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OSO FROM JULY, 1946 TO DECEMBER, 1946

In recapitulation, the prerequisite circumstances that lubricated the birth of the Office of Special Operations were:

8 Feb. '46: Provision in NIADir #2 of Central Intelligence Services within the organization of CIG, for operational agencies later to be determined.

13 Mar. '46: Submission of Fortier Report to DCI, fulfilling assignment of CIGDir #1 to study and report on the assets available in SSU, and based on a thorough interrogation of key SSU personnel and spot inspections of its activities.

14 Mar. '46: Appointment of Fortier to additional duty of Acting Chief of Operational Services.

2 Apr. '46: Authorization by NIADir #4 for DCI to direct SSU with the mission of absorption of its permanent activities by CIG or other agency not later than 30 June '47.

4 Apr. '46: Appointment, by CIGDir #6, of Fortier as agent of DCI to issue orders to SSU, and instructions that SSU shall continue absolutely essential activities and prepare for transition to an appropriate group in the War Department or other agency.

23 May '46: Data for plan for world clandestine coverage called for by oral order of Tharp, SSU; data assembled and SSU plan for permanent world coverage issued shortly thereafter, based on total organization of 3,000 persons.

17 June '46: Reorganization of SSU, by SSU General Orders #13, establishing Foreign Security Reports Office, by combining the SI and X-2 (counterespionage) branches inherited from OSS. This step had been anticipated by Magruder before he left SSU in April, in an informal move in which he placed personnel of these two branches in physical juxtaposition in each geographic and country area. This step in turn anticipated the subsequent organization of OSO, creating the geographic breakdown of the world as OSO maintained it even after subsequent reorganization in December, '46.

8 July '46: Direction of the DCI, by NIADir #5, to perform (par. 4a) "Conduct of all organized Federal espionage and counterespionage operations outside the United States and its possessions for the collection of foreign intelligence information required for the national security."

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rapidly. Three days later, on 11 July '46, the Office of Special Operation was activated by a memorandum addressed by Wright to "all CIG personnel concerned." Its mission was to perform the functions specified in par. 4a, NIADir #5. The same memorandum relieved Fortier as Acting Chief of Operational Services and appointed Galloway as ADSO, Goggins as DADSO, and Douglas as "B" Deputy with the mission of collecting intelligence information with the US. A separate memorandum dated 12 July '46, assigned Quinn as Executive to ADSO in addition to his duties as Director of SSU. On 17 July Quinn addressed Penrose, then Acting Chief of FSRO, assigning him as "A" Deputy, with the mission of clandestine collection outside the US; and DeBardeleben, then Acting Deputy Chief of FSRO, assigning him as Chief of Control, with the mission of conducting and controlling all dealings of the new office with other parts of CIA and other Government agencies and departments, it being recognized from the start that OSC should operate independently of the rest of CIG in many matters and deal directly with its clients and supporters because of its highly sensitive nature. This completed the top staffing of the new office, and the next urgent problems were (a) to effect the final incorporation of the residue of SSU and (b) to staff the areas critically short of personnel, notably the Latin American Branch and the domain of the "B" deputy. Formal activation of OSC was effected as a part of the general reorganization of CIG provided by CIGDir #14, dated 19 July '46.

See also
p. 4+5

Although Fortier bowed out at this time, he appears to have left a very distinct mark on the young Office of Special Operations. For one thing, his committee report was thorough in coverage and precise in recommendations. For another, since he was officially charged with giving orders to SSU in the name of CIG, he was in a position to implement his ideas as they evolved without waiting for formal approval from higher authority. The most significant points in the report, from the standpoint of later developments were: a) CIG should take up the slack and fill the gaps in espionage, rather than assume an exclusive portfolio. b) espionage activities which the Army and other agencies were conducting should be under strong centralized coordination by CIG, but should not be eliminated. c) The bulk of remaining SSU personnel should be taken into CIG, but on an individual basis with security investigations for each.

The first two points may well have been central to the difference in view between Fortier and Vandenberg. They represented a long, but evolutionary rather than revolutionary, step forward from the Souers philosophy of coordination rather than operation, and may well have been more realistic in the setting of the time than the more extreme position that emerged in NIADir #5. For one thing, they took into account the administrative hurdles that still lay between the existing SSU operations and a working espionage organization in CIG. For another, they provided an atmosphere of compromise in moving in on the strong vested interests of the Army in espionage. It is not insignificant that, while these vested interests were attacked frontally by NIADir #5, this attack proved unable to do more than drive

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the Army underground underground, and nearly six years were to pass before the conflict was actually resolved. It can never be proved either way, but it is at least arguable that if CIG had not bitten off so much more than it could chew so early, it would have come to enjoy the confidence of its sister IAC Agencies sooner.

The third point was apparently nowhere disputed, but its effect was to add to the time required to effect the full absorption of SSU assets. Before the end of July, strong pressure was being exerted to get SSU personnel transferred to CIG as rapidly as possible. There were two major obstacles. One was the need for funds to support a payroll. The other was the lack of personnel to perform the arduous personnel job of investigating the incoming employees from SSU both as to professional qualifications and security. On 29 July '46, Galloway set up target dates by which all selected FSRO personnel should be taken into CIG by 15 August. On 31 July, Col. William C. Harris, Executive for Personnel and Administration, replied that this would be impossible because the CIG personnel organization was not equipped to handle such a load. He added that 30 days were required for the necessary Civil Service Commission processing, and recommended target dates of 10 October for absorption of US personnel, 20 October for undercover agents and 30 October for foreign stations. Galloway replied the next day that US personnel would have to be absorbed sooner, and by 10 September at the very latest. Meanwhile, efforts were being pressed to work out a financial arrangement, and in September the cabinet members represented on the NIA got together, made up a pool from their departmental funds, and turned over to CIG the money to pay salaries to its own employees. The first SSU personnel to be absorbed were from the Personnel Branch, and on their transfer in September, they in turn were put to work to expedite the transfer of their fellows.

