with experienced, trained, and specialized investigators and observers, who in turn have such numerous contacts with such a wide variety of Spaniards as to insure a pretty complete (and safe) coverage and reporting of political and economic developments here of concern to any part of our Government.

6. The immediate problem, as I see it, is to reconcile Paragraphs 4 and 5 preceding and to find something for a continuing nucleus of S.I. to do which will exercise its energy and sustain its morale, pending possible future change of the internal Spanish situation, and which, at the same time, will not duplicate or impede the political and economic work being done by the Embassy and Consulates or other work being done by the offices of Military, Naval, and Civil Aviation Attaches. The solution of the problem must lie, I believe, in more or less artificially creating jobs for a continuing remnant of S.I. personnel within the Embassy.

7.

7. As a result of conference with other military officials charged with responsibility for economic and political investigation and reporting, the Commercial Attache (Mr. Ralph Hitchman) has expressed a belief that it will be possible and practicable to utilize our remaining skeleton staff of S.I. of O.S.S. to supplement current investigation of transfers of Axis assets and looted property to Spain, provided it is carried on under the direction of, and in full collaboration with, the existing setup in the Commercial Attache's Economic Section of the Embassy. With this belief I concur, and I accordingly commend it to your favorable consideration.

8. The foregoing proposal is not intended to preclude future reporting by the remaining S.I. staff here direct to O.S.S. headquarters in accordance with existing procedure as provided for in the agreement of November, 1943.

9. On the size of a remaining skeleton staff of S.I. in Spain--just how skeleton it should be--Mr. Thomas and I seem to be in accord. In addition to Thomas himself, who I understand would continue to exercise general supervision of O.S.S. affairs throughout the Peninsula and who would spend a considerable part of his time in Portugal, the staff in Spain would consist of two officers (Messrs. MacMillan and Darlington), three technical assistants (Mr. Dunay as code clerk, Mr. Turpin as radio operator, Mr. Gonzalez as photographer), and two women clerks (Misses Kasley and Goodrich). This staff would appear ample and maximum for carrying on the work indicated in Paragraph 7 above, and for any unforeseeable contingency. All other S.I. personnel should be withdrawn from Spain immediately.

10. The S.I. skeleton staff remaining in Spain should be centered in Madrid, and no branch offices should be maintained at Barcelona or elsewhere, particularly in as much as a continuing presence of more or less known S.I. agents at, say, Barcelona would be sure to compromise the C.E. agents operating there under Consular cover. At Madrid, Mr. MacMillan, as well as Messrs. Darlington and Turpin, should have the title (and cover) of Embassy Attache,

while

while Messrs. Duran and Gonzalez and Misses Easley and Spearich can most securely continue under the anonymity of simple Embassy clerks.

With deep appreciation of your telegram and with continuing best personal wishes, I am

Faithfully yours,

Carlton J. H. Hayes
American Ambassador

To: _____

TAB 1 ltr to Hayes 13 Sept. 44

TAB 2 ltr fm Hayes

TAB 3 2 ltr fm Argus 15 Sept.

TAB 4 proposed cable to Hayes.

Cable received 11/V

Director's Office

(9108)

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

MEMORANDUM

November 2, 1944

TO: General William J. Donovan

FROM: Frank T. Ryan

Argus has sent a verbal message to you via Miss Elizabeth Van Kirk, one of our secretaries in the Madrid Mission, who has returned to this country on temporary leave.

Argus's message is to the effect that:

> The Ambassador has banned all transmissions, whether by cable or by pouch, of information received by OSS sources concerning the present difficulties experienced on the Franco-Spanish border. The Ambassador further stated that for his intelligence on this subject he would rely exclusively on the French, the British and his own consulates.

This additional muffling of our Organization in Spain further illustrates the necessity to consider anew a course of action to be taken in connection with our Spanish Mission.

F. T. R.

cc: General John Magruder

SECRET

SECRET

November 1944

Honorable Cordell Hull
Secretary of State
Department of State
Washington, D. C.

Dear Mr. Secretary:

In order to bring to your attention communications between Ambassador Hayes and this office concerning our [illegible] activities in Spain, [illegible] to Ambassador Hayes [illegible] his reply of 4 October 1944 [illegible] cable I sent him yesterday.

Sincerely,

William J. Donovan
Director

Attachments

SECRET

SECRET

13 September 1944

The American Ambassador
Madrid, Spain

My dear Mr. Hayes:

Your approval of Gregory Thomas' trip to London is much appreciated and I am grateful for the promptness with which your Embassy arranged for his departure.

The changing situation has made it appropriate for us to consider [illegible] our objectives [illegible] to broaden [illegible] consider[illegible] tatives [illegible] we [illegible] would place our re[illegible] a [illegible] by [illegible] the share [illegible]

In [illegible] with Thomas' advice [illegible] I have approved the reassignment of certain persons who he feels would be suitable for our work in other areas and who are no longer essential to his mission. Steps have been taken to arrange for the prompt transfer of such persons.

With regard to our future intelligence activities in Spain, we are primarily concerned with the continuing enemy even though his withdrawals to his own borders make it

SECRET

[illegible] imperative to try to [illegible] military [illegible] [illegible] German battle order from [illegible] to a [illegible].

On the positive side we shall continue to serve the Supreme Command of the Allied Expeditionary Forces with all secret intelligence concerning the enemy, whether that Command is in France (as now) or in Germany, later. We shall also, as now contemplated, serve the American Group of the Allied Control Commission in Germany itself. We shall also continue to work under and render reports to the Joint Chiefs of Staff in Washington, and to State, War, and Navy Departments, FEA, and other government agencies. We shall continue to do this at least as long as the war in its varying forms continues.

In this connection we have received a detailed requisition for German intelligence from SHAEF and an even more detailed requisition from the Department of State. I am placing these requisitions not only in the hands of our personnel on the heels of the enemy but also in the hands of our Swedish and Swiss representatives, as well as giving copies to Mr. Thomas. Answers to many of these questions can be found sitting in outlying neutral countries than in Germany itself, and I am desirous that our secret intelligence people in Spain pursue these lines to the utmost.

In both background matters and in current intelligence, our efforts in the Peninsula to secure information on Japan

itself and other Far Eastern [illegible] can be expected to produce good results. I am sure you are aware how little is [illegible] about Japan is available to the Allied Command. I am sure you will agree that any barrier, however easily it may appear to be at first sight, must be stamped at the very bottom.

Now that France is liberated, it is more difficult to carry on secret intelligence work in that country, not because of the presence of the enemy, but because of the inclinations of our French friends who would prefer to give us their local intelligence rather than see us get it ourselves. Because of the interest of various departments of our government--including the State Department which has outlined fully to us the information they need on France--it becomes increasingly necessary for us to base French intelligence operations in neighboring countries, including Spain. I believe that you will fully understand these needs and this program and will support the continuation in Spain of [illegible] personnel needed for the above described purposes.

I believe that you are in accord with our conviction that counter-espionage work should continue unabated. This work revolves around the activities of German agents, subversive German efforts, and other activities in Spain of enemy personnel. The staff of our CE branch, however, will require additional clerical personnel for its proper development. I have asked Thomas to discuss this situation with you and to request your

SECRET

[illegible] for such [illegible] may be necessary for effective work in this field.

The work already done in Spain, notably that which concerned military matters, has been most valuable to our cause for many months past in the planning and execution of the invasion and liberation of France. We have more testimony from the highest military authorities to this effect. The present understanding by you of the needs for the continuation of our activities in the fields of positive intelligence and of counter-espionage will greatly aid in the accomplishment of our further work. Thomas has spoken to me of his relations with you and his work with the Embassy. I am sure he will continue to conduct his activities in a manner which will cause you no concern and that he may count on the full assistance of the Embassy.

It was a pleasure to see you in Washington and to be able to afford you the opportunity of seeing something of our operations there particularly as represented by the work of the Planning Group.

Faithfully yours,

WILLIAM J. DONOVAN
Director

SECRET

SECRET

OFFICE OF STRATEGIC SERVICES

WASHINGTON, D.C.

30 October 1944

MEMORANDUM FOR General Donovan

I think this letter is very good and have no changes to suggest. It was suggested previously that Phenix go to Spain to convince the Ambassador of the necessity to retain SI activities.

I assume you talked with Spencer and he advised against a personal visit.

In connection with other related matters, I am suggesting conversations with the State Department for the purpose of fixing our relations in neutral countries and in those countries in various stages of emergence from German occupancy.

John Magruder, Brig. Gen.
Deputy Director, OSS - Intelligence Service

SECRET

SECRET

20 October 1944

MEMORANDUM FOR: General Donovan

I feel this letter is very good and have no changes to suggest. It was suggested previously that Phenix go to Spain to convince the Ambassador of the necessity to retain SI activities.

I assume you talked with Spencer and he advised against a personal visit.

In connection with other related matters, I am suggesting conversations with the State Department for the purpose of fixing our relations in neutral countries and in those countries in various stages of emergence from German occupancy.

John Magruder, Brig. Gen.
Deputy Director, OSS - Intelligence Service

alh

SECRET

OCT 23 10 12 AM '44

Gen. Magruder
Please give me
your comments
on the proposed law

D.

NYS #4 OCTOBER 24, 1944 SECRET

TO: BRIGADIER GENERAL WILLIAM J. DONOVAN

FROM: SPENCER PHENIX

I SUGGEST YOUR CABLED REPLY TO AMBASSADOR HAYES BE SOMEWHAT AS FOLLOWS:

"PLEASE ACCEPT MY SINCERE THANKS FOR YOUR CONSTRUCTIVE AND UNDERSTANDING LETTER OF THE 5TH. I FULLY AGREE WITH WHAT YOU SAY REGARDING THE CURTAILMENT OF SI ACTIVITIES AND PERSONNEL AND AS YOU KNOW, MUCH HAS ALREADY BEEN DONE PURSUANT TO RECOMMENDATIONS FORMULATED BY THOMAS LAST JULY, IN THE LIGHT OF THE RAPID CHANGE IN THE FRENCH SITUATION.

I DO NOT TAKE YOUR LETTER TO MEAN THAT YOU SUGGEST THE COMPLETE CESSATION OF SI WORKIN SPAIN BUT YOU RIGHTLY POINT OUT THAT ANY SECRET INTELLIGENCE ORGANIZATION OPERATED BY US SHOULD BE SECRET IN FACT AS WELL AS IN NAME. TO THE EXTENT ESSENTIAL PERSONNEL HAS BEEN COMPROMISED, IT SHOULD, OF COURSE, BE REPLACED. IT IS MY FIRM BELIEF THAT THE VITAL INTERESTS OF THE UNITED STATES REQUIRE THE MAINTENANCE OF SECRET INTELLIGENCE SOURCES AND MACHINERY IN SPAIN FOR USE WHEN EMERGENCIES ARISE AND UNTIL INSTRUCTED TO THE CONTRARY BY THE JOINT CHIEFS OF STAFF, I MUST MAINTAIN SOME SI FACILITIES IN SPAIN. I FULLY REALIZE THE DELICACY OF THE DIPLOMATIC SITUATION AND AS YOU POINT OUT WE MUST DO NOTHING TO IMPAIR OUR NATIONAL PRESTIGE. THE PROBLEM IS A DIFFICULT ONE AND CANNOT SAFELY BE DISCUSSED IN DETAIL IN CABLEGRAMS OR LETTERS. I AM, THEREFORE, INSTRUCTING THOMAS

TO RETURN TO WASHINGTON AS PROMPTLY AS POSSIBLE FOR CONSULTATION. IT WOULD BE VERY HELPFUL IF YOU WOULD TALK TO HIM FULLY AND FRANKLY BEFORE HE LEAVES SO THAT WE MAY HAVE YOUR SPECIFIC VIEWS BEFORE US. IT WILL BE MY ENDEAVOR TO WORK OUT WITH THOMAS A PLAN FOR REDUCING SI PERSONNEL AND WORK IN SPAIN TO THE ABSOLUTE MINIMUM, CONSISTENT WITH OSS RESPONSIBILITIES TO THE JOINT CHIEFS OF STAFF AND YOUR SPECIFIC RECOMMENDATIONS IN THAT CONNECTION WOULD BE OF THE UTMOST VALUE.

SECRET....
2:30 PM

SECRET

Pouch Letter No. [illegible]

Lisbon, [illegible] October 1944

To

From [illegible]

Since my return from London I have adopted a firm but courteous attitude in my dealings with Ambassador Hayes and have spared no pains to persuade him of the continuing value of an American intelligence service in Spain. The Ambassador, in spite of your letter in which you stated the aims of our organization in Spain, has maintained the position which he expressed in his recent letter to the State Department. Briefly, his attitude can be described as the refusal to admit of any advantage to be derived from the maintenance by the United States of an Intelligence Service in order to gather information through clandestine means and from unofficial sources. This appears to be equally true whether the information sought concerns enemy activities or Spanish internal affairs therein.

The Ambassador's opposition is directed exclusively against [illegible] work conducted in any manner outside of his immediate control. [illegible] emphatically expressed his conviction that counter espionage [illegible] an important part of the work of an Embassy and he [illegible] Unit to be closely integrated within the Mission.

The Ambassador believes that all intelligence of value can [illegible] obtained by members of the Embassy and Consular [illegible] and that such matters should be reported to the [illegible] through regular diplomatic facilities. I have [illegible] that I cannot agree with his position, that [illegible] require me to stay in Spain for the purpose of my mission, [illegible] the whole question will have to be settled in Washington. I believe that the status quo can be maintained as long as you [illegible]. It must be realized that a large and regular flow of intelligence material from our mission in Spain will not be possible under these conditions. The Ambassador has stated that he will not object to the maintenance in Spain of a skeleton staff which can, if necessary, be enlarged to cope with future contingencies. But even in making this concession the Ambassador stated that he can see no proper field for present of activity in Spain and that he expects that whatever staff should remain in Madrid and Barcelona would be concerned largely with the liquidation of our past activi-

[illegible]

SECRET.

SECRET

Mr. Hayes says that he was given to understand by you that our activities were temporary and limited to the gathering of military information primarily concerned, insofar as Spain is concerned, with the securing of strategic intelligence from areas of military operations, principally those which were immediately adjacent to Spanish territory. Now that the German armies are far from the Pyrenees frontier the Ambassador will not admit of the importance of Spain as a base for intelligence operations. He apparently considers our role as purely temporary and is not in sympathy with any activity which might indicate plans for the development of our organization into a general and continuing American Intelligence Service.

Just prior to my departure from Madrid the Ambassador said to me that he believed that I was only waiting for the appointment of a new Ambassador. I assured him that this was not the case, that I had always found him to be a reasonable man and was sure that he would change his views concerning our position in Spain. I added that if he were unable to reach a conclusion favorable to our continued operation, while affording us such cooperation as we had received from the Embassy in the past, I would be faced with the impossibility of doing my work in a satisfactory manner and that our work would have to be done as directed by our Organization on behalf of the Joint Chiefs of Staff. With that our inconclusive talk came to an end.

It is obvious that either we must do little more than maintain our position in Spain while awaiting a more favorable attitude on the part of the Embassy or it will be necessary for the State Department to send the Ambassador a clear directive defining the field in which we are to operate and collaborate with the Embassy.

Regards.

SECRET.

109.

It should be noted for your information with regard to the last paragraph of my pouch letter A-1 of October 13th 1944, that we are conducting clandestine penetration activities of both Portugal and France from our Spanish base through private-cover agents and secret couriers. We are also conducting a chain penetration of Rhodesia and Galicia from our Portuguese base through other clandestine channels. I hope that such penetration activities from one neutral country into neighbouring countries may serve as valuable experience for our future intelligence operations in any case the time and conditions are propitious for our elaboration of such networks as should be of increasing importance to us. I expect no comment from you on this phase of our operations for the present, unless you instruct they be discontinued. I am enclosing this note for your personal information and no further reference will be made to it, as it follows the lines of my London conversations with you. Jackpot and one zero five.

Argus.

7/14-44.

SECRET

COPY

République Française

Direction Générale
des Services Spéciaux

Fr. Rephaël le 8 Septembre 1944

[illegible] le Directeur Général des Services
[illegible] Général [illegible] Directeur de l'O.M.S., il a et.
[illegible]

[illegible] veillant pour l'O.S.S.
[illegible] se trouvant en dehors des autorités
[illegible] au vent
Françaises [illegible] dans les [illegible] du territoire français où la libération de la portion du territoire français où ils se trouvent. Ils doivent se déclarer comme ayant travaillé pour O.S.S.

A partir de ce moment, ils cessent d'appartenir à O.S.S.

Les Services Spéciaux Français se chargent de régulariser leur situation militaire et, le cas échéant, de demander aux autorités compétentes les promotions ou dépendances auxquelles les Français peuvent avoir droit.

Le Directeur Général des Services Spéciaux

Signé: Jacques Soustelle

SECRET

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(ORIGINATING TSCO)

TOP SECRET

TOPSEC

Pouch Letter No. A-2

Lisbon, 23th October 1944.

To : 109

From : ARGUS

1. Today I have written you in general terms concerning the difficult situation which prevails in our relationship with the Ambassador in Madrid. I have written this letter so that it may be used by you without revealing supplementary details which are the subject of this communication.

2. One of my most serious handicaps in Madrid is my inability to communicate freely with you without submitting my correspondence to the scrutiny of the Embassy and were I to speak my mind freely I would rapidly become involved in inextricable complications which would render our daily operations almost impossible. As you know, the Ambassador has the right to see any communication transmitted by diplomatic pouch from his Embassy. Mr. Hayes has interpreted this right to see any communication as his duty to scrutinize every communication and, since this would take too much of his time, he has delegated a First Secretary of the Embassy in Madrid to act as a supervisor of our correspondence and reports. This situation has prevailed ever since I have been in Madrid and has not been relaxed, although I have suggested several times that the activities of our organization are now on a plane which deserves the confidence of the Ambassador.

3. The Ambassador told me that he now wished us to discontinue all of our French penetration activities as such operations were incompatible with our friendly relations with an Allied country and that their continuance would lead to friction with the French Mission in Madrid. He also said that he believed that French penetration from Spain for intelligence purposes would only gather information which could be more readily secured by our Army in France. When Elton, who was present at this meeting, informed the Ambassador that the discontinuance of our chain operations across the Pyrenees would result in the cessation of all information from this important border area, the Ambassador took exception on the grounds that the British and French Intelligence Services would continue to supply the necessary information, which could properly be supplemented by the casual visits of well qualified consular officers to the areas in question. This, I submit,

Argus

TOPSEC

[illegible] extraordinary position to be taken by an American Ambassador.

> "[illegible] I attach copy of a document given to [illegible] which provides for the cessation of the services of all our agents who are French nationals in France within 30 days of the liberation of the area in which they are located. I have not informed the Ambassador of this agreement as it would likely [illegible] with regard to our French agents personnel. And, [illegible] This agreement has never been brought officially to our attention either by London or by Washington and I trust that it is not intended to apply to agents of French nationality employed outside of France or who may be sent into France at a date subsequent to its conclusion. I would appreciate any interpretation that you can give me as to the scope of this understanding which, if extended, might well bring to an end such of our French intelligence activities as are conducted through French nationals.
>
> I also attach copy of Fitton's report to me on his trip to France and conversations with [illegible]. This is the full report, a copy of which was previously sent from Madrid in abbreviated form to avoid Embassy knowledge of suggested continued operations in France by Madrid base.)

4. The Ambassador has taken a positive stand with regard to the conduct of economic intelligence as the exclusive prerogative of the Economic Control Section of the Embassy. Mr. Klaus, of FEA, who recently visited Spain and with whom SI Washington asked us to cooperate, can give you an enlightening picture of the refusal of the Embassy to invite our cooperation in this field.

5. The Ambassador has expressed himself as being opposed to continuance with any autonomy within his mission in Spain of any emergency war-time agency". This, with the exception of a nucleus [illegible] and a skeleton OSS mission, has been put into effect.

6. Although the offices of the Military and Naval Attaches are conducting investigations and report to the War and Navy Departments concerning Spanish political developments, the Ambassador refuses to allow our Agency to make such reports, stating that his [illegible] is well qualified for this purpose. I suggested to him that we had many possibilities for the development of direct contact through agents with opposition party leaders and [illegible] and that we could obtain information which is not prepared for submission to the American Government and that such unprejudiced material could well serve as a complement to the regular political reporting of Diplomatic and Consular officers. The Ambassador did not agree.

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Page 1.

7. With regard to our X-2 organization, its integration [illegible] the Embassy is rapidly making it [illegible] any autonomy which [illegible] its relations with the British [illegible] service will [illegible] suffer under this handicap and I have already discussed the [illegible] Wren of the British Service. He is anxious to [illegible] [illegible] manager in London, [illegible] great difficulty in his [illegible] relations with our Embassy to foster the [illegible] because of failure of our Embassy to [illegible] relationship which has been so profitable on a [illegible] organizational plane.

8. X-2 field officers would be greatly handicapped if they did not enjoy the Vice-Consular status which was promised [illegible] at the time of their recruitment. You will appreciate how [illegible] difficult it is for a clerk to maintain the type of contact which our officers would find most helpful in this field. The Embassy assures me that Vice-Consular status will be provided for Noel in Bilbao and Doyle in Barcelona as soon as these two officers prove their competence and satisfy the Embassy requirements for the conduct of their activities. No Vice-Consular status will be requested by the Embassy for Leddy although when he was recruited he was told in Washington, I believe by the Department as well as by our Organization, that such status would be granted him. It should be noted that Noel was formerly a career Vice-Consul at Guadalajara, Mexico, and Doyle and Leddy both had diplomatic status, the former as Legal Attache in Buenos Aires, the latter as Legal Attache in Havana. The only reason given by the Embassy in not approving their appointment from Washington with Vice-Consular status was that considerable delay would be experienced in obtaining their Spanish visas. Since a considerable number of months elapsed between their selection by our Organization for their present assignments and their dispatch to their posts in Spain, this consideration was probably not valid. At the same time the Ambassador assured me that both Noel and Doyle, as well as any other field officers appointed to the Natural Consulates, would be granted Vice-Consular status when they had reached their posts. Although Leddy's status was not made clear at the time, I recommend a Vice-Consular appointment for him in Madrid as benefiting his cover and the efficiency of his work as well as in fulfillment of the understanding upon which he was engaged.

9. Upon I have told the Ambassador of my conviction that the United States should have an independent intelligence organization capable of rendering to our Government the intelligence service which is rendered to foreign governments by their intel-

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licensed agencies he has countered with such statements as "Congress must decide whether O.S.S. will be given public funds to conduct intelligence activities".

10. At the present time I am afforded by the Ambassador in Lisbon with free secret communication for my correspondence with my principals in Washington and my associates elsewhere. As long as this condition prevails I intend to spend a greater part of my time in Lisbon so as to be in closer touch with you and our future plans as they develop in Washington. It is important, however, that the Ambassador in Madrid get no inkling of the fact that I am using Lisbon for this purpose as I have no doubt that under such circumstances he would object to my return to Spain and my future usefulness in assuring an outlet for our intelligence from Madrid would be at an end. For this reason I would appreciate your instructing both MI and X-2 to make no reference in communications sent to Madrid to any communication which they may have received from me from Lisbon.

Regis.

TOPSEC

SECRET

OFFICE OF STRATEGIC SERVICES
Washington, D.C.

[illegible] 1942

MEMORANDUM FOR General Donovan

The Ambassador to Spain in stating that employed in peacetime was "un-American" [illegible] himself. This conflict is consistent with his [illegible] during critical periods of the war when he placed [illegible] possible obstacles in the way of operations of [illegible] destine intelligence.

I don't consider Ambassador Hayes [illegible] of either career or non-career chiefs of missions. He is incorrigible and [illegible] situation. Nevertheless, it [illegible] not imperiling secret intelligence by making known any details of operations to any chief of diplomatic mission (or their wives or their daughters).

I have discussed this matter with Mr. [illegible] office and find that the State Department has consistently defended our right to conduct secret intelligence operations in Spain. They have cooperated very genuinely in assisting us despite the Ambassador's attitude. They agree that we should not give up our SI activities but would like to keep it at the minimum consistent with requirements, and to handle the matter as delicately as possible with the Ambassador.

I think the circumstances warrant sending Atlas to adjust the matter with the Ambassador. He should first come to Washington and obtain a clear-cut idea of the intended scope of SI operations and familiarize himself with the State Department's attitude.

John Magruder, Brig. Gen.
Deputy Director, OSS - Intelligence Service

SECRET

Dear Mr. Butler

If the Council has expressed any reaction about the proposed letter from Ambassador Hayes, I shall be glad to know so that I can have a chance to be sure that I can have an answer to proceed in preparing an answer.

Office of the Secretariat

SECRET

Declassified and Approved For Release 2013/08/15 : CIA-RDP13X00001R000100160001-6

Date [illegible]

To: General Donovan

Do you want to have a letter drafted for you?

R. J. Petrelli, Jr.
Lt. (j.g.) USNR

Yes

Office of the Executive Officer

(30449)

Declassified and Approved For Release 2013/08/15 : CIA-RDP13X00001R000100160001-6

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY

SECRET

Madrid, October 5, 1944.

My dear General Donovan:

I have received your letter of September 13, 1944, and I am very glad to have the benefit of your views on OSS matters.

I have, of course, given much thought to appropriate revision of our activities in Spain in the light of recent changes in the military situation which have made some of our previous operations entirely superfluous while others have become impracticable. In this connection, I have conferred with representatives of the several agencies of our Government stationed in Spain, including Mr. Thomas, and they have all shown a commendable appreciation of the need of altering our operations. As a result, a large-scale reduction in staff and expenditures has commenced. This reduction has become increasingly necessary, moreover, because of the marked decline in certain types of deals through which financial requirements of the American representation in Spain, including OSS, have been met.

I am in agreement with Mr. Thomas that 60 per cent of the American staff of the SI organization in this country can be released immediately; in addition, the foreign staff and operatives of the organization should be correspondingly reduced in number. I have given careful consideration to possible field of unduplicated activity for SI in Spain, and that its basic objective of obtaining information regarding the enemy in France has been removed, and I have come to the conclusion that, while a nucleus of selected personnel might serve a useful purpose in obtaining specified data which might not be readily obtainable through the extensive, and hitherto adequate, channels of information developed in this country by the offices and representatives of our Government

who

General William J. Donovan,
Director, Office of Strategic Services,
Washington, D. C.

[illegible]

Obviously, it would be especially unjustifiable to re-
part to argument and risk undercover procedure to obtain
data which can be secured through legitimate channels, and
it is to be noted, in this connection, that the Spanish auth-
orities, though tolerating if not activities directed in the
past against the enemy in France, have been exceedingly sen-
sitive about possible or actual attacks directed against Spain
and especially its involvement with Spanish citizens, ex-
ments. For this reason, and in consideration of the still un-
settled Miranda incident, and in consideration of the still un-
the delicate situation currently prevailing along sections
of the Franco-Spanish border, the Spanish Government has for
some time been exercising a very close surveillance over per-
sons who are suspected in the slightest degree of being in-
telligence agents. It must be further kept in mind that the
French are also sensitive regarding the activities of foreign
agents and are desirous of avoiding border incidents, as has
been demonstrated by the French Mission in this country,
which, through past associations, has an even more extensive
knowledge of the local OSS organization than the Spanish auth-
orities.

Consequently, and if there is liaison between French and
Spanish intelligence services dealing with border control
matters, as has been indicated by O.S.S., there would be a big
possibility of joint efforts to make us scapegoats for any
frontier incidents which might occur. Such a possibility
looms recently as a consequence of the presence on the
French side of the border of an OSS mission headed by an
American with a Spanish police record, who had been smuggled
out of this country by the Embassy with the connivance of
the Foreign Office in order that elements hostile to the right
not be able to create an extremely awkward situation for us.
The mission, so headed, also included some Spanish exiles in
uniforms with American insignia, and it is reported that ef-
forts were to have been made to induce the leader of the
Spanish Maquis on the border to give "commissions" to these
Spaniards as well as to other Spanish employees of OSS who
were to be brought from Marseilles. I wish to commend Mr.
Lockwood of your organization for his initiative and coop-
eration in facilitating the recall of this mission from the
frontier.

In

In view of the foregoing, I do not consider it advisable to continue agents in the Spanish Zone from Spain into Spanish Morocco. Espionage and intelligence activities of other [illegible] from Spain risk supplying the risk of espionage prejudicial to our relations with both countries. In the light of experience with Spain and France officials who have been in contact with the Embassy, it can not be argued that either of the two countries in question is likely to be indifferent to the use of Spain as a base for the purposes referred to.

The other phases of intelligence mentioned in your letter appear to be essentially fields for OSS activity, for which combined and coordinated Embassy, consular and OSS unit operations have already been developed. The OSS unit has been interwoven into our Embassy and consular structure in Spain not only for cover reasons, but because of a close relationship of records and work. It is not contemplated that any [illegible] will be made in the personnel engaged in this work. [illegible] of Embassy and consular activity decrease, [illegible] personnel can be diverted when necessary to OSS [illegible] the situation in this regard will continue to be [illegible] reviewed in the light of results obtained when the [illegible] of OSS personnel already approved by me has be[illegible].

[illegible] I might point out that, whatever the fu[illegible] of general activity for SI in Spain may be, it will [illegible] to continue agents in this country who have [illegible] the penetration of France against the enemy, which was [illegible] in the past. Such agents would always be open to [illegible] that they have diverted their attention to activities which are directed against Spain and France, with the resultant creation of ill-will against us. There seems [illegible] have developed a feeling in some OSS circles that we, in the role of victors, should force the Spanish authorities to accept the presence and operations of known intelligence agents regardless of the possibility or probability that their activities are concerned with the internal affairs of Spain or an adjacent country while we are at peace with one and an ally of the other. Such an attitude is, of course, illogical if only because it disregards the fact that a service conducted on this basis would no longer be secret, would endanger native contacts, and would facilitate counter espionage by the local authorities. Our national prestige with both the Spaniards and the French would be lowered by such untenable spying, particularly, as in the case of France,

against

against an ally, and we would be openly flouting our traditional stand against interference in new affairs of other nations. Besides, we would be inconsistently demanding something which we would certainly not permit in our own country. Clearly, a secret intelligence organization operated by us in this country should be secret in fact as well as in name.

I recall with the greatest pleasure the delightful and instructive meetings I had with you and members of your staff while I was in Washington. With all good wishes and the highest personal regards, I am,

Sincerely yours,

Carlton J. H. Hayes,
American Ambassador.

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(To be [illegible])

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(ORIGINATING TSCO)

(41456)

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TO: [illegible]

FROM: [illegible]

In accordance with [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] detailed as follows:

Upon arrival at Perpignan I learned that [illegible] had met with an automobile accident [illegible] in a hospital [illegible] and consequently unable to keep his appointment with me. I discussed the [illegible] [illegible] with Lt. William Fitzgerald and pointed out to him the [illegible] obvious dangers and embarrassments which could be caused by the continued presence of this mission in Southern France. He agreed with me [illegible] [illegible] in spite of the fact that the mission had [illegible] [illegible] Lt. Fitzgerald agreed that under the circumstances he would take upon himself, together with my backing, the responsibility of ordering the mission back to Marseille. Accordingly, the [illegible] left Perpignan on the morning of September 20th, [illegible] for Marseille.

In Perpignan I met HOHO, Cisco and Castillo, and proceeded immediately to Lezignan with them and remained there overnight at the home of Quroe.

HOHO CHAIN – The majority of the members of the HOHO chain have already been debriefed by HOHO in the presence of either Sands or Lt. Fitzgerald, and as soon as it is possible for HOHO to travel to Bordeaux, he will contact his agents in that region. Either Sands or Lt. Fitzgerald have already secured the names and addresses of most of the members of the HOHO chain, and HOHO is now preparing a short report on each individual member of his chain, giving the details of their activities during the time they worked as members of his chain. Sands already has the stories of the activities of some of these sub-agents, but his list is far from complete and will of necessity have to be completed by HOHO himself. I hope that a full and complete report will be forthcoming from HOHO in the very near future.

At Perpignan the situation appears very calm and the most disturbing news that I heard was to the effect that the local authorities were releasing many of the ex-militiens and this action is, of course, being severely criticised, particularly by the members of our chains. I shall report on this matter at a later date.

On Thursday, September 21st, I left Lezignan accompanied by Castillo and bound for Toulouse. En route to Toulouse we stopped and called on the family of Claude (ex SO chain). I also called on Jacqueline's sister and brother-in-law, who had both done active and valuable work for the Resistance Movement and who had just returned to their home from a hiding place to which they had been forced to flee because of the fact that they were being hunted

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[illegible]

[illegible]

[illegible]

[illegible] - On [illegible] I also called on Aubry, who is staying with [illegible] further interrogations. I instructed him to prepare a complete list of the [illegible] addresses and a short story of the activities of each [illegible] his [illegible] so that it could be delivered to me when I [illegible] his early work. Aubry is also anxious to continue working for us, and since he is an ex-professor, he claims that he is in a position to get interesting academic and political intelligence for us. He is waiting for further orders.

I arrived at Toulouse late [illegible] evening and was [illegible] by [illegible] of Captain Cane. On Friday, September [illegible], I called on the [illegible] H - 18 of the [illegible] chain and expressed my condolences for the loss of his mother and also for the [illegible]. I had a long talk with Colonel Rothinger, who is head of Military Affairs in Toulouse. Colonel Rothinger was very much worried over the Communist activities in Toulouse and particularly with reference to the activities of Colonel Ravanel, the war time head of the local FFI. But when he claimed in reality a Communist, adding that Colonel Ravanel was working very closely with the FTP. Colonel Rothinger was very anxious for a demonstration, in some form or another, of Allied (preferably American) interest and force in the Toulouse area. I pointed out to him that that was a very difficult problem which involved diplomatic relations with sovereign France and perhaps that might not be possible. He suggested as an alternative that the French government send an important contingent of French troops to Toulouse to take over the administration of local affairs which was now in the hands of FTP, FFI and Spanish Maquis, and that something should be done very soon to incorporate these armed groups into the Army or disarm them.

Colonel Rothinger impressed me as being a very levelheaded and idealistic Frenchman who was very much worried about the political future of France. He is a strong supporter of Captain Cane and is most certainly in a very favorable position to know of political developments in the Toulouse area. I assure him he would be willing to do so either through Captain Cane or direct through any responsible person where we might have contact him.

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I had planned to leave Spain on [illegible] but just before leaving I [illegible] the news that Zenda was on his way to Spain and would very soon [illegible] me. He was due to arrive the following day, and I naturally postponed my return and met Zenda's arrival Sunday afternoon.

Upon Zenda's arrival, he discussed the background of the Paris Mission at Perpignan and he agreed unhesitatingly that Mr. Fitzgerald and I had acted wisely in having this mission returned to Marseille.

I discussed with him the future activities along the border and he informed me the only reason that he and his associates were traveling in southern France was to contact the members of the Spanish chains in order to thank them for their valuable services and render any aid that was necessary in each individual case. In three cases it was necessary to get agents of ours out of jail and in several other cases it was found that agents were in dire need of financial aid. All of these matters had apparently been taken care of satisfactorily by Zenda and in my opinion we should be thankful that he did the job and that it was not imposed on us.

Zenda also pointed out that he had instructions to disband his organization and that this organization in France included seven Spaniards whom he had recruited in Paris Area and who had rendered extremely valuable services to our cause at the risk of their lives. He discussed the possible embarrassment which might be caused to the Embassy at some future date if these Spaniards were discharged along the frontier and if they engaged in activities with the Spanish Maquis, and at the same time publicized the fact that formerly they had been recruited by and worked for the U.S. Army. Zenda assured me that he knew these men personally and that they were not rabid "politicos" but merely professional men, several of them ex-Spanish naval officers, and who, he was sure, would not indulge in political activities against the present Spanish regime and much less in the name of the U.S. Army. It was finally agreed that he would not dismiss these seven Spaniards until I had returned to France for a further conference with him on Saturday, September 30, and at which time I was to bring with me the ideas of the Embassy and our organization in Spain with regard to the discharge of these men. He added, however, that it would be necessary to discharge them, and that these men had expressed their desire to live in southern France and near the Spanish border, where they would be among Spanish-speaking people, and that in view of their past services, he was not in a position to deny their wishes, particularly since he had received orders from the Seventh Army to disband his organization.

Zenda, however, did agree and to approach the Spanish Maquis in the name of the U.S. Army, with the request that these men be given preferential attention or consideration in the Spanish Maquis. This had been Zenda's original idea, but since I pointed out to him the obvious danger and repercussions of such action, he decided that he would not carry out this plan and that the men would be merely discharged and sent on their way.

TOPSEC

TOP SECRET

[illegible]

[illegible] Zenda, and he expressed the desire to have [illegible] help him locate these men. [illegible] return to France on September [illegible] of the men to France [illegible] of the U.S. agents.

FORD, Cinco, Zenda, Carlile, [illegible] continue working for us as intelligence agents which [illegible] detrimental to the interests of Franco. [illegible] reports on political matters [illegible] capable of doing so. It is, of course, [illegible] of these people as capable of adding [illegible] of some of the good contacts they have in political circles, [illegible] that they would be in a rather favorable position to report on political matters, if it is ever decided to use them in the future.

I plan to see FORD, Arnor and Carlile in Barcelona on my return, and also Simon and Jacquelin in Barcelona before I leave, and explain to them that it is necessary for us to terminate our relations with them, because of the agreement between our Government and theirs. I will also tell them that since they are old friends and have helped us a great deal, that I hope we can count on them in the future, perhaps to answer any questions we may have regarding developments in their area. I shall make a full report upon my return, giving their names, addresses and a key to guide, which can be used by anyone wishing to contact them in our name at some future date.

At Montauban, Zenda discovered a German map depot, consisting of approximately 1,000 tons of maps, including 100 tons of German military maps of Spain. Samples of the maps of Spain will be sent to Madrid, after they have been shown to Gen. Chancorra.

TOP SEC

1st Ind. DVR/cl

INTELLIGENCE OFFICE, HEADQUARTERS, 2677 REGIMENT OSS (PROV.), APO 534, U. S. ARMY, 6 October 1944.

To: Director, OSS, Washington, D. C.

1. In view of fact that operational control of Co. A is now under OSS, ETO, and full control is about to be transferred to it, and of the further fact that OSS, WD, has an especial interest in SPAIN, this headquarters considers that Mr. Schoonmaker's letter should be indorsed to you for your consideration and possible action.

2. Copy of cable referred to in first sentence of letter enclosed herewith.

For the Commanding Officer:

David V. Rosen

DAVID V. ROSEN
Lt. Col., Infantry
Acting Intell. Officer

Attachment - 1
Cable #77 to Sunnyridge.

Ext Ind

INTELLIGENCE OFFICE, HEADQUARTERS, 2677 [illegible] (Prov.), APO 534, U. S. ARMY, 6 October 1944.

To: Director, OSS, Washington, D. C.

1. In view of fact that operational control of Co. [illegible] now under OSS, MTO, and full control is about to be transferred to it, and of the further fact that OSS, WD, has an especial interest in SPAFF, this headquarters considers that Mr. [illegible] maker's letter should be indorsed to you for your consideration and possible action.

2. Copy of cable referred to in first sentence of letter enclosed herewith.

For the Commanding Officer:

DAVID V. ROSEN
Lt. Col., Infantry
Acting Intell. Officer

Attachment - 1
Cable #77 to Sunnyridge

SECRET

18 September 1944

From Caserta to Sunnyridge, rpt Wash rpt London

#77 - 285 to Washington - 141 to London.

Glavin and Maddox to Gentry, info Base London, Regis Wash.

1. Following conference with our Ambassador, Madrid Office reports need for immediate withdrawal of Zenda and any other OSS personnel in Border area, particularly Spaniards. Border situation is tense and repercussions with both French and Spanish authorities are expected if this action is not taken.

2. We concur in this recommendation. Notify us at once of what action you take.

3. Rodrigo leaves soon for Madrid to investigate situation further.

4. Madrid inquires also on what authority Zenda has paid off and dismissed members Spanish chains.

SECRET

Dear Colonel Devin:

Your cable to Colonel Donovan with regard to the Spanish border and "Spanish chains" arrived in Marseille just as I was leaving for Marseille. At Colonel Donovan's request I dictated a hasty reply wherein I promised to send you an unofficial personal, a written report of the situation.

The Madrid message which you quoted makes the following chief points:

1. That I should be "withdrawn" -- presumably from the border area.

2. That the situation is tense along the border and that all OSS personnel should therefore leave the area in order to avoid crossing the border.

3. That unless this is done, there are likely to be difficulties with a) the French and b) the Spanish authorities.

4. That there is some question regarding my authority to a) pay off and b) dismiss, agents belonging to the Spanish chains.

I should like, if I may, to answer these points in this order.

1. As to my "withdrawal", your message found me a great deal nearer the German than the Spanish frontier. You will recall that I requested over a week ago that someone other than myself (I mentioned Ensign Andrews) be assigned to this specific territory. Within some fifteen days at the outside, I expect to complete my present job in Southern France, and I have no intention of remaining here nor desire to remain here thereafter. For the record, however, I have visited the Spanish frontier only once -- that in an effort to make contact with our representative in Barcelona. In effecting this liaison I used a fictitious name and exercised in general the same care that I exercised in arranging your recent interview at Annemasse. In other words, the job was carefully planned and, if I may say so myself, carefully carried out.

2. Madrid's "recommendation" as to the withdrawal of all OSS personnel from the border area reflects, in my opinion, merely the extreme conservatism (I hesitate to use the word "timidity") of our Ambassador. You will recall that his last protest involved our use of Spanish personnel in France -- this we carried through General Roderick and General Bissell and the Joint Chiefs of Staff, who sided in our favor. There, at least, the Ambassador could point to the importance of our intelligence chains over the Pyrenees and therefore to the importance of our leaning over backward in order not to offend General Franco. It was the opinion of General Bissell that the personnel employed in France was, to put it bluntly, none of Mr. Hayes' or General Franco's business. Incidentally, we are going to have one hell of a fine intelligence service if we pull all personnel out of every area as soon as it becomes "tense" -- i.e., interesting. I again urge that someone speaking fluent Spanish be sent there as soon as possible.

The Ambassador has perhaps one small point in his favor here, however, for it seems that one of our French agents near Perpignan has not been as discreet as I might have wished. He has already been removed

from the sites, and the Guerillas from Spain themselves, were rather unwelcome [illegible] to [illegible] (i.e. the Americans) [illegible] to [illegible]. This [illegible] nothing [illegible] along the frontier. [illegible] service directly [illegible] [illegible] assignment I have [illegible] our people in this [illegible] of determining which agents of the Office [illegible] [illegible] upon Spaniards whether or not they [illegible] are attempting [illegible] Spain based entirely upon the [illegible] of the Seventh Army. I am [illegible] illegitimate [illegible].

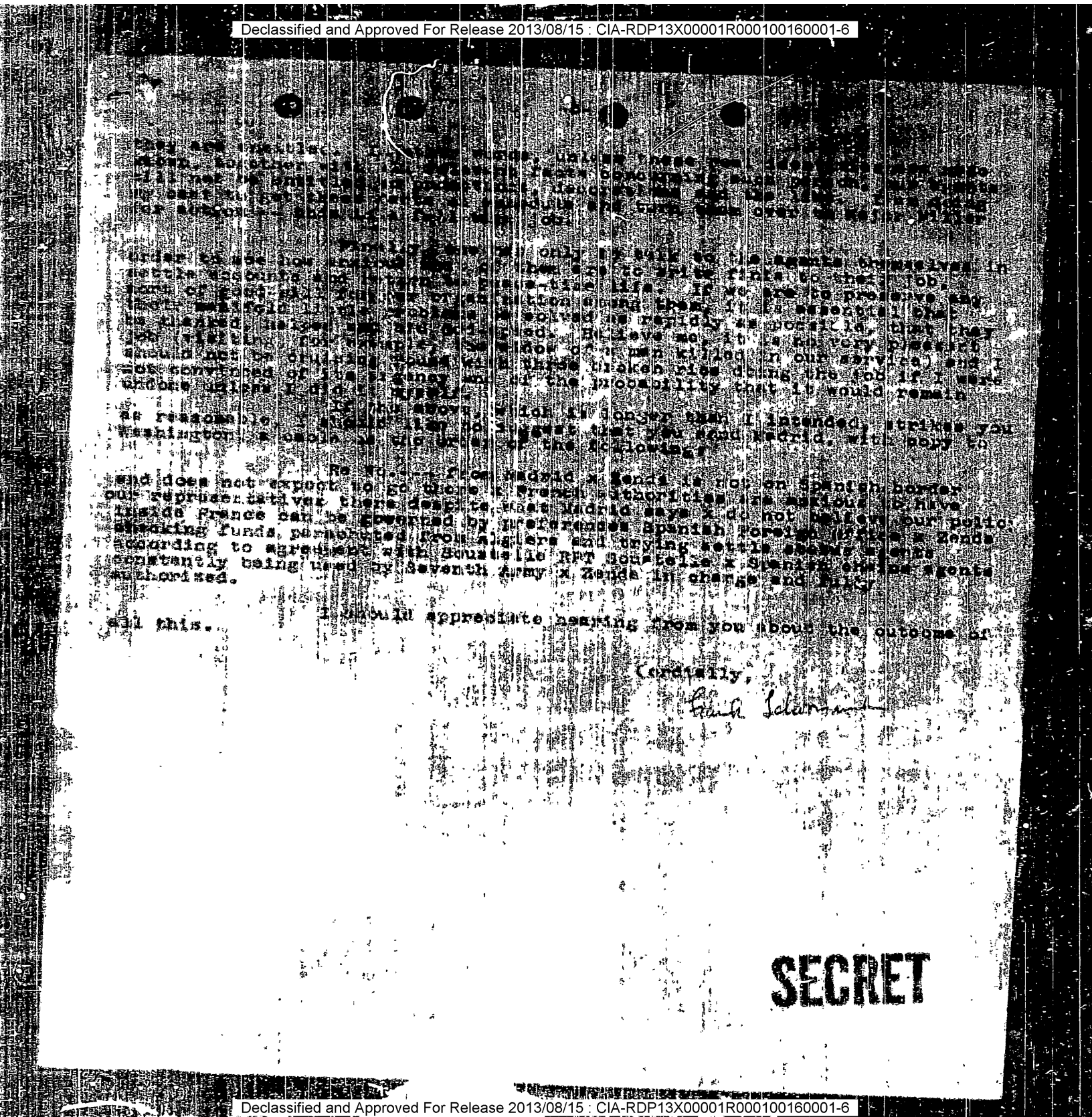
3. It is the opinion of Madrid that we are likely to have [illegible] more valuable [illegible] personnel [illegible] the area, with the [illegible] as well as with the Spanish authorities. This is a [illegible] of [illegible] [illegible] I have talked at considerable length with the [illegible] of the Pyrenees Orientales and Ariege, with the Douaniers [illegible] [illegible] of Pyrenees Orientales and Ariege, with the local commanders of the F. F. I. people in both departments and with the local commanders of the F. F. I. [illegible] all of them are most anxious that our intelligence [illegible] Spanish, all of them are most anxious that our intelligence [illegible] [illegible] an observer or observers in the border zone. I have every reason to believe that our presence would be no less welcome to the Spanish authorities who would vastly prefer to deal with representatives of any American service than with the F. F. I. Do this last at its may, what possible right have the Spaniards to express even a preference regarding the activities of our people in a military zone in a friendly Allied country outside of Spain? Further again to General Bissell's attitude on this matter. If the Spanish military intelligence does not like what we are doing in France (activities in no way directed against Spain) I suggest that they be invited to jump in the lake.

4. Now as to my authority for dealing with, paying off, etc., agents of the so-called Spanish chains:

As the head of the Spanish Desk under your command I have [illegible] for operations) funds totaling in excess of 5,000,000 fr. and para-[illegible] to the "Spanish chains" in question. Even had I not specific orders regarding these funds, it would be my obvious duty to make a close check on their actual expenditure, to collect what had not been spent (I have already [illegible] over 1,000,000 fr.) and to correct any under- or over-payments [illegible] our agents. Incidentally, the only W/T communications of these "Spanish chains" were set up by personnel recruited and trained in Algiers [illegible] infiltrated into France, and the virtual direction of these [illegible] has been mine since a month or more before the invasion. It was my definite understanding that, once operations were under way, people no longer "had chains" -- all belonged to the Seventh Army. Agents attached to Spanish chains have been used in all sorts of ways since [illegible]. I myself put two of them through the lines and I have sent at least a score forward for me by Henry Dyer and by our divisional teams. It is absurd to imagine that even agents "belonged" to some other regional section of OSS - they volunteered, and were used.

In addition I have been in personal contact first in Algiers and [illegible] since the landing, with more and more of our chains heads. A good number of those I myself recruited when I was in Spain, others have come to us through the lines, still others have been in [illegible] contact with us through Algiers. My handling of agents has in [illegible] based on the recommendations of these chain heads, their chiefs [illegible].

As you are of course aware, General Donovan, through [illegible] or deceit, worked out a pretty definite agreement with M. Rousselle [illegible] agents of French nationality. Under the terms of this agreement, all agents employed by us must be reported to French [illegible] [illegible] after the liberation of their town or department [illegible] receive the recognition of their efforts and of their [illegible] French



[illegible]

Under [illegible] only [illegible] agents [illegible] in [illegible] to [illegible] job. [illegible] if we are to preserve and [illegible] solved as rapidly as possible, but they [illegible] Believe me, it is a [illegible] very pleasant [illegible] in our service) and I [illegible] the probability that it would remain [illegible]

As reasonable [illegible] which is longer than I intended, strikes you [illegible] suggest that you send Madrid, with copy to [illegible] of the following:

Re [illegible] from Madrid x Zendi is [illegible] on Spanish border and does not expect to go there x French authorities are anxious to have our representatives there despite that Madrid says x do not believe our policy inside France can be governed by preferences Spanish Foreign Office x Zende [illegible] according to agreement with Gouzelle RPT Gouzelle x Spanish [illegible] agents [illegible] authorized.

I would appreciate hearing from you about the outcome of all this.

Cordially,

Frank Wisner

SECRET

SECRET

INFORMATION ROUTING SLIP

Subject: Letter to Ambassador Thyra

Originator: [illegible]
Date: [illegible]
Addressee:
Date Rec'd:

To	Room No.	Date Rec'd	Date Fwd'd	Initials	Comments Indicate action desired or taken
Mr. Geo. W. Baxter		Sep 28	3 40 PM '44		SEP 29 1944
Mr. Mr. Orsera			SEP 30		
Mr. Mr. Mary V			10/3		
Secretariat					

11. [illegible] initials.

MEMORANDUM by air pouch

15 September 1944

TO: General William J. Donovan

My dear General:

Attached is a copy of the letter over your signature which has been forwarded by pouch to Ambassador Hayes. This letter was read and approved by Colonel Bruce before it went out.

Whitney H. Shepardson

attachment as cited

United States
SECRET
Equals British
& SECRET

SECRET

[illegible] 1954

The American Ambassador
Madrid, Spain

My dear Mr. Lodge:

Your approval of Gregory Thomas' trip to Lisbon is much appreciated and I am grateful for the promptness with which your Embassy arranged for his departure.

The changing situation has made it appropriate for us to consider new plans and new objectives. It has been possible to bring here, for such consideration, our principal representatives from Sweden and Switzerland, as well as Mr. Thomas. We have thus been able to end and plan our future program as a whole.

I had previously heard through the State Department of your desire that our personnel in Spain be somewhat reduced in number. Mr. Thomas shares that view and I agree. He has recommended and I have approved the re-assignment of certain persons who he feels would be suitable for our work in other areas and who are no longer essential to his mission. Steps have been taken to arrange for the prompt transfer of such persons.

With regard to our future intelligence activities in Spain, we are primarily concerned with the continuing enemy even though his withdrawals to his own borders make it unremunerative to try to pursue strictly military subjects such as German battle order from Spain as a base.

SECRET

[illegible]

[illegible] Japan [illegible] Eastern subjects can be expanded to produce [illegible] miles. I am sure you are aware how little intelligence [illegible] available to the Allied Command. I am sure, you will agree that any barrel, however empty it may appear to be at [illegible] must be scraped to the very bottom.

SECRET

SECRET

[illegible]

[illegible] the Army, but because of the fundamental [illegible] [illegible] would prove to give us more [illegible] [illegible] side is not in question. Because of the [illegible] [illegible] independently of our determination [illegible] [illegible] which has problems only to us [illegible] [illegible] necessarily necessary for us [illegible] [illegible] in overseas [illegible] [illegible] have you all fully understood these [illegible] and this program and will support the combination in [illegible] of [illegible] personnel [illegible] for the above described purposes.

[illegible] that you are in accord with our conviction that [illegible] should continue unabated. This [illegible] activities of [illegible] subversive [illegible] and other activities in Spain of enemy [illegible]. The [illegible] of our [illegible] [illegible], however, will require additional [illegible] for the proper development. I have asked [illegible] discussion with you and to request your [illegible] for such [illegible] of a [illegible] for effective [illegible].

[illegible] probably that which would [illegible] [illegible] will be our aims for many [illegible] invasion and [illegible] on the [illegible]

will greatly aid in the accomplishment of our further work. I have had reason to see of his relations with you and his work within the Library. I am sure he will continue to conduct his activities in a manner which will cause you no concern and that he will spend in the full assistance of the Library.

It was a pleasure to see you in Washington and to be able to afford you the opportunity of seeing something of our operations there particularly as represented by the work of the Planning Group.

Faithfully yours,

WILLIAM J. DONOVAN
Director

SPECIAL

7/15

General—

Do you want to talk with SIS and also OSS

Intelligence

NR

[redacted]

[redacted] Sept. '44

General Donovan

Colonel [redacted] and [redacted] Branch are most anxious to deal with you concerning the future of OSS in Spain.

The attached cables, as well as certain OSS communications, seem to call for policy decisions at an early moment.

If you will indicate when you care to see the appropriate parties, I will communicate with them for you.

E. J. Putzell, Jr.

Office of the Executive Officer

SECRET

(10449)

Madrid
Sep 18
Sect SECRET

SUBJECT: Ambassador Hayes reports OSS liquidation of SI staff in Madrid

Now that our military mission has turned out so well in France, it would seem that no reason exists for continuation of the OSS secret intelligence staff in Spain, except perhaps in a greatly reduced form. Since our November 1943 agreement its work has been confined almost wholly to obtaining information about the enemy in France. While this work was useful and productive last winter and in the early part of this year, its practical utility has now to all intents and purposes come to an end. As a result, a certain waste of public money is occurring, while OSS personnel are becoming restless and in some cases are undertaking to carry out economic or political work which the Embassy's own large personnel is well able to do, and which it is doing ably and responsibly.

I would suggest that there is no unduplicating or helpful work in which most of the existing SI staff might be used, and also that the Spanish and French authorities here are aware of the presence of these people from the United States and that any attempt with these authorities will

become highly conversant in the agent's own words after the [illegible] has passed away. While Spanish authorities have learned the ropes by which OSS penetrated France this time, a view to operations against the enemy, they have attempted to obstruct when they thought OSS might be engaged in cooperation with Spanish irreconcilables or in espionage against this country. Therefore, if the Spanish are aware of the existence of OSS people here, there is no doubt, in view of the incident at Malaga which has not yet been settled, that they will assume that we are trying to incite the Maquis of Spanish origin inside France to invade this country, and also that we are causing difficulties in Spain itself.

The French already are worried, as I mentioned in my SS 15 of Sep. 4, lest OSS incite incidents along the frontier by stimulating the Spanish Maquis who are in France. In fact, there is evidence of recent date that foreign espionage personnel who have worked in connection with France are beginning to be thought of by the French as potentially dangerous to French internal security. Hence, the French are likely to view their continuing work in Spain with disapproval.

For all these reasons, it is my conviction that immediate and sweeping reduction of the OSS staff in Spain is necessary. I was told last week by Thomas that in his opinion about 60% of his existing staff of Americans could be dismissed

and that he has already sent Washington from Lisbon a recommendation to this effect.

Now, with no intention of suggesting that I be relieved of any of the persons de no minis, I ask to have the following leave Spain, some being known to be OSS agents, or very much suspected, and all now being superfluous.

Both of the Gonzales brothers, Gallery, Golden, Erickson, Reina, Locke, Tigard, Lockwood, Lowner, Snee, McCarthy, Mellon, and 5 women clerks who are U S citizens and whom Thomas will designate. Smith agrees with the proposal that Singleton also be transferred, since his part time work in connection with desired of oil can be transferred to another attache whom Smith has available. In addition, it is my recommendation that OSS be asked to send no more unofficial agents to Spain and gradually to remove or dismiss those who are here.

After the above recommended personnel changes have been completed, the official SI staff in Spain will still comprise an executive, 2 oil observers, 2 attaches, and 6 clerks of whom one is in actuality a field operative. This is no doubt a sufficient staff to finish off the organization's jobs, giving direction to any useful investigative work, such as the use of Spain to supply and fuel German submarines, so long as any chance of this remains. I believe that it would be possible to justify continuing outlay of Government money for a skeleton staff such as this, but not for the large organization that is here now.

[illegible] of
staff of OSS, whose [illegible] functions [illegible]
[illegible] distinct from those of SI. What is urgently necessary
is a speedy and thorough personnel reduction of SI.

As the presence of Thomas in Madrid would not seem
plausible to the Spanish and the French unless it should
be related to the termination of OSS, his headquarters should
be in Lisbon and he should come to Madrid only infrequently,
and then for short periods.

HAYES

[illegible]

Will you please take up with the Ambassador the following message from me to him:

Military developments have moved so quickly, ~~since your 1 November letter that~~ the time seems appropriate to call to your attention to paragraph 4 of the first section of the November 3 agreement stating that no MO operations will be undertaken "for the present".

Under our basic JCS directive we are charged with responsibility for certain types of psychological warfare against the enemy. This does not contemplate operations against Spain. However, since the enemy has an embassy and other services in Spain these constitute not only an appropriate target but a means of reaching into Germany. Furthermore, Spain would be a useful base for operations against Germany other than those using their Spanish personnel as targets. We have carried out such operations in other neutrals without embarrassment to diplomatic missions. I believe we can carry them out in Madrid and other Spanish cities in such a manner that your mission will not be disturbed nor will the relationship of Spain and the United States be jeopardized. I know you will agree every means must be employed to bring the war to a successful, rapid determination. Psychological warfare is one weapon at our disposal. Now is the time it should be used. I, therefore, hope you will have no objection to our undertaking MO operations against the enemy from bases within Spain.

If you will inform me of your preference I shall ask Argus to discuss with you the details of personnel methods, and the like, or I shall send an MO representative to you forthwith.

[illegible]

Will you please have [illegible] message from [illegible].

Military developments will make it [illegible] I wrote you earlier that the time seems appropriate to call to your attention to [illegible] of the [illegible] of the Germans. I [illegible] that no MO operations will be undertaken for the present.

Under our [illegible] we are charged with responsibility for certain types of psychological warfare against the enemy. This does not contemplate operations against Spain. However, since the enemy has an embassy and other services in Spain these constitute not only an appropriate target but a means of reaching into Germany. Furthermore, Spain would be a useful base for operations against Germany other than those using their Spanish personnel as targets. We have carried out such operations in other neutrals without embarrassment to diplomatic missions. I believe we can carry them out in Madrid and other Spanish cities in such a manner that your mission will not be disturbed nor will the relationship of Spain and the United States be jeopardized. I know you will agree every means must be employed to bring the war to a successful, rapid determination. Psychological warfare is one weapon at our disposal. Now is the time it should be used. I, therefore, hope you will have no objection to our undertaking MO operations against the enemy from bases within Spain.

If you will inform me of your preference I shall ask Argus to discuss with you the details of personnel methods, and the like, or I shall send an MO representative to you forthwith.

I suggest that consideration be given to Joint's cable of 31 August re. In view of this query, do this appropriate moment to submit this request for an extension of OSS activities.

ECB

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D.C.

1 September 1944

To: The Director, OSS
Via: Deputy Director, SSO E.L.M.
From: Deputy Chief, MO
Re: MO Activities in Spain

1. Attached for your consideration is a draft of a proposed letter on the subject of MO activities in Spain.

2. It is suggested that in view of paragraph four of secret memorandum dated 3 November 1943, i.e., "Neither Morale Operations (MO) nor Special Operations (SO) will be undertaken for the present," the subject of exactly what is needed in Spain from an MO standpoint, how we intend to accomplish it, and what personnel is needed, should not be taken up pending a favorable reply to the attached letter.

John S. Roller

John S. Roller, Major, A. C.
Deputy Chief, MO

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

D R A F T

September, 1944

The Honorable Carlton J. H. Hayes
Embassy of the United States
Madrid, Spain

Dear Mr. Ambassador:

Military developments having profoundly altered the situation which existed in Europe at the time you sent me your letter of November 4, 1943, I am venturing to call attention to one clause of the enclosure thereto which might now be reconsidered. I refer to the paragraph numbered 4 of the memorandum on the understanding between the Embassy and OSS in Spain, which states that for the present, no morale operations will be undertaken in Spain.

Under direction of the Joint Chiefs of Staff, the Office of Strategic Services is made responsible for carrying on certain phases of psychological warfare against the enemy. As you doubtless appreciate, the directive does not contemplate that morale operations will be undertaken against the Spaniards. Such operations are directed solely against the enemy, and inasmuch as the enemy maintains an Embassy and other services in Spanish territory, these constitute a target as well as furnish a means for reaching into the heart of Germany.

I should like to point out that morale opera-

tions have been successfully carried out by the Office of Strategic Services in other neutral countries of Europe, without causing the American diplomatic missions any embarrassment or concern. I am confident that were such operations discreetly carried out in Madrid and other Spanish cities, your mission likewise would in no way be disturbed, nor would the good relations between the governments of Spain and the United States be in any way jeopardized.

I know you agree with me, Mr. Ambassador, that every means must be employed to bring this present war to a successful, rapid termination. One of the weapons that has proved its worth is psychological warfare. I therefore hope that you will have no objection to the Office of Strategic Services undertaking morale operations directed against the enemy from bases within Spanish boundaries.

If you will inform me of your preference in this matter, I will either ask Mr. Gregory Thomas to discuss with you the details of personnel, methods, etc., or I will send an MO representative to you at an early date.

With highest personal regards,

Sincerely,

William J. Donovan
Director

SECRET

[illegible] September 1944

[illegible] Colonel Warren
[illegible] Director
State Department

SUBJECT: Report of Certain Special Operations [illegible] in Algiers

Acting upon your request of 1 September 1944, I have prepared from the best available sources the following historical account of the operations which OSS undertook at the request of the U.S. Army in Algiers during the winter of 1943 by the personnel from which have been the basis of prolonged discussion between the OSS, the Department of State, and the U.S. Embassy in Madrid. All of the information contained herein has been made available at one time or another to the Department, and has been forwarded to the Embassy either by cable or dispatch.

A. Counter Espionage Measures for the Protection of the Fifth Army.

1. Toward the end of January 1943, three U.S. commissioned officers of Spanish origin, who had been recruited in this country by OSS, were dispatched to Algiers to secure other Spaniards for counter-espionage work in Tunisia. At this time no work in Spain or in Spanish Morocco was contemplated as it was specifically prohibited by AFHQ.

2. In April 1943, when the U.S. Fifth Army was training at Oujda, the question of the security of its left flank and rear became matters of paramount military importance. At the request of Colonel Howard, Assistant

SECRET

Chief of Staff, G-2, of the Fifth Army, OSS representatives came to Oujda to discuss Fifth Army security in relation to Spain, and the proximity of the Spanish Moroccan zone to the only east-west highway and railway in North Africa. The status of the war being somewhat less certain at that time than later, the Fifth Army was considerably worried, amongst other things, at:

(a) possible German invasion of Spain;
(b) German-Italian sabotage based on Spain;
(c) German-Italian intelligence based on Spain;
(d) Spanish cooperation with German;
(e) movement of German personnel on Spanish territory;
(f) Spanish equipment coming from Axis sources;
(g) Spanish cooperation in escape of German prisoners of war;
(h) Spanish order of battle and other military intelligence.

3. Colonel Howard came to Algiers in May 1943 to further discuss with OSS the possibility of extending its counter-espionage work to provide information on the above. OSS decided to accept this added responsibility, and with the close cooperation of the French and the G-2 staff of the Fifth Army, together with the personal assistance of General Mark Clark, commanding the Fifth Army, immediately began operations. A school was opened by the Fifth Army near Oujda to train a group of Spaniards who were recruited for this work in North Africa, and an underground route was established to Melilla. About the middle of July arrangements were made with the British and American Naval authorities at AFHQ to deliver four trained Spanish agents and one Spanish radio operator, all civilian, to Malaga. Radio contact was established shortly thereafter, and messages were regularly received at Fifth Army headquarters. All of the equipment used by this group, with the exception of the radio and one compass, came from French or Spanish army deserters, Italian saboteurs, or European refugees.

4. Because of the inability of OSS to supply these agents or to continue transportation, which was handled by the British, when the Fifth Army advanced from North Africa contact with them was broken. With the subsequent improvement of the Fifth Army's position, and with the opportunity

provided by the U.S. Consulate in Madrid for the [illegible] within Spain [illegible] with the [illegible] it was decided [illegible] to North Africa. [illegible] unimportant, [illegible] be considered [illegible] their activities [illegible]

5. It must be borne in mind that the situation in Spain and in Morocco during the Tunisian campaign and late during the Sicilian campaign, was extremely tenuous. Even of the Allied supplies passed through Morocco, a large part particularly valuable to sabotage, espionage, and even attack from Spanish bases. The loyalty of the French army, which was still being armed and supplied, was highly questionable, and the attitude of France and the Spanish Zone was more than dubious. According to reports from G-2 of the U.S. Fifth Army, the report of the work of this particular group of OSS agents and the intelligence which they obtained before and during this delicate phase of the campaigns in Tunisia and Sicily, was of inestimable value.

6. Colonel Eddy, who was Chief of OSS operations in North Africa during this period, is now employed by the Department of State as Minister to Saudi Arabia, and the particular official of OSS who was principally responsible for the training of this group of Spanish operators, has now returned to the United States and is no longer employed by OSS. The Fifth Army School at Oujda was discontinued some time ago, and its staff is no longer in that area.

7. Employment of Spaniards in [illegible]

[illegible] the more recent employment of Spaniards by OSS, the situation would appear to be that [illegible] the [illegible] of [illegible] OSS had established intelligence networks in France based independently on Algiers and Madrid and potentially London. It became imperative that all penetration of France be coordinated, and accordingly during the winter of 1944 a plan was approved in Washington to put this into effect. Subsequently the operation of this plan was centered in Spain with close liaison established between Madrid, London and Algiers.

3. As the time for the invasion of France drew near, the importance of the intelligence which was being received by the Army from OSS agents in France became increasingly important. Therefore, the speed with which this information could be delivered to Army headquarters was of the utmost importance. Delays on points such as transmitting to the Army became a matter of vital concern. At this time there were agents in France reporting [illegible] and an [illegible] of sending out their material [illegible] problem over the Pyrenees which of course took considerable time. After [illegible] to [illegible] everything in its power to cut down the time required for the transmittal of this intelligence.

3. There was but one solution to the problem and that was to have that intelligence which was most important transmitted by radio direct from France to the OSS base in Algiers. However, to accomplish this raised almost insurmountable problems. None of the agents had been trained in radio operation and were totally lacking in equipment. It was therefore necessary to secure personnel with the necessary language and other qualifications who were willing to undertake such a hazardous mission, train them in W/T operation, instruct them in parachute jumping, notify the agents in France of the plan, arrange pinpoint and reception committees, secure air transportation, drop in the operators and establish radio communication. With the dates determined for the invasion of France growing ever closer, time was very definitely of the essence.

4. The recruitment of satisfactory personnel was made more difficult by the attitude of the French intelligence services who were in the process of strengthening their own organizations preparatory to the invasion, and therefore would not release men as they had been willing to do in the past for assignment to OSS. As a consequence, a small number of Spaniards, actually something over a dozen, were recruited in North Africa for this service. Most of these had had some radio training, none were Communists, and all were carefully checked by OSS for security. It was planned to drop them by parachute to the existing intelligence networks in France where they would be used for the single purpose of transmitting messages by radio to Algiers. There was at no time any thought of their having anything to do with Spanish intelligence, and they were explicitly instructed not to enter Spain unless their lives were directly menaced.

b. Due to the delays in recruiting and training and to the reality with which the situation developed, the reports show that only two of these operators were actually dropped into France. The remainder of the project was actually abandoned, and the OSS headquarters [illegible] moved to Paris. OSS has its 2 Lt. Colonel of [illegible] from G-2, AFHQ, and the 7th Army for the intelligence received through its intelligence network based on Madrid.

c. It can only be reiterated that OSS employed these Spaniards at the insistence of the Army that the transmission of intelligence from France be speeded up. OSS is not new and has not been in the past interested in any respect whatsoever in carrying on any activity against the Spanish Government. In accordance with its directive from the Joint Chiefs of Staff the OSS has been and is interested primarily in securing secret enemy intelligence which can be used by the Army, the Navy, and the State Department in the successful prosecution of the war against the Axis nations. In so doing, the OSS believes that it is fully living up to its agreement with the U.S. Embassy in Madrid.

Oliver Jackson Smith, Jr., Lt. Col.,
Acting Assistant Deputy Director, OSS
Intelligence Service

OSS:mlb

SECRET

OFFICE OF STRATEGIC SERVICES

WASHINGTON, D. C.

17 July 1944

MEMORANDUM FOR GENERAL DONOVAN

FROM: Roger A. Pfaff, Major, Inf.
Acting Chief, X-2 Branch

SUBJECT: X-2 Relationships with Ambassador Hayes

Pursuant to your request we are transmitting herewith a report prepared by our MEDTO Theater Office with respect to certain difficulties encountered in our X-2 relationships with Ambassador Hayes. The statements contained in the attached report are taken from our records and files and from pouch material.

Most of the difficulties encountered result from the strict control, censorship and restrictions placed by the Ambassador on X-2 operations.

Also attached herewith are five State Department reports received from Madrid which contain no notation whatsoever as to the source of the information, or whether or not all or a part thereof was supplied by X-2, Madrid.

Would you please have the State Department reports returned to X-2 Branch when you are finished with them.

Roger A. Pfaff
R. A. P.

Enclosures

SECRET

SECRET

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D.C.

[redacted]

Date: 15 July 1944

To: Major E. L. Pfaff

From: Annette Tlugger

Subject: X-2 difficulties with Ambassador Hayes

The establishment by Mr. Pearson of the Madrid station of the X-2 branch of OSS in January/February 1944 was made with the full co-operation of the SI branch, the Military Attache, the Naval Attache, and the Embassy liaison; the British willingly offered their services, and Ambassador Hayes his good will.

However, the relations between OSS and Ambassador Hayes have never, from the inception of OSS in Spain, been completely satisfactory, although the personal relations between the Ambassador and our staff have always been cordial. As a consequence, therefore, and to effect perfect co-ordination, a series of conferences between representatives of OSS and the Ambassador and specified members of his Embassy staff was held, resulting in the Madrid Agreement of November 3, 1943. So it was, then, that when X-2 went into the Spanish field, the outstanding difficulties previously encountered had been to some extent, ostensibly ironed out.

The excellent ground work for X-2 laid by Mr. Pearson in his relationship with Ambassador Hayes was followed through for some time after the arrival of Paul Medalia. The arrangements made between Mr. Pearson and the Ambassador, with consultations and approval of Mr. Thomas, and in accordance with the Madrid Agreement, that X-2 was to become an integral part of the Embassy, to be regarded as the security section, had been heartily welcomed by the Embassy and Consulate staff members concerned; it was agreed that there was a great need for OSS activities in Spain to be co-ordinated into one control unit. X-2 was to be that unit.

The first two or three weeks' work following the advent of Medalia went smoothly, principally, perhaps, because it entailed a thorough compilation and co-ordination of all the files of the Military Attache, the Naval Attache, and the Barcelona Consulate, plus those of SI Madrid and Barcelona, into one X-2 record to which there could be ready access. Since the Madrid Agreement forbade any use of Spaniards, other than Falangists, as informants or agents, unless they were voluntary, X-2 had to proceed slowly in making contacts. To all appearances, the sailing was comparatively smooth.

About/ SECRET

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About the time Medalie was in a position to seek new agents and request information the chief of the Malaga incident again arose. The proposed endeavors of the Ambassador, through the Spanish Foreign Minister Jordana, to oust the Germans from Tangier, had brought about, on the part of the Spanish Police, a renewal of efforts toward divulging enemy espionage activities against Spain and the result was, unfortunately, new data in connection with the Malaga incident. Vigorous denials by SI and X-2 as to the participation of OSS in this affair have only temporarily calmed the Ambassador.

Towards the end of February General Donovan had occasion to express to Ambassador Hayes his suggestions as to why the inclusion of an FBI agent in our organization there would not be advisable. In April a representative of the FBI was assigned to the Embassy at Madrid, it having been finally agreed that he was not to engage in any activities outside the Embassy unless at the request or under the supervision of the OSS in Madrid, nor was there to be any liaison between him and the OSS services of other Allied nations except through our X-2 representative. At present, an FBI asst to Sisco is being requested.

The progress of the war has brought an increasing number of refugees out of France and Germany into Spain and the Ambassador has refused to allow any X-2 representative to have anything to do with any of these refugees without his previous consent. Valuable information may be lost and the refugee gone from us by the time the Ambassador's approval is received. There have been a number of cases recently in the Barcelona area in which the Germans have planted their agents among the refugees arriving from France. We are forbidden to contact these people in any way. Medalie found it necessary, in order to adhere strictly to the Madrid Agreement to forestall Potter's plan for using certain refugees, as well as to warn him against any effort of penetration of the Spanish offices. Any information received from Spanish official sources must be purely voluntary. The Madrid Agreement also necessitated the abandonment of Potter's plan to line up various police officials on the trains between Barcelona and Madrid with a view to their assisting refugee traffic. (Although part of this information regarding Potter's activities was received through London and part through Madrid I am not certain whether or not the Ambassador himself is cognizant of the fact that an attempt was made by X-2, Barcelona, to engage in "extra curricular" activities.)

Censorship by the Ambassador or his deputy has, it goes without saying, seriously affected [illegible] of communication between OSS Washington and Madrid, - and Madrid and out-lying posts. It was suggested and seriously considered [illegible] Madrid circuit be extended to Barcelona. This, of course [illegible] eliminate the Ambassador's control, so was therefore not acceptable to him; it is understood, however, that he is agreeable to the establishment of a local Madrid-Barcelona circuit, subject to his [illegible] ship.

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According to Mr. Murphy's memo of June 26th describing Medalia's visit with him in London, the latest there is the side of I-2 Madrid is that there have been a number of K-2 reports in which the Ambassador takes the stand that these are Embassy matters and should therefore be submitted by the Embassy to State Department. The Ambassador according to Mr. Murphy's memo refuses to permit Medalia to send this, his own material, to us, even in duplicate, stating that our Madrid man will receive it from the State Department. Mr. Peters has taken up this matter with State and they report that according to them they are sending us all Madrid dispatches with OSS content. The Ambassador may or may not name OSS as the source of these reports, and we have no way of finding out how many or just what reports have been sent him, or if we have been receiving duplicates, unless Medalia can find some way to advise us through avoiding the Ambassador's censorship.

From the very beginning of OSS activities in Spain Ambassador Hayes has consistently placed every obstacle within his diplomatic power in the way of the smooth functioning of this organization. He has sought through his position to further his own ends and personal prestige with Spanish Foreign Minister Jordana. He has ousted from Spain all persons in our organization who might have been in a position to hinder in any way this relationship. He has played up to the Franco regime in every way as is witnessed particularly by the clause in the Madrid Agreement which forbids all OSS contact with any Spaniards not congenial with the Falange Party.

In his desire to be informed of every thing, both operational and directive, concerning OSS he, through the censorship of our pouches, has wittingly or unwittingly identified himself, a representative of the State Department, as the head of an intelligence organization operating in a neutral country. As has been pointed out before this could have serious implications for our State Department's relations in all other countries and could dangerously hinder efforts of the U.S. Government to oust German diplomats from Spain through diplomatic protest, should the enemy ever discover Ambassador Hayes' complicity in the matter.

AF/dd

SECRET

[illegible] November 1943

MEMORANDUM FOR [illegible]
Chief of Staff

SUBJECT: [illegible]
between the [illegible]
[illegible]
[illegible]

We acknowledge receipt of your letter of 23 November 1943 [illegible] the above subject with enclosure.