See Conf. Ex. 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22

OSS had reached a peak strength of 12,995 in December '44, shrunk to 10,479 by the time of its liquidation in October '45. Of this total, 1,350 went to the State Department, leaving 9,129 in SSU when it was established. By 1 March '46, the total strength of SSU had been reduced to 2,083. Further attrition continued through the Spring, Summer, and Fall. It is estimated that 800 SSU personnel were finally taken into CIG. Of this number, 171 were in the operating echelons of FSRO, constituting the nucleus of OSO. This number corresponds almost exactly with the total strength of FSRO, exclusive of casuals, as established in June '46. The balance were made up from Personnel, Finance, Communications, Inspection & Security and Services. The actual dates of transfer were spread from September '46 to January '47, the FSRO contingent transferring in October.

OSO started functioning along the unchanged lines inherited from SSU. The FSRO reorganization in SSU established a pattern which remained virtually unchanged until 6 June '47, when the office was reorganized under SODir #18. Not only were the geographic branches the same, but the branch chiefs included such permanent senior personnel

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of OSO as Helms, Horton, Mitchell, Lloyd George, and Boulton, and, in the Dissemination Branch, later Information Control Staff, Houck. The organization included, though of nominal and caretaker proportions for some time, the Special Projects Division, which provided a vestige of continuity when OPC was created one and a half years later. Documentary material of value, in addition to diaries, histories, and operational records and manuals, included notably a CE file of some 400,000 individual cards, which provided the nucleus of OSO's CE registry. Overseas operations actually in being were confined to Germany, China and Southeast Asia. On the whole, the projected world-wide foreign espionage service had to be started virtually from scratch, the more so as the inheritance had been built up with very different targets, and the transfer to the USSR as the primary target was to prove slow and halting for some years to come. In fact, more than three years were to pass before this primary target was to receive the requisite attention and support, although it was the subject of countless discussions and committee meetings. Nevertheless, the USSR was the subject of the first new unit established in OSO which does not appear in the FSRO organization. This was at first called Special Division - Soviet (SPD-S) and had the very limited mission of providing guidance to the operating divisions in the fields of International Communism and Soviet Intelligence. Two factors bearing on recruitment at this time aggravated the failure to build any organization directed against the USSR. One was the intention, at that time, of including exploitation of domestic sources in the US as part of the OSO mission, under Deputy B. The other was the precipitate withdrawal of the FBI from Latin America, once the decision that that agency should withdraw from the foreign field was made final. These two factors led Gallo-way on 29 July '46 to write Wright, who in turn transmitted the memorandum to Harris, urging speed in personnel procurement and noting that "The most urgent problems at the moment are procurement for the Latin American activities and Staff B."

The period of transition extended roughly from the Wright memorandum of 11 July '46 to 25 October '46, when the DCI addressed a memorandum to ADSO, subject: Functions of OSO. This repeated the language of NIADir #5 exactly: "The Mission of the Office of Special Operations is the conduct, under the direct supervision of the director, of all organized Federal espionage and counterespionage operations outside the United States and its possessions for the collection of foreign intelligence information required for the national security", adding that "Such espionage and counterespionage may involve semi-overt and semi-covert activities for the full performance of the mission." Significant items in this memorandum were: a) OSO will carry out no research and evaluation functions other than those pertaining to counterespionage information and to grading of source and reliability. b) ORE will carefully screen the information collected and render a periodic report indicating the intelligence value of information obtained in each area of operations as a basis for grading future intelligence information to be collected by OSO. c) OSO is authorized to receive directly from user departments or agencies requests

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for specific action or the collection of specific information, such direct contact will be made through the Office of Control, OSO, and OSO will maintain direct liaison with departments and agencies of the Federal Government on secret operational matters. d) OSO will be responsible for the collection, processing, and distribution of foreign counterespionage intelligence information and will be the repository for such information. e) Major support services for OSO will be provided by the Special Projects Division, Personnel and Administration Branch, Executive Staff, CIG, under the operational direction of ADSO.

This memorandum was followed on 4 December '46 by SODir #7, which provided the first organizational chart for OSO subsequent to that inherited from SSU. There was little change in the arrangement of the principal subordinate units of the office. The service and support facilities integral to OSO were grouped under the Executive. However, the double-hat arrangement indicated by item e) in the preceding paragraph actually reflected a transitional stage in the placement of these service and support facilities. This was the beginning of the administrative complication which remains unresolved up to the present time and is duplicated today by O'Gara's double hat and his divided allegiance to DDA and DDP. The two conflicting theories, that logistic and administrative support could be effective only if it came from agency-wide facilities, and that such support could be effective and secure only if it came from facilities integrally within the operating office, were already being actively argued. When the support facilities of SSU were transferred to CIA, they were placed under the Executive, CIG. Gradually, as evolving logic dictated, they were phased back into OSO, some, such as Communication, intact, others, such as Confidential Funds, by fission within the Comptroller's staff. However, it was not until 6 June '47, under SODir #18, that the process of returning these units to OSO was complete, and there has been a continuing ebb and flow of the degree of autonomy of OSO support facilities ever