Attached are copies of letters we have written to-day to the Secretary of State and Ambassador Hayes.

Charles S. Cheston
Acting Director

Attachments:
Letter of 26 November 1943 to
Ambassador Hayes
Letter of 26 November 1943 to
The Secretary of State

SECRET

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

25 November 1953

The Honorable
Carlton J. H. Hayes
The American Ambassador
American Embassy
Madrid, Spain

My dear Ambassador Hayes:

I am very happy to report to you that General Bonesteel has asked us that we conclude an Understanding between the Embassy and OSS in Spain, dated Madrid, 3 November 1953, which you sent to him in your letter of November 4, 1953, is acceptable to the Office of Strategic Services. We are so advising the Secretary of State.

We also have been informed by the Joint Chiefs of Staff that they have advised the Secretary of State that the Memorandum on Understanding is acceptable to them.

Sincerely yours,

Charles S. Cheston
Acting Director

SECRET

[illegible]

[illegible] November 1943

The Honorable
[illegible] Hull
Secretary of State
Washington, D. C.

My dear Mr. Secretary:

This is to advise you that the Memorandum on Understanding between the Embassy and the OSS in Spain, signed in Madrid, 3 November 1943, a copy of which, it is understood, has been furnished you by the Ambassador, is acceptable to the Office of Strategic Services.

I enclose a copy of a letter I have today written to the Ambassador.

Sincerely yours,

Charles S. Cheston
Acting Director

Enclosure

SECRET

[illegible]

[illegible]

[illegible]

The Honorable [illegible] Hayes
The American Ambassador
American Embassy
Madrid, Spain

My dear Ambassador Hayes:

[illegible] General Donovan's illness [illegible] he [illegible] your letter of [illegible] November 4, 1953 and the attached proposal [illegible] covering the [illegible] organization and operations in Spain.

I am discussing these proposals with General Donovan and hope [illegible] he will have his views on them as soon as possible.

Mr. Kevin, the Assistant Secretary of State, and I both feel that it would be of great advantage to discuss these matters with Colonel Quigley who is expected back in a week or ten. He shall communicate with you further after his return and after we have received word from General Donovan.

Very sincerely yours,

E. Edward Buxton
Acting Director

Has been approved for the Fund

SECRET

THE JOINT CHIEFS OF STAFF
WASHINGTON, D. C.

21 November 1943

SECRET

MEMORANDUM FOR THE DIRECTOR OF STRATEGIC SERVICES:

Reference: Memorandum on Understanding between the Embassy and OSS in Spain, dated Madrid, 5 November 1943.

Enclosure: Copy of letter from the Joint Chiefs of Staff to the Department of State.

[illegible] is a copy of a letter that [illegible] this date [illegible] dispatched to the Department of State [illegible] that the Memorandum on [illegible] is acceptable to the Joint [illegible]

[illegible]

SECRET

[illegible]

SECRET

[illegible]
[illegible]
[illegible]
[illegible]

Dear Mr. Secretary:

Reference is made to the Memorandum of Understanding between the Embassy and the OSS for Spain, dated Madrid, 2 November 1948, copy of which it is understood has been furnished you by the Ambassador.

This is to advise that the Memorandum of Understanding referred to in the preceding paragraph has been considered by and is acceptable to the Joint Chiefs of Staff. The Joint Chiefs of Staff request that the Department of State so inform the Ambassador.

Yours sincerely,

For the Joint Chiefs of Staff:

(SIGNED)
G. R. PAGE,
Colonel, GSC,
Executive Secretary.

Distribution:
Director, Strategic Services

SECRET

Intelligence Service
Spain
X etc

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Letter from Hayes, Madrid, re ~~[illegible]~~ in Spain for OSS.

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(9549)

EMBASSY OF THE UNITED STATES OF AMERICA

SECRET

Personal and Military Confidential

Madrid, November 4, 1943.

Dear General Donovan:

You may have thought me, during the past ten or twelve months, a quite intransigent opponent of OSS in Spain. I can assure you that throughout all the time I have been here I have retained the same basic belief in the organization's greatest potential utility and the same desire to cooperate loyally with it as I expressed when I last talked with you in person back in April 1942. My trouble has been, throughout all these past months, not with the organization as such but with the incompetence of local chiefs and the lack of adequately trained personnel with which it has been afflicted in Spain up until now.

Now, however, thanks to the recent visit of Colonel Gridley and Mr. Spencer Phenix and to the attendant frank and amicable conferences I have had with them and with Mr. Gregory Thomas, a new era appears to open. We have arrived at a mutual understanding which is embodied in principle in the enclosed memorandum and which should provide a sound basis for future cooperation in detail. I trust that it will meet with your approval and that, as a first step in implementing it, Mr. Thomas's position here will be promptly regularized through joint action of yourself and the State Department.

1/

I am supplying the Department with a copy of the memorandum and with a like recommendation under cover of my despatch No. 1559 of today's date.

With the highest personal regards,

Faithfully yours,

Carlton J. H. Hayes,
American Ambassador.

Enclosure:
1/ Copy of memorandum, as stated.

General William J. Donovan,
Chief, Office of Strategic Services,
Washington, D. C.

SECRET

Declassified and Approved For Release 2013/08/15 : CIA-RDP13X00001R000100160001-6

[illegible]

2. Mr. [illegible] and under him [illegible] in Spain. [illegible] an additional officer, [illegible] Spain, and as soon as [illegible] will be assigned to [illegible] Branch Director of [illegible] in Spain and that Mr. [illegible] will then be [illegible] officer and will [illegible] spend most of his time [illegible] and supervising the activities of the several [illegible] agencies in the field.

3. The number of American agents now in Spain will, for the present, suffice for the SI work when the additional officer is added, together with a Finance Officer, three code clerks and four stenographers, the need for which the Embassy recognizes.

4. For OE work, OSS will require a Branch Director (under Mr. Thomas) and, at the outset, one or two other specially trained agents. These are not now available in Spain but should be brought from Washington or London as soon as possible.

5. No further OSS personnel should be brought into Spain as Petroleum Attachés. Further additions or replacements should be made under the cover of Embassy Attachés or clerks or private citizens or possibly, in the case of OE personnel, of Vice Consuls. Any such Vice Consuls, however, would be regular members of consular staffs and subject to the same supervision and disciplines as other consular subordinates.

6. The Joint Chiefs of Staff have agreed unequivocally to the immediate withdrawal of any agent causing embarrassment to the Embassy. Hence in cases where the Ambassador has reason to believe that a certain individual is connected with OSS and that his activities in Spain are likely to cause embarrassment to the Embassy, the Director of OSS in Spain will, upon the Ambassador's request, inform the Ambassador as to whether or not the individual in question is in fact connected with OSS.

7. [illegible] to the [illegible] principal [illegible] in which the [illegible]

III. General

1. The conduct of OSS personnel in Spain will be subject to the [illegible] instructions.

2. [illegible] in dual employment, OSS will [illegible], without the approval of the Ambassador, the services of or remunerate any officer or employee.

[illegible]

[illegible]

[illegible]

5. The [illegible] will normally be [illegible] at the [illegible] or at a [illegible] in [illegible] capacity.

[illegible]

6. No [illegible] or other aid will be given [illegible] of the [illegible] of the Airborne [illegible] of the [illegible] for [illegible] of [illegible] material. The [illegible] rules [illegible] as to the [illegible] and [illegible] [illegible] power and [illegible] [illegible].

7. Local financing of the local OSS with [illegible] or other foreign currency will be [illegible] only knowledge and approval, in each instance, of the Ambassador.

IV. Coordination.

1. Properly to integrate the work of OSS in Spain with other work of the Embassy and to facilitate maximum and [illegible] collaboration, both the Ambassador and the Director of OSS in Spain will confer frequently with each other. Besides, First Secretary Hearing will serve as special liaison officer of the Embassy with OSS.

2. OSS in Spain will endeavor to know and respect, and will be periodically informed about, the over-all policy being pursued by the United States Government and the Embassy in Spain. To this end the Director of OSS in Spain will participate in the regular weekly conferences of the Embassy's senior officers and section chiefs.

3. The Director of OSS in Spain and the Branch Directors of SI and CE will have access to the Ambassador, to senior Embassy officers, and to the Military and Naval Attaches. Other agents of OSS will deal with the Embassy either through their own Directors or through the Embassy Liaison Officer (Mr. Hearing).

4. OSS agents operating in or near a Consulate will deal with the principal consular officer and not with any subordinate officer or employee of that Consulate. Principal consular officers will cooperate in affording security protection for OSS personnel and documents.

5. The Ambassador has been authorized by the State Department, with the concurrence of JCS, to examine all incoming and outgoing correspondence transmitted through the Embassy. He will exercise this right to the extent he considers necessary.

6. Full

[illegible]

7. [illegible]

8. [illegible] with similar activity in [illegible] countries.

9. It is proposed that in each [illegible] of the Spain period a [illegible] be [illegible] of a joint Counter Espionage Committee, [illegible] be constituted of representatives of the several services interested in counter espionage activities. It is contemplated further that the Director of FBI would develop and maintain a central card index of counter espionage material in the files of the several services, with the cooperation of [illegible]. Each agency, however, would maintain cooperative contact with its counterpart in the British set-up. For example, FBI would deal directly with the British Passport Control Office in US as [illegible] the British Control Section would continue its [illegible] with the corresponding section of the British Embassy. The American Consulates would continue cooperation in passport and visa matters with the British and other friendly consulates. The Military and Naval Attaches would continue to deal directly with the Military and Naval Attaches of other countries. With eventual development of such organization and coordination, it would appear unnecessary to seek representation of FBI in Spain.

(illegible)phr

Top

OSS Form 3064
(9108)

Director's Office

Declassified and Approved For Release 2013/08/15 : CIA-RDP13X00001R000100160001-6

OSS FORM 40D1 OSS SECRETARIAT - ROUTE SLIP

Date

To	Name	Initials
	O. C. Doerflinger, Jr.	
	G. A. Baum	
	J. R. Donovan	
	D. C. Ing	
	S. S. Platt	
	P. F. Pugliese	
	E. J. Putzell, Jr.	
	A. W. Sulloway	
	B. Thrun	
	Files	

(35043)

SECRET

February 7, 1944
To President
JEB

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

Intelligence Service OSS State
7 February 1944 X Army
X Hoover
X F.B.I.

MEMORANDUM FOR COLONEL BUXTON

SUBJECT Conference on 5 February with Mr. Berle relative to FBI Man in Madrid

1. At your conference with Mr. Berle, at which I was present, he almost immediately brought out the following points:

That it was he who was insistent on placing an FBI man in the Embassy at Madrid; that the purpose was to obtain information regarding, and preventing, the movements of subversives from or thru Spain to the Argentine during the present critical situation; that the Ambassador in Spain was desirous of cooperating in what obviously are Mr. Berle's desires, but that the Ambassador has made as a condition of accepting an FBI agent the agreement of the OSS.

2. Mr. Berle made it clear that the State Department, other agencies including the JCS notwithstanding, was within its rights to placing an FBI man in the Madrid Embassy. He intimated strongly that he intended to do so, but that in the cause of harmony he desired the concurrence of OSS. However, there has been certain obscurity in the presentation of Mr. Hayes' position in this matter both by Mr. Lyon and Mr. Berle. For example, Mr. Berle rather pertinently read only a brief excerpt from Mr. Hayes' lengthy cable of 2 February. In this excerpt Mr. Hayes expressed willingness or desire to accept the FBI man but with the agreement of OSS.

3. Assuming no jurisdictional questions were involved, Mr. Berle made a strong case for FBI liaison in Madrid in the specific situation described. Again assuming that no differences existed between FBI and OSS, a refusal by OSS of Mr. Berle's request would be awkward to defend. Admitting serious enemy subversive activities in the Argentine, refusal by the OSS to permit the closest cooperation with the FBI would be almost indefensible.

SECRET

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4. The conversation having reached this position, it seemed that the only logical step was to compromise with the State Department but to place such conditions upon OSS acquiescence that the FBI could not secure an advanced or permanent jurisdictional status in Spain or elsewhere in Europe. This was done.

5. Mr. Berle was spared the embarassment of a recalcitrant attitude on the part of OSS. However, he agreed to such conditions as to preserve the prestige of the OSS.

6. These conditions accepted by Mr. Berle, were, in effect, that the agreement reached on November 3, 1942, should be unimpaired, in that X-2 remained the agency responsible to the Ambassador for security and counter-espionage in Spain. The FBI representatives would be assisted by X-2 in obtaining information of movements of subversives toward Latin America, especially the Argentine, but would undertake no [redacted] in ferreting out subversives in Spain except as authorized by, and under the control of, the X-2 organization. Furthermore, the FBI representatives would be on temporary status in the Embassy, to remain only so long as the special situation in the Argentine required his presence there. Mr. Berle agreed to discuss the matter with the FBI and to furnish you with a memorandum of our arrangements as well as the final instructions to the FBI representative.

7. Mr. Berle expressed the hope that the cooperation would be harmonious and fruitful. He volunteered the offer that if all went well in Madrid he would himself attempt to arrange with the FBI for a reciprocal representation of OSS in the Argentine.

8. There is now the possibility that the FBI will refuse to accept the restricted status of their agent as agreed between you and Mr. Berle. In this event, Mr. Berle must suggest modifications which may or may not be acceptable to you. If the finally-proposed terms should not be satisfactory to you, it would then be up to Mr. Berle to assume the responsibility of pressing upon Mr. Hayes the acceptance of an FBI man without the agreement of OSS.

John Magruder, Brig. Gen.
Deputy Director, OSS -- Intelligence Service

Mr Berle further stated that the matter should be reviewed after 60-90 days

SECRET

SECRET

Date 12/12/43

To: General Donovan

SUBJECT:
FBI activities in Iberian Peninsula

Murphy verbally answered their verbal request.

GEB

G. Edward Buxton
Assistant Director

(120781)

SECRET

THE JOINT CHIEFS OF STAFF
WASHINGTON 25, D. C.

1 October, 1943

MEMORANDUM FOR THE DIRECTOR OF STRATEGIC SERVICES

Subject: FBI Activities in Iberian Peninsula

References: Your memorandum of 29 September, 1943

1. It is noted from reference that the Director of FBI has advised you that Ambassador Hayes in Madrid had requested that FBI send an agent to Madrid for the purpose of acting as a liaison officer with all American agencies operating in Spain and with the British; this liaison activity to be for the benefit of the Ambassador.

2. As you are aware, the OSS operates under the direction and supervision of the JCS. Due to the responsibilities of the Department of State in neutral countries, OSS agents operating in such countries are required to keep the head of our diplomatic mission informed regarding their activities and to file with him copies of all messages forwarded.

3. Any change in the status quo should be subject to agreement between the Secretary of State and the JCS.

FORREST B. ROYAL
Captain, U.S.N.

SECRET

CONFIDENTIAL

[illegible] November 1945

MEMORANDUM FOR: The Secretary, Joint Chiefs of Staff

SUBJECT: FBI Activities in Iberian Peninsula

On 23 September Messrs. Ralph Rocol and George Burton, FBI liaison officers, called upon Mr. Murphy, Chief of the X-2 Branch of OSS, to discuss various matters of mutual interest between OSS and FBI. At the conclusion of the meeting they stated that they had been requested by the Director to advise OSS of the following:

"They stated that Ambassador Hayes in Madrid had requested that FBI send an agent to Madrid for the purpose of acting as a liaison officer with all American [illegible] operating in Spain and with the British. The liaison activity to be for the benefit of the Ambassador. They stated that the arrangement was to be similar to that [illegible] in London and that the one they now have in London would not be engaged in investigative activities. They further stated that the Director had requested them to [illegible] the matter with OSS. They stated [illegible] desired the answer [illegible]

[illegible] had previously [illegible] Madrid [illegible]

[illegible] "[illegible]ance"

CONFIDENTIAL

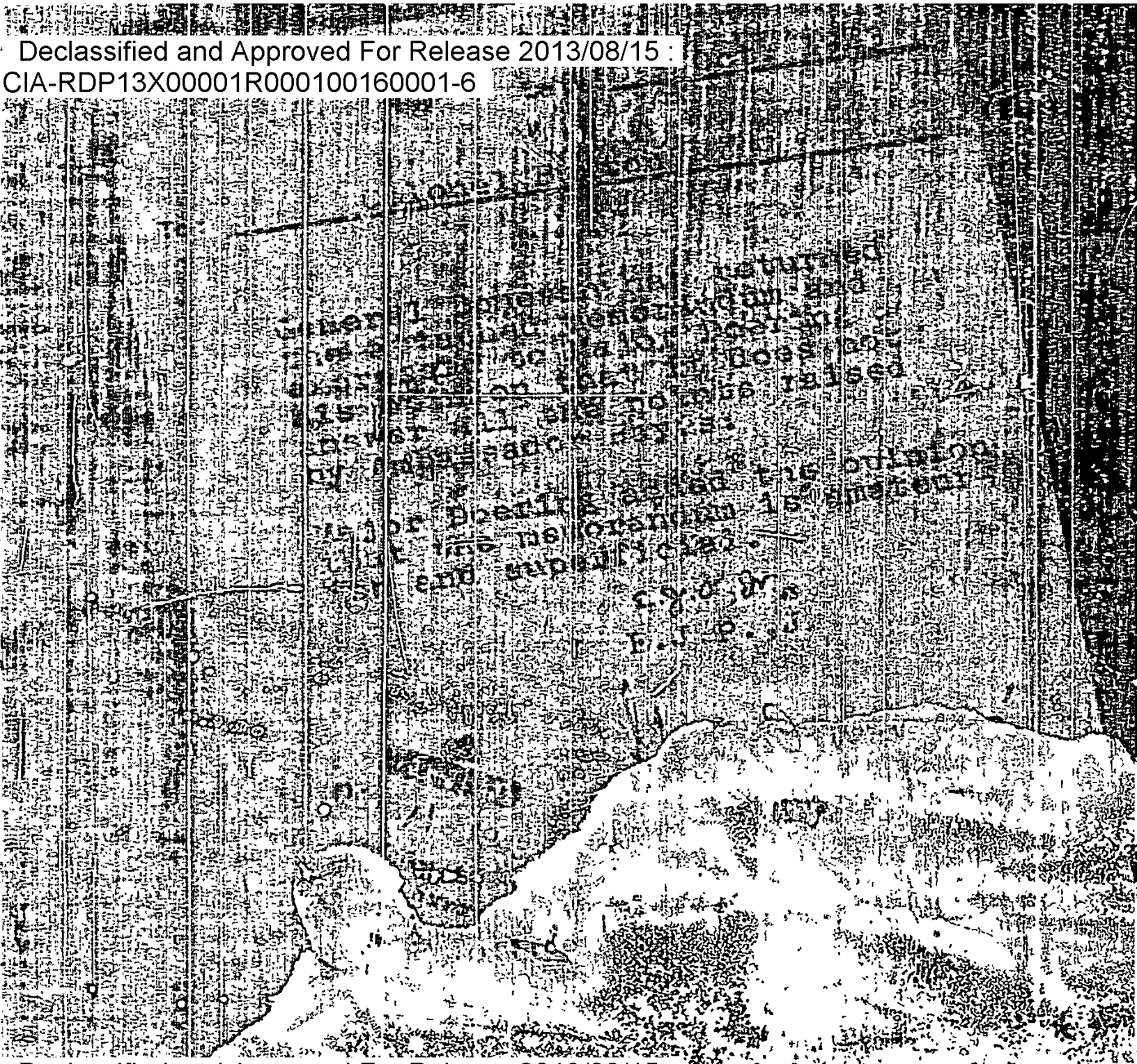
Mr. Murphy informed the FBI representatives that he was not authorized to give clearance in this matter. They were informed that the interests of the Joint Chiefs of Staff were involved.

In view of the hostile attitude of the American Ambassador in Spain toward the intelligence activities being conducted by this organization under the authorization of the Joint Chiefs of Staff, the matter is of particular significance. The Ambassador undertakes to employ the personnel of an organization not under the control of the Joint Chiefs of Staff for effecting "liaison" with intelligence agencies operating for the Joint Chiefs of Staff.

Attention also is called to the future implications of the possibly comprehensive nature of employment of FBI agencies.

For reasons stated above, I have informally advised the liaison representatives of FBI that I have felt it appropriate to inform the Joint Chiefs of Staff of the request made by Ambassador Hayes with a view to obtaining an authoritative opinion in the matter.

G. Edward Buxton
Acting Director



Declassified and Approved For Release 2013/08/15 : CIA-RDP13X00001R000100160001-6

	Room No.	Date Month	Date Year	Officer's Initials	Comments
1. Mr. B.W. Wigglesworth					
2. General Magruder					
3. Col. Edgar Gregory					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

Each comment should be numbered to correspon[illegible] column.
A line should be drawn across sheet under each [illegible]
Officer Designations should be used in To column. [illegible] further routing.
Each Officer should initial (check mark insufficient) [illegible] column.
Action desired or action taken should be indicated in [illegible] column.
Routing sheet should always be returned to Registry.
For Officer Designations see separate sheet.

SECRET

(2040)

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

September 28, 1943

[redacted]

TO: General William J. Donovan

FROM: Frank T. Ryan

In making a review of my stay in Spain, from the middle of February until the end of August 1943, it has been suggested that I endeavor to make my report as detailed as possible, in order that some light might be shed on Ambassador Hayes and his antipathy toward the Spanish organization of the Office of Strategic Services. I therefore wish to commence this report by quoting from a letter I wrote from Madrid to Mr. Mayer on March 11, 1943, as follows:

> "There is no doubt that the "wounds" which were inflicted on the sensitiveness of the Ambassador and Beaulac (Counselor), in the first months of O.S.S. representation, have not entirely healed. It did not take me long after visiting with the Ambassador and with Beaulac, particularly the latter, to perceive their general attitude of disdain for O.S.S., their personnel, and their activities. It is a point of view which they have acquired over a period of months and it may require an additional period before it is entirely overcome. It is my general belief after having contacted them on various occasions since being in Madrid that our relations with the Embassy must be conducted politely but <u>firmly</u>."

Again, on June 21st, I wrote from Madrid as follows:

"I am satisfied in my own mind that the real root of our trouble here is represented in Beaulac, the Counselor, who seems to exert a great deal of influence over the Ambassador. Unless and until he is removed we shall always have troubled waters to navigate through. He is a born mischief maker and I am sure he delights in the annoyances that he can create. . ."

Also in this same letter of June 21st I wrote:

"This merely indicates again the necessity that the Ambassador receive instructions worded in no uncertain

terms that the O.S.S. work being done in Spain must be continued without interference, without interruption and without censorship.

". . . . I repeat our maximum efficiency over here can only be obtained if we are free to carry on our activities under the directives from Washington without the kind of supervision which the Embassy wishes to exercise over our operations."

An incident occurred approximately two weeks after my arrival in Madrid, which I wish to relate in detail, as I consider it a typical example of the lack of frankness and forthrightness on the part of the Ambassador and his Counselor, Mr. Beaulac. This characteristic of the Ambassador's still persists, and mention will be made later of current examples that took place in the week of September 13th. The incident in question is as follows:

At the time of my first meeting and conversation with Mr. Beaulac, the day following my arrival in Spain (about February 23rd), he reviewed at some length the shortcomings and failures of the former O.S.S. head in Spain, Francis di Lucia. In great detail he went into various incidents and happenings, all of which were considered in a most unfavorable light by the Ambassador and himself, and which subsequently led to a request to the State Department that di Lucia be recalled. Their request was in time acted upon, and di Lucia was transferred to Lisbon. After listening to the strong indictments which Mr. Beaulac was making against di Lucia, I went on to say that since di Lucia's arrival in Lisbon, several months previous, he had been doing good work, and that the home office was pleased with what he was able to accomplish in Lisbon. I pointed out that it was not easy for an O.S.S. representative to go into new territory and obtain the results which di Lucia seemed to be getting in Lisbon within such a short time.

As an example of how he "got around" Lisbon, I mentioned that about ten days ago a rather prominent visiting American was passing through Lisbon en route to London. He called on the Minister (Mr. Fish) and inquired if the Minister might be able to arrange a meeting for him with Dr. Salazar. The Minister declined the suggestion, pointing out that there were so many Americans passing through Lisbon, including newspaper men, etc., who would like an opportunity of meeting Salazar, that he had fixed it as a matter of policy to decline such requests. The visiting American later that same day met di Lucia, and explained to him his keen interest in meeting

Dr. Salazar. Di Lucia volunteered the suggestion that he might be able to arrange such an appointment. The upshot of the effort was that the visiting American was in Dr. Salazar's residence at 10 o'clock that night. Di Lucia was present as an interpreter. At this point in the conversation, I was interrupted by Mr. Beaulac, who inquired if I approved of such action on di Lucia's part. I replied without hesitation;

"Of course I do not approve - I am merely citing it as an example of how di Lucia gets around in Lisbon. I realize that in such matters protocol must be followed. Di Lucia, being attached to the Legation Staff, should have obtained permission from the Minister. In fact, di Lucia realized that he had probably taken on himself undue responsibility, for he presented himself to the Minister the following morning, explaining what he had done the evening before, and remarked to the Minister that 'he had his bags packed' if the Minister wished to send him home because of the incident."

The conversation with Mr. Beaulac then continued on other subjects and was cordially concluded.

About two weeks later, approximately March 10th, I returned to Lisbon, taking the Spanish airplane from Madrid. It so happened that the Ambassador was also a passenger on the same plane. We visited going over, and at the airport in Lisbon the Ambassador was met by Mr. Fish, the American Minister.

Three days later, when I was making a courtesy call on the Minister, he confronted me with a longhand statement, reading to the effect that I had declared to Mr. Beaulac the great success that our representative Mr. di Lucia was having in Lisbon, that he had ready access to Salazar, and could arrange appointments at will, that the Minister was not an important official, that di Lucia was the one who was running affairs in Lisbon. In other words, I was "boasting" at the expense of the Minister of what a great representative we had in Lisbon. The Minister quite properly was not only upset but incensed that di Lucia should be lauded in such a fashion at his expense.

I was shocked at such deliberate and treacherous misstatements of facts being contained in Beaulac's memorandum to the Minister. I related to the Minister the actual conversation with Mr. Beaulac, as outlined above. He was relieved at my reassurances, and inferred that it was not the first time that the Madrid Embassy had endeavored to interfere with Legation matters and

make "trouble". I had had [illegible] upon my return to Madrid I would see the Ambassador [illegible] I thanked him sincerely for his [illegible] personally confronting me with the statement that I was [illegible] of it, as it afforded me an opportunity of answering directly the accusation being directed against me, and to confront my accuser with their erroneous statements.

Upon my return to Madrid the following day, I telephoned the Ambassador and requested a meeting with him and Mr. Beaulac, which was promptly granted. I entered the Ambassador's office and informed him that I was coming in to do some very "plain talking". I went on to describe the visit I had with the Minister, when he confronted me with the longhand statement given to him by the Ambassador, and written by Mr. Beaulac. Beaulac denied that he had misquoted me, on the grounds that he had been trained as a diplomat for 23 years to remember conversations, and therefore it would be quite impossible for him to forget one. I replied that over a period of 23 years no one could be infallible, and in this particular case a mistake in properly recalling a conversation had been made.

I suggested that, in order to safeguard his personal reputation and integrity with the Minister, he write him a note explaining that perhaps he had misinterpreted my conversation on the Salazar-di Lucia incident. This of course he refused to do, insisting that he had the right to write reports, memoranda, letters, etc., to whomsoever he wished without prior consultation with me. On this point I agreed with him entirely, but I was obliged to warn him that if, in the future, he had occasion to write reports or memoranda about me personally, that he take great care not to misquote or misinterpret me, as, frankly, I did not like it. I further pointed out that it appeared to me to be a deliberate attempt to undermine me personally, and what was more important, to undermine the O.S.S. as an organization.

The conversation concluded by my stating that, while some plain talking had been indulged in on my part, I expected and desired that if at any time he or the Ambassador had any complaints to make about me or the organization, they speak with equal candidness to me.

It so happened that Jack Pratt (Silky) was present in Mr. Beaulac's office at the time I was having the conversation with him on the Salazar-di Lucia appointment. He confirms my expression of disfavor on di Lucia's having arranged the appointment with Dr. Salazar. The following day, while visiting with the Ambassador on other matters, I pointed out the fact that Jack Pratt was a witness to my version of the conversation, and if he was interested

in having Pratt confirm it to him, as could request him to do so. Pratt was never asked to confirm my statements.

This was the beginning of a certain feeling of distrust on my part in Beaulac and the Ambassador. It seemed to me that if the Ambassador were desirous of maintaining friendly relations with the O.S.S. organization and its newly arrived representative, that he might have had the frankness to question me on the subject of the Salazar-di Lucia incident. For two whole hours on the plane en route to Lisbon he had in his pocket a document concerning alleged statements that I had made, and yet he did not have the courtesy to confront me with them. What a contrast to the gentlemanly, frank procedure of the Minister in Lisbon.

As for Beaulac, his treacherous effort to discredit me in my very first conversation with him was sufficient reason for me to lose confidence in him. This opinion was especially strengthened, as time passed in Madrid, when reports and incidents of his devious ways of causing trouble were recounted to me. He was genuinely disliked by members of the American Embassy and by other American agencies operating under the patronage of the Embassy. Moreover, Spaniards are frank in their criticism of him, and fail to understand why the State Department, with so many able men in their organization, permit a man of Beaulac's character to remain in Madrid.

Another incident, which took place, indicating the Ambassador's reluctance to talk openly and frankly to me, occurred several days after my arrival. I casually mentioned to him that I had brought over some nylon stockings which were being held at the Spanish Customs House, and would like a letter from the Ambassador requesting their release as diplomatic merchandise. This he readily and graciously consented to do. I mentioned in passing that I had brought them over as a present to Mrs. Franco. He made no comment at the time. Some weeks later, however, I learned that he included in a report a criticism of me for giving silk stockings to the wife of the Chief of State. Again, had the Ambassador taken the trouble to question me about the propriety of such a present, I could have informed him that my contacts with the Franco Government dated back to 1936, and that it was not the first time that I had given Mrs. Franco stockings and other presents. I could have informed him that I have been the only American ever to be in the private living quarters of General Franco and his family at his palace in El Pardo, some eight miles from Madrid. My arrival in February empty-handed, without some gift of remembrance for Mrs. Franco, might have occasioned more wonderment than continuing my usual custom.

The difficulties with the Ambassador, culminating in his cable #2671, September 20, 1943, with the recommendation that O.S.S. terminate its operations in Spain, really commenced in a serious way at the end of the African campaign. Spain at that time was alive with rumors as to where and when the Allies intended striking next. Many of these rumors had Spain or some of its island possessions included as being in the line of march. During that period the Ambassador, on one occasion specifically, requested of me that no information of a military nature be gathered on Spain. He requested us to concentrate our efforts, during what he called this "tension period", on penetrating France,

counter-espionage information, merchandise movements, etc.

About this same time we encountered war police difficulties in Barcelona, which you will recall resulted in four or five arrests of one of the Spanish chain headed by X3. This incident resulted in 303 leaving the country, and the successful clandestine escape to Africa of the principal Spanish contact in this chain. This Spanish agent was reported sentenced to death by the military tribunal in Barcelona. As this agent was an employee of the Consulate in Barcelona, there followed police questioning of several employees of the Consulate. These police difficulties in Barcelona caused the Ambassador's apprehension to grow. About two weeks later, one of Elliot's sub-agents in the Bilbao area was arrested. The American Consul at Bilbao, in a report to the Ambassador, expressed concern over this arrest, lest it should lead to the Consulate's becoming involved, or at least embarrassed.

These arrests coming at short intervals only increased the Ambassador's alarm and anxiety. What appeared to be special vigilance by the police against Americans may be attributed to the general nervousness which prevailed throughout Spain that the Allies had "designs" on Spanish territory, or even the opening of a second front via Spain.

To explain the Ambassador's state of mind during this period, it must be said that he felt that the spring months of 1943 presented a particularly critical time in the relationship of the United States and Spain. Franco, so to speak, was walking a tight rope, and any incident, however small, that would be liable to cause Spain to topple into the hands of the Axis must at all costs be avoided. He therefore desired to control and regulate in a detailed way the policy of the various American agencies that were operating in Spain under the jurisdiction of the Embassy.

As a result of the Ambassador's desire to prevent any untoward incident from happening that would disturb the diplomatic relationship between Spain and our Government, he made certain requests of me in connection with our operations. Among them I cite the following examples, having already mentioned his specific request not to gather information of a military nature on Spain:

> He must not hire or solicit the cooperation of ex-Reds, dissident elements or ex-jailbirds. He instructed Elliot to dismiss one of his principal cut-outs - a man by the name of Louis Ibara. The Ambassador objected to Ibara on the grounds that he was an Iguirre Basque and an ex-prisoner of war. He said that all Basques are in some way or another attached to that "dangerous character",

President Aguirre. When the Ambassador made this request of me, I was obliged to tell him quite frankly that if we must refrain from recruiting dissident individuals, whether they be Socialists, Reds, Free Citizens or Monarchists, that the only available group left for recruitment would be members of the Falangist party, which would be one sure and positive way of getting ourselves into trouble, and that I was interested in seeing that our men recruited mavericks and not stool pigeons.

We have a short wave radio sending and receiving set installed in Madrid. We have daily contact with Algiers. He has requested that we should only use this radio on an experimental basis. In other words, it is directed that we must not send any messages over the radio, that we must only test it to see that it is in good working order. In heaven's name, what good is the radio if we cannot use it . . . . If we receive a message from Barcelona, for example, having to do with some spot information coming out of France that we know would be of vital interest to the Theatre Command in Algiers, we are not, according to his directive, permitted to despatch it. This is anything but an adult viewpoint.

Again, he instructs us that in other parts of Spain, where we have radios installed, these must be used solely to relay messages from the occupied zones; that is to say, any important happenings or developments within Spain itself, must not be sent over these communications.

Ever since the inception of our activities in Spain, the Ambassador has been under the impression that the information gathered by O.S.S. was not of use or benefit to the various departments in Washington utilizing the material disseminated to them. This opinion he adequately expresses in his cable #2671, and quite naturally, therefore, some of the difficulties and intermittent crises which we have had with him, from time to time, may be attributed to the fact that he has neither had directives nor encouragement from official Washington to assist us. What he has done on our behalf he has done on his own initiative and responsibility. This would not be a fair report if I did not take cognizance of and acknowledge the various facilities that have been provided by the Ambassador for the conduct of our activities in Spain. I requested* as far back as April 30th that every effort should be made on the part of the home office to obtain a proper kind of letter to be sent to the Ambassador from the Joint Chiefs of Staff, expressing their satisfaction with the information being obtained by the O.S.S. organization in Spain, and thanking him for the cooperation he had extended. Apparently, however, for adequate reasons which I am not aware of, my recommendation was not acted upon. As time went by, the Ambassador's natural hostility and critical viewpoint of O.S.S. became more and more pronounced.

*(My request was contained in a letter dated April 30 addressed to Mr. Mayer.)

Despite successive efforts on my part, and also on the part of Gregory Thomas (Argus), the Ambassador still fails to realize the nature and duties of an intelligence organization. He clings to the opinion that O.S.S. in Spain is part of the Embassy. He does not understand that O.S.S. is merely using the "cover" of the Embassy, and that its operations, type of personnel, and the duties of its representatives are entirely different from those engaged in by the State Department for Embassy and Consular work. If he would only recognize the principle that applies to intelligence work he would understand that those engaged in espionage are constantly and regularly violating the laws of the country in which they operate. These violations apply to every phase of intelligence work and include the financial field as well. To finance an intelligence organization in a neutral or enemy country, we must have access to "untraceable" funds. It is for this reason that our organization has been obliged to have access to what is known as black market pesetas. The present crisis with the Ambassador, as outlined in his cable message No. 2671, has been brought about by the arrest of two of our American representatives on a violation of a Spanish foreign exchange regulation. This arrest has further implicated Jack Pratt and myself, as well as Mrs. Fluger who was acting as my secretary.

If the Ambassador were a general on the field of battle, and his forces suffered casualties, I am sure that he would realize, as any soldier must, that battles and wars can only be won by sustaining casualties and the spilling of blood. So it is with the conduct of intelligence operations. We expect, as does the general in battle, to have casualties among our agents. We view arrests no differently than the spilling of blood on a battle field, to be regretted but not to be avoided. The alarm therefore which the Ambassador expresses in his latest cable message should receive the same consideration that a general would receive, who hoists the white flag at the first sign of blood. It is unbecoming of an American in the responsible and authoritative position which the American Ambassador in Spain holds to permit a sixth-rate, wobbly, about-to-be-replaced Spanish Government to scare him to the point where he requests that O.S.S. quit its activities in Spain. These are the days we are advancing on all fronts, not retreating. He fails to realize that [illegible] we are in is an all out [illegible], that we must use every means within our power to gather every available [illegible] of information on our enemies. No matter what nook or corner of the world they are in, we must at all times be informed about them. We must know their [illegible], we must know their troop dispositions, we must know in detail their fortifications, we must know their bases, we must know their agents.

All of this is [illegible] to the Ambassador, so long as [illegible] he believes to be his personal cordial re[illegible] with the Spanish Foreign Minister are permitted to continue unmolested and [illegible]. Spain is a known and recognized Fascist country. It has long [illegible] partner of [illegible]. It has on its borders some tens of thousands of [illegible] soldiers. The southern extremities of Spain lie within 100 to 200 miles of our African supply lines. In the case of Gibraltar, only a few hundred yards. This [illegible]

be permitted to remain exposed without having it covered by an adequate intelligence organization.

The Ambassador has taken it upon himself to veto instructions issued to the field organization of O.S.S. He has taken it upon himself to remove (and keep) from a post, a report coming to us from a Catalan organization in Barcelona, simply because he personally does not approve of our contacts with dissident groups.

I maintain that the Ambassador, unless authorized to do so by the President, has no right to interfere with the collection of information and the operations of our organization in Spain. We are happy and more than willing to provide the interested officials of the Embassy with the information which is gathered by us, be it political, economic or military. Shortly after my arrival in Madrid, I invited Colonel Hohenthal, the Military Attache, to pay us frequent visits to look over and offer suggestions on the military information as it was being received by us. This cooperative effort and suggestion on my part was embodied in a cable despatch sent by the Ambassador to the State Department. No response was ever received. Yet one of the Ambassador's complaints is that he feels that he has not been adequately informed. While the information which was gathered by us was not routed to him, he nevertheless had access to it by merely requesting it. In fact, items of a political and military nature of special interest were routed to him for his information. He was also given the paraphrase of every cable message which we ever sent from Madrid. He has not, however, been kept informed, and rightly so, on the details of our operations, that is to say, the ways and means by which we gather our information. This is an organizational matter, quite out of the province of the Embassy. His interest should be limited to the information collected and not how it is obtained.

In July, in an effort to meet some of the objections of the Embassy in conjunction with the Oil Control program, certain concessions were made to the State Department that would enable the Oil Control observers in Spain, who also devote part time to O.S.S. work, to spend even more time on their oil work. This agreement was welcomed by the Ambassador as being a constructive step forward in eliminating some of the objectionable features of the oil observers acting in a dual capacity. This satisfaction was expressed in a cable which the Ambassador despatched to the State Department, No. A-406, August 21, 1943.

The arrival of Gregory Thomas was also calculated to give to the Ambassador a representative with whom he could deal on a fresh and understanding basis. Thomas, in meeting some of the objections of the Ambassador on the operations of O.S.S., agreed on August 24th to eight specific points, in an effort to further please the Ambassador.

The visit of Colonel Rehm (our financial officer) was likewise expected to g[illegible] a reassuring note on the charge that O.S.S. expenditures in the conde[illegible] their activities in Spain were excessive.

According to a report from Thomas, dated September 14th, referring to the attitude of the Ambassador, he writes:

"When recommending steps to be taken in the future, he (the Ambassador) indicated his desire to fortify our organization, rather than destroy it."

Within a few days of this comment to Thomas, the Ambassador despatched his cable No. 2671 in which he recommended the cessation of O.S.S. activities in Spain. Thomas and Col. Rahm, I am sure are not aware that the Ambassador has recommended to the State Department that O.S.S. cease its activities in Spain, and yet at the very time that his cable was being sent from Madrid they were in friendly conversations about the future of O.S.S. in Spain. Such tactics have characterized the Ambassador's actions against us from the very beginning of our representation in Spain. He certainly has been anything but direct with those of us who have had to deal with him.

It seems rather obvious to me that the Ambassador, because of the recent arrests of Schoonmaker and Quesada, has seized this opportunity of recommending the withdrawal of O.S.S. from Spain. His scheming in this direction may be illustrated by his cable No. 2596 of September 14th to the State Department, an excerpt from which I quote the following:

"Pratt and Ryan were both interested in the exchange transaction involving Quesada and Schoonmaker and in view of the fact the Spaniard who handled the matter at Pratt's request is said to have made a complete confession, I also wish to request that Pratt be recalled. Likewise the Department should not permit Ryan to return to Spain or Portugal."

While this financial deal appears to be a sensational development to those who are uninformed, it was in no sense an irregular method in the acquiring of black-market pesetas.

I call particular attention to the fact that he does not wish me to return even to Portugal. It seems to me the reason for this might well be that he realizes that from Lisbon I would be in position to continue to conduct intelligence operations in Spain. It seems apparent that the Ambassador simply does not want intelligence activity going on under his mission. If he does, then it must be conducted in such a mild and painless fashion that he will not have any concern about "embarrassments". Perhaps his attitude may be explained by the fact that he is an extremely pious and devout religious man, and suffers personal distress when facing the Spanish Foreign Office, knowing that illegal activities are being conducted by Americans attached to the Embassy.

The time to endeavor to send other O.S.S. representatives to Spain, more pleasing to the Ambassador, has passed. He has shown that he cannot be placated by proper choice of personnel. The personnel representing O.S.S. in Spain, however, have demonstrated that they have obtained information which has received highly satisfactory evaluations by the M.I.S. as well as the O.N.I.

Information on subjects other than military has also been received with satisfaction by other interested departments here in Washington to whom it has been made available.

In addition to the value of the current information being reported by OSS from Spain, it is of prime importance that a solid foundation be laid for the continuation of an American intelligence organization in the months and even years that lie ahead in a Europe that will seethe with intrigue.

This whole matter, therefore, resolves itself into a simple query. Is it the wish of the Joint Chiefs of Staff that our Spanish Organization be continued? If it is, then it would seem necessary that steps be taken to instruct the Ambassador in a direct forthright statement that the continuation of our activities is of importance and that he should lend every possible assistance to its proper functioning.

In conclusion, I wish to state that it is distressing to know that despite every effort that has been made over a period of a year and a half to placate the Ambassador, that he refuses to be placated. That in the critical war months that are ahead, when Germany is far from subdued, when France and other countries of Europe still remain unliberated, the Ambassador still wishes to obstruct our efforts in obtaining intelligence information.

FTR

F.T.R.

SECRET

30 July 1943

MEMORANDUM FOR COLONEL C. R. PECK, G.S.C.,
EXECUTIVE SECRETARY, THE JOINT CHIEFS
OF STAFF.

SUBJECT: Observations on U. S. Intelligence Services.

1. Pursuant to our recent conversation in connection with the issues raised by Ambassador Hayes and General Strong regarding OSS intelligence activities in the Iberian Peninsula, I wish to make certain observations bearing on intelligence matters suggested by those issues, but reaching beyond them. I submit them because it is my belief that isolated difficulties and incidents abroad are generally traceable to confusion or actual friction in the national intelligence organization here in Washington.

2. It can be said without contradiction that our present national intelligence organization, considering the manpower, money and energy expended, is inefficient and in general produces mediocre results. It is common knowledge that in some intelligence fields

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we are largely dependent upon British accomplishment. From this it does not follow that in ability, imagination, or genius American intelligence personnel is not the equal of British, man for man.

3. The genius and initiative of American intelligence personnel is not being exploited precisely for the reason that our intelligence organization is unsoundly and illogically conceived. It is a service, or an agglomeration of services, which has been allowed to develop without national plan. The intelligence services of the general national bureaus are operating with ill-defined directives and functions. Each is attempting to perform a number of intelligence functions common to the others and often inappropriate to the particular bureau. Existing directives to the several services are imprecise, sometimes contradictory, and permit broad over-lapping fields of action. Certain limiting provisions in the directives along geographic rather than functional lines, are arbitrary and artificial. They effectively obstruct smooth, natural intelligence operations.

4. Aside from obvious duplication of effort

and wasted manpower, our intelligence organization suffers from two fundamental defects which prevent high accomplishment:

a. Competition is imposed upon each intelligence service which, in justification of its own existence, forces it to fight with all the rest. The degree of animosity which exists among some of the services is beyond that caused by the mere clash of personalities; it is a direct result of a combination of undefined functions and the absence of specific coordinating authority to impose adherence on the part of individual services even to those functions which are reasonably definitive.

b. There is lacking an effective joint agency in which intelligence operations head up to serve joint strategic requirements. The JIC has neither the authority to control and coordinate intelligence activities at home and abroad, nor the facilities fully to exploit existing intelligence resources. To repeat, there is no adequate joint or centralized intelligence authority. Nor is there an adequate central agency having the

operational facilities to receive and process all existing information and the competence within itself to integrate it into the varied forms of complete strategic intelligence. Nationally our intelligence organization is a costly group of factories, each uneconomically manufacturing all components parts, but lacking an articulated assembly line for the finished product.

5. That the above statements are essentially true is proved by the fact that at this time there is a general tendency on the part of each individual intelligence service to feel the necessity of making itself a complete, self-contained intelligence service rather than perfecting itself in appropriate functions assigned in accordance with a sound plan. An analysis of these services will disclose that each is performing operations which more appropriately belong to and can more capably be performed by another. A vicious circle has thus been created from which there is no escape unless first, the functions of each service are clearly defined; and second, a centralized joint agency is established with authority to control and coordinate

all intelligence services and to create a joint operating agency competent to analyze, synthesize, and integrate intelligence material from all sources.

6. So long as the several intelligence services are equal agencies strung on a string, each attempting to do what its competitors are doing, and lacking an authoritative superior agency to bring all intelligence resources to a head, our national intelligence efforts will be relatively ineffective.

7. It should be obvious, and it is reasonable, that no one bureau however efficiently administered will be permitted, without disastrous conflict, to constitute itself a complete or superior agency. It is only on an echelon above any individual bureau, that is, on the level of the Joint Chiefs, where authority would be conceded for the constitution of a national intelligence entity which could coordinate all the rest and be supported by them.

8. There are certain intelligence activities which should be exercised exclusively on a level higher than that of any individual bureau. If these functions are not so framed in the national intelligence organization

excessive duplication, inefficiency, and inter-bureau friction will continue.

9. One of these activities is the conduct of espionage and counter-espionage outside of United States territory. Responsibility for the establishment of a national secret service abroad has long been neglected. As a practical political step this function could not be assigned exclusively, let us say, to the Army or Navy or State Department. This service must be responsible to a joint agency, under the Joint Chiefs of Staff. Army, Navy, and State, in addition to other departments, should be served by an effective world-wide secret intelligence service. Subject to the Joint Chiefs, the Army and Navy, with State Department representation, should have joint voice in coordinating its activities and should support it by all appropriate means. In fact, a secret intelligence service under the Joint Chiefs of Staff actually exists.

10. Very belatedly in the autumn of 1941 a secret intelligence service (espionage and counter-espionage) for operations abroad was started in the OSS. Despite all the difficulties inherent in this complicated type of operation, (for all substantial

by an simple directive the Joint Chiefs of Staff is in position to institute a joint coordinating committee to effect intimate cooperation between SI and military and naval secret intelligence and counter-intelligence agencies; to give SI exclusive jurisdiction abroad in this field; and to assure assistance rather than resistance from other agencies. SI would thus immediately become a national asset of incalculably greater value to the whole government.

12. Another Branch of the OSS which, under proper auspices of the Joint Chiefs of Staff, should become a national asset, is the Research and Analysis Branch. The competence of this aggregation of experts in many fields is too well known to be stated here. That this group of scholars and experts is prevented from making full contribution of their talent in the national intelligence field is due again to deliberate obstructionism from certain quarters. Properly framed in an intelligence organization which is obedient to the needs of the JCS in consideration of broader factors of intelligence which strictly are neither military or naval, but supplementary to both, the Research and Analysis Branch would constitute the core of an agency

which could not be duplicated in any other intelligence agency which restricts itself to the needs of its particular bureau.

13. A most cursory examination of JCS 155/7/D shows the directives applicable to R & A to be in places conflicting, diffuse, and so phrased as inevitably to create friction and over-lapping of functions with other agencies. Fundamentally, the error comes from considering R & A as just another of the several intelligence agencies competing for identical jurisdiction; whereas the whole conception of R & A was, and is, to constitute a functional intelligence group for the analysis of broad strategic factors supplementary to conventional military and naval ones.

14. In the circumstances R & A, which is uniquely designed to serve a particular functional need and should be generously supported by other intelligence agencies, finds itself forced into a senseless competitive struggle and is deliberately deprived of information on which it should flourish. This group of highly qualified specialists which should be the servitors of the Joint Chiefs and assigned functions befitting their ability to produce, is today

arbitrarily being denied access to vital information by certain other agencies despite what are believed to be both the terms and spirit of the directive.

John Magruder, Brig. Gen.
Deputy Director, OSS -- Intelligence Service

JM:AMc:mm

SECRET

25 July, 1943

MEMORANDUM FOR COLONEL C. R. PECK, Executive Secretary,
The Joint Chiefs of Staff

SUBJECT: Ambassador Hayes' Report of 16 June, 1943
on OSS Activities in Spain.

A. INTRODUCTORY STATEMENT

This memorandum is submitted as a reply to a despatch to the Secretary of State #991, 16 June, 1943, from Ambassador Hayes, Madrid, Subject: Transmitting Memorandum of Consul General Makinson on Certain Barcelona Incidents, and Offering Comments and Recommendations on OSS activities in Spain, transmitted to OSS on 17 July, 1943 through Colonel Peck. The following memoranda on OSS activities in Spain have already been transmitted:

(a) Memorandum dated 23 July, 1943 giving answers to specific questions asked by Colonel Peck concerning OSS authority and organization in Spain and Portugal.

(b) Memorandum dated 23 July, 1943 entitled "OSS Representation in Spain". This gave an account of the efforts made by OSS to get its representative, Mr. Gregory Thomas, to his post in Spain.

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As background for the present situation, it will be recalled that on 9 April, 1945, the Joint Chiefs of Staff transmitted to the Office of Strategic Services a somewhat similar memorandum from Ambassador Hayes, dated 8 March, 1945, and that, pursuant to Admiral Leahy's request, General Donovan, on 9 April appeared in person before the Joint Chiefs of Staff to reply to this and allied OSS matters.

On 10 April, following General Donovan's appearance, the Joint Chiefs of Staff wrote to Mr. Berle, Assistant Secretary of State, a letter, copy of which was forwarded to General Donovan with the request that "the enclosure, especially the last paragraph thereof, be considered in the nature of a Directive from the Joint Chiefs of Staff to the Director of Strategic Services". They gave instructions that all representatives whose conduct causes embarrassment to the Ambassador or to the other officials of the Embassy be summarily withdrawn. They expressed the hope that with the arrival of Mr. Thomas in Spain such incidents as those which prompted Ambassador Hayes's protests will be eliminated.

OSS has made every effort to comply with this Directive as set forth below:

(a) In accordance with the explicit suggestions of that letter, arrangements were made for the establishment of Mr. Gregory Thomas as OSS Representative in the Iberian Peninsula. That this has not yet been fully consummated is not the fault of OSS. This crucial matter has been discussed at length in the memorandum already submitted entitled "OSS Representation in Spain".

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(b) There is, in fact, only one OSS Representative attached to the Embassy, Mr. Frank Ryan. It has always been intended that as soon as Mr. Thomas reached Spain, Mr. Ryan's duties would end, and he would return to the United States having finished his interim mission. Mr. Thomas would take charge, preferably as Special Assistant to the Ambassador, as the Department of State agreed, but unless Mr. Thomas receives the official designation from the Department as Attache to the Embassy, he will not be able to carry out most effectively OSS representation in Spain.

(c) In the carrying out of this Directive, and in an effort to comply with the Ambassador's wishes, OSS has already arranged with the Department of State for the withdrawal of two men who have proved unsatisfactory to the Ambassador. These men will be withdrawn just as soon as their replacements can arrive in Madrid. The final arrangements with the Department of State as to these two men were made on 13 July (before OSS was cognisant of the Ambassador's memorandum); and, in fact, plans for their withdrawal had been initiated by OSS some time before. A third member of the Oil Mission was recalled to the United

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States at the initiative of OSS in the first week of July.

II. REPLY TO CRITICAL COMMENTS ON OSS ACTIVITIES

I. Oil Observers

(a) Relationship of Oil Observers to the Embassy

This matter, with which the Ambassador seems most concerned, has already been satisfactorily adjusted with the Director of Petroleum Control in Spain and the Department of State on 13-14 July, some days before OSS was aware of the Ambassador's allegations to which we are now replying.

The origin and nature of the Oil Mission is described in Ambassador Hayes' memorandum of 8 March, 1945:

"Our Government (has desired) to keep fully informed of events and developments within Spain, and, through our Spanish contacts, to obtain as reliable information as possible about military and political situations and developments in neighboring countries, especially in France and Italy. Indeed, the geographical location of Spain obviously renders it a prime listening-post for our war effort.....

"When our program of control of petroleum imports and distribution was announced, the Embassy took the initiative in suggesting that the observers sent to Spain under this program might profitably report also on other matters of the nature just referred to. The suggestion was acted upon by the C.O.I. (and its successor, the OSS) under Colonel Donovan, with the concurrence of the State Department and the knowledge of the present Ambassador. The result has been that all the assistants to the Director of Petroleum Control in Spain, Embassy Attache Mr. Walter Smith, have dual roles (1) they are embassy attaches, accorded diplomatic status by the Spanish Government, and recognized by it as 'oil observers'. (2) they are secret intelligence agents of the OSS, operating presumably without the knowledge of the Spanish Government."

The dual function of the oil observers has created problems, as the Ambassador points out. These problems have now been arranged to the satisfaction of the State Department, OSS, and Mr. Walter S. Smith, the Director of Petroleum Control in Spain, who has recently been in Washington. The agreement was embodied in the following cable which has been sent by

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OHS to Mr. Pratt in Spain, (transmission having been delayed at Mr. Smith's request until his return to Madrid):

"WE HAVE REVIEWED OIL ORGANIZATION WITH DEPARTMENT AT THEIR REQUEST. THE DISTURBING FACT IS DISCLOSED THAT FOUR MEN ARE DEVOTING EXCLUSIVE TIME TO OUR WORK CONTRARY TO AGREED POLICY. WE CONSIDER THIS DETRIMENTAL TO SECURITY OF BOTH ACTIVITIES, THE FUTURE SUCCESS OF THE PROGRAM, AND OUR UNDERTAKING WITH STATE. THE FOLLOWING POINTS HAVE BEEN CONSEQUENTLY AGREED UPON WITH THE DEPARTMENT WITH REFERENCE TO PERSONNEL WORKING JOINTLY FOR OIL AND FOR US, EFFECTIVE IMMEDIATELY.

1. EACH OIL ATTACHE NOW IN SPAIN WILL DEVOTE FIFTY PERCENT OF HIS TIME AND CONSCIENTIOUS EFFORT TO OIL. THIS INCLUDES THREE REPLACEMENTS*, NAMELY, HODGE, SINGLETON AND LOCKWOOD, ARRIVING IN THE NEAR FUTURE.

2. EIGHT FURTHER MEN NOW BEING RECRUITED BY STATE WILL WORK ON OIL ONLY.

3. YOUR TIME IS STILL FIFTY PERCENT AVAILABLE TO SMITH AND WHEN HE DEEMS NECESSARY YOU SHOULD ARRANGE TO DEVOTE THIS TIME TO OIL. IN SMITH'S ABSENCE

* FOR DEFINE, FERGUSON AND WILSON

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YOU LIKEWISE SHOULD ASSUME ACTIVE CONTROL AND RESPONSIBILITY FOR OIL.

4. WITH REFERENCE TO DUAL CAPACITY MEN, SMITH HAS FINAL AUTHORITY IN STATIONING OF MEN, THEIR MOVEMENTS, TIME SCHEDULES AND AUTHORITY TO INSURE THE GIVING OF FIFTY PERCENT OF TIME AND EFFORT BY THE DUAL CAPACITY MEN TO OIL WORK. YOU ARE ENTITLED TO THE OTHER FIFTY PERCENT FOR OUR WORK AND WILL HAVE FULL AUTHORITY AND RESPONSIBILITY FOR THE REMAINING TIME OF THESE DUAL EMPLOYEES. THE MAN MENTIONED IN PARAGRAPH TWO ABOVE ARE TO BE EXCLUSIVELY OIL MEN.

5. AS YOU CANNOT OPERATE IF IT IS UNSUCCESSFUL, PLEASE UNDERSTAND OIL PROGRAM IS TO BE GIVEN PRIORITY. THEREFORE COOPERATE FULLY WITH SMITH TO THAT END AND DO NOT ALLOW THE OIL PROGRAM TO BE PREJUDICED BY YOUR DEVOTION TO OUR WORK OR INEQUALITIES OF EXPENSE."

We have reason to believe that the above carefully considered arrangement made between the Department of State, the Director of Petroleum Control in Spain, and OSS will be satisfactory to Ambassador Hayes, and we trust that it will be equally satisfactory to the Joint Chiefs of Staff.

(b) <u>Salaries and Expenses of Oil Observers</u>

The Ambassador states that "the present

Oil Attaches who work for OSS are scandalously overpaid, being now in a position to deposit their entire salaried, amounting in most cases to $6,000 a year, in the United States, and to live here on their allowances from OSS". The Ambassador proposes as a remedy for this (1) a salary of $4,600 with (2) per diem (3) transportation expenses, and (4) a modest unbudgeted drawing account controlled by Mr. Smith. This salary, plus per diem of $7.00, would equal $7,155 per year.

The facts are these: One Oil Observer who acts as Chief Agent for OSS receives $650 per annum in excess of the figure recommended for all men by the Ambassador. The other eleven men receive as salary and per diem the average amount of $5,985, or $1170 less than the amount recommended by the Ambassador.

The Ambassador also recommends a modest unbudgeted drawing account controlled by Mr. Smith. Presumably this would cover legitimate expenses of entertainment, and perhaps some moderate upward adjustment necessitated by the high cost of living in Spain. OSS is as deeply concerned as the Ambassador that this aspect of its affairs be handled correctly;

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and before the receipt of the recent criticism of the Ambassador in this regard, OSS had cabled to him for his permission to send a resident financial officer, Mr. George Howe, to Spain to supervise this matter, together with the handling of money necessarily disbursed in the purchase of information. Furthermore, OSS had instructed W. Lane Rehm, its principal Finance Officer, to make an inspection of this matter in Spain, which should be prior to or coincident with the arrival of Mr. George Howe.

The instructions on financial matters from the Washington Office of OSS with regard to its full or part-time employees in Spain are clear and correct. Fundamentally, as has been shown, those ideas agree with the ideas of the Ambassador; but in view of the need for the expenditures of certain monies secretly for the purchase of information, OSS is convinced that such expenditures, together with the difficult problem of expenditures incident to the collection of intelligence, can be handled by Mr. Howe, OSS financial officer, better than by Mr. Walter B. Smith, head of the Oil Mission.

II. Criticism of OSS Policy"

One substantial criticism made by the Ambassador

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in that OSS Representatives have been guilty of "ignoring Spain's broad general relationship to our war effort, with resulting frequent flouting of the Department's and Embassy's considered policy toward Spain".

OSS has no political policy of its own. Its objective is to acquire useful information and put it into the hands of those agencies of the United States Government which can employ it effectively in the war effort. The Ambassador has been concerned about preserving Spain's neutrality. OSS has been concerned to get information of value to the war effort, irrespective of Spain's neutrality. Many American civil and military officials (and doubtless also the Ambassador) have been concerned lest neutrality could not be maintained and OSS intelligence has been directed toward that contingency. Never has OSS held a view different from Ambassador Hayes' concerning the desirability of a neutral Spain; but never, on the other hand, has it shut its eyes to the other possibility.

In that connection from time to time (and purely for the purpose of getting information in Northern Spain, at the border, and out of Southern France) OSS has employed agents who happen to be

Basques. The Ambassador refers to OSS employment of "subversive" elements. OSS has no interest whatsoever in subversion, in Basque politics, in Spanish politics, or in "post-war planning". Certain Basques employed by OSS in the North of Spain were, and are, intelligent, enterprising and courageous agents. They have been engaged to get information, and they have got it. The results have justified the decision to engage them.

III. Allegation of "Planting" Agents in Other U.S. Government Offices in Madrid

(a) The Ambassador stated that OSS "planted" an agent in the American Consulate General in Barcelona. The facts are as follows: An OSS Representative employed a Spaniard in Barcelona to work for him. Subsequently, the same Spaniard was employed by the Consulate General. Our Agent, through faulty judgment, but through no particular motive, did not inform the Consul General of this fact. When OSS became aware of the situation, our Representative in Barcelona was reprimanded and instructions given that a like situation should not be allowed to develop again.

(b) The Ambassador avers that OSS "planted" an agent in the Military Attaché's office in Madrid. The

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facts are as follows: A certain Domingues was originally employed by the Military Attache in Lisbon. With the consent of the Military Attache, Domingues was asked by OSS if he could devote some time to our activities, to which he assented. Subsequently, his work proved so unsatisfactory, both to the Military Attache and to OSS, that his services were dispensed with by both Offices. Domingues later went to Spain and was employed there by the American Military Attache. At no time in Spain was this man either in contact with or employed by OSS, who had absolutely no interest in him after the experience in Lisbon.

IV. Criticism of the Caliber of OSS Work

The work accomplished by OSS in Spain is characterized in the Ambassador's despatch as "dubious". In commenting on this the Ambassador says: "If I felt that the work done by the OSS in Spain constituted a major contribution to our war effort, and could not be done more effectively in some other way, I would be more charitable about the leadership and personnel of the organization and more disposed to overlook the trouble and embarrassment it causes the Embassy and the Consulates."

The Ambassador refers to the "big mass of stuff" gathered by OSS agents in Spain, describes it as "uneven and fragmentary, derived chiefly from gossip and hearsay", and states that it is "calculated more to create a sensation than to present an accurate picture". He cites two more examples, and states that he will not multiply "ad infinitum the foregoing examples of the inadequacies and blunders of the military reporting of OSS about Spain".

(a) MIS Appraisal

In contrast to this characterization by Ambassador Hayes, MIS Washington has been consistently appreciative of the intelligence supplied it from Spain by OSS. Its most recent evaluation (24 July, 1943) covers 54 reports from that area submitted by OSS in the week 18 July to 24 July, on Spanish Battle Order, naval bases, ship movements, fortifications, airfields, maps, munitions production, railroads, highways, telephone systems and counter-espionage.

MIS Evaluation follows:

"Value to MIS

Definitely valuable 33

Of secondary interest	19
Casual interest	11
Worthless	0
Reliability of Information	
Confirmed by other sources	0
Probably true	30
Possibly true	18
Doubtful	0
Improbable	0
Cannot be judged	0
Timeliness of Report	
Current	54
Material old but valuable	0
Out of date, hence worthless	0
Originality of Report	
Original	50
Duplicates of other material	1
Confirms information received	3
Denies information received	0"

It is to be noted that this is not an evaluation of certain reports selected for the purpose by OSS. The reports were run of the mill. They were evaluated in the routine of a system established several months ago, whereby, for the purpose of increasing the value of OSS intelligence, MIS agreed to give an evaluation at two-months intervals. The first such evaluation was rendered to OSS on reports sub-

mitted to MEW during the period 25 May to 30 May.

(b) British MEW Appraisal

On 23 July, 1943, following many favorable evaluations of OSS material previously submitted, OSS received from the British Ministry of Economic Warfare, through the British Embassy at Madrid, the following comment on OSS Report A-5554:

"The Ministry of Economic Warfare wishes to emphasise the great value that they attach to this report and others of a similar nature. They would appreciate it if their sincere thanks were conveyed to OSS who have organised this so well. The Ministry in question goes on to make the following points:

1. Can this report be received regularly? It fills an important gap in our information.

2. Can similar figures be obtained for Portugal? Does this represent 'total' traffic - i.e. including any traffic not declared for customs purposes?

3. Can figures of imports from Europe into Portugal be obtained?

4. Can complete information of this nature be made available to us as from the 1st January 1943?"

(c) Ambassador Hayes' Appraisal

As it so happens, on 5 April, 1943, in

His cable of that date to the Department of State, Ambassador Hayes reported as follows:

"One of the most important sources of material for evacuee investigations comes from the traffic movements reports obtained by the British and American Embassies. For most of these, this Embassy is indebted to the Office of Strategic Services. See my strictly confidential despatch No. 685, March 9, 1945, for an illustration of one use to which they are put. They are also useful in detecting the activities of entities under observation for listing action."

With regard to the General nature of OSS reports, in the period from 1 December, 1942, to 1 March, 1945, as stated in the memorandum submitted on 25 July, 1945, concerning OSS organization in Spain, 525 written documents were received by OSS by pouch from Madrid. In the succeeding four months period 1 March to 1 July, 1945 (a period characterized by the Ambassador as disorganized and misdirected) the total number of pouch reports was approximately 1500, and in addition 154 reports were received by cable.

On the important question of Map Intelligence, OSS has obtained some 1000 maps of the Iberian area, and over 2000 aerial photographs taken in

Portugal. All of the aerial photographs have been sent to the Army Map Service, as have the best of the maps. The last shipment contained 26 maps of Spain, previously not in existence in this country - and superior to any others known. Furthermore, a considerable portion of this one pouch includes maps so newly improved as to be considered new data. At the moment, over 200 pounds of maps have accumulated in the Madrid Office, due to restrictions placed on the volume of material which we are permitted to send by diplomatic pouch. A bomb target program in Spain has been set up, based on over 400 control maps kept in duplicate in the Washington and Madrid Offices. This program, shortly to be expanded to include Portugal and France, is expected to be a major source of information for the Army Air Corps.

These reports and maps are available for inspection and analysis.

OSS does not accept a characterization of this material as a "big mass of stuff", "gossip and hearsay" or sensational "spot news". It is intelligence of recognized high order, abundant and original.

As regards OSS intelligence operations in Southern France, conducted from Spain, the Ambassador

suggests that what "OSS can do in these respects seems pitifully slight compared to what Colonel Malaise and his numerous experienced colleagues and agents among the French North African mission here, and among the refugees from France itself, are doing in close collaboration with our own Military Attaché." In the first instance, it is submitted that the turn of the political wheel may make Colonel Malaise and his French colleagues unavailable to the war effort of the United States. But apart from this fact, OSS does not regard its work into France as competitive or its sources as superior. It is a valuable independent service. In certain circumstances it might prove to be the only intelligence service into Southern France remaining to the armed forces of the United States.

V. Additional Allegations By the Ambassador

The foregoing replies to the substantial charges set forth in the Ambassador's despatch. The following matters introduced by him will not be gone into for the reasons given:

(a) Criticisms already answered by General Donovan categorically, at Admiral Leahy's request, on 8 April, 1943, which have reappeared in Ambassador

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Hayes' recent reports such as the incidents connected with Mr. DiLucia, who left Spain months ago and is now in the United States.

(b) The section of Ambassador Hayes' most recent report entitled "The Leadership and Direction of OSS in Spain", to which a full reply, at Colonel Peck's request, was made on 25 July, 1942, referred to above.

II. COMMENTS ON THE RECOMMENDATIONS OF AMBASSADOR HAYES

At the end of his despatch, Ambassador Hayes makes four recommendations:

I. That a Proper Head of OSS be Appointed

Mr. Gregory Thomas is regarded in all quarters as answering the Ambassador's description. His re-appointment to Madrid has never been made by the State Department. It is respectfully suggested that the Joint Chiefs of Staff request the Department of State to take immediate steps to expedite the re-appointment.

Moreover, if after his arrival, the Ambassador should continue to feel that Mr. Thomas should devote all his time to Spain and none to Portugal, OSS, with

the approval of the Joint Chiefs, will instruct Mr. Thomas in this sense, and will make other arrangements for Portugal.

II. That Personnel and Financial Arrangements of the Oil Mission, to Which We Are Prior Bound, be Promptly Carried

This has been done (as reported above) prior to receipt by OSS of the Ambassador's recommendation, in conferences held on 13 - 14 July, 1945, at the Department of State, between the Head of the Oil Mission, Representatives of the Department, and Representatives of OSS. Among other things, it was agreed at that conference that Messrs. Ferguson and Wilson should be recalled (all parties agree on the desirability of this) and that replacements should be sent. The replacements were also agreed upon at that meeting.

III. That There Should be "Some Agreed-Upon and Adhered-to Division and Coordination of Labor Between our Several Intelligence Services of Spain."

The Ambassador suggests that the Military Attache's Office take over intelligence work on military dispositions and facilities within Spain; that the newly arrived Naval Attache be responsible for naval, air, and counter-intelligence; and that the North African French of Colonel Malaise be given the responsibility for

gathering information about the military and political situation in France.

So far as OSS is concerned, says the Ambassador, it "might, under proper leadership and with proper personnel, assume responsibility for intelligence work on all sorts of traffic along the France-Spanish border, and by concentrating on Oil-control throughout the country, it could incidentally assemble much miscellaneous information of value to the Embassy as well as to the other intelligence services".

It is submitted that there can be no division of labor such as Ambassador Hayes recommends. OSS is a secret intelligence service, new in the United States history, but operating in well-understood ways. To quote from the Joint Chiefs of Staff letter of 10 April, 1943, to Mr. Berle, "Much of this information can only be gained by underground methods which are not compatible with the code of ethics established for diplomatic representatives, including Military and Naval Attaches". That which characterizes OSS is its manner of obtaining information, and its sources. This, by definition, cannot be shared with the official attache services, as the Joint Chiefs have pointed out. Since parcelling out of our sources is impossible, a

division of labor is likewise impossible.

IV. That "The War Department may see fit to recognize and [illegible] the [illegible] of ordinary [illegible] Commanding [illegible] the Canaries [illegible] the Present Military [illegible]

In telegrams of 26 August and 18 November, 1942, and on 17 February, 1943, the Ambassador suggested that OSS personnel be placed under the Military Attache. He renewed this recommendation in his despatch of 18 March - which was the subject paper of the answer and appearance of General Donovan before the Joint Chiefs on 9 April. On the 10 April, the Joint Chiefs advised the Ambassador that in their view it would be impracticable to place the Representatives of the Office of Strategic Services under the control of a Military or Naval Attache.

The Ambassador now recommends the establishment of a "joint intelligence command" with the present Military Attache as its chief. It is impossible to know whether this is a renewal of the idea which the Joint Chiefs have already rejected, or whether it is an expression intended to signify cooperation and collaboration in intelligence. OSS does not feel it

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opportune to express its views on this subject without instructions from the Joint Chiefs of Staff.

Secret intelligence of OSS operates in the following neutral or near-neutral countries: Finland, Sweden, Switzerland, Portugal, Turkey and Spain. In the first five countries mentioned there is, so far as OSS has been informed, complete harmony between the Ambassador or Minister, the Military Attache, and the Representatives of OSS. Mr. Johnson, Minister to Sweden, and Mr. Schoenfeld, Minister to Finland, spent the greater part of several days with OSS in Washington when they were here, to no purpose other than to cement an already strong working relationship.

Such a relationship can be established in the one neutral country where it does not yet exist - Spain. OSS is determined to make every possible effort to reach a complete understanding with Ambassador Hayes, with the result that the Embassy may do its work unhampered by any embarrassment from OSS, and OSS may do its work with the good will and cooperation of the Ambassador.

J. Edward Buxton
Acting Director, OSS

[illegible]

[illegible] July, 1945

MEMORANDUM FOR Lieutenant G. R. FOX, Executive Secretary, The Joint Chiefs of Staff

SUBJECT: Additional Information re OSS Representation in Spain.

With reference to the memorandum concerning the appointment of Mr. Gregory Thomas as liaison to the Embassy in Madrid to act as OSS Representative for the Iberian Peninsula, transmitted to you on 26 July, 1945, entitled "OSS Representation in Spain", the following additional information is submitted:

In a cable from our Madrid Office received here 31 July, it is stated that in a conversation with our Principal Agent in Madrid the Ambassador indicated his surprise that Mr. Thomas was still not in Madrid; that he called attention to the fact that he had agreed to Mr. Thomas' appointment last February and had once more confirmed it with the Department of State in April; that the Spanish Foreign Office had given its approval four months ago; and

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[illegible], since April [illegible]
[illegible]

[illegible]
[illegible]
[illegible]
[illegible] that [illegible]
indication of [illegible] to his [illegible], and
appears eager to [illegible] and [illegible] his
duties. Since this [illegible]
months [illegible]
to Mr. Hayes [illegible]
that we have instructed [illegible] to proceed to [illegible]
immediately.

G. Edward Buxton
Acting Director, OSS

Supervision

FOS/dm
July 31, 1943

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23 July 1943

TO: Colonel C. R. Peck, Executive Secretary,
Joint Chiefs of Staff

SUBJECT: OSS Representation in Spain

As requested by you, I am transmitting herewith a memorandum giving a brief history of OSS efforts to get its representative for the Iberian Peninsula, Mr. Gregory Thomas, to his post in Spain.

G. Edward Buxton
Acting Director

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OSS DEMONSTRATION IN SPAIN

On April 10, 1945 the Joint Chiefs of Staff replied to a letter from the Department of State dated March 26, 1945 which enclosed a dispatch from Ambassador Hayes, Madrid. This dispatch had commented unfavorably on OSS personnel in Spain, and on certain activities of that personnel.

The last paragraph of the reply of the Joint Chiefs of Staff (Annex 1) read as follows:

> "The Chiefs of Staff are sympathetic to Ambassador Hayes in the trouble he has been given by poorly selected representatives of OSS. They have given instructions that all representatives whose conduct causes embarrassment to the Ambassador or to other officials of the embassy be summarily withdrawn. They are hopeful that with the arrival of Mr. Thomas in Spain such incidents as those which prompted Ambassador Hayes' protests will be eliminated."

There was complete agreement between the Joint Chiefs of Staff, the Department of State, and the Office of Strategic

Services in this solution of a troublesome problem. Furthermore the solution seemed near at hand. For by letter dated February 10, 1945 (Annex 2) General Donovan had proposed to the Department of State that he send Mr. Thomas as "Chief of the activities of the Office of Strategic Services in Spain and Portugal" and had requested that Mr. Thomas be named "Attache to the Minister" in Lisbon, as well as "Attache to the Ambassador" at Madrid. In reply, on March 9, 1945 (Annex 3), the Department of State had written to Mr. Thomas appointing him to the named posts. Several officials of the Department who had talked with Mr. Thomas about his duties had been outspokenly impressed by his unusual fitness for the assignment. (Annex 4)

Copy of the letter of the Joint Chiefs of Staff to the Department of State, April 10, 1945 (Annex 1), was sent to the Office of Strategic Services. Paragraph 2 of the transmitting letter read as follows:

"It is requested that the enclosure, especially the last paragraph thereof, be considered in the nature

of a directive from the Joint Chiefs of Staff to the Director of Strategic Services."

Since receipt of this directive the Office of Strategic Services has acted vigorously and in full compliance therewith. (1) This agency has been, and is, ready at any moment to play its appropriate part in summarily withdrawing from Spain any representative "whose conduct causes embarrassment to the ambassador or to other officials of the embassy". (2) This agency has done everything in its power to get Mr. Thomas to Spain. That he did not arrive there more than two months ago is solely the responsibility of the Department of State.

The Department had assumed this responsibility as far back as March 9th (Annex 2). Two steps were required: (a) to issue Mr. Thomas' passport, (b) to secure visas from the Portuguese and Spanish governments. The Office of Strategic Services has no way of knowing why these formalities should take from March to May to get done, even in part. The Portuguese visa was eventually secured; the Spanish visa was not. Nor does this agency know

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what steps Ambassador Hayes in Madrid took to expedite this visa for his Attache, or what steps he did not take. In any event, the Spanish visa has not yet been obtained.

Early in May a new element was brought into the picture. The Department of State notified General Donovan that it had come upon a report in the Department's files which indicated that many years ago Mr. Thomas had been a friend of certain Falangist personalities. There was a suggestion that he had once been made a member of the Falange itself! Mr. Thomas flew down to Washington, gave a formal statement which answered this fantastic charge to the full and expressed satisfaction of Mr. Shaw and Mr. Berle. The issue seemed closed. A few days later, however, General Donovan was informed by telephone that the matter might possibly be used to embarrass the Department; therefore Mr. Thomas could not be appointed as Attache at Madrid. A few days more elapsed; his passport was recalled, and his Madrid designation was struck off it.

The Office of Strategic Services then decided to send

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Mr. Thomas as far as Lisbon anyway, to deal with at least a portion of the whole problem of the Iberian Peninsula. He would also be in a position when permitted, to go quickly from there to Madrid, whether as Attache or not. The Department of State agreed to this procedure. Mr. Thomas left, but at the last moment he was advised by the Department not to go to Madrid in any capacity for a couple of months. To this condition both OSS and Mr. Thomas were compelled to agree. At no time was it suggested by the Department or by Ambassador Hayes that another representative be sent in place of Mr. Thomas.

On July 18th the Chief of SI Branch OSS called on Mr. Berle and asked him whether he could not now arrange for Mr. Thomas to go to Madrid, not as an Attache, but solely as OSS representative and for the sole purpose of improving the situation in Spain. Mr. Berle favored the idea, and the impression was given that a cable would be sent to this effect to Ambassador Hayes. Whether this was done or not, OSS has not been informed. For its own part OSS sent Mr. Thomas a cable on July 20th in-

structing him to go to Madrid, - the two months having elapsed.

In the meantime, according to reports brought to Washington by Mr. Kennan, Counselor of Legation at Lisbon, Mr. Thomas has done outstanding work in connection with OSS affairs in Portugal. At the Washington end, OSS has taken many steps calculated to improve the situation in Spain in spite of the fact that, so far, Mr. Thomas has been held up in Portugal. The Ambassador had complained of lax financial arrangements affecting OSS representatives. A financial officer of excellent qualifications has been appointed and is ready to leave for Spain, whether the charge is warranted or not. The Ambassador had complained that the reports sent in from Spain by OSS representatives were poor and "amateurish". Whether this is true or not (and these reports have been well received by MIS Washington), two men, one thoroughly trained in reporting, the other trained for four weeks in G-2 Order of Battle School, are ready to go to Madrid as soon as their visas can be secured.

Finally, the Ambassador had complained that the "oil observers" were devoting too much time to OSS work and too little time to oil control. This complaint, too, has been acted on by OSS, whether true or not; and on the recent return of Mr. Walter Smith, head of the Oil Control Commission for Spain, a full discussion of the problem was had with him and an arrangement was worked out satisfactory to him, to the Department of State, and to OSS.

Mr. Gregory Thomas' authority and duties are clear. They are as follows:

1. To have full responsibility for all OSS activities operated within the Peninsula or based thereon;

2. To report fully to OSS Washington on all matters related to the discharge of that responsibility;

3. To be kept informed of all OSS activities operated through the Peninsula from any external point and whenever practicable be given an opportunity to express approval or disapproval thereof or make constructive suggestions with respect

theaters;

4. To keep OSS Washington fully informed regarding such activities;

5. To cooperate fully with OSS personnel in London or Africa in connection with activities directed from those theaters which involve Spain, Portugal, and for the African or insular possessions of either or Spanish Morocco;

6. To be given an opportunity to express an opinion as to the feasibility or political advisability of any projects under consideration for OSS operations within or based upon the Peninsula;

7. To be given an opportunity to express an opinion with respect to the acceptability and general qualifications of any OSS personnel selected for assignment to the Peninsula prior to formal assignment;

8. To be authorized to discontinue forthwith services of any OSS employee operating within the Peninsula whenever in his judgment such emergency action is necessary for reasons of security or otherwise;

SECRET

[illegible]

[illegible] 1943

MEMORANDUM FOR COLONEL G. R. [illegible], Executive Officer, [illegible] Joint Chiefs of Staff.

SUBJECT: Memorandum from General Strong relating to OSS activities in Portugal.

1. This memorandum is submitted as a reply to General Strong's memorandum of 5 July 1943 addressed to the Chief of Staff. Formulation of a complete reply is difficult, if not impossible, for the following reasons:

(a) Reference is made to certain messages presumably intercepted from the Japanese. However, copies of these messages were not attached, nor were their contents quoted or otherwise made known to this agency.

(b) The assertion is made that the efforts of OSS representatives in Lisbon were "ill advised and amateurish." No facts, however, are given to support this assertion.

(c) Reference is made to a probable compromise of the cryptographic intercept system. No statement is made, however, to indicate how the OSS activities in Lisbon have affected this system.

Ans. to Tab C of J.C.S. memo of 7/17/43

4. To cultivate and maintain cordial relations with the chiefs of the American Diplomatic Missions in Madrid and Lisbon, and with all diplomatic, consular, military, naval and other officers of the United States on duty in the Peninsula.

It is still believed by OSS that Mr. Thomas is singularly well qualified to carry out these instructions. As recently as last Friday, July 16th, Mr. Berle expressed the opinion which was later concurred in by Mr. Shaw that Mr. Thomas is an excellent choice to represent OSS in the Iberian Peninsula. Therefore it is earnestly hoped that, without delay, the Department of State will make it possible for Mr. Thomas to proceed to Madrid and to perform his duties, as directed by the Joint Chiefs of Staff on April 10, 1943.

[redacted]

[redacted] as follows:

(a) Central headquarters of the Portuguese Legation, [redacted] among the [redacted] of the Japanese intelligence [redacted] in that country. [redacted] activities are [redacted] described in the attachment to General Strong's memorandum. This attachment was prepared for his information by an official of OSS, but is not classified as such by General Strong.

(b) The Lisbon office of OSS employs two agents [redacted] work for the Japanese: (1) A man who has a job as messenger in the office of the Japanese Naval Attaché, and (2) a woman who works as interpreter-stenographer in the office of the Japanese Military Attaché. Both are Portuguese. They have acted as operatives for OSS since January 1943. They have been instructed by the OSS agent in charge to pick up any available information as to Japanese official activities and to report on any callers or conversations.

(c) Such intelligence, oral or documentary, as is obtained by these methods is transmitted to OSS-Washington, and if it appears to have any value is disseminated to appropriate agencies as a routine matter by the SI Branch. The original reports and documents, and such processed reports as have been made, are available for inspection.

[illegible]

[illegible]

[illegible]

[illegible]

1. This memorandum is submitted with a reply to General Strong's memorandum of 6 July 1945 addressed to the Chief of Staff. Formulation of a possible reply to the [illegible] is not impossible, for the following reasons:

(a) Reference is made to certain messages presumably intercepted from the Japanese. However, copies of these messages were not attached, nor were their contents stated or otherwise made known to this memory.

(b) The assertion is made that the efforts of OSS representatives in Lisbon were "illegal and amateurish." No facts, however, are given to support this assertion.

(c) Reference is made to a probable compromise of the cryptographic intercept system. No statement is made, however, to indicate how the OSS activities in Lisbon have affected this system.

Ans. to Tab C. [illegible] 7/17/45

[illegible]

[illegible]

(a) [illegible]

[illegible]

[illegible] OSS [illegible]

(b) [illegible] OSS [illegible] work for the Japanese. (1) A man who has a job as [illegible] in the office of the Japanese Naval Attaché, and [illegible] the wife as interpreter-[illegible] in the office of the Japanese Military Attaché. Both are Portuguese. They have acted as operatives for OSS since January 19[illegible]. They have been instructed by the OSS agent in charge to pick up any available information as to Japanese official activities and to report on any dilliers or conversations.

(c) Such intelligence, oral or documentary, as is obtained by these methods is transmitted to OSS-Washington and if it appears to have any value is disseminated to appropriate agencies as a routine matter by the RI Branch. The original reports and documents, and such processed reports as have been made, are available for inspection.

[redacted]

(The suggestion is made in [illegible] that not all of these reports were sent to [illegible]. [illegible] is important the specific reports referred to by [illegible] in paragraph [illegible] of his memorandum are [illegible] reports which had already been disseminated to [illegible] and contained the same information as was embodied in versions of the original reports sent to him at his request.

(d) No specific instructions have been given to the particular agents, or to any other agent of OSS in Lisbon, to obtain cryptographic material. Even if such an operation were considered advisable, the type of agents in question would not be competent to conduct it. One message in code was picked up casually by these agents and submitted to the Chief Signal Officer of the Army to determine its value. OSS was informed that the system was one used by the Japanese for material of low intelligence value (see letters to and from the Chief Signal Officer, Tab A). Upon receipt of this information, a cable was sent to Lisbon, and the agents were instructed to secure no more documents in code.

3. OSS is in possession of no information which indicates that the Lisbon office in general, or the two above-described agents in particular, have performed their work in an ill advised or amateurish manner.

SECRET

(a) It is not believed that the Japanese are aware of the fact that the two individuals in question are OSS agents.

(b) These agents have been carefully chosen and are believed to be highly reliable and competent to perform the type of work assigned to them.

(c) Penetration into the Japanese offices has been done with the knowledge and approval of the American Legation in Lisbon. It was specifically arranged between OSS' principal agent in Lisbon, the British Liaison representative, and the Counsellor of the American Legation that OSS should penetrate the Japanese Legation and that the British should handle the German and Italian Legations. The OSS principal agent has shown several of the documents obtained from the Japanese to the Counsellor and in particular the document in code. Our information is that Mr. Kennan congratulated the agent on the operations and encouraged further activities.

(d) On no occasion has Mr. Kennan suggested to OSS (either in Lisbon or on the occasion of his recent visit to the United States, during which time he had conferences with several members of the OSS staff) that the activities

[illegible] [illegible] [illegible] that had such been the opinion of Mr. [illegible], it would have been promptly communicated to [illegible] as a matter of duty.

3. Sufficient facts are not available to form the basis of an opinion whether or not ONI, OWI or MIS have undertaken any activities calculated to alarm the Japanese or compromise the intercept system.

4. It is, of course, obvious that each nation is interested in breaking the cryptographic systems of its enemies; and that each nation is normally suspicious of the intelligence operations of other nations. It is also recognized that attempts to penetrate the enemy's cryptographic system should not be made without consultation with those authorities charged with our own cryptographic operations. However, OSS has made no such attempts; and even if the activities in connection with the Japanese Legation were not conducted with propriety, or were made known to the Japanese, it is believed to be highly improbable that these activities would have unduly excited Japanese suspicion that a serious attack was being made against their cryptographic security.

[illegible]

6. It is perhaps unnecessary to point out that it is [illegible] it not unusual practice for [illegible] activities of [illegible] of any country not only to [illegible] activities of [illegible] of another country, but also to attempt to penetrate their [illegible] ficers. Since this practice is common, it is [illegible] that [illegible] by [illegible] in connection with its own cryptographic security matters. If the Japanese is not, in fact, know that one or more of their employees are agents of another country, without question they recognize this as a possibility. Therefore, activities on the part of minor agents, such as those in question, would not cause alarm to the extent of bringing about a major modification of the Japanese cryptographic system.

Parenthetically, it may be noted that if the agents were "double agents" (as is suggested) there is even less reason to believe that the Japanese have taken alarm regarding the security of their cryptographic system.

7. It is desired to call particular attention to two facts:

(a) Prior to the receipt of General Strong's memorandum, no indication was given by him to this agency that irregularities or inefficiency existed in the investigation of Japanese activities. The memorandum states that two

[redacted]

[illegible] of this office were interrogated [illegible]
[illegible] inferring that the [illegible]
[illegible] and that the warrants [illegible]
in fact the statement is inaccurate and misleading. This
office was advised by telephone by General Strong that
certain representations contained in OSS in Lisbon were
of interest to the Chief of Staff, and that he was preparing a memorandum for the Chief of Staff concerning them.
He requested to see the documents and they were submitted
to him. No statement of indictment was made to this agency
by General Strong at any time prior to the receipt of a
copy of his memorandum as to the reason for his inquiry.
No "interrogation" was held. No attempt was made by this agency
learn the real facts of the case, or to suggest a modification
of the practices of any kind if circumstances appeared this
to be desirable.

(b) As indicated in paragraph 1 of this memorandum,
the contents of messages Nos. 28511, 30642, 30649, and
30716 have not been revealed to this agency. It is typical
of the many difficulties experienced in the operations of
the Intelligence Branches of this agency that essential bits
formation obtained from interceptions and other sources are
consistently withheld from this Section J.C.S. 1337/2.

[illegible]

which [illegible]

[illegible]

[illegible]

of information [illegible]

[illegible]

[illegible]

[illegible]

Copies 1 + 2. J.C.S

3 Gen. Magruder

4 J.R. Murphy

5 Secretariat

6. W.J.D.

SECRET

Dear Gen. Cimatondi

Enclosed is a code message received by our agency from the Office of the Japanese Naval and Air Attaché in Lisbon.

It would be appreciated if you can inform us of the value, if any, to our cryptanalysts. Also an indication from you as to any additional information of this nature which might be of value and be helpful in directing further efforts of our agents in this area.

Sincerely yours,

John Maginnis, Brig. Gen.
Deputy Director, OSS - Intelligence Branch

Enclosures - 2 sheets

JM:Mlo

SECRET

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

SECRET

[illegible]

Brig. Gen. John [illegible]
Deputy Director,
Office of Strategic Services,
Intelligence Service,
Washington, D.C.

Dear General [illegible]:

The Chief Signal Officer has asked me to reply to your letter of [illegible] 1943.

The coded message which you intercepted is in a cryptographic system upon which we are not working at present. This system is used by the Japanese for material of low intelligence value. While information of this type is useful to us, we do not believe it is of sufficient importance to warrant the risk involved on the part of your agent.

Your interest in forwarding this material is appreciated.

Sincerely yours,

/s/ FRANK E. STONER

FRANK E. STONER
Brigadier General, United States Army
Chief, Signal Operating Services.

SECRET

SECRET

[illegible]

MEMORANDUM FOR THE [illegible] OF JOINT CHIEFS OF STAFF

Subject: OSS Activities in Spain and Portugal

1. In compliance with your request for [illegible] activities in Spain and Portugal [illegible] are submitted herewith the following documents:

a. Tab A. A folder containing the directives and other [illegible] authorizations for OSS activities in Spain and Portugal.

Military Order of the Commander-in-Chief, dated June [illegible] 1942, creating the Office of Strategic Services

JCS 155/7/D dated December 23, 1942

JCS 155/7/D dated April 2, 1943

OSS General Order No. 9, dated January 3, 1943

Approval by Joint Deputy Chiefs of Staff of OSS General Order No. 9, dated January 16, 1943

JCS 170 dated December 18, 1942, and certain subsequent correspondence in connection therewith

Memorandum from the Joint Chiefs of Staff for the Director of Strategic Services dated April 10, 1943, with reference to JCS 254

SECRET

Colonel C. H. Peabody

JC: MM dated April 2, 1943

The [illegible] reference is [illegible] in [illegible] and [illegible] are [illegible] in [illegible]

b. Tab B. An outline of OSS activities in Spain and Portugal covering the information requested in paragraph 4 thereof of your memorandum.

c. Tab C. An outline of OSS counter-espionage activities and control in Spain and Portugal. This memorandum is in [illegible] and is submitted in [illegible] of the administration of the operations of the administration of espionage and counter-espionage within OSS, effected only on June 19, 1943.

d. Tab D. OSS Organization Chart of the Iberian Peninsula and adjacent islands as requested in paragraph 7 of your memorandum.

2. Pursuant to our conversation of July 20 on the subject, we will make available for your examination those of our files which contain the details of our under-cover agents, including their names and cover indications.

3. Complete explanation and discussion of the issues raised in Ambassador Hayes' memorandum to Secretary Hull dated June 16, 1943, (received in OSS 17 July 1943), and in General Strong's memorandum for the Chief of Staff dated 6 July 1943, are being prepared and will be submitted to you as soon as completed.

C. Edward Buxton
Acting Director

SECRET

OSS ACTIVITIES IN [illegible]

SECRET

I. [illegible] OF OSS ACTIVITIES

OSS activities in the Iberian Peninsula are supervised by a Chief of Mission, H. Gregory Thomas, temporarily residing in Lisbon pending authorization from the State Department to proceed to Madrid.

Operations conducted in this area have been of a secret intelligence and counter-espionage nature. The following general statement of activities is supplemented by a more particular statement relating to counter-espionage activities which is attached as Tab C.

A. SPAIN

1. Operations in Spain are presently in charge of an ad interim substitute, Frank Ryan, until such time as the Chief of Mission himself takes up residence in Madrid. Two separate secret intelligence (S.I.) networks are maintained:

a. Network A is composed of a chief agent and [illegible] colleagues working half-time on S.I. activities under cover of a diplomatic mission. Although activities are centered in Madrid, individual agents are placed in larger cities throughout Spain, such as Barcelona, Bilbao, Malaga, etc. The balance of the time of these agents is devoted entirely to the work of their diplomatic mission.

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[illegible] is composed of a chief [illegible] diplomatic cover, and four agents under [illegible] professional cover. In all cases, these members have freedom of travel throughout Spain.

2. The members of Network 1 are members of the existence of Network 2.

2. Through the intermediary of neutrals mai-outs, the heads of these two networks have recruited in Spain an organization of sub-agents amounting to approximately 125 persons, covering substantially all important cities of Spain.

3. This organization has been instructed to obtain military, economic and political intelligence, and to report on any enemy activities observed within Spain. Another aspect of their work has been to make contacts whenever possible with persons arriving from Axis-occupied territory and to obtain from them information of possible use against the enemy.

4. Another aspect of S.I. work in Spain has been the setting up of actual chains of penetration into France and other parts of occupied Europe. Three such systems are now functioning and involve the use of upwards of fifty sub-agents with freedom of movement in France. Lines of communication have been set up for these French networks, and their reports arrive regularly in Madrid.

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[illegible]

[illegible]

6. In the [illegible] period [illegible] a total of 147 documents were received in this [illegible] the diplomatic [illegible]. Our intelligence indicates that [illegible] from [illegible] such as [illegible] that in the corresponding period from 1 March to 1 July 1953 -- approximately 1,000 documents were received in addition to the [illegible] [illegible].

7. There has been a considerable increase in the flow of map material from Spain. Approximately 1,000 maps have been received from Spain, a considerable portion of which were not previously in the possession of the U.S. [illegible]. In connection with this service, an aerial base target program of great scope has been undertaken, based on a pattern of over 400 control maps kept in duplicate in the Madrid and Washington offices. It is anticipated that this will have by far the largest single pool of information for aerial base target programs for Spain.

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8. S.I. receives political reports from C.I.O. [illegible] stockpiling breakdown of French battle order in various parts of France. Other reports [illegible] from S.O.E., SHAEF and various agents of the government-in-exile in [illegible]. These intelligence requirements are cabled to our Madrid office for action, and usually receive prompt reply.

9. Intelligence covered in reports includes detailed information on Spanish politics, propaganda, economics, [illegible] affairs, roads, freight movements, aerodrome [illegible], bombing objectives, personalities (chiefly of a subversive nature), battle order and other military information, topographic information of cities, ports and coastal regions in France and Spain and general information relating to Germany, France and Italy, with special emphasis on German operations in France.

3. [illegible]

1. Activities in Portugal are directed under the supervision of the Chief of Mission by a principal agent operating under diplomatic cover (Financial Attaché of the Lisbon Legation). Operations have been conducted in Portugal for over a year. An office force of ten employees controls [illegible]

[illegible]

[illegible] in all [illegible] of [illegible] political [illegible] [illegible] to the [illegible] [illegible] descriptive [illegible] list is [illegible]

2. [illegible] office has [illegible] in the [illegible]

3. [illegible] is in general similar to that obtained in [illegible] in Spain. [illegible] the same significant type of information obtained are a series of reports on [illegible] which has been gathered for the past eight months via Marseilles-Lisbon ships; considerable [illegible] the Army Air Service aerial views of the [illegible] and information of value for [illegible] purposes.

4. For the period 1 January 1943 to date, over 1,000 reports have been received from this area containing subjects of pertinent interest to G-2, G.H.Q., [illegible], and other government agencies.

II. Internal control of activities

As noted, activities locally are controlled by the Chief of Mission, Mr. Gregory Thomas, who receives directives and

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orientation of policy from Washington and who is responsible for their implementation and execution in the field. The chart of command is set forth on the Organization Chart, attached as Tab B.

III. External control of operations.

Control of CIC activities generally in this area is obtained directly from Washington. Requests from the Commanding Officer, NATO, are transmitted through Washington to the field for action. The reverse procedure, namely control by OSS, Washington through the Commanding General, MMLO, is not followed. Copies of all strategic reports are forwarded directly from Madrid and Lisbon to North Africa and London for the information of the Commanding Generals and G-2 in their respective theaters.

Reference is made to Tab C for a statement as to the external control of counter-espionage activities.

[illegible]

[illegible]

[illegible] in [illegible] Iberian Peninsula [illegible] the direct control and [illegible] Chief of Mission.

[illegible] duplicated in Spain is limited to activities in counter-espionage which may be carried on by [illegible] in that area. The new counter-espionage branch of OSS [illegible] an alien man and representative in Spain under [illegible] cover. He is a man who has had many years experience in Spain and on the Continent in the foreign insurance field. His principal mission is to use insurance [illegible] and contacts for discovering the operations of enemy espionage. At the same time he will report [illegible] positive intelligence received through his legitimate insurance activities. He has been in Spain only about a month and his identity is known only to the OSS Chief Representative at Madrid. The Branch also has access to British information and reports concerning enemy espionage activities in Spain.

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Reports of cable-telephone messages prepared by E.I. agents in Spain are furnished to Lisbon, Washington and London.

B. [illegible] C.E. activities in Portugal have been built up over a period of the last year by representatives of the E.I. branch. A large network of sub-agents and informers is functioning, and is making an important contribution. At the moment, the representative who was formerly handling the C.E. work in Lisbon has been removed and his assistant is handling the work temporarily. Arrangements have been made for the appointment of a trained representative to take the C.E. post in Lisbon. He is well known to Minister Fish, the State Department and OSS as a well-qualified agent. It is contemplated to appoint him an Assistant to the American Consul at Lisbon, managing passport control and security matters. Trained assistants are being prepared for him. He will work under the OSS Chief of Mission and in close cooperation with the Legation, the Military and Naval attaches as well as with the British C.E. rep-

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[illegible]

[illegible]

[illegible]

[illegible] are [illegible]

[illegible] as in the case of all other CSS activities.

[illegible]

(a) The control and operation of this activity in this area has recently devolved direct from CSS headquarters in Washington. However, it is anticipated that in the near future this control will be effected through CSS, London, where the operational base of its C.I. operations is being established.

(b) At the present time no direct control is exercised by the Commanding General, North African Theatre of Operations. However, copies of all reports are furnished directly from Spain and Portugal to the North African Theatre of Operations as well as to London and Washington.

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Declassified and Approved For Release 2013/08/15 : CIA-RDP13X00001R000100160001-6

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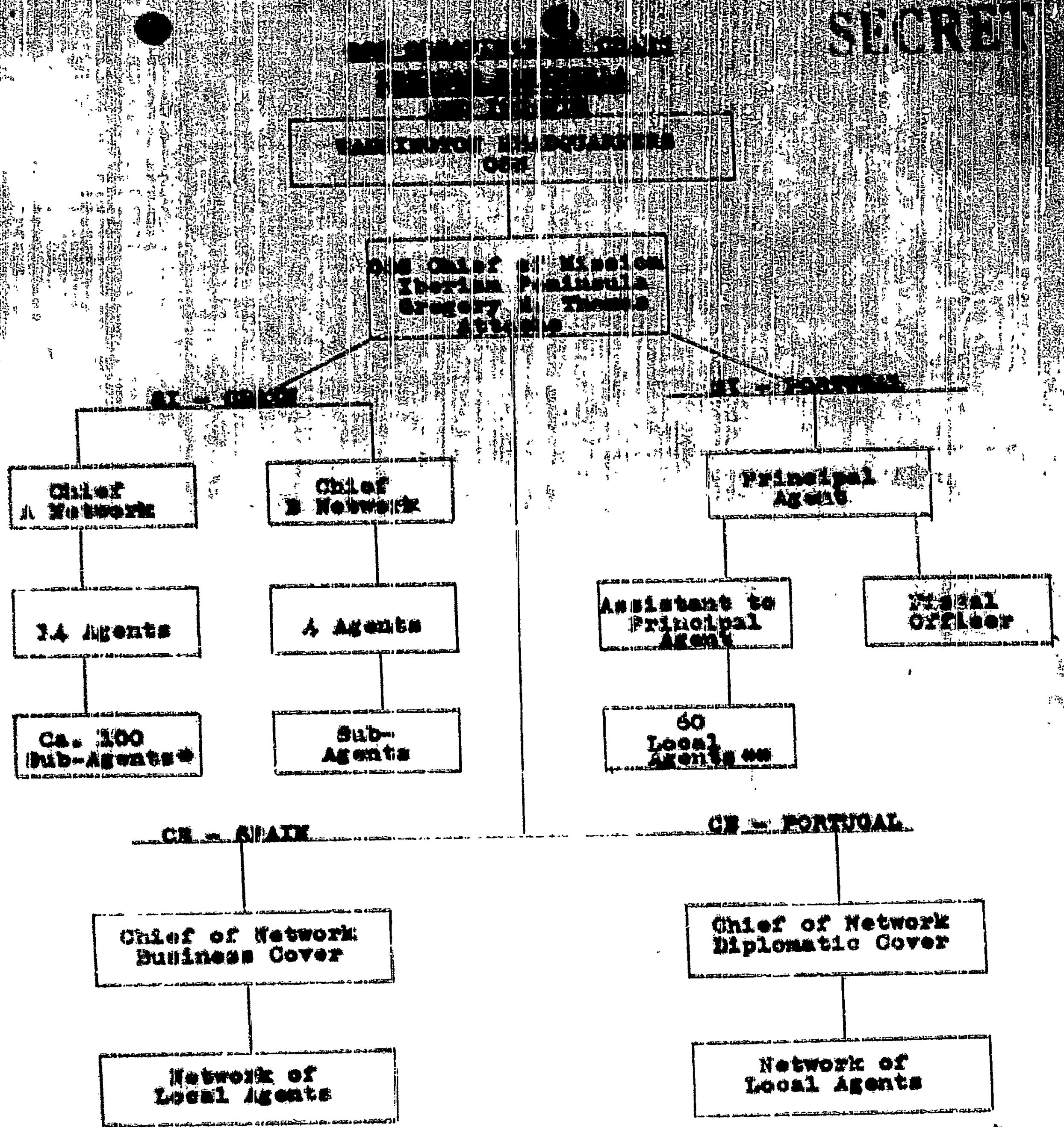

* Includes one agent in the Canaries.

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** Includes one agent in the Azores.

[illegible]

a Tab A - [illegible] ~~[illegible]~~ ~~[illegible]~~ [illegible] The JCS directives for OSS activities in Spain and Portugal:

[List]

Tab C a memorandum [illegible] in explanation of Tab B [illegible] [illegible] Spain and Portugal. This information [illegible] the [illegible] including [illegible] exchange [illegible] even though [illegible] are affected only [illegible] OSS activities [illegible] under the [illegible] contained in Tab B

2. Complete explanation and discussion of the issues raised in Ambassador Hayes' letter to Secretary Hull and in General Strong's memorandum to the Chief of Staff are being prepared and will be submitted to you as soon as completed.

THE JOINT CHIEFS OF STAFF
WASHINGTON

17 July 1943.

SECRET

MEMORANDUM FOR THE DIRECTOR, STRATEGIC SERVICES:

Subject: O.S.S. Activities in Spain and Portugal.

Enclosures: a. J.C.S. 372/1 (Copy No. 18) which has been approved by the Joint Chiefs of Staff.

b. Copy of memorandum for U.S. Joint Chiefs of Staff from Deputy Chief of Staff, U.S.A., same subject as above, dated 11 July 1943, listing three enclosures: A, B, and C.

As explained to your Mr. Cheston, this date, the undersigned has been directed by the Joint Chiefs of Staff to investigate and report upon references A and C to enclosure b.

To the end that an impartial investigation may be conducted and an unbiased report rendered, it is requested that the following information be furnished to the undersigned as a matter of urgency:

1. What is the authority for

a. O.S.S. activities in Spain?

b. O.S.S. activities in Portugal?

Cite directives or other pertinent instructions to the Director, Strategic Services, from the Joint Chiefs of Staff.

2. What is the scope of the O.S.S. activities that are now being conducted in

a. Spain?

b. Portugal?

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3. How are the activities in both Spain and Portugal controlled?

4. To what extent is control and direction over O.S.S. activities in Spain and Portugal exercised

a. Direct from O.S.S. headquarters in Washington?

b. Direct by the C.G., North African Theater of Operations?

c. By headquarters, O.S.S., Washington, through the C.G., North African Theater of Operations?

5. It is requested that a chart be prepared depicting the O.S.S. organization in Spain, showing the amount and type of personnel, positions, and names of any individuals with cover indications.

6. It is requested further that a similar chart be prepared for Portugal, giving the same information as indicated in 5 above.

7. If there is an O.S.S. agency exercising control over all O.S.S. activities in the Iberian Peninsula and adjacent islands as a whole, it is requested that a chart be prepared depicting this organization, giving the same information as indicated in 5 above.

C. R. Peck
C. R. PECK,
Colonel, GSC,
Executive Secretary.

SECRET

COPY NO. 18

ABS
(1) J.C.S. 372
(2) J.AD.C. 87/D

JOINT CHIEFS OF STAFF

ADMINISTRATIVE SECTION, U.S. JOINT SECRETARIAT

Report by the Joint Administrative Committee

PROBLEM

1. To review J.C.S. 372 in the light of J.C.S. 95/1/D.

FACTS BEARING ON THE PROBLEM

2. The Joint Chiefs of Staff have a number of executive agencies operating under their direct control. The largest one of these is the O.S.S. Some of these agencies have little tradition and are officered for the most part by personnel inexperienced in military cooperation. In order properly to discharge their responsibilities the Joint Chiefs of Staff should have, on call, correct information as to the organization, plans, manner of operating and of cooperating with others, with reference to all these organizations. Complete information is not now available.

3. Sub-paragraph b of paragraph 2 of J.C.S. 95/1/D charges the Joint Secretariat with the duty of following up the action by the several U.S. agencies in carrying out the decisions of the J.C.S. At present the Secretariat does not have sufficient experienced personnel to properly execute this directive.

RECOMMENDATIONS

4. It is recommended that the Joint Secretariat be increased by the addition of one senior officer of the Army and one senior officer of the Navy with such clerical assistance as necessary, to establish and maintain contact between the Joint Chiefs of Staff and the executive agencies operating under the direct control of the J.C.S.

SECRET

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

11 July 1943.

MEMORANDUM FOR THE SECRETARY, U.S. JOINT CHIEFS OF STAFF:

Subject: O.S.S. Activities in Spain and Portugal.

References: A. Letter of 5 July 1943 from Secretary of State Cordell Hull to General Marshall, including Dispatch No. 991 and Enclosure No. 1 to Dispatch No. 991.

B. Copy of letter of 10 July 1943 from Chief of Staff to Secretary of State Cordell Hull.

C. G-2 memorandum of 6 July 1943, Subject: "Possible Compromise of Cryptographic Intercept System."

The papers listed in References A, B, and C above are transmitted to the Joint Chiefs of Staff with the recommendation that upon approval of J.C.S. 372/1 they be referred to the Joint Secretariat for investigation and report.

/s/ JOSEPH T. McNARNEY,
Lieutenant General, U.S. Army,
Deputy Chiefs of Staff.

Incls.
References A,B,C.

SECRET

Address Official Communications to
THE SECRETARY OF STATE
Washington, D. C.

DEPARTMENT OF STATE
Washington

CONFIDENTIAL

July 5, 1943

My dear General Marshall:

A situation has developed in connection with intelligence activities in the Iberian Peninsula which I feel calls for your intervention.

We have received repeated complaints from our Embassy in Spain whose substance was that the activities and operations of our Embassy at Madrid were being compromised through the activities of the Office of Strategic Services. I am attaching, for your strictly confidential information, a copy of the last despatch from Ambassador Hayes at Madrid. You will readily realize the necessity for keeping it secret.

A somewhat similar situation obtains in Lisbon. This latter situation has become far less acute because a recent change in OSS personnel there offers promise of effective relationship. But the problem is still complicated because in Lisbon liaison with the British is important; and reports have reached the Department indicating an unfortunate leakage of intelligence information.

The organizational difficulties appear to lie within the Army. The information, of course, is of great use to the State Department.

If you will permit me to venture a suggestion, perhaps you might appoint someone in whom you have

entire

General George C. Marshall,
Chief of Staff,
War Department General Staff,
Pentagon Building.

entire confidence to survey the situation and suggest appropriate measures.

Mr. Kennan of the Department who is most familiar with the situation in Lisbon is presently in Washington; so also is Colonel Kohlstedt who appears to have the greatest familiarity with the situation in Madrid.

I feel warranted in bringing this matter to your attention since the ultimate responsibility for obtaining successful results in foreign countries invariably falls at last on the Nation which the State Department maintains there. The Department, of course, endeavors to cooperate with all agencies to the best of its ability.

Sincerely yours,

/s/ CORDELL HULL

Enclosure:

Copy of despatch no. 991 dated June 16, 1943, from Madrid.

No. 991 Madrid, June 16, 1943.

Subject: Transmitting memorandum of Consul General Makinson on certain Barcelona incidents and offering comments and recommendations on O.S.S. activities in Spain.

SECRET

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

Supplementing my telegram No. W-90, June 10, 11 a.m., I have the honor to transmit a copy of a memorandum, dated June 8, 1943, prepared by Consul General Makinson, who came to Madrid at my request to report on a series of incidents which had resulted from indiscretions of representatives of the Office of Strategic Services in Barcelona and which have created grave embarrassment and trouble for the Consulate General. These incidents had involved the arrest, by Spanish military authorities, of a number of Spanish agents of Mr. Joseph Define, Attaché of the Embassy and representative of the O.S.S. in Barcelona; the flight of Mr. Define to Madrid and his ordering by me, on the request of the acting head of the organization here, to leave the country and take refuge in Portugal; the preferring of charges of espionage and treason by a military court against Mr. Francis Oliver, a Spanish employee of the Consulate General who, unbeknown to Mr. Makinson, had long been, and still was, an employee of Mr. Define and the O.S.S.; the concealment of Mr. Oliver and his family by the Consul General, who was kept in ignorance of his true status, and his later spiriting away to North Africa by other agents of the O.S.S.; and the subsequent persistent cross-questioning, by the military court, of other Spanish employees of the Consulate General in an obvious attempt not only to ascertain the whereabouts of Mr. Oliver but to implicate the Consulate General, and indeed the Embassy, in improper and illegal machinations against the Spanish Army and the Spanish Government.

This latest series of incidents at Barcelona raises anew and urgently the whole question of the functioning of the Office of Strategic Services in Spain, concerning which, as I have repeatedly pointed out to the Department, I have constantly mounting doubts. At no time has the organization's functioning been satisfactory. As time goes on, it grows less so. It is now, without a doubt, by far the weakest and the worst-conducted of all our manifold activities in Spain, diplomatic, political, military, propagandist, economic, and commercial.

In order

[illegible]

In order [illegible]
practice a [illegible]
conclusions [illegible]
and [illegible]
these [illegible]
III. [illegible]
mendations.

[illegible]

I. The [illegible]

Most of the O.S.S. representatives in Spain [illegible]
heads of the Embassy, charged [illegible]
supervision and control [illegible]
tribution. Of [illegible]
are now fourteen [illegible]
Hanna, Locke, [illegible], Pratt, Smith, Steele,
White, and Wilson), and until recently a fifteenth.
The only one of these fifteen who has devoted [illegible]
votes all his time to oil control is Mr. Fuller [illegible]
the other fourteen devoted half their time [illegible]
I understood they would, to the same [illegible]
hardly believe that there would now be the [illegible]
Washington about the efficacy of our oil control [illegible]
the seeming need of Mr. Smith's recent request [illegible]
to twelve additional "oil observers".

The fact is, however, that the more numerous are the [illegible]
observers sent to Spain as attachés of the Embassy, the less [illegible]
oil work they do and the more independent they become of [illegible]
Embassy control. They tend to think of themselves, first and [illegible]
foremost, as agents of an entirely separate organization with [illegible]
no responsibility to the Embassy; and quite naturally, I sup-
pose, they find greater attraction in the existence and glo-
mour of O.S.S. sleuthing than in the comparatively tedious
routine of petroleum observation, with the result that the
latter is neglected or completely abandoned. Of the twelve
attachés now in peninsular Spain, only eight (Messrs. Fer-
guson, Fuller, Hanna, Locke, Pratt, Smith, Steele, and Wil-
son) make even a pretence of doing any oil-control work, and
of these Mr. Smith is purely an administrator (a very good
one); Mr. Pratt, while nominally an under-study to Mr. Smith,
is actually immersed in O.S.S. administration; and Messrs.
Ferguson and Wilson are admitted to be so ineffectual, whether
for O.S.S. or for oil-control, as to merit immediate recall to
the United States. In other words, only four (Messrs. Fuller,
Hanna, Locke, and Steele) are left to do any real field work
for oil in the whole of peninsular Spain. On the other hand,
four "oil observers", who are attachés of the Embassy (Messrs.
Dunov, MacNaughton, Turpin, and White), have latterly been de-
voting all their time to exclusively O.S.S. work.

In addition to the "oil observers" who comprise the large
majority of its staff, the O.S.S. in Spain commands the full-
time services of two or three other Embassy attachés (formerly
Mr. Francis X. DiLucia as "Financial Attaché", and now Messrs.
Frank Ryan and Gregory Thomas) and also of certain unofficial
American "business-men" (of whom Mr. Frank Schoonmaker is the
most conspicuous example). Who these latter are, or who are
their Spanish agents, is not usually disclosed to the Embassy
-- unless or until they get into trouble with the Spanish auth-
orities.

With

[illegible] the O.S.S. [illegible] staff as a whole [illegible] any other group of [illegible] in Spain, its [illegible] including [illegible] all [illegible] to anybody [illegible] are enabled to use with a minimum [illegible] frequently with an amazing lack of [illegible]

[illegible] to the Department, nearly all, if [illegible] of the O.S.S. in Spain have long been [illegible] by the Spanish police and Falange [illegible] watched by them. The Embassy has re[illegible] received [illegible] reports about some of them ex[illegible] from the chief of the Spanish secret police. Nor is [illegible] from the Consulate General at Barcelona that com[illegible] about them have been made direct to the Embassy, but [illegible] from our Consulates at Seville, Malaga, and Bilbao.

From Bilbao, for example, the Consul, Mr. Hawley, has recently pointed out to me (in a letter of June 13th) the very perfect situation created in his district by O.S.S. activities of Mr. Fuller, the petroleum attaché there, and of the latter's assistants and agents. One of these, a Polish national, has been under arrest for some seven weeks. A second, a leading Basque revolutionary, who had earlier served from three to four years imprisonment, has now been apprehended anew by the police and relieved of a notebook containing a list of addresses and addresses of members of the Basque Nationalist organization who had assisted him in Mr. Fuller's work, and containing also a record of the payment made to each. Mr. Hawley indicates further that the arrest is imminent of still a third agent of Mr. Fuller who acts as his secretary and is likewise a Basque Nationalist. In as much as all three of these agents have shared an office with Mr. Fuller in the Consulate and doubtless engaged in illicit activities, the Consulate itself is under grave suspicion and annoying surveillance on the part of the Spanish police. To me it is particularly unsettling that Mr. Fuller's superiors in the O.S.S. organization seemingly did not convey to him the instructions I gave them, last December (see my letter dated December 16, 1942, to the Under Secretary), that they should not employ the services of Spaniards identified with subversive or separatist organizations.

I have not had time, nor has the Counselor had time, to keep the Department informed in detail of the activities of the O.S.S. staff in Spain. I have said before, however, and now, after a year's observation, I repeat with emphasis

that,

partment's telegram No. 535, July 3, 1942, 10 p.m., that he should remain only "so long as he was discreet and did not become involved in any activities under cover to the Embassy". By November 9, his inability or unwillingness to conform to these instructions had become so flagrant that I had to ask for his recall (my telegram No. 1731, November 9, 2 p.m.), which was not forthcoming, however, until I "insisted" upon it in my telegram No. 1913, December 5, midnight.

Meanwhile, in my telegram No. 1785, November 13, 9 p.m., I had suggested that the O.S.S. personnel be placed under the Military Attaché; and on November 19, in a letter to Colonel Donovan, I expressed the hope "that if your organization continues to operate more or less independently in Spain, you will be able to place at the head of it a competent, intelligent, balanced person with some military background, who will work discreetly and intelligently, and coordinate the work of the people under him".

Then, through the Department's telegram No. 1392, December 10, 4 p.m., Colonel Donovan proposed that Mr. Jack Pratt serve temporarily as acting chief and that Mr. Frank Ryan come to Spain for two or three months to investigate the situation. With this proposal, I concurred (my telegram No. 2029, December 12, 2 p.m.), hoping that it might eventuate, within a comparatively short time, in a much-needed reformation. Actually, however, after a lapse of six months, no such happy outcome has yet transpired. Mr. Pratt would probably be a good "oil observer", but for the guidance of O.S.S. here he lacks requisite background, poise and judgment. He is very emotional and impulsive, and much given to exaggeration. He is certainly not the kind of person to head up the O.S.S. organization in Spain.

Nor is Mr. Ryan. While he is decidedly better than Mr. Pratt, his attitude since his arrival has been combative and not at all conducive to the kind of cooperation which should exist between attachés working for the O.S.S. and the remainder of the Embassy staff. He was hardly here when he accused my first assistant, the universally respected Counselor of the Embassy, Mr. Beaulac, of "lying", and since then he has had no dealings with him. Moreover, he has repeatedly ignored my advice and instructions, and has kept from our Consuls matters of which they should have been informed. For example, if he had been honest with the Consul General, the recent incident involving the latter at Barcelona would have been much less serious. Besides, despite a pledge given me by Mr. Ryan when I delivered certain radio-sending sets to him that they would be used by agents of our own in France and not in any part of Spain outside of our own premises in Madrid, I have now been informed by Mr. Pratt that the O.S.S. has been using one in Barcelona.

On March 9 the Department informed me by airgram (No. A-116, 12:35 p.m.) that Mr. Gregory Thomas was being assigned to Spain and Portugal as "principal Representative of O.S.S.", and from what I heard of his character and attainments I gathered that at last we might be obtaining a really competent and cooperative head of the organization here. Only at the end of May, however, did Mr. Thomas arrive in Lisbon, and Mr. Pratt now tells me that he himself is to remain as head of the organization in Spain while Mr. Thomas is to concentrate on

Portugal.

[illegible] with only brief visits to Spain. Mr. Pratt also tells me that about O.S.S. matters I am to deal exclusively with him and not with Mr. Ryan, who will presently go home and thereafter make occasional "visits of inspection" to Spain.

Having had ample experience with Mr. Pratt's "handling" of O.S.S., I recently suggested to Colonel Donovan (my telegram No. W-20, May 28, midnight) that Mr. Frank Schoonmaker be put in charge. He is, in my judgment, the ablest O.S.S. man in Spain: well educated, highly intelligent, resourceful, and cooperative. I had previously recommended that he be named Vice Consul at Barcelona, but in so much as Mr. Dorize's indiscretions there had stimulated suspicions of the local police about all O.S.S. men, including Mr. Schoonmaker, I thought it would be best for the latter to function from Madrid as an Embassy attaché. Now, a telegram from Colonel Donovan (No. W-19, June 6, 11 p.m.) informs me he "prefers not to change the original proposal concerning Schoonmaker".

Functionally, therefore, the O.S.S. has been headed in Spain, until last December, by Mr. DiLuzio, and since then -- and indefinitely into the future -- by Mr. Pratt. I cannot conceive of worse choices. Mr. Ryan's visit during the past three months has been fruitless, so far as I can see, in improving the organization or giving it better direction, and any oversight which Mr. Thomas can exercise from Lisbon is bound to be slight and ineffectual.

Instructions of the Embassy have been repeatedly ignored or violated, such as those, for example, concerning the employment of Spanish agents identified with subversive organizations, or concerning the use of radio broadcasting sets in Spain. Moreover, Mr. Pratt, though an attaché of the Embassy, has left Spain on trips to Algiers and Washington, presumably with the knowledge of the O.S.S. in the United States but certainly without seeking the approval or consent of the Embassy; and Mr. Ryan, also technically an attaché of the Embassy, acting on his own independent authority as O.S.S. chief in the absence of Mr. Pratt, and without acquainting the Embassy with what he was doing, removed from the Balearic Islands a month ago the oil observer whom the Department had specifically instructed us to have there.

In fine, past and present leadership, whether under Mr. DiLuzio or under Mr. Pratt, has tended to aggravate, rather than to mitigate, the following glaring faults:

(1) Being amateurish and attempting to do what very few of the personnel are equipped by temperament, education, or knowledge to do;

(2) Ignoring Spain's broad general relationship to our war effort, with resulting frequent flouting of the Department's and Embassy's considered policy toward Spain;

(3) Failing to seek or follow informed counsel and advice of the Embassy or the Consulates and on occasion actually deceiving them;

(4) Shirking oil-control;

(5) Spending money too lavishly and ostentatiously;

(6) Behaving

(d) Displaying too much like a [illegible] "boy scouts", and consulting altogether too many indiscretions which in turn reflect upon the standing and prestige of the American mission in Spain; and

(f) Being part of the Embassy and not of [illegible]

On this last point I should like particularly to [illegible] circumstance that the O.S.S. chiefs in Spain and their subordinates are also attaches of the Embassy and merely all while therefore assuming responsibility for the Embassy which Government for their activities, can exercise little control over those activities.

III. Dubious Character of the Work Accomplished by the O.S.S. in Spain.

If I felt that the work done by the O.S.S. in Spain constituted a major contribution to our war effort and could not be done more effectively in more other way, I would be more charitable about the leadership and personnel of the organization and more disposed to overlook the trouble and embarrassment it causes the Embassy and the Government.

A big mass of stuff is certainly gathered by O.S.S. agents here and telegraphed or despatched to Washington, London, and Algiers. A good deal of it which I have seen has to do with the military situation within Spain. It is very uneven and fragmentary, derived chiefly from gossip and hearsay and with out the utilitarian direction and judicious editing and with trained military or naval officers could provide. Too much of it is "spot news", calculated more to create a sensation than to present an accurate picture. For example a sensation was recently prepared by the O.S.S. and submitted to the Embassy to the effect that a fleet of certain named Spanish cruisers had just arrived in the port of Valencia. When the Embassy checked this, it found that one of the named cruisers had been sunk during the civil war five years ago, that another had had its alleged name changed two years ago, that another had had named cruisers were not at Valencia in the Mediterranean but at El Ferrol on the Atlantic.

Again, the O.S.S. recently sent in a series of telegrams reporting the presence, in different parts of Andalusia, of a number of high-ranking Spanish army officers, and implying that some important Spanish military move was imminent. If the O.S.S. reporters had taken the trouble to read the daily press they would have known that these Spanish army officers were professors and students of the Superior War College on their regular annual tour of Andalusia. The Embassy was quite aware of the facts.

Only limits of time and space and a respect for the patience of readers deter me from multiplying, ad infinitum, the foregoing examples of the inadequacies and blunders of the military reporting of the O.S.S. about Spain.

Doubtless some of the detailed information which the O.S.S. has gathered concerning Spanish military dispositions and facilities is relatively accurate, but it should be borne in mind that in the gathering of such information the O.S.S. has extensively utilized Spanish citizens, many of whom are

thus

some information concerning the organization's purposes and activities, which, from the Spanish point of view, are in the nature of espionage.

I gravely doubt whether the value of this information is at all commensurate with the risk which our Government runs in permitting it to be gathered under the auspices of untrained and indiscreet agents who are almost certain to compromise the Bressey's fruitful efforts to make Spain a friend, rather than an enemy of the United Nations. It would be far preferable, in my opinion, to confine the securing of what information is wanted about Spanish military dispositions and activities to the trained staff and competent guidance of the Military Attaché, who is fully alive to all the implications and who appreciates that in changed present circumstances we have less to gain from directing espionage against Spain than from treating this country as a potential ally.

Latterly, the O.S.S. has been concerning itself with conditions in France and endeavoring to establish chains of communication from Spain northward across the Pyrenees by means of French and other agents. I have no doubt of the great importance of obtaining full and accurate information about military dispositions and activities of the enemy in France and also about what support we can eventually count upon from the native population. But what the O.S.S. can do in these respects seems pitifully slight compared to what Colonel Malaise and his numerous experienced colleagues and agents among the French North African mission here and among the refugees from France itself are doing in close collaboration with our own Military Attaché. I expect that the French activities of the O.S.S., instead of supplementing Colonel Malaise's work, will embarrass and even jeopardize it.

In this connection, the Department will note that Mr. Makinson, in the enclosed memorandum, refers to a number of small vessels, based at Barcelona and used by the O.S.S. for the clandestine transportation of persons out of Spain. The three boats of which I have knowledge were purchased by the O.S.S., with my consent, prior to the Embassy's successful efforts to arrange for the legal departure of French refugees from Spain. I share Mr. Makinson's opinion, which is also Mr. Schoonmaker's, that there is no longer any need for the clandestine operation of these vessels and that their continued use entails a risk to our Government and a jeopardizing of legal large-scale exodus of French refugees out of all proportion to any possible gain. I have accordingly asked Mr. Pratt to discontinue the clandestine service of the boats.

There are certain things which the O.S.S. might profitably do in Spain, if it were so minded and properly manned and directed. One is the conduct of an American counter-intelligence service here, which is now largely lacking. The British, of course, have an excellent one, whose information, I understand, is made available to our Government through London; and the Department may feel, therefore, that an American service is not needed. I imagine, however, that at least a skeleton service of our own could be helpfully supplementary to the British and could especially occupy itself with the increasing number of instructions on counter-intelligence matters which are being received from Washington. In view, however, of my past experiences with the shortcomings of O.S.S. in Spain and of its present lack of competent leadership and personnel, I

doubt

[illegible]

A [illegible] O.S.S. [illegible] over [illegible] clear [illegible] maintaining traffic in [illegible] of Spain and into [illegible]

Until another, and in my [illegible] services which O.S.S. might render [illegible] crete on the original all [illegible] its representatives have come [illegible] and adequate petroleum [illegible] [illegible] contribution to our war effort, [illegible] our Government spent the efficacy of [illegible] also in making available to the Embassy [illegible] observations which incidentally the [illegible] heard and report.

It seems clear to me that at present [illegible] is neglecting what is equal and should do. [illegible] doing it in doing badly and less effectively than [illegible] ing agencies.

IV. Remedies and Recommendations.

In a letter to the Secretary on March 11, 1943, I [illegible] commended the withdrawal of O.S.S. from Spain, or, if [illegible] deemed impractical, the placing of its activities under [illegible] supervision of the Military Attaché. The Secretary, replying on March 27, pointed out the difficulty of obtaining acceptance of either of these recommendations; and in the Department's telegram No. W-11, April 14, 2 p.m., I was informed that the O.S.S. was operating under instructions from General Eisenhower and that its activities should be kept separate from those of the Military Attaché.

I quite understand the theory behind this decision and the rejection of my previous recommendations. Nevertheless the decision has solved none of the basic problems concerning O.S.S. personnel and operations in Spain, which are set forth in the present despatch and which have become ever more acute and troublesome during the last two or three months, and ever more embarrassing to this Embassy.

Action looking toward a real solution of the problems is now urgently required. It is my considered judgment, and that of the Counselor of the Embassy, that such action should be in the form of the following recommendations:

1. The O.S.S. organization in Spain should have a head, or chief, who would bear the same mutually respectful relationship to me and to the Embassy as the Military and Naval Attachés do; a man who would have appropriate background and training, would have the confidence, and would be discreet and honestly [illegible]. No O.S.S. representative in Spain at the present time [illegible]

[illegible]

[illegible] be contracted [illegible] of the staff, [illegible] should [illegible] is sent [illegible] of proper character [illegible] is [illegible] to have no such [illegible]

[illegible] shadow much of the work [illegible] and consequences on o-i- [illegible] I would like to [illegible] withdrawn from [illegible] is clearly of [illegible] in [illegible] clearly so. And it is [illegible] possible, for Embassy attaches [illegible] posts.

[illegible] petroleum attaché, is now on [illegible] frustrates discuss the foregoing [illegible] Meanwhile I welcome the [illegible] telegram No. 1270 June 1, [illegible] attaches be appointed whose [illegible] petroleum observers. In my [illegible] salary of $4,600, with per diem and [illegible] and a modest unbudgeted drawing account [illegible] by Mr. Smith, is sufficient remuneration. [illegible] attaches who work for O.S.S. are scandalously [illegible] in a position to deposit their entire salary [illegible] $6,000 a year in the United [illegible] their allowances from the O.S.S. [illegible] of other officers [illegible] in Spain who, while they are in general much [illegible] placed in a vastly inferior position as [illegible] and perquisites are concerned. Mr. Smith [illegible] who is the chief petroleum attaché but does not work [illegible] the O.S.S., receives only $4,500 a year.

[illegible] There should be some agreed-upon and adhered-to division [illegible] coordination of labor among our several intelligence [illegible] in Spain: the O.S.S., the Military Attaché's, the Naval Attaché's, and the North African French of Colonel [illegible].

The last is obviously best equipped and in the best position to gather information about the military and political situation in France.

The Naval Attaché's office, which in the past has not been particularly active, has now an apparently capable new chief in the person of Commander Lusk, who might bend the efforts of his staff to increasing and quickening the flow of naval and air intelligence and at the same time to engaging in the counter-intelligence activities referred to above.

So far as intelligence work on military dispositions and facilities within Spain are concerned, it should be directed

and

[illegible] carried on by the Military Attaché's [illegible] under the O.S.S. [illegible]

[illegible] also [illegible] is preceding pages, the [illegible] under proper [illegible] and with [illegible] responsibility for intelligence work on all [illegible] along the Franco-Spanish border, and by [illegible] control throughout the country, it could [illegible] such miscellaneous information of value to the [illegible] the other intelligence services.

As I hope very much that the [illegible] while and establish Madrid as the [illegible] a joint intelligence command for the whole Iberian [illegible] Casablanca and Tangier, and to designate the [illegible] I trust that here as its chief, Colonel Rosenthal is [illegible] a very unusually capable and judicious General Staff officer, [illegible] whose previous record as Military Attaché at Berlin [illegible] him as peculiarly well equipped to coordinate intelligence [illegible] dealing with the war and Axis activities in this [illegible] strategic part of the world.

Colonel Rosenthal has the confidence of both Colonel [illegible] and Commander Lisk and is already acting as coordinator [illegible] of information supplied by their respective organizations. [illegible] earnestly hope that he may be accorded a similar coordinating [illegible] facilities under new chief of the O.S.S.

[illegible] the request of the War Department, Colonel Rosenthal [illegible] to Washington shortly after June 20th, for each [illegible] that the State Department take this op- [illegible] with Ambassador Weddell and General Strong. [illegible] recommendation I have recorded in this [illegible] and make an effort to devise some kind of working [illegible] that will [illegible] the present painful situation [illegible] while having little control over [illegible] for their unfortunate results [illegible] concerned.

Respectfully yours,

Carlton S. H. Hayes

Enclosure:
1/ Memorandum dated June 8 from Consul General Madden, as stated.

[illegible] No. 820.02

[illegible]

[illegible] to the Department [illegible] machine.

CONFIDENTIAL

July 10, 1943

Dear Mr. Hull:

Your letter of July 5th concerning certain intelligence activities in the Iberian Peninsula describes a situation which, I agree, must be corrected. As you know, the Office of Strategic Services is an executive agency of the Joint Chiefs of Staff and is not under the jurisdiction of the War Department. For that reason, the problem is not, as you suggest, an Army organizational difficulty, and the solution is not within my immediate control.

I will present to the Joint Chiefs of Staff the information which you have made available to me and will ask that you be informed of the action proposed to remedy the present unsatisfactory conditions.

Faithfully yours,

/s/ G. C. MARSHALL
Chief of Staff

The Honorable,
The Secretary of State.

CONFIDENTIAL

SECRET

The Sec. of State has forwarded to O/S a dispatch from US Ambassador Hayes in Spain stating that State Dept. operations in Spain are being compromised and embarrassed by the activities of Office of Strategic Services representatives in Spain, some of whom "are notoriously unsafe, indiscreet, and intemperate.".

According to this report native Spanish agents of OSS representatives in Barcelona have been arrested, a Spanish employee of Embassy was charged with espionage and treason by military court because of OSS activity, an OSS representative was ordered by the Embassy to flee Spain. 14 OSS representatives are ostensibly "petroleum observers" but "find greater attraction in excitement and glamour of sleuthing," according to Ambassador Hayes.

The charges of incompetency and indiscretion of OSS representatives are levelled throughout the dispatch along with statements that OSS ignores Embassy's broad general policy toward Spain, spends money too lavishly (OSS men higher paid than comparable Embassy officials; this disturbs Ambassador Hayes), and that character, accuracy, and quality of OSS work is doubtful. Amb. Hayes says "OSS is without doubt the weakest and worst conducted of all US activities in Spain." He also makes frequent mention of lack of Embassy control of OSS and its independence of him. He finds out what OSS agents are doing sometimes "when they get in trouble with Spanish officials." OSS is not entirely separate from Embassy and hence "cannot be disowned."

The US Ambassador recommends (1) OSS chief in Spain "bear mutually respectfully relations" to Ambassador as military attaches, have proper tact and training, (2) OSS staff should be reduced by eliminating "dubious" men, and petroleum-control observers should perform as such, and (3) "There should be some agreed-upon and adhered division and coordination of labor among our several intelligence services in Spain: the OSS, the military and naval attaches, and the North African French."

In his letter of transmittal, Secretary Hull states " . . . perhaps you (C/S) might appoint someone in whom you have entire confidence to survey the situation and suggest appropriate measures."

With Amb. Hayes' dispatch is a memo from Consular Gen. Makinson (Barcelona) who states that a Spanish clerk in Consulate became involved with Spanish police because of OSS activity. Makinson said at first he was inclined to believe it was due to Consulate business, so he sheltered the clerk and family and later assisted them to N. Africa. Spanish investigators questioned Consulate staff, looked over Consulate set-up, and published notice that an "employee of American Consulate General" was wanted for espionage. Makinson appealed to Spanish officials to call off probe but was not fully assured. Makinson also became involved in OSS refugee smuggling.

SECRET

WAR DEPARTMENT
WAR DEPARTMENT GENERAL STAFF
Military Intelligence Division G-2
WASHINGTON

C

6 July 1943

MEMORANDUM FOR THE CHIEF OF STAFF:

Subject: Possible compromise of cryptographic intercept system.

1. Reference your instructions 5 July, above subject, this office is in receipt of four messages (#88641, #88542, #88649, #88756) which indicate that the Japanese are very much concerned over certain reports they have received with regard to an American espionage agency in Lisbon knowing all details of the activities of the Japanese Ministry there and also having access to Japanese code books.

2. I have interrogated General Magruder and Mr. Murphy of the O.S.S., who have produced certain records indicating the activities of O.S.S. agents in Lisbon between December 20, 1942 and July 6, 1943. This list is not complete because it does not include certain other matters from an O.S.S. source designated as "Z", samples of whose work under the distribution dates of June 3, 1943, May 5, 1943 and April 30, 1943 are attached hereto.

3. I have had a conference with Mr. Kennan, Counsellor of the American Legation in Lisbon, who states that he is aware of the fact that certain O.S.S. representatives or employees in Lisbon attempted to plant certain agents in the office of the Japanese Naval Attache but he, Mr. Kennan, considered the matter rather amateurish and thought that the alleged agents were probably double agents, whose principal job was to report to the Japanese on the activities of the O.S.S. in Lisbon.

4. Neither the F.B.I., O.N.I., nor M.I.S. in Lisbon have attempted to carry out any of the activities that have alarmed the Japanese as indicated by the four messages referred to in paragraph 1.

5. It appears obvious that the ill advised and amateurish efforts of O.S.S. representatives in Lisbon have so alarmed the Japanese that it is an even money bet that the codes

SECRET

employed by the Japanese are in imminent danger of being changed. If so, for months we will face a blank wall as far as Military and Naval Intelligence from Japanese sources is concerned, and our present Magic summary would cease to exist, with the possibility of catastrophic results as far as the activities of the State, War and Navy Departments are concerned.

6. This matter is of such vital importance to the conduct of the war that I would recommend:

a. That the Joint Chiefs of Staff initiate a searching investigation by a disinterested officer to the end that unequivocal instructions be issued to prevent activities on the part of the O.S.S. which may result in the drying up of sources of information now being handled by other agencies; or

b. That the Joint Chiefs of Staff of their own initiative issue such instructions without delay.

/s/ Geo. V. Strong
GEO. V. STRONG,
Major General,
A. C. of S., G-2.

Enclosures:
Memo. on Bckgrd of Jap. Ac. in Portugal
OSS Reports from "Z" dated June 3 (2),
May 5 and April 30, 1943.

Intelligence Group
Spain
Header

THE JOINT CHIEFS OF STAFF
WASHINGTON

SECRET

x J.C.S. 254
x Bonta, Qadb

April 10, 1943.

MEMORANDUM FOR BRIGADIER GENERAL WILLIAM J. DONOVAN,
DIRECTOR OF STRATEGIC SERVICES:

Subject: Supervision and control of intelligence activities in Spain.

References: (a) J.C.S. 254
(b) J.C.S. 73rd meeting, Item 1.

Enclosure: Copy of letter dated April 10, 1943, to Assistant Secretary of State.

1. There is enclosed herewith for your information and guidance a copy of a letter which was this date sent to Mr. Adolf A. Berle, Assistant Secretary of State, regarding O.S.S. activities in Spain.

2. It is requested that the enclosure, especially the last paragraph thereof, be considered in the nature of a directive from the Joint Chiefs of Staff to the Director of Strategic Services.

FORREST P. ROYAL,
Captain, U.S. Navy,
Deputy Secretary.

COPY

SECRET

April 10, 1943.

The Honorable
Adolf A. Berle, Jr.
Assistant Secretary of State
State Department
Washington, D. C.

Dear Mr. Berle:

The Joint Chiefs of Staff have given careful consideration to the protests received from the American ambassador in Madrid regarding O.S.S. activities in Spain, which you sent to me in your letters of March 26th, 1943. They find that Ambassador Hayes has considerable justification for his complaints. Most of the irregularities, however, were the result of an unfortunate selection of O.S.S. representatives. This has already been corrected in some measure, and it is hoped that it will be corrected in full with the arrival of Mr. Gregory Thomas, the new O.S.S. representative, who is being sent to Spain with the approval of the State Department.

The Joint Chiefs of Staff are convinced that the activities of the Office of Strategic Services should be separated from those of the embassy to the greatest extent possible. There should not be more than one O.S.S. representative attached to the embassy, and the one representative should have no other duty in the embassy than the transmission of information for the O.S.S. The Chiefs of Staff feel that the one O.S.S. representative in the embassy is necessary in order to make available to the Office of Strategic Services State Department channels of communication, including the use of the diplomatic pouch.

The activities of the Office of Strategic Services in Spain are subject to the approval of General Eisenhower as theater commander. He must approve their general plan of operation and indicate what information is especially desired. Much of this information can only be gained by underground methods, which are not compatible with the code of ethics established for diplomatic representatives, including military and naval attaches. It is for this reason that the Chiefs of

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only should the Office of Strategic Services
as possible from the embassy or legation,
be impracticable to place their repre-
of a military or naval attache.

pathetic to Ambassador
given by poorly selected
ve given instructions
causes embarrassment to
ials of the embassy be
that with the arrival
those which prompted
ed.

ely yours,

oint Chiefs of Staff:

/s/ JOHN R. DEANE
Brigadier General, U. S. Army,
Secretary

SECRET

THE JOINT CHIEFS OF STAFF
JOINT U. S. STAFF PLANNERS
WASHINGTON

April 10, 1945.

Brigadier General W. J. Donovan,
Director of Strategic Services,
25th and "E" Street, N.W.,
Washington, D.C.

Dear General Donovan:

On April 3, 1945, the Joint Staff Planners forwarded two letters from Mr. Adolf A. Berle, Jr., and a memorandum from General McNarney, regarding the supervision and control of intelligence activities in Spain, and requested your views and comments thereon.

The Joint Staff Planners desire me to inform you that, by direction of the Joint Chiefs of Staff, they have discontinued consideration of these papers.

Sincerely yours,

For the Joint Staff Planners:

A. J. McFARLAND,
Colonel, U.S. Army,
Secretary.

SECRET

Submitted at JCS meeting re JPS 152/D

SECRET

4/9/43

This is submitted at the direction of Admiral Leahy to answer categorically certain allegations made by the American Ambassador at Madrid regarding OSS activities in Spain (letter of Department of State dated March 26, 1943 enclosing copy of telegram from the American Ambassador to the Secretary of State dated March 18, 1943).

* * * * * * *

At the outset let me state frankly that Spain has been our greatest difficulty. It is the one "so called" neutral country where we have failed to establish a firm basis of confidence and a mutually satisfactory working arrangement with the Ambassador.

Although the intelligence material produced from that country is of great value, we recognize that it could be

SECRET

improved both in content and in volume had there been better relations between our organization and Mr. Hayes.

An examination of the facts will I think disclose that the trouble arises in a question of personalities rather than procedures. It would serve no purpose to stress the troubles we had in getting the right man for this place because they are inherent in the problem. Now, however, after a good many months of effort we have a man to take over the leadership of the whole Iberian Peninsula, who both the State Department and ourselves believe has the qualities and personality to correct the present differences.

There is, however, a more serious aspect of the situation than any criticism of our work or [redacted] any clash of personalities. It lies in the evident attitude of the Ambassador that in the calculation of risks he deems it more important to forego the preparation of adequate communications and organization of resistance groups in the event of Spain's joining the Axis or of a German invasion, than the risk of offending the sensibilities of the present Spanish Government.

And now I shall deal with the facts:

SECRET

With respect to Enclosure A:

Mr. Berle's letter of March 26, 1943 transmits and summarizes a telegram received by the Department of State, and sent by the American Ambassador, Madrid, on March 18, 1943.

The above telegram states the Ambassador's opinion that "the personnel and the operations of the Office of Strategic Services in Spain ought not to be expanded unless and until some general scheme for the coordination of intelligence activities (is) worked out." The Ambassador expresses the hope that this coordination can be "made effective here under competent War Department direction."

The Ambassador states that "the personnel of the Office of Strategic Services have been given control of money and

SECRET

facilities although they are amateurs both in the military field and in the field of Intelligence, while the military men who are competent in this sort of work do not have similar advantages, despite the fact that such facilities, if granted, would be of considerable assistance in the prosecution of the war. The situation should not be allowed to continue."

Due to the fact that no Secret Intelligence Service had been provided, we are all amateurs in this field.

With respect to Enclosure B:

Mr. Berle's second letter of March 26, 1943 transmits a "secret report from the American Ambassador at Madrid, for such consideration as the Joint Chiefs of Staff may care

to give it." The report, dated Madrid, March 8, 1943, is entitled "Memorandum on O.S.S. in Spain."

I. The Ambassador states that the United States Government is "pursuing a policy of non-interference in Spanish internal affairs." OSS does not interfere with Spanish internal affairs, has no desire or plans to do so, and has taken no action which could justly be so construed.

II. The Ambassador next discusses "The Petroleum Program and OSS." He states that the plan for introducing intelligence officers as oil observers was suggested by the Embassy, approved by me, concurred in by the State Department, and known to him. This was to help keep our Government "fully informed of events and developments within Spain and, through our Spanish contacts, to obtain

as reliable information as possible about military and political situations and developments in neighboring countries, especially in France and Italy."

The Ambassador states that the success of the plan depended "upon the character, training and circumspection of the men sent over from the United States." He makes no criticism of the ability, character and circumspection of the petroleum men, but he criticizes their lack of military training. He did not suggest that the success of the plan depended also upon his own cooperation.

III. Di Lucia. The Ambassador pivots his attack upon OSS by criticism of its representative, Mr. Di Lucia, the Financial Attache to the Embassy. He is a Treasury Department Narcotics Agent. He was recommended by the Treasury as such, so

accepted by the Department of State and by agreement between the Treasury and State made Financial Attache. Mr. Di Lucia had valuable contacts in Spain and adjacent countries, but it was intended that at the earliest moment he would be under the direction of a chief for that area.

The Ambassador asserts that the cover "Financial Attache" was improper because of his lack of technical qualifications. This cover was adopted at the insistence of the Secretary of the Treasury.

The Ambassador spoke of "sensational reports" made by him "regarding the prospect of Spanish entry into the war, etc." We do not recall the specific reports and, in any event, they are no more sensational than views recently held in many quarters.

This apprehension may be one factor in determining disposition of the American forces in French Morocco.

Although I am not clear in my mind how Mr. Hayes can assume jurisdiction over U.S. affairs in Portugal, he states that I was remiss in my undertaking to him that Di Lucia should not remain in Lisbon. On receipt of this request from Ambassador Hayes, I set about at once to effect a replacement. The first replacement fell seriously ill. As soon as it was discovered that he could not proceed to the Peninsula another representative was chosen and every effort has been made to forward him to his post.

Whatever may have been the experience of the Ambassador in Madrid, it is clear that Mr. Di Lucia's services to the American Minister in Lisbon are highly valued. Our efforts

to transfer him to North Africa have so far been unavailing because Mr. Fish wishes to keep him. It may further be said that a recent evaluation of OSS intelligence given by the British service gives highest rating to intelligence items produced under the direction of Di Lucia.

On page 12 of the Ambassador's memorandum he describes "how Di Lucia arranged an interview with Dr. Salazar for a visiting American in Lisbon after the American Minister, Mr. Fish, had declined to arrange the interview." This is inexact. The American in question is Mr. Stanton Griffis, Chairman of the Board of Paramount Pictures Company, who was traveling in Europe on OSS business. Mr. Fish was willing but unable to arrange the interview. Mr. Di Lucia, because of his contacts, was able to do so. The Minister took no exception whatever to this procedure and it is possible that

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Mr. Di Lucia's relations in that quarter are one of the reasons why the Minister wishes to keep him.

IV. Mr. Pratt. Ambassador Hayes describes Mr. Pratt as "a business man with long experience in Spain who speaks several languages well." He commends his personal appearance and habits as well as his patriotism and devotion to duty. He states that he has been cooperative with the Embassy.

He regards Mr. Pratt, however, as far from ideal since he lacks "political and military knowledge."

It is difficult to find the ideal intelligence agent.

SECRET

Mr. Pratt was not chosen for his political and military knowledge. He had been 12 years in Spain for Ingersoll-Rand. He was chosen because of his intimate knowledge of that country, including the language, his many contacts, and his first-hand knowledge of Spanish industry.

The Ambassador states that Mr. Pratt has repeatedly expressed the desire for cooperation and exchange of information with the Military Attache and that the latter "quite justifiably" has declined to do this. Cooperation and coordination of intelligence is most desirable. It should, however, be a two-way traffic.

V. Basques and OSS. The Ambassador states that OSS is in contact with the Basque organization, which group is subversive, and implies that such action on our part constitutes interference with Spanish internal affairs.

The OSS is in contact with this organization. Such contact puts at our service some two thousand experienced operators. A flow of information already exists on such matters as ship movements, troop dispositions, underground railways to France and North Africa, and counter-espionage. This organization is at our disposition because of the national conviction of its members. The only sums advanced have been for necessary expenses.

Contact with the Basques, however, offer high potentialities. To enumerate: we believe that an underground passage into France is practical and possible through their agency. In the event of invasion, we believe the Basques can maintain for us a flow of information during hostilities and possible German occupation. They are the best organized of the Spanish elements and the most

SECRET

certain in their resistance to Germany. In the event Spain should become a scene of military operations, the Basques become an asset to us of the highest importance. From a Liberty loving Basque population of some two million people imbued with military tradition in an area located along the Atlantic Coast and the Pyrenees, we could obtain a possibly decisive guerilla force.

The six wireless sets referred to by the Ambassador, were forwarded to Madrid in a diplomatic pouch with the approval of the State Department whose officers were aware that these sets were to be placed in the hands of Spanish elements who would communicate with us in case of invasion. Among these elements were Basques and these instruments represented an indispensable means of transmitting information in the event of invasion. The Ambassador has with-

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held delivery of these instruments and we have been unable as yet to equip our agents. This action constitutes a grave decision on the part of the Ambassador involving military risks.

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The Ambassador argues that our contacts with the Basque people are an interference with the internal affairs of Spain. Our relations with the Basques are not established for the purpose of influencing the internal affairs of Spain. They are conceived for the purpose of obtaining intelligence concerning the enemy, effecting preliminary organization of a potential resistance group to enemy action, and establishing reliable communications into enemy occupied territory.

VI. Mr. Ryan. The Ambassador charges Mr. Ryan with undue enthusiasm in defending the position of the organization which he is representing. I cannot take exception to such loyalty. As for the silk stockings, they are the most valuable informational barter medium in Spain today.

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A communication from Mr. Ryan dated April 1, states that in a cable to the State Department Ambassador Hayes has expressed his satisfaction with the better working agreement between the Military Attaches and ourselves. Mr. Ryan adds that there is a new spirit of mutual cooperation and hopes that Mr. Thomas' coming should now be expedited, since the Ambassador has cabled approval.

It is pertinent to ask to see a copy of the cable from Ambassador Hayes referred to above, since it would seem to be definitely a part of the evidence in this case which originates from a communication from Ambassador Hayes which the Department of State has transmitted to the Joint Planners.

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VII. Present OSS Organization in Spain. The Ambassador

VII. Present OSS Organization in Spain. The Ambassador

states that none of the OSS representatives attached to

states that none of the OSS representatives attached to

the Embassy, including the Petroleum Attaches - (a) have

the Embassy, including the Petroleum Attaches - (a) have

any military background or training, and (b) that there is

any military background or training and (b) that there is

no one in the organization who is able to give adequate

no one in the organization who is able to give adequate

direction to the collection of information. As for Messrs.

direction to the collection of information. As for Messrs.

Ryan, Pratt and Di Lucia, they underwent training here

Ryan, Pratt and Di Lucia, they underwent training here

for the projected work. As for the petroleum experts,

for the projected work. As for the petroleum experts,

they in addition had to know enough about petroleum matters

they in addition had to know enough about petroleum matters

to preserve their cover. Furthermore they had to be linquists.

to preserve their cover. Furthermore they had to be linquists.

Lastly they had to pass the security requirements of the

Lastly they had to pass the security requirements of the

Department of State and be acceptable to that Department.

Department of State and be acceptable to that Department.

The Ambassador knew the purpose for which they were

The Ambassador knew the purpose for which they were

picked. It was their business primarily to discover

picked. It was their business primarily to discover

SECRET

and report on Spanish gasoline supplies and on the Spanish airfields. This information was of vital importance in view of the prospective invasion of North Africa. How well they performed this function is a matter of record. I can say of my own knowledge that in order to insure against the threat to our flank, at the request of OPD I had prepared data and charts showing the position and the detailed information on Spanish airfields. Certainly there could be none better than they were to obtain this information with their special knowledge and their means of auto transport.

There is a constant flow of current information by cablegram, particularly with respect to French resistance groups.

One of the Petroleum Attaches who is said by the Ambassador to have no military training, was sent in September to Tangier. By the time we invaded French Morocco he had developed an intelligence net which furnished the British and American Military Attaches with fullest information of the current battle order of Spanish forces in Spanish Morocco. In fact, General Patton's principal information concerning real and potential activities by the Spanish General Orgaz came from this Petroleum Attache.

VIII. Military Attache and OSS. The Ambassador esteems Colonel Hohenthal and recommends that OSS be placed under his direction. I share the Ambassador's high esteem

for Colonel Hohenthal. Desirable as it is to have complete coordination of our military and political information in Spain, I dissent from the method proposed for accomplishing it.

IX. Recommendations. The Ambassador's first and "best solution" would be for OSS "to withdraw from the Spanish field and for OSS personnel to be turned over to the Military Attache's office." His alternative is that OSS representatives be placed under Colonel Hohenthal's direct orders.

~~With reference to the Ambassador's first recommendation it seems advantageous to explore the general picture in neutral states rather than one particular state when establishing such a vital principle.~~

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I can assert positively that in Finland, Sweden, Switzerland, Turkey and Vichy France, as long as it existed, and in Lisbon at present, there is no dissention between OSS and the Chiefs of Mission. In every case except Lisbon, the Chiefs of Mission above stated, are trained foreign service officers accustomed to adopt a professional point of view toward such activities as those of OSS, namely, that the Chief of Mission desires to avail himself of the benefit of such activities without being familiar with the details of operation. They have been trained to recognize that in the national interests the formal knowledge of such activities is highly inadmissable.

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OSS is about to send to Lisbon and Madrid, attached to both diplomatic missions, Mr. Gregory Thomas as chief representative of OSS in the Iberian Peninsula. Mr. Thomas has a knowledge of language, background and long experience in this area. His knowledge of the Iberian Peninsula and France probably equals that of any present member of the Embassy Staff. Had we been able to obtain the services of Mr. Thomas earlier the whole basis for Ambassador Hayes objections would have been removed. That he did not arrive earlier is a fact that I deplore, and is due to official formalities over which I had no control.

I may add in this connection that our endeavor to send Mr. Thomas has the approbation of the State Department, which has assisted us in every possible way to get him to the field.

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In my opinion it would be most unfortunate to place secret intelligence in Spain under the Military Attache.

Ambassador Hayes says that the work of OSS representatives in Spain is known to the Spanish. He assumes that the intelligence activities of our oil mission are known because of the fact that they have been seen in company with an OSS representative, who had a different cover. If true, the relations of these individuals to the Military Attache would be immediately known, and with detrimental results to the diplomatic mission far greater than those with which the Ambassador thinks he now has to contend. If charges could now be leveled against this Government for conducting activities deemed to be a jeopardy to Spanish neutrality, the situation would be accentuated if the Ambassador's suggestion were carried out.

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These statements discloses the fear of the Ambassador. He fears that our efforts to uncover the intention of the enemy, to establish communications in Spain, to develop resistance groups against Germany may disturb the Spanish Government. It is for the Joint Chiefs of Staff to say which danger is paramount.

I have undertaken in this memorandum only to meet the statements of the Ambassador as to the conduct of OSS in his area.

I have not been asked and therefore do not express my views as to the best means of coordinating our work in the Iberian peninsula with that of the Army, the Navy, and the State Department.

SECRET

Intelligence Sect. (OSS) Special Files
x State x Hayes, Amb. x OSS Reps.
x JSP (JPS - 154/D

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

April 9, 1943

Forwarded to General Donovan with approval.
W. H. Jackson

MEMORANDUM

TO: General Wm. J. Donovan

FROM: F. L. Mayer

A communication from our representative (Frank Ryan) in Madrid, dated April 1, states that in a cable to the State Department Ambassador Hayes has expressed his satisfaction with the better working agreement between the Military Attaches and ourselves. Ryan adds that there is a new spirit of mutual cooperation and hopes that Mr. Thomas' coming should now be expedited, since the Ambassador has cabled approval.

It is pertinent to ask to see a copy of the cable from Ambassador Hayes referred to above, since it would seem to be definitely a part of the evidence in this case which originates from a communication from Ambassador Hayes which the Department of State has transmitted to the Joint Planners.

F. L. M.

P.S. In accord with your request I called the Dept. about this date - Jimmy Dunn made careful search & phones me that he cannot find that any such cable was ever received!! I shall so inform Frank R. by letter -

Secret Intelligence, known also as Espionage, may be described as the collection of information concerning hostile forces and concerning the political, intentions, aims, and limitations of hostile governments. As regards the intelligence organizations of the armed forces, Secret Intelligence's function is a separate one, taking up its work at the point where it is impossible, unwise, or not feasible for representatives of the armed forces to function.

In time of peace, it has long been the stated policy of the United States not to condone espionage activities by members of the armed forces in the territory of other foreign governments. In time of war, the same policy has been applied as regards the territory of neutral states, as well as that of friendly or allied nations even though they may be prospective theaters of military operations.

Since the interests of national security nevertheless demand that the armed forces of this country be in possession of adequate military and naval information about the areas just mentioned, and furthermore that means should exist thereby, even after a change of status of these areas, information should continue to be available to the intelligence services, it seems clear that there must be an agency of the Government distinct from the service intelligence agencies charged with the duty and responsibility of exercising the functions of Secret Intelligence as defined above.

Though such an agency should operate autonomously for the reasons above cited, the objectives may be taken by assignment from any of the agencies of the Joint Chiefs of Staff or alternatively may be initiated by Secret Intelligence after approval of the representative of the Joint Chiefs of Staff. At all times the higher command should be generally aware of the activities of Secret Intelligence, and in the event that an area of activity should be designated as a theater of military or naval operations, the commanding officer thereof should be specifically informed as to the presence of Secret Intelligence agents therein, and as to the character and purpose of their missions; such of their reports as he desires must be rendered to him as well as to the headquarters of Secret Intelligence. All orders or assignment of the Theater Commander shall be given to the Senior Secret Intelligence Officer, or the Chief O.S.S. representative in the Area.

Secret Intelligence operations are differentiated in two respects from the normal functions of the intelligence services of the armed forces: first, as to scope of activity, and second, as to informational objectives. As pointed out above, Secret Intelligence is able to place under scrutiny geographic areas where military and naval intelligences are debarred or handicapped by considerations of policy. Moreover, whereas the intelligence services of combat organizations are primarily concerned with the disposition, strength, effectiveness and intentions of the opposing armed forces, Secret Intelligence has in addition as its

(iii) the collection, evaluation, and dissemination of military, economic and political information shedding light on the condition and intentions of opposing governments.

OFFICE OF STRATEGIC SERVICES

INTEROFFICE MEMO

TO: General Donovan

DATE: April 9, 1943

FROM: Whitney H. Shepardson

SUBJECT:

SECRET

The following two items should be inserted in the draft of a reply to Ambassador Hayes which you are now working on: -

(1) (In the place where we discuss Ambassador Hayes' statement that he had virtually ordered Di Lucia out of Lisbon), a statement like the following - "though I have never been clear in my own mind how Mr. Hayes assumed such jurisdiction over U. S. Government affairs in a country outside Spain".

(2) Toward the very end of the memorandum where we make some general statements about secret intelligence in neutral countries, I believe that the following should be inserted - "The operation of secret intelligence in the neutral country is based upon the conception of that country as -

(1) An island from which penetration can be made into enemy or enemy occupied countries.

(2) As a territory which, though now neutral, may become occupied over night by the enemy.

(3) As a territory in which (in such an event)
(3) As a territory in which (in such an event)

we may engage the enemy in military action.
we may engage the enemy in military action.

(4) As a territory which we ourselves may invade
(4) As a territory which we ourselves may invade

on our way to engage the enemy.
on our way to engage the enemy.

And -
And -

(5) A territory in which at all times information
(5) A territory in which at all times information

concerning the enemy can be obtained."
concerning the enemy can be obtained."

W.H.S.
W.H.S.

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SECRET

THE JOINT CHIEFS OF STAFF
WASHINGTON

Intelligence Service 11.083
OSS R&A
State Dept.
Navy, Army
JSP(JPS 154/D)

April 8, 1943.

SECRET

Brigadier General William J. Donovan,
Director of Strategic Services,
25th and E Streets, N. W.,
Washington, D. C.

Dear General Donovan:

Admiral Leahy desires that you prepare a memorandum giving a categorical answer to the allegations made by the Spanish Ambassador regarding O.S.S. activities in Spain. He also desires to have you present at a special meeting of the Joint Chiefs of Staff at 2:30 P.M. Friday, April 9th, Room 240 Public Health Bldg., to discuss this and allied O.S.S. matters.

Sincerely yours,

JOHN R. DEANE,
Brigadier General, U. S. Army,
Secretary.

[illegible]
[illegible] 154/[illegible], Copy No. 39.

SECRET

S E C R E T

260-1
(J.P.S. 154/D)

April 2, 1943

COPY NO. 33

JOINT STAFF PLANNERS

DIRECTIVE

SUPERVISION AND CONTROL OF INTELLIGENCE ACTIVITIES IN SPAIN

References: (a) Memo. directive from J.C.S., dated April 1, 1943.
(b) Memo. directive from J.C.S., dated April 1, 1943.

Note by the Secretaries

1. Enclosures "A" and "B", letters from Mr. Adolf A. Berle, Jr., dated March 26, 1943, regarding O.S.S. activities in Spain, and

Enclosures "C" and "D", memoranda from the Deputy Chief of Staff, U.S. Army dated April 1, 1943,

have been referred to the Joint Staff Planners for study and appropriate recommendations to the Joint Chiefs of Staff. It is assumed that the Office of Strategic Services be given an opportunity to present their views for consideration in the study.

A.J. McFARLAND,
J.E. REID,
Joint Secretariat.

SECRET

ENCLOSURE "A"

DEPARTMENT OF STATE
WASHINGTON

March 26, 1943

My dear General Deane:

The Department is in receipt of a cablegram from the American Ambassador at Madrid, of which a paraphrase of the important passages is attached (Appendix). As you will see, it raises the question of organization of the Intelligence services in Spain, and more especially the grouping of the functions presently carried on by the Office of Strategic Services and those carried on by the Military Attache under the guidance of G-2.

The gist of Ambassador Hayes' communication is to suggest that the intelligence activities presently carried on by O.S.S. and by the Military Intelligence be grouped under the control of competent military men.

This matter plainly falls within the jurisdiction of the Chiefs of Staff rather than the State Department since it relates wholly to the coordination of the activities of two branches of the armed forces, both of which are responsible to the Chiefs of Staff.

The Department would appreciate an expression of the views of the Chiefs of Staff on the subject. It is presently being pressed to facilitate the trip of a number of O.S.S. representatives to Madrid, and as the attached communication indicates, the Ambassador is requesting that no such representatives be sent until some coordination shall have been worked out. It is appropriate to note that the Ambassador, on a number of previous occasions, has made similar representations to the Department,

Enclosure "A"

SECRET

and has indicated [illegible] the presence [illegible] of intelligence men who were not under [illegible] and [illegible] direction, or who were inexpert, has been a source of [illegible] to him in the conduct of the very important su[illegible] of [illegible]sh-American relations in a delicate and crucial tim[illegible]

Very truly yours,

[illegible]olf A. Berle, Jr.
Assistant Secretary.

Br[illegible] General J. R. [illegible]
Secretary, U.S. J[illegible] Chief[illegible] of Staff,
Combine[illegible] [illegible]iefs of Sta[illegible] Building,
C[illegible]tution Ave. & 19th Street,
Washington, D. C.

Att[illegible]ment

Encl[illegible]sure "A"

S E C R E T

APPENDIX TO ENCLOSURE "A"

PARAPHRASE OF IMPORTANT PASSAGES OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid.

TO: Secretary of State, Washington.

DATED: March 18, 1943, 8 p.m.

NUMBER: 655

Under date of the seventeenth of February (telegram no. 394) I submitted as my opinion that the personnel and the operations of the Office of Strategic Services in Spain ought not to be expanded unless and until some general scheme for the coordination of Intelligence activities had been worked out. This message was not answered, but there has now been received a communication by air dated ninth March, indicating that Mr. Gregory Thomas has been named as head of the Office of Strategic Services here and is to be attached to the Embassy.

I feel that a matter which involves the gathering of intelligence is important and cannot be a matter of routine since it bears directly on the situation of our forces in North Africa, and I hope that the Department will take the matter up with General Kroner and General Strong with a view to finding out how coordination can be made effective here under competent War Department direction.

I do not believe that there should be any increase of the representation of the Office of Strategic Services in Spain until arrangements have been made for coordination and for direction. As things now stand, the personnel of the Office of Strategic Services have been given control of money and facilities although they are amateurs both in the military field and in the field of Intelligence, while the military men who are competent in this sort of work do not have similar advantages, despite the fact that such facilities, if granted, would be of considerable assistance in the prosecution of the war. The situation should not be allowed to continue.

HAYES

B AB:AA

Appendix to Enclosure "A"

[illegible]

[illegible] Communication to
THE SECRETARY OF STATE
WASHINGTON, D. C.

DEPARTMENT OF STATE
DEPARTMENT OF STATE
WASHINGTON

March 26, 1943

[illegible] Deane:

With further reference to my letter of this date relating [illegible] Intelligence in Spain, I attach a copy of the [illegible] received from the American Ambassador at Madrid [illegible] as the Joint Chiefs of Staff may care to [illegible] (Appendix).

The Department recognizes that determination of this question is, of course, entirely in the hands of the Joint Chiefs of Staff and of the competent authorities of the Army.

Very truly yours,

/s/ Adolph A. Berle, Jr.
Adolph A. Berle, Jr.
Assistant Secretary

[illegible] of secret report
described above, dated
[illegible]

Brigadier General J. R. Deane, [illegible] Staff,
Secretary, The Joint Chiefs of Staff,
Joint Chiefs of Staff Building,
Constitution Avenue & [illegible] Street,
Washington, D. C.

Enclosure "B"

SECRET

APPENDIX TO ENCLOSURE "B"

Madrid, March 8, 1943

Memorandum on O.S.S. in Spain

1. Our Basic Policy

When we landed in North Africa we pledged ourselves to respect Spanish sovereignty and Spain's territorial integrity.

The Spanish Government accepted this pledge, and General Franco expressed to President Roosevelt his wish that nothing should happen to disturb Spain's relations with the United States in any of their aspects.

The Spanish Government has declared publicly and repeatedly its determination to stay out of the war. It has assured the Embassy it will resist aggression from any side, and that it has so informed the Germans.

Spain's publicly announced policy has as its principal objective avoidance of involvement in the war. The policy is based on (1) solidarity with Portugal, a non-belligerent ally of Great Britain, and (2) solidarity with the South American countries, all but one of which are at war with or have broken relations with the Axis.

On the other hand, the Spanish Government is anti-communist. Spain is a member of the Anticomintern Pact. It has a "volunteer" Blue Division on the eastern front. The Spanish Government has never made a secret of its anti-communism, which issues from the Civil War. So far, its contemporary "crusade" against communism has been limited to an anti-communist press attitude and to the maintenance of the Blue Division in Russia. There is no indication that the Spanish people, or the Spanish Foreign Office, have any desire to increase the strength of the Blue Division, although Falange, in the face of determined opposition by the Minister of Foreign Affairs, has endeavored, so far unsuccessfully, to obtain additional "volunteers" for the war in Russia.

SECRET

Spain has had close political relations with the Axis, although the tendency, since last September, has been progressively in the direction of closer political relations with the United Nations at corresponding expense of the previous Axis relationship, which had derived, of course, from the help given by Germany and Italy to Franco during the Spanish Civil War. Furthermore, there was no alternative to fairly close relationship with the Axis if Spain were to keep out of the war.

In balance, Spain's attitude, and particularly the current trend of Spanish foreign policy, is favorable to the United Nations. It has deterred the Axis from invading Spain and attacking Gibraltar, and thereby it has enabled the United Nations to use Gibraltar as a vital naval base, to keep the Mediterranean open, to make possible the military campaign in North Africa, and to protect its northern flank.

It is consequently the clear desire of our military authorities that our existing relations with Spain be not disturbed, particularly at this critical time and at least until our operations in North Africa shall have been brought to a successful conclusion.

Consonant with our general public policy and in furtherance of our special wish to maintain the best possible relations with Spain, we have adopted and are pursuing a policy of non-interference in Spanish internal affairs. Our interest requires that we adhere strictly to this policy.

Such policy of non-interference in Spain's internal affairs has not precluded a natural desire on the part of our government to keep fully informed of events and developments within Spain, and, through our Spanish contacts, to obtain as reliable information as possible about military and political situations and developments in neighboring countries, especially in France and Italy. Indeed, the geographical location of Spain obviously renders it a prime listening-post for our war effort.

Appendix to Enclosure "B"

SECRET

II. Petroleum Program and O.S.S.

When our program of control of petroleum imports and distribution was announced, the Embassy took the initiative in suggesting that the observers sent to Spain under this program might profitably report also on other matters of the nature just referred to. The suggestion was acted upon by the C.O.I. (and its successor, the O.S.S.) under Colonel Donovan, with the concurrence of the State Department and the knowledge of the present Ambassador. The result has been that all the assistants to the Director of Petroleum Control in Spain, Embassy Attache Mr. Walter Smith, have dual roles: (1) they are Embassy Attaches, accorded diplomatic status by the Spanish Government, and recognized by it as "oil observers"; (2) they are secret intelligence agents of the O.S.S., operating presumably without the knowledge of the Spanish Government.

From the outset, the Embassy recognized that the success of th plan would depend upon the character, training, and circumspection of the men sent over from the United States to perform the dual roles, and that any indiscretion or "uncovering" on their part would seriously endanger our position in Spain and hence our war effort.

III. Di Lucia.

Several months after the program was inaugurated, Mr. Francis Xavier Di Lucia was appointed Financial Attache to the Embassy. The State Department informed the Embassy that he was [illegible] perform other duties so long as they were not em[illegible] the Embassy. It developed that he had been a Trea[illegible] narcotics agent and that he was to head up the [illegible] in Spain.

[illegible] became apparent that Di Lucia's designation [illegible] was not a proper cover for his real activi[illegible] ignorant of financial matters and was

Appendix to Enclosure "B"

unable, therefore, even to give the appearance of functioning as Financial Attache. He immediately became very active in his usual field. He traveled all over the country, talked to many persons, received mysterious visitors in the Embassy, and had mysterious telephone conversations (which are, of course, subject to Spanish governmental censorship). He became quite a man-about-town. Outside the office he associated constantly with the petroleum attaches, although he was supposed to have no connection with the work they were doing. He gave lavish tips to waiters in restaurants, and ran up large bills at tailoring establishments and shirtmakers. He imported large quantities of foodstuffs and merchandise, particularly silk stockings, which he offered freely inside and outside the Embassy. He had two automobiles at his disposal, both bearing diplomatic tags. One he lent frequently to a Spanish industrialist, and the other he lent freely to a lady friend. He threw money around like a drunken sailor, even offering it to Spaniards of good family. In conversation with Embassy officials concerning his work he was non-responsive and evasive, although he professed to be very frank and cooperative.

Promptly after his arrival he began to send in sensational reports regarding the prospect of Spanish entry into the war, et cetera. The Embassy endeavored to assist him to the extent of pointing out that, through its own special facilities, it was in a position to suggest that many of the reports he was handling were without foundation. Di Lucia nevertheless maintained that these sensational reports, all or most of which have turned out to be erroneous, were based on fact and had come from the best possible sources. Many of them came from paid Spanish agents, who obviously had to justify their compensation by submitting "interesting" reports.

On the other hand, Di Lucia and some of the persons working under him showed an extraordinary ignorance of many

matters which were commonly known and which were published in the press. Frequently he would send in as secret information reports from paid agents which had been taken from the public press.

As time went on, Di Lucia gave increasing evidence of a lack of emotional balance. He had fits of impatience and violence, when he would curse at the top of his voice so that it was heard throughout the Embassy. The Petroleum Director, Mr. Walter Smith, and Di Lucia's and Mr. Smith's principal assistant, Mr. Pratt, feared that the man was out of his head and [illegible] acts of personal violence.

Meanwhile, the Embassy had frequent reports that [illegible] being watched and shadowed by the Spanish police.

After several months of patient observation and of [illegible] with him, and when his principal assistant, Mr. Pratt, who had long defended him, agreed that the man was acting irrationally and threatening not only to uncover the entire O.S.S. organization, but to interfere with the general work of the Embassy, I asked, on November 9, for Di Lucia's [illegible] and recommended that he not be permitted to continue his O.S.S. work in Spain or in any other place.

After some delay Di Lucia was ordered by his superiors to leave Spain and go to Lisbon. He ignored these orders for [illegible] weeks, and only after reiterated instructions from O.S.S. in Washington did he go to Lisbon. Yet despite Colonel Donovan's personal assurances to me on December 10 that Di Lucia would be withdrawn from Portugal as soon as a replacement could be [illegible] he still remains in Lisbon -- over three months after [illegible]. Furthermore, the Embassy has evidence that during this [illegible] he was sending men from Lisbon into Spain and otherwise [illegible] into the Spanish situation. It has received [illegible] that one of his agents was a clerk in the [illegible], who was working with Di Lucia without

Appendix to Enclosure "B"

the knowledge of the Military Attache [illegible] Government employees he [illegible] But I do know that he was generous in [illegible] his unlimited resources to consuls, consular clerks, et cetera. He was constantly suggesting that Embassy officials give "big parties" in Madrid for which he would gladly pay out of his official funds.

IV. Mr. Pratt.

Following Di Lucia's departure, I agreed with Colonel Donovan on December 12 that Mr. Frank Ryan should come to Spain for two or three months to study the situation, discuss it with me, and make recommendations, and that in the meantime Mr. Jack Pratt, Petroleum Attache, should be in charge of O.S.S. work in Spain.

Mr. Pratt is a distinct improvement over Di Lucia. He is a business man with long experience in Spain, and speaks several languages well. His personal appearance and habits are good and his patriotism and devotion to duty are above question. Moreover, he has given evidence of considerable readiness to cooperate with the Embassy.

On the other hand, however, Pratt is far from ideal for the delicate job he directs. He is too inexperienced in it, and too lacking in political and military knowledge. He constantly exhibits naivete in evaluation of persons and reports, extravagance in language, and unsoundness in judgment. He, like Di Lucia, is obviously prepared to spend very large sums of money for material of little or no value.

Through the Counselor of the Embassy, Pratt has made available to the Military Attache paraphrases of his outgoing telegrams and copies of certain written reports. A large number of the reports have never been seen by the Embassy or Military Attache, and he himself says they are so voluminous and detailed

that he can do no more than pass them on to Washington without making an evaluation of them. He has several times expressed a desire to "exchange" information with the Military Attaché. The latter, quite justifiably it would seem, has declined to do this, lacking authorization from the War Department, and doubtless having little trust in the discretion of O.S.S. representatives here.

V. Basques and O.S.S.

Some time ago the Washington headquarters of the O.S.S. gave instructions for contact with the Basque secret organization in Spain. The Basques are separatists and anti-Franco, and, in the eyes of the present Spanish Government, their organization is definitely subversive. Indeed, the Spanish Government has specifically asked us not to give aid to the head of the Basque organization, Dr. Aguirre, who is now in the United States and previously in touch with the O.S.S.; and under instructions from the State Department I have promised that we would not [illegible]

[illegible] agents of the O.S.S. here were instructed to [illegible] of this organization, [illegible] behalf of Dr. Aguirre, [illegible] for communication with the outside, and [illegible] financial assistance. It is the O.S.S.'s idea that [illegible] of the secret Basque organization it could [illegible] and possibly beyond, and obtain useful information [illegible] more intelligent and informed agents of [illegible] strongly from this policy and declined to carry [illegible] Pratt informed me of the situation, and I gave instructions that the O.S.S. representatives must refrain from [illegible] the proposed cooperation with the Basque organization, inasmuch as such activity on their part would [illegible] and would be in contravention not only [illegible] of non-intervention in Spanish domestic affairs [illegible] to go further, that I had been authorized by

Enclosure "B"

[illegible] to give to the Spanish government [illegible] future. On December [illegible] I informed the State Department of the action I had taken.

There has been evidence, however, that [illegible] not through its Embassy at Lisbon but through other [illegible] Spain, has persevered with its plan of establishing con[illegible] cooperation with important members of the Resque [illegible]

VI. [illegible]

Mr. Frank Ryan, the O.S.S. official who [illegible] Donovan has asked to go to Spain for two or three months in order to investigate the [illegible] here and, in co[illegible] with the Embassy, to make recommendations concerning [illegible] reached Madrid last week. He is a professional businessman, who has been with the O.S.S. for some six months and who previously had been head of the Waste Materials Section of the O.[illegible]A. He was in Spain during the Civil War, when he met General Franco and arranged for a supply of cotton to the Nationalist regime. He is affable but pretty ignorant of the complicated political and military situation here, and inclined to do [illegible] at any cost the past activities of the O.S.S., no matter how unfortunate or sterile they may have been. He has maintained in conversation that [illegible], while he probably has certain defects, is a "very valuable man". He recounted with pride how Di Lucia had arranged an interview with Dr. Salazar for a visiting American in [illegible] when after the American Minister, Mr. Fish, had declined to [illegible] the interview. He said that Di Lucia's success in this regard indicated the excellence of his contacts and the fact that he was "in the know". He admitted Di Lucia's action was [illegible] according to "protocol", but he thought it was very clever and satisfactory nevertheless.

Mr. Ryan has also told me that he has in the customs house a shipment of silk stockings and a gift for Mrs. Franco.

Appendix to Enclosure "B"

[illegible] instructed him to take no action to conduct [illegible] nor to make presents to [illegible] Franco [illegible]

[illegible] Ryan likewise insists on the desirab[illegible] of the Basque organization through [illegible] the Embassy. He imagines that the E[illegible] [illegible] are caught, and the [illegible] [illegible] result would result.

[illegible] O.S.S. Organization in S[illegible] [illegible] O.S.S. Organization in S[illegible] [illegible] I have little or no confidence in the [illegible] I have little or no confidence [illegible] the [illegible] in Spain. Its head for several months, Di[illegible] [illegible] quite impossible. [illegible] successor, Pratt, means [illegible] qualifications [illegible] the job. And Mr. Ryan, [illegible] qualifications [illegible] the job. And Mr. Ryan, [illegible] initially, [illegible] es not promise any real reform. Other [illegible] on include some dozen petroleum at- [illegible] of the [illegible] on includ some dozen petroleum at- [illegible] [illegible] miscellaneous Americans, who, [illegible] [illegible] journalists, have no official [illegible] [illegible] of these, a few are persons of con- [illegible] [illegible] and judgment, but the major- [illegible] [illegible] tions for the exacting work [illegible]

[illegible] in that the organ- [illegible] information be sent from the [illegible] Wash[illegible] there gone over a[illegible] correlated with [illegible] available to the O.S.S., [illegible] ubtless from the [illegible] from the State De- [illegible] intelligence services and from the State De- [illegible] the Spanish situa- [illegible] fitted into a picture of the Spanish situa- [illegible] tion accordingly submitted from here is, in the [illegible] and (2) political. The O.S.S. undoubtedly [illegible] [illegible] for obtaining certain types of informa- [illegible] (1) unlimited funds, (2) adequate transporta- [illegible] [illegible] which permits petroleum attaches

[illegible] Appendix to Enclosure "B"

[illegible] in [illegible] industrial installations, [illegible] the [illegible] of [illegible] observe a great deal.

[illegible] the petroleum attaches who submit the bulk of information to O.S.S. There is, however, not a single person with any military background or training, and there is not a single person in the organization in a position to give adequate directives to the other members of the organization concerning the kind of information most important from a military point of view.

Nor are any of the Embassy attaches doing this work given evidence of any particular political sense or background. It is only certain outside "journalistic" agents who have submitted excellent political reports.

VIII. Military Attache and O.S.S.

I have several times suggested to the State Department that the O.S.S. be placed under the direction of the Military Attache. [illegible] telegrams of August 26, November 13, and February 17. [illegible] and emphasize the recommendation.

At present, Colonel Hohenthal, General Staff, U. S. Army, detailed as Military Attache in Lisbon, is in Madrid on a special mission for the purpose of coordinating military information obtained by the office of the Military Attache and the office of the Naval Attache. Colonel Hohenthal is a former Military Attache in Berlin, who has accompanied the German Army in the field during the present war and has a thorough knowledge of German military methods and strategy, as well as of the military-political situation in Germany and in Continental Europe generally.

He is a competent, intelligent, cooperative officer, who has done an outstanding job with the material he has available. [illegible] complete confidence and I have unreservedly made available [illegible] confidential information on military and political matters which the Embassy, with its special facilities, has obtained.

[illegible]

[illegible] our memorandum (transmitting [illegible]

[illegible] subject.

[illegible] exercising the same degree of control in [illegible] as exercised by theater commanders in [illegible] where such control is not exercised by theater commanders in [illegible] where such control is not exercised by theater commanders [illegible] the military attache would seem to be the logical [illegible] the military attache would seem to be the logical [illegible] Army, Navy and Office of Strategic Services [illegible] Army, Navy and Office of Strategic Services [illegible] single head. There is now under consideration [illegible] single head. There is now under consideration [illegible] of ONI-G-2 functions. It should be [illegible] of ONI-G-2 functions. It should be [illegible] in this merger. [illegible] in this merger.

[illegible] S. activities in Spain [illegible] S. activities in Spain

[illegible]

[illegible] T. McNARNEY
[illegible] Army
[illegible] Secretary

[illegible]

Enclosure [illegible]
[illegible]

S E C R E T

ENCLOSURE "D"

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
Washington

April 1, 1943.

MEMORANDUM FOR THE SECRETARIAT, JOINT CHIEFS OF STAFF:

Subject: Supervision and Control of Intelligence Activities in Spain.

It is requested that the Joint Staff Planners study the matter of establishing a Joint Intelligence Agency in Madrid, and that if such is desirable, prepare recommendations as to its organization and functioning.

The following inclosures are forwarded for your information:

a. Memorandum for the Chief of Staff from Assistant Chief of Staff, G-2, of March 9, 1943 (Appendix "A").

b. Memorandum for the Chief of Staff from Assistant Chief of Staff, OPD, of March 13, 1943 (Appendix "B").

c. Paraphrase of CM-IN-11371 (reply from Commanding General NATO) (Appendix "C").

d. Paraphrase of telegram for Secretary of State from American Embassy at Madrid of March 18, 1943 (Appendix "D").

/s/ JOSEPH T. McNARNEY
Deputy Chief of Staff.

4 Incl
As listed above.

Enclosure "D"

SECRET

APPENDIX "A" TO ENCLOSURE "D"

WAR DEPARTMENT
War Department General Staff
Military Intelligence Division (G-2)
Washington

March 9, 1943.

MEMORANDUM FOR THE CHIEF OF STAFF:

Subject: Supervision and Control of O.S.S. Activities in Spain.

1. On February 17 the American Ambassador in Madrid sent a dispatch to the State Department commenting upon the activities of the personnel representing the Office of Strategic Services in that country, and suggesting that the activities of such personnel be coordinated and supervised by the Military Attache (Annex "A").

On March 5 the Ambassador, through the Military Attache, asked for the views of the War Department on the complete coordination of all military intelligence activities in Spain under War Department direction.

2. A query from this office on March 5 produced a reply to the effect that the Ambassador desired established a Joint Intelligence Agency for the control and coordination of all intelligence agencies including War, Navy, State and O.S.S., and especially desired that this be under War Department direction stating that he believes the War Department has paramount interest and is locally best equipped to control and direct these activities. The Ambassador further indicated that he most definitely desires the War Department take over full supervision and control of [illegible] security [illegible] North Africa and to the United States (Annex "B")

Appendix "A" to Enclosure "D"

SECRET

4. The State Department (Mr. Berle) has been consulted and informally concurs in the Ambassador's recommendations.

5. Recommendation.

It is recommended that the enclosed memorandum (Annex "C"), presenting this problem, be signed and submitted to the Joint Chiefs of Staff.

/s/ GEO. V. STRONG
Major General,
A.C. of S., G-2.

Appendix "A" to Enclosure "D"

SECRET

ANNEX "A" TO APPENDIX "A"
TO ENCLOSURE "D"

DEPARTMENT OF STATE

PARAPHRASE

Telegram No. 394 Dated: 2-17-43 11 a.m.
From: Madrid Rec'd: 2-17-43 6 p.m.

Although I should appreciate any assistance in improving our means of procuring information, it is not my belief that this can be accomplished in the best manner by only increasing the personnel of the Office of Strategic Services.

The Department knows that the Embassy has not had a happy experience in Spain with the Office of Strategic Services. As an example of this, notwithstanding that di Lucia endangered the position of the Embassy and entirely disclosed himself in Spain, he nevertheless continues to be employed in Portugal where without doubt he has also been disclosed, owing to the fact that the Spanish and Portuguese police interchange information closely.

The Office of Strategic Services has, with some outstanding exceptions, sent persons to Spain who have had a poor education and no training. They have in my opinion hampered rather than assisted us, notwithstanding the unlimited amounts of money and unusual facilities which have been placed at their disposal. In Washington the office has demonstrated a readiness much to be regretted which contravenes our policy not to interfere in the domestic affairs of that country and runs the risk of endangering our position there. I have for the above reasons no desire that an expansion of the existing organization shall take place in Spain. The best way in which our information service could be strengthened would be to send competent military

[illegible]

[illegible] to work under the supervision of the Military Attache as [illegible] and by placing Colonel Hohenthal in charge of the Office of Strategic Services. The Colonel would then be able to unify, coordinate and direct all activities in Spain of an informational character.

It has been our clear experience that military informational activities should be coordinated and supervised by a military man of competence. It is fortunate that Colonel Hohenthal is such a man as he is an officer of the General Staff who has had a mature experience on the European continent and has acquired a close acquaintance with the methods of the German military organization. He has immediate contact with our commanding officers in North Africa and at present he is coordinating the military activities of the offices of the Military and Naval Attaches and of the Foreign Service. However, at present he is without authority to direct the representatives of the Office of Strategic Services so that the efficiency of that office is much limited notwithstanding the unlimited amount of money which it possesses, as well as unusual facilities and first-rate cover.

It seems so evident that entire coordination is desirable that it is unnecessary to discuss this. This coordination exists in all other activities in Spain and it is a surprise to me that the Office of Strategic Services has been allowed as long as this to continue independent operations. I would naturally not object to the addition to its staff of a competent person if the office should be placed under the direction of Colonel Hohenthal.

HAYES

Annex "A" to Appendix "A"

SECRET

ANNEX "B" TO APPENDIX "A"
TO ENCLOSURE "D"

PARAPHRASE OF TELEGRAM RECEIVED

FROM: Madrid.

TO: Milid.

DATED: March 6, 1943.

NUMBER: 104.

Since the question of Signal Security, both to North Africa and the United States, has very much preoccupied the Ambassador, he desires full supervision and control of this important matter be taken over by the War Department. He further believes that Military Intelligence in Spain is of paramount interest to the War Department and that the War Department is best equipped locally to control and direct these activities. Accordingly he desires that a Joint Intelligence Agency be established in Madrid to control and coordinate all Intelligence Agencies to include the War, Navy and State Departments and the O.S.S., and especially desires this agency to be under War Department direction. His preference is to have O.S.S. eliminated and their personnel placed directly under the Military Attache; incompetent personnel to be removed, and replaced by competent military men. Approval of this telegram has been given by the Ambassador.

NOSIG

S E C R E T

ANNEX "C" TO APPENDIX "A"
TO ENCLOSURE "B"

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
Washington

MEMORANDUM FOR THE SECRETARIAT, JOINT CHIEFS OF STAFF:

Subject: Coordination, supervision and control of intelligence activities in Spain.

1. The American Ambassador in Spain has recommended the establishment in Madrid of a Joint Intelligence Agency for the control and coordination of all intelligence agencies, including War, Navy, State and OSS, under War Department direction. The Ambassador further desires that the War Department take over full supervision and control of signal security both to North Africa and to the United States.

2. This recommendation of the Ambassador, concurred in informally by the State Department, raises the question of placing an agency of the Joint Chiefs of Staff under a local representative of the War Department.

3. It is desired that this matter be brought before the Joint Chiefs of Staff for decision.

Chief of Staff.

SECRET

APPENDIX "B" TO ENCLOSURE "D"

(PD 334.8 (3-9-43)) March 13, 1943

MEMORANDUM FOR THE CHIEF OF STAFF:

Subject: Supervision and control of Office of Strategic Services activities in Spain.

I. Discussion:

1. The Assistant Chief of Staff, G-2, recommends that the proposals of the American Ambassador to Spain, with reference to Office of Strategic Services activities in that country being supervised by the Military Attache, under War Department direction, be referred to the Joint Chiefs of Staff for decision.

2. The Office of Strategic Services, by Military Order, is an agency operating under the Joint Chiefs of Staff and not under the War Department. For this reason the Operations Division does not believe that the War Department should, through the Military Attache, exercise control of Office of Strategic Services personnel in Spain, nor does the Operations Division believe that placing these activities under Military Attache, who is directly responsible to the Assistant Chief of Staff, G-2, carries out the expressed desires of the Chief of Staff. In this connection, the following statement made by General Marshall with reference to the Office of Strategic Services is quoted from the minutes of the Joint Chiefs of Staff 63rd Meeting:

> "GENERAL MARSHALL stated that, in view of the conversation which had ensued, he desired to inform Admiral Leahy that if he discussed the matter with the President and the President insisted on the Office of Strategic Services being

[illegible]

[illegible] the War Department, it is felt that [illegible] leaving [illegible] the [illegible] General Marshall, did not think G-2 was the proper place for the Office of Strategic Services.

3. On March 9th of this year, the Joint Chiefs of Staff approved an Office of Strategic Services plan for operations in the Eastern Mediterranean area which had previously been approved by General Eisenhower (Annex "A"). This plan authorizes the Office of Strategic Services to conduct special intelligence and counter subversive activities in the Mediterranean area, including the Iberian Peninsula. All such activities are to be controlled by the Theater Commander.

4. For the reasons outlined above, the Operations Division believes that the Joint Chiefs of Staff have already reached their decision on the matter brought up by the Assistant Chief of Staff, G-2, and the problem is now one of primary interest to the Commanding General, North African Theater of Operations. If difficulties later arise in this connection, they can be referred to the Joint Chiefs of Staff at General Eisenhower's request.

5. Action recommended.

That the inclosed radio message to the Commanding General, North African Theater of Operations, requesting his views on the above subject, be approved by the Chief of Staff (Annex "B").

THOS. T. HANDY
Major General
Assistant Chief of Staff.

Inc:
1. Annex "A", JCS Memo to OPD, Mar. 10, 1943 w/inclosure.
2. Annex "B", Proposed message to CG, NATO.

Appendix "A" to Enclosure "B"

S E C R E T

ANNEX "A" TO APPENDIX "B" TO ENCLOSURE "D"

THE JOINT CHIEFS OF STAFF

WASHINGTON

March 10, 1943

MEMORANDUM FOR THE ASSISTANT CHIEF OF STAFF, OPERATIONS, WDGS:

Subject: OSS - Special Operations in the Western Mediterranean.

References: (a) JCS 170
(b) Memorandum from Lt. E. C. Huntington, Jr., to Maj. Gen. W. B. Smith, dated Feb. 1, 1943.

Enclosure: Copy of reference (b) (Tab "A").

1. The Joint Chiefs of Staff accept in principle the plan for the Western Mediterranean as outlined in Colonel Huntington's letter to General Smith under date of February 1, subject "OSS Operations in North Africa, Approval of Directive (No. 170), dated December 18, 1942, of the United States Joint Chiefs of Staff," except that all requisitions for personnel and equipment to conduct all OSS activities in the North African Theater will originate from the Theater Commander, who will establish priorities of procurement, supply and transportation in the same manner as now prescribed for supplies and equipment of combat forces in that area.

2. This information is being transmitted to you for such dissemination as you deem necessary.

/s/ JOHN R. DEANE,
Brigadier General, U. S. Army,
Secretary.

[redacted]

[redacted]

[redacted] February 1, 1943

[redacted]

(Subject) OSS Activities in North Africa
Approval of Directive (No. 170) dated December 18, 1942 of the United States Joint Chiefs of Staff.

To: Major General W. B. Smith, U. S. Army
Chief of Staff,
A.F.H.Q.
Algiers.

1. In accordance with your suggestion request is hereby made, through G-2, A.F.H.Q., for approval of:

2. The activities and objectives of OSS as set forth in paragraphs 2 and 3 of the "Summary of Plan" contained in and forming a part of the directive of the United States Joint Chiefs of Staff (No. 170) of December 18, 1942 (subject to control of the Theatre Commander as contemplated in the directive of the United States Joint Chiefs of Staff (No. 155/4/D of December 23, 1942), as follows:

"1. SI activities in North Africa from French West Africa to and including Libya; south and southwest Europe, including the Iberian Peninsula and Southern France to the eastern boundary of Italy, and the islands adjacent thereto.

"2. SO activities in Italy, Sicily, Sardinia, Corsica, France and such other places as are required by the North African Theater Commander.

"3. Establishment of SO headquarters, communication groups and cell centers in the Canaries, Cape Verde Islands, Madeira Islands, Spanish Morocco, Rio de Oro and Tangiers.

"4. Counter subversive activities as in each of the areas named in paragraphs 1, 2 and 3 above.

Tab "A" to Annex "A"

- 2/ -

"4. Secret intelligence activities in each of the areas named in paragraphs 1, 2 and 3 above, under as they safeguard OSS activities.

"5. Establishment of headquarters.

"6. Cover in the S.O.S. of the Theater.

"7. Training school in the Theater for both SI and SO."

b. The furnishing to OSS of facilities of transportation (air and sea) within the Theatre to the extent that such facilities are available and are required for operational purposes;

c. The drawing on the acquisition and shipment of such supplies and equipment (listed in Appendix 1 of JCS 170 and also listed in Appendix "A" hereto annexed), and replacements as expenditures are made, as may be necessary (and as shall be available) for operations, as above provided, during the calendar year 1943;

d. The transfer of this Theatre of commissioned, enlisted and civilian personnel (to the number, exclusive of operatives and operational groups, of approximately 300 for the calendar year 1943) for administration, operations, training and supply as may be reasonably necessary in implementing the activities and objectives set forth above;

e. The dispatching to the Theatre of from four to eight operational groups or nuclei, to be used as organizers, foremen and operational nuclei in areas adjacent to this Theatre, and

f. The dispatching to this Theater of equipment (including mobile stations) and personnel (both commissioned and enlisted) as shall be necessary for the establishment and operation of communications facilities adequate to service field sets (supplied by OSS) operating in and from the areas above mentioned, to the number of from fifty to seventy-five.

Tab "A" to Annex "A"

[illegible]

[illegible] also requests that [illegible] be [illegible] the Theater Commander for [illegible] and G-2 of A.F.H.Q. of [illegible] for this theatre and G-2 of A.F.H.Q. of [illegible] for the clearance through [illegible] of all [illegible] projects and all requirements of supply and transportation [illegible] above mentioned [illegible] within this theatre [illegible] and for the submission, through G-2, of such items as are [illegible]

3. The requests herein set forth are made by the undersigned in behalf of the Director of the Office of Strategic Services, in accordance with the authority of the Director of the Office of Strategic Services set forth in a letter dated [illegible] 23, 1942 from such Director of the Commanding General, the original of which letter has previously been submitted to the Chiefs of Staff, A.F.H.Q.

4. Colonel William A. Eddy (USMC), who is at present Chief of the Office of Strategic Services, Western Mediterranean, [illegible] has expressed his readiness to carry out any directive issued by you upon the basis of these requests.

Ellery C. Huntington, Jr.
Lt. Colonel, AUS
Chief, Special Operations Branch
Office of Strategic Services.

Tab "A" to Annex "A"

SECRET

ANNE

PARAPHRASE OF TEL

TO: Commanding General, NATO.

FROM: OPD, WDGS.

DATED: March 17, 1943.

The American Ambassador in [illegible] offers the establishment of a Joint Intelligence [illegible] for the control and coordination of all intelligence activities, including War, Navy, State and O.S.S., under War Department direction. This is informally concurred in by the State Department.

O.S.S. representatives in Spain, according to the Ambassador, are operating independently and the Ambassador desires that they be placed under the M.A. for competent control and guidance.

On March 7, a J.C.S. directive to Colonel Donovan covered O.S.S. arrangements for operations in NATO in accordance with the agreement of February 1 between General Smith and Colonel Huntington in Algiers. This definitely places O.S.S. representatives in the Iberian Peninsula under your direction. Therefore, this subject is considered of primary interest to you.

The Ambassador further desires that the War Department [illegible] full control of signal security, both to the U.S. [illegible] North Africa.

The War Department requests your advise on the above and any recommendations you may have in the matter for the Joint Chiefs of Staff.

HANDY

Annex "B" to Appendix "B"

SECRET

APPENDIX "D" TO ENCLOSURE "B"

PARAPHRASE OF TELEGRAM SENT AND RECEIVED

FROM: NATO.

TO: War Department.

DATED: March 21, 1943.

REF: 8000.

I heartily approve the establishment, instead of a Joint Intelligence Committee for the coordination of all intelligence reports. For purposes of security, however, each service must operate its agents separately. If undercover volunteer agents in neutral or in occupied territories are known to a committee, they will not serve so freely. AFHQ now controls and supervises OSS activities in North Africa and the Iberian Peninsula. The placing of their field agents and clandestine radio stations under the control of our Embassy would serve no useful purpose because of diplomatic objections which preclude our Embassy's engaging in undercover intelligence.

For the same reason, I consider that the signal security of OSS in North Africa and on the Iberian Peninsula should continue to be controlled from my headquarters.

APPENDIX "D" TO ENCLOSURE "D"

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, Madrid, Spain

TO: Secretary of State, Washington, D.C.

DATED: March 10, 6 p.m.

NUMBER: 885.

I recommended in my cable 384 of February 17, that the staff and activities of the OSS in this country should not be increased pending coordination and direction of our information work. The Department did not acknowledge my message and I am now in receipt of the Department's routine airgram 184 of March 9 announcing the designation of Gregory Thomas as chief OSS agent with this Embassy.

In a matter of such importance concerning the gathering of information directly concerning our military position in North Africa, I object to such routine handling and request that General Strong and Kroner be consulted by the Department as to the sort of coordination which may be set up here with competent War Department direction.

Pending the establishment of such proper coordination and direction no further increases to the OSS representation in this country should be made.

As matters now stand, with unusual facilities and funds provided the OSS agents, who are amateurs in the informational and military fields, and with such facilities denied our competent military men, although if granted them these would have greatest value in our military effort, we have a situation which should not be permitted to continue.

Appendix "D" to Enclosure "D"

On March 11, I wrote a letter to the Secretary from Lisbon in which I developed a plan for organizing and coordinating our intelligence services in this country. It is my present recommendation that this plan be earnestly considered by the superior officers of the Department and that the present data be brought to General Strong's attention.

EW:WPG

W. H. EDDY

Appendix "D" to Enclosure "D"

To: _____

Emma Reynolds

Will you examine
this - Take it up
with Personnel and
send a report.

Director's Office

(2308)

Intelligence Service 11,083
x Spain
C S 5714
x OSS Representatives
x Hayes, Amb. C
x State Dept
x J. S. P.

SECRET

THE JOINT CHIEFS OF STAFF
JOINT U. S. STAFF PLANNERS
WASHINGTON

April 3, 1943.

Brigadier General W. J. Donovan,
Director of Strategic Services,
25th and E Street, N.W.,
Washington, D.C.

Dear General Donovan:

The two letters from Mr. Adolf A. Berle, Jr., attached hereto as Enclosures "A" and "B", and the memorandum from General McNarney, attached as Enclosure "C", have been referred to the Joint Staff Planners for study and appropriate recommendations to the Joint Chiefs of Staff.

The Planners are desirous of having your views and comments on the enclosed papers and accordingly have directed me to forward them to you and invite you to present in connection therewith any matter which you would like to have them consider in their study.

Sincerely yours,

A. J. McFARLAND,
Colonel, U.S. Army,
Secretary,
Joint Staff Planners.

SECRET

SECRET

ENCLOSURE "A"

DEPARTMENT OF STATE
WASHINGTON

March 26, 1943

My dear General Deane:

The Department is in receipt of a cablegram from the American Ambassador at Madrid, of which a paraphrase of the important passages is attached (Appendix). As you will see, it raises the question of organization of the Intelligence services in Spain, and more especially the grouping of the functions presently carried on by the Office of Strategic Services and those carried on by the Military Attache under the guidance of G-2.

The gist of Ambassador Hayes' communication is to suggest that the Intelligence activities presently carried on by O.S.S. and by the Military Intelligence be grouped under the control of competent military men.

This matter plainly falls within the jurisdiction of the Chiefs of Staff rather than the State Department since it relates wholly to the coordination of the activities of two branches of the armed forces, both of which are responsible to the Chiefs of Staff.

The Department would appreciate an expression of the views of the Chiefs of Staff on the subject. It is presently being pressed to facilitate the trip of a number of O.S.S. representatives to Madrid, and as the attached communication indicates, the Ambassador is requesting that no such representatives be sent until some coordination shall have been worked out. It is appropriate to note that the Ambassador, on a number of previous occasions, has made similar representations to the Department.

Enclosure "A"

S E C R E T

and has indicated that the presence in Spain of Intelligence men who were not under close and careful direction, or who were in export, has been a source of concern to him in the conduct of the very important subject of Spanish-American relations in a delicate and crucial time.

Very truly yours,

/s/ Adolf A. Berle, Jr.,
Assistant Secretary.

Brigadier General J. R. Deane,
Secretary, The Joint Chiefs of Staff,
Combined Chiefs of Staff Building,
Constitution Avenue & 19th Street,
Washington, D. C.

Attachment

Enclosure "A"

SECRET

APPENDIX TO ENCLOSURE "A"

PARAPHRASE OF IMPORTANT PASSAGES OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid.
TO: Secretary of State, Washington.
DATED: March 16, 1944, 6 p.m.
NUMBER: 699

Under date of the seventeenth of February (telegram no. 394) I submitted as my opinion that the personnel and the operations of the Office of Strategic Services in Spain ought not to be expanded unless and until some general scheme for the coordination of intelligence activities had been worked out. This message was not answered, but there has now been received a communication by air dated ninth March, indicating that Mr. Gregory Thomas has been named as head of the Office of Strategic Services here and is to be attached to the Embassy.

I feel that a matter which involves the gathering of intelligence is important and cannot be a matter of routine since it bears directly on the situation of our forces in North Africa, and I hope that the Department will take the matter up with General Kroner and General Strong with a view to finding out how coordination can be made effective here under competent Department direction.

I do not believe that there should be any increase of the personnel of the Office of Strategic Services in Spain until arrangements have been made for coordination and for direction. As things now stand, the personnel of the Office of Strategic Services have been given control of money and facilities although they are amateurs both in the military field and in the field of intelligence, while the military men who are competent in this field work in Spain have similar advantages, despite the fact that such facilities, if granted, would be of considerable assistance in the prosecution of the war. The situation should not be continued.

NAYLOR

Appendix to Enclosure "A"

SECRET

ENCLOSURE "B"

Address Official Communications to
THE SECRETARY OF STATE
WASHINGTON, D. C.

DEPARTMENT OF STATE
WASHINGTON

March 26, 1943

My dear General Deane:

With further reference to my letter of this date relating to organization of Intelligence in Spain, I attach a copy of the report received from the American Ambassador at Madrid, for such consideration as the Joint Chiefs of Staff may care to give it (Appendix).

The Department recognizes that determination of this question is, of course, entirely in the hands of the Joint Chiefs of Staff and of the competent authorities of the Army.

Very truly yours,

/s/ Adolph A. Berle, Jr.
Adolph A. Berle, Jr.
Assistant Secretary.

Enc: 1 secret report
mentioned above, dated
March.

Brig. Gen. J. R. Deane,
Secretary, The Joint Chiefs of Staff,
Joint Chiefs of Staff Building,
Constitution Avenue & 19th Street,
Washington, D. C.

Enclosure "B"

S E C R E T

APPENDIX TO ENCLOSURE "B"

Madrid, March 8, 1943

Memorandum on O.S.S. in Spain

I. Our Basic Policy.

When we landed in North Africa we pledged ourselves to respect Spanish sovereignty and Spain's territorial integrity. The Spanish Government accepted this pledge, and General Franco expressed to President Roosevelt his wish that nothing should happen to disturb Spain's relations with the United States in any of their aspects.

The Spanish Government has declared publicly and repeatedly its determination to stay out of the war. It has assured the Embassy it will resist aggression from any side, and that it has so informed the Germans.

Spain's publicly announced policy has as its principal objective avoidance of involvement in the war. The policy is based on (1) solidarity with Portugal, a non-belligerent ally of Great Britain, and (2) solidarity with the South American countries, all but one of which are at war with or have broken relations with the Axis.

On the other hand, the Spanish Government is anti-communist. Spain is a member of the Anticomintern Pact. It has a "volunteer" Blue Division on the eastern front. The Spanish Government has never made a secret of its anti-communism, which issues from the Civil War. So far, its contemporary "crusade" against communism has been limited to an anti-communist press attitude and to the maintenance of the Blue Division in Russia. There is no indication that the Spanish people, or the Spanish Foreign Office, have any desire to increase the strength of the Blue Division, although Falange, in the face of determined opposition by the Minister of Foreign Affairs, has endeavored, so far unsuccessfully, to obtain additional "volunteers" for the war in Russia.

[illegible] has had close political relations with the Axis
Spain has had close political relations with the Axis
although the tendency, since last September, has been progressive-
although the tendency, since last September, has been progressive-
ly in the direction of closer political relations with the United
ly in the direction of closer political relations with the United
Nations at corresponding expense of the previous Axis relation-
Nations at corresponding expense of the previous Axis relation-
ships, which had derived, of course, from the help given by Germany
ships, which had derived, of course, from the help given by Germany
and Italy to Franco during the Spanish Civil War. Furthermore,
and Italy to Franco during the Spanish Civil War. Furthermore,
there was no alternative to fairly close relationship with the
there was no alternative to fairly close relationship with the
Axis if Spain were to keep out of the war.
Axis if Spain were to keep out of the war.

[illegible] Spain's attitude, and particularly the
[illegible] Spain's attitude, and particularly the
[illegible] foreign policy, is favorable to the
[illegible] Spanish foreign policy, is favorable to the
United Nations. It has deterred the Axis from invading Spain
United Nations. It has deterred the Axis from invading Spain
and attacking Gibraltar, and thereby it has enabled the United
and attacking Gibraltar, and thereby it has enabled the United
Nations to use Gibraltar as a vital naval base, to keep the Med-
Nations to use Gibraltar as a vital naval base, to keep the Med-
[illegible] open, to make possible the military campaign in North
[illegible] open, to make possible the military campaign in North
[illegible] its northern flank.
[illegible] its northern flank.

[illegible] consequently the clear desire of our military
[illegible] consequently the clear desire of our military
[illegible] existing relations with Spain be not dis-
[illegible] existing relations with Spain be not dis-
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[illegible] policy and in
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[illegible] maintain the best possible
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[illegible] Spain, we have [illegible] and are pursuing a policy
[illegible] and are pursuing a policy
[illegible] interest
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[illegible]
[illegible] Spain's internal
[illegible]
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[illegible] events and developments
[illegible] obtain as
[illegible] Spanish contacts, to obtain as
[illegible] about military and political
[illegible] about military and political
[illegible] neighboring countries, especially
[illegible] neighboring countries, especially
[illegible] geographical location of Spain
[illegible] geographical location of Spain
[illegible] listening-post for our war effort.
[illegible] listening-post for our war effort.

Appendix to Enclosure "B"
Appendix to Enclosure "B"

SECRET

II. Petroleum Program and O.S.S.

When our program of control of petroleum imports and distribution was announced, the Embassy took the initiative in suggesting that the observers sent to Spain under this program might profitably report also on other matters of the nature just referred to. The suggestion was acted upon by the O.S.S. (and its successor, the O.S.S.) under Colonel Donovan, with the concurrence of the State Department and the knowledge of the present Ambassador. The result has been that all the assistants to the Director of Petroleum Control in Spain, Embassy Attache Mr. Walter Smith, have dual roles: (1) they are Embassy Attaches, accorded diplomatic status by the Spanish Government, and recognized by it as "oil observers"; (2) they are secret intelligence agents of the O.S.S., operating presumably without the knowledge of the Spanish Government.

From the outset, the Embassy recognized that the success of the plan would depend upon the character, training, and circumspection of the men sent over from the United States to perform the dual roles, and that any indiscretion or "uncovering" on their part would seriously endanger our position in Spain and hence our war effort.

III. Di Lucia.

Several months after the program was inaugurated, Mr. Francis Xavier Di Lucia was appointed Financial Attache to the Embassy. The State Department informed the Embassy that he was authorized to perform other duties so long as they were not em[illegible] the Embassy. It developed that he had been a Treasury Department narcotics agent and that he was to head up the [illegible] organization in Spain.

It soon became apparent that Di Lucia's designation [illegible] Attache was not a proper cover for his real activi[illegible] he was ignorant of financial matters and was

Appendix to Enclosure "B"

able, therefore, even to give the appearance of functioning as a military attache. He immediately became very active in his new role. He traveled all over the country, talked to many persons, received mysterious visitors in the Embassy, and had mysterious telephone conversations (which are, of course, subject to Spanish governmental censorship). He became quite a man-about-town. Outside the office he associated constantly with the petroleum attaches, although he was supposed to have no connection with the work they were doing.) He gave lavish tips to waiters in restaurants, and ran up large bills at tailoring establishments and shirtmakers. He imported large quantities of foodstuffs and merchandise, particularly silk stockings, which he offered freely inside and outside the Embassy. He had two automobiles at his disposal, both bearing diplomatic tags. One he lent frequently to a Spanish industrialist, and the other he lent freely to a lady friend. He threw money around like a drunken sailor, even offering it to Spaniards of good family. In conversation with Embassy officials concerning his work he was non-responsive and evasive, although he professed to be very frank and cooperative.)

Promptly after his arrival he began to send in sensational reports regarding the inspect of Spanish entry into [illegible], et cetera. The Embassy endeavored to assist him to the extent of pointing out that, through its own special facilities, it was in a position to suggest that many of the reports he was sending in were without foundation. Di Lucia nevertheless maintained that these sensational reports, all or most of which have turned out to be erroneous, were based on fact and had come from the best possible sources. Many of them came from paid Spanish agents, who obviously had to justify their compensation by submitting "interesting" reports.

On the other hand, Di Lucia and some of the persons working under him showed an extraordinary ignorance of many

Appendix to Enclosure "B"

matters which were commonly known and which were published in the press. Frequently he would send in as secret information reports from paid agents which had been taken from the public press.

As time went on, Di Lucia gave increasing evidence of a lack of emotional balance. He had fits of impatience and violence, when he would curse at the top of his voice so that it was heard throughout the Embassy. The Petroleum Director, Mr. Walter Smith, and Di Lucia's and Mr. Smith's principal assistant, Mr. Pratt, feared that the man was out of his head and would commit acts of personal violence.

Meanwhile, the Embassy had frequent reports that Di Lucia was being watched and shadowed by the Spanish police.

After several months of patient observation and of efforts to assist him, and when his principal assistant, Mr. Pratt, who had long defended him, agreed that the man was acting irrationally and threatening not only to uncover the entire O.S.S. organization, but to interfere with the general work of the Embassy, I asked, on November 9, for Di Lucia's recall, and recommended that he not be permitted to continue O.S.S. work in Spain or in any other place.

After some delay Di Lucia was ordered by his superiors to leave Spain and go to Lisbon. He ignored these orders for several weeks, and only after reiterated instructions from O.S.S. in Washington did he go to Lisbon. Yet despite Colonel Donovan's personal assurances to me on December 10 that Di Lucia would be withdrawn from Portugal as soon as a replacement could be [illegible], he still remains in Lisbon -- over three months afterwards. Furthermore, the Embassy has evidence that during this [illegible] has been sending men from Lisbon into Spain and otherwise [illegible] himself into the Spanish situation. It has recently been learned that one of his agents was a clerk in the [illegible]'s office, who was working with Di Lucia without

Appendix to Enclosure "B"

the knowledge of the Military Attache. How many other American Government employees he tried to engage secretly, I can not say but I do know that he was very generous in offering funds out of his unlimited resources to consuls, consular clerks, et cetera. He was constantly suggesting that Embassy officials give "big parties" in Madrid for which he would gladly pay out of his official funds.

IV. Mr. Pratt.

Following Di Lucia's departure, I agreed with Colonel Donovan on December 12 that Mr. Frank Ryan should come to Spain for two or three months to study the situation, discuss it with me, and make recommendations, and that in the meantime Mr. Jack Pratt, Petroleum Attache, should be in charge of O.S.S. work in Spain.

Mr. Pratt is a distinct improvement over Di Lucia. He is a business man with long experience in Spain, and speaks several languages well. His personal appearance and habits are good and his patriotism and devotion to duty are above question. Moreover, he has given evidence of considerable readiness to co-operate with the Embassy.

On the other hand, however, Pratt is far from ideal for the delicate job he directs. He is too inexperienced in it, and too lacking in political and military knowledge. He constantly exhibits naivete in evaluation of persons and reports, extravagance in language, and unsoundness in judgment. He, like Di Lucia, is obviously prepared to spend very large sums of money for tasks of little or no value.

Through the Counselor of the Embassy, Pratt has made available to the Military Attache paraphrases of his outgoing telegrams and copies of certain written reports. A large number of other reports have never been seen by the Embassy or Military Attache, and he himself says they are so voluminous and detailed

that we can do no more than pass them on to Washington without [illegible] or evaluating them. He has several times expressed a desire to "exchange" information with the Military Attache. The latter, quite justifiably, it would seem, has declined to do this, lacking authorization from the War Department, and doubtless having little trust in the discretion of O.S.S. representatives here.

V. Basques and O.S.S.

Some time ago the Washington headquarters of the O.S.S. gave instructions for contacting the Basque secret organization in Spain. The Basques are Separatists and anti-Franco, and, in the eyes of the present Spanish Government, their organization is definitely subversive. Indeed, the Spanish Government has specifically asked us not to give aid to the head of the Basque organization, Dr. Aguirre, who is now in the United States and obviously in touch with the O.S.S.; and under instructions from the State Department, I have promised that we would not.

Yet agents of the O.S.S. here were instructed to contact members of this organization, on behalf of Dr. Aguirre, to give them radio sets for communication with the outside, and to accord them financial assistance. It was the O.S.S.'s idea that through members of the secret Basque organization it could penetrate into France, and possibly beyond, and obtain useful information. One of the more intelligent and informed agents of the O.S.S. dissented strongly from this policy and declined to carry it out. Mr. Pratt informed me of the situation, and I gave instructions that the O.S.S. representatives must refrain from initiating the proposed cooperation with the Basque organization, inasmuch as such activity on their part would be embarrassing to the Embassy and would be in contravention not only of our public policy of non-intervention in Spanish domestic affairs, but of specific guarantees that I had been authorized by

my Government to give to the Spanish Government in connection with Mr. Aguirre. On December 16, I informed the State Department of the action I had taken.

There has been evidence, however, that the O.S.S., not through its Embassy attaché but through other agents in Spain, has persevered with its plan of establishing contact and cooperation with important members of the Basque organization.

VI. Mr. Ryan.

Mr. Frank Ryan, the O.S.S. official whom Colonel Donovan had asked to come to Spain for two or three months in order to investigate the set-up here and, in concert with the Embassy, to make recommendations concerning it, reached Madrid last week. He is a professional business man, who has been with the O.S.S. for some six months, and who previously had been head of the Waste Materials Section of the O.P.A. He was in Spain during the Civil War, when he met General Franco and arranged for a supply of cotton to the Nationalist regime. He is affable, but pretty ignorant of the complicated political and military situation here, and inclined to defend at any cost the past activities of the O.S.S., no matter how unfortunate or sterile they may have been. He has maintained in conversation that Di Lucia, while he probably has certain defects, is a "very valuable" man. He recounted with pride how Di Lucia had arranged an interview with Dr. Salazar for a visiting American in Lisbon after the American Minister, Mr. Fish, had declined to arrange the interview. He said that Di Lucia's success in this [illegible] indicated the excellence of his contacts and the fact that he was "in the know". He admitted Di Lucia's action was not according to "protocol", but he thought it was very clever and satisfactory nevertheless.

Mr. Ryan has also told me that he has in the customs house a shipment of silk stockings and a gift for Mrs. Franco.

Appendix to Enclosure "B"

I have instructed him to take no action to contact General Franco or Mrs. Franco nor to make presents to Mrs. Franco without my consent.

Mr. Ryan likewise insists on the desirability of contacting members of the Basque organization through persons not connected with the Embassy. He imagines that the Embassy can disavow such persons if they are caught, and that no harm to our relations with Spain would result.

VII. Present O.S.S. Organization in Spain.

Altogether, I have little or no confidence in the O.S.S. organization in Spain. Its head for several months, Di Lucia, proved to be quite impossible. His successor, Pratt, means well but lacks proper qualifications for the job. And Mr. Ryan, at least initially, does not promise any real reform. Other members of the organization include some dozen petroleum attaches and an uncertain number of miscellaneous Americans, who, under cover of being merchants or journalists, have no official connection with the Embassy. Of these, a few are persons of considerable ability, conscientiousness, and judgment, but the majority are woefully lacking in qualifications for the exacting work they are expected to do.

All O.S.S. representatives maintain that the organization wants "all kinds of information" to be sent from the field to Washington and there gone over and correlated with other information available to the O.S.S., doubtless from the military and naval intelligence services and from the State Department, and then fitted into a picture of the Spanish situation. The information accordingly submitted from here is, in the main, (1) military, and (2) political. The O.S.S. undoubtedly has excellent facilities for obtaining certain types of information, such as (1) unlimited funds, (2) adequate transportation, and (3) excellent cover which permits petroleum attaches

Appendix to Enclosure "B"

to travel freely over the country, investigate petroleum and industrial installations, talk with a variety of persons, and observe a vast deal.

Among the petroleum attaches, who submit the bulk of information to O.S.S., there is, however, not a single person with any military background or training, and there is not a single person in the organization in a position to give adequate directives to the other members of the organization concerning the kind of information most important from a military point of view.

Nor has any of the Embassy attaches doing this work given evidence of any particular political sense or background. It is only certain outside "journalistic" agents who have submitted excellent political reports.

VIII. Military Attache and O.S.S.

I have several times suggested to the State Department that the O.S.S. be placed under the direc[illegible] the Military Attache -- telegrams of August 26, Nov[illegible] 17. I now renew and emphasize the reco[illegible]

At present, Colonel Hohenthal, General Staff, U. S. Army, detailed as Military Attache in Lisbon, is in Madrid on a special mission for the purpose of coordinating military information obtained by the office of the Military Attache and the office of the Naval Attache. Colonel Hohenthal is a former Military Attache in Berlin, who [illegible] accompanied the German Army in the field during the present [illegible] thorough knowledge of German military methods and strategy, as well as of the military-political situation in Germany and in Continental Europe generally.

He is a competent, intelligent, cooperative officer, who has done an outstanding job with the material he has available. He has my complete confidence and I have unreservedly made available to him confidential information on military and political matters which the Embassy, with its special facilities, has obtained.

While Colonel Hohenthal sees a considerable number of O.S.S. reports, he is frequently not in a position to evaluate them, and he is, of course, not authorized to give directives to O.S.S. representatives.

The desirability of some complete coordination of our military and political information in Spain at this time is so self-evident as hardly to admit discussion. We are fortunate, furthermore, in having on the spot a man who is unusually fitted for conducting such complete coordination. The representatives of the O.S.S., at the same time, through special facilities enumerated above, are free to travel and to investigate a large number of matters of interest and importance to us in our war effort. It is clear that if O.S.S. representatives were placed under Colonel Hohenthal's direction they could obtain better information than they are obtaining now, and the overall picture available to Colonel Hohenthal would be more complete than it can be under present circumstances.

IX. Recommendations.

The best solution to the problem in Spain as outlined above would be for the O.S.S. to withdraw from the Spanish field and for O.S.S. personnel to be turned over to the Military Attache's office, the work of that office, in turn, being coordinated with the work of the Naval Attache's office and the informational work of the Embassy, all under Colonel Hohenthal's direction.

If the foregoing is not possible -- in other words, if it can not be arranged for O.S.S., as such, to withdraw from the Spanish field -- then O.S.S. representatives should be placed under Colonel Hohenthal's direct orders, it being understood that whatever directives are received from O.S.S. in Washington, which do not conflict with American policy in Spain and do not endanger the American Government's position in Spain, should be carried out under Colonel Hohenthal's direction. The O.S.S. representatives who are doing an adequate job at the present time, or who are capable of being trained to do adequate jobs, should be retained and supported; the others should be sent home and replaced by competent men.

Appendix to Enclosure "B"

SECRET

ENCLOSURE "G"

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

April 1, 1943

MEMORANDUM FOR GENERAL DEANE:

Subject: Integration of G-2 and O.S.S. activities in Spain.

I am returning your memorandum (transmitting Enclosures "A" and "B") on this subject.

I favor exercising the same degree of control in neutral countries as is exercised by theater commanders in their theaters. Where such control is not exercised by theater commanders, the military attache would seem to be the logical choice. Actually, Army, Navy and Office of Strategic Services should act under a single head. There is now under consideration proposed consolidation of ONI-G-2 functions. It should be possible to include O.S.S. in this merger.

Immediate Army control of O.S.S. activities in Spain is considered desirable.

/s/ JOSEPH T. McNARNEY,
Lieutenant General, U.S. Army,
Deputy Chief of Staff.

Enclosure "G"

Intelligence Service
X Spain
X Hayes, Carlton J. H.
X State Dept
✓ OSS

EMBASSY OF THE
UNITED STATES OF AMERICA

SECRET

Personal and
Strictly Confidential

Madrid, November 4, 1943.

Dear General Donovan:

You may have thought me, during the past ten or twelve months, a quite intransigent opponent of OSS in Spain. I can assure you that throughout all the time I have been here I have retained the same basic belief in the organization's greatest potential utility and the same desire to cooperate loyally with it as I expressed when I last talked with you in person back in April 1942. My trouble has been, throughout all these past months, not with the organization as such but with the incompetence of local chiefs and the lack of adequately trained personnel with which it has been afflicted in Spain up until now.

Now, however, thanks to the recent visit of Colonel Gridley and Mr. Spencer Phenix and to the attendant frank and amicable conferences I have had with them and with Mr. Gregory Thomas, a new era appears to open. We have arrived at a mutual understanding which is embodied in principle in the enclosed memorandum and which should provide a sound basis for future cooperation in detail. I trust that it will meet with your approval and that, as a first step in implementing it, Mr. Thomas's position here will be promptly regularized through joint action of yourself and the State Department.

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I am supplying the Department with a copy of the memorandum and with a like recommendation under cover of my despatch No. 1559 of today's date.

With the highest personal regards,

Faithfully yours,

Carlton J. H. Hayes

Carlton J. H. Hayes,
American Ambassador.

Enclosure:
1/ Copy of memorandum, as stated.

General William J. Donovan,
Chief, Office of Strategic Services,
Washington, D. C.

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Enclosure No. 1 to despatch
No. 1559 of November 4, 1943,
from American Embassy, Madrid.

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Madrid, November 3, 1943.

Memorandum on Understanding
between Embassy and OSS in Spain

(As Agreed Upon in a Series of Conferences, Oct. 22 - Nov. 3, among the Ambassador, Colonel Gridley, Messrs. Phenix, Thomas, Steele, Beaulac, Haering, and, in respect of Sections IV 7 and 8, Colonel Hohenthal and Commander Lusk)

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I. Functions.

1. Secret Intelligence (SI) will be conducted by OSS, and at the present time will be directed primarily to obtaining military information from enemy and enemy-occupied territory. So far as direct intelligence from Spain is concerned, SI operations will cover only such intelligence as may be requested or agreed to by the Ambassador and the Military and Naval Attachés, or be required by the Joint Chiefs of Staff with the concurrence of the State Department.

2. In connection with any possible intelligence work within Spain, it should be borne in mind that the Ambassador has been authorized by Washington to give the most solemn assurances of the United States Government to the Spanish Foreign Minister that "none of our personnel in Spain are engaged in activities which are directed against Spain".

3. Counter Espionage (CE) will be developed within Spain by OSS as soon as adequate trained personnel is available.

4. Neither Morale Operations (MO) nor Special Operations (SO) will be undertaken for the present.

5. A representative of the Research and Analysis Branch (R and A) may be attached to the Madrid office of OSS for the purpose of preparing better-evaluated and more authoritative reports on SI material from this area.

6. OSS in Spain will not become involved in any activities embarrassing to the Embassy. The decision as to what is or is not embarrassing rests with the Ambassador, who should be kept currently informed of the nature of the activities in which OSS engages or plans to engage in Spain.

II. Organization and Personnel.

1. OSS in Spain is coordinate with the offices of Military Attaché and Naval Attaché, and like them is a part of

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the Embassy. Just as each of these offices is under a chief whose duty it is to keep the Ambassador informed and to seek his counsel and follow his general instructions, so the Director of the OSS in Spain has a like duty.

2. Mr. Thomas is recognized as Director of OSS in Spain, and, under him, Mr. Steele as Acting Branch Director of SI in Spain. Recommendation will be made for the bringing of an additional officer, satisfactory to the Ambassador, to Spain, and as soon as he arrives it is contemplated that he will be designated by Mr. Thomas as Branch Director of SI in Spain and that Mr. Steele will then be named Field Operations Officer and will henceforth spend much of his time coordinating and supervising the activities of the several SI agencies in the field.

3. The number of American agents now in Spain will, for the present, suffice for its SI work when the additional officer is added, together with a Finance Officer, three code clerks and four stenographers, the need for which the Embassy recognizes.

4. For CE work, OSS will require a Branch Director (under Mr. Thomas) and, at the outset, one or two other specially trained agents. These are not now available in Spain but should be brought from Washington or London as soon as possible.

5. No further OSS personnel should be brought into Spain as Petroleum Attachés. Further additions or replacements should be made under the cover of Embassy Attachés or clerks or private citizens or possibly, in the case of CE personnel, of Vice Consuls. Any such Vice Consuls, however, would be regular members of consular staffs and subject to the same supervision and discipline as other consular subordinates.

6. The Joint Chiefs of Staff have agreed unequivocally to the immediate withdrawal of any agent causing embarrassment to the Embassy. Hence in cases where the Ambassador has reason to believe that a certain individual is connected with OSS and that his activities in Spain are likely to cause embarrassment to the Embassy, the Director of OSS in Spain will, upon the Ambassador's request, inform him whether or not the individual in question is in fact connected with OSS.

7. Agents of OSS have the usual responsibility to the principal consular officer of any consular district in which they may be residing or operating.

III. Security.

1. The conduct of OSS personnel in Spain will be subject to proper discipline and sanctions.

2. Except for Petroleum Attachés already in dual employment, OSS will not seek, without the approval of the Ambassador, the services of or remunerate any officer or employee,

ployee, American or alien, of the Embassy, of any Consulate or of any other agency of the American Government in Spain.

3. Care will be taken not to involve the Embassy or any Consulate or any other agencies of the American Government in OSS activity which might be disclosed to their prejudice or embarrassment.

4. No Spanish or other alien will normally be employed at the Madrid office or at a Consulate in any confidential capacity.

5. Due precautions will be taken to insure the security of codes, confidential papers either of OSS or of Embassy, and confidential conversations.

6. No Spanish or other alien will be given any knowledge of the use of the diplomatic pouch or the courier service for transmission of intelligence material. The same rules apply to OSS as to the Embassy and Consulates governing pouch and courier service.

7. Local financing of the local OSS with Spanish or other foreign currency will be done with prior knowledge and approval, in each instance, of the Embassy.

IV. Coordination.

1. Properly to integrate the work of OSS in Spain with other work of the Embassy and to expedite needful and desirable collaboration, both the Ambassador and the Director of OSS in Spain will confer frequently with each other. Besides, First Secretary Haering will serve as Special Liaison Officer of the Embassy with OSS.

2. OSS in Spain will endeavor to know and respect, and will be periodically informed about, the over-all policy being pursued by the United States Government and the Embassy in Spain. To this end the Director of OSS in Spain will participate in the regular weekly conferences of the Embassy's senior officers and section chiefs.

3. The Director of OSS in Spain and the Branch Directors of SI and CE will have access to the Ambassador, to senior Embassy officers, and to the Military and Naval Attachés. Other agents of OSS will deal with the Embassy either through their own Directors or through the Embassy Liaison Officer (Mr. Haering).

4. OSS agents operating in or near a Consulate will deal with the principal consular officer and not with any subordinate officer or employee of that Consulate. Principal consular officers will cooperate in affording security protection for OSS personnel and documents.

5. The Ambassador has been authorized by the State Department, with the concurrence of OSS, to examine all incoming and outgoing correspondence transmitted through the Embassy. He will exercise this right to the extent he considers necessary.

6. Full

6. Full facilities of the Embassy pouch and courier service. Full facilities of the Embassy pouch [illegible] service will be [illegible] in Spain. [illegible] supplement by one the present number of Madrid couriers.

7. To effect proper coordination of SI of OSS with similar [illegible] is [illegible] propose that [illegible] the [illegible] of the Military Attaché [illegible] the Military Attaché [illegible] for the purpose of discussing matters of mutual interest.

8. To effect proper coordination of projected CE of OSS with [illegible] OSS with [illegible] Spain [illegible] would appear unnecessary to seek representation of FBI in Spain.

CJHH:phf
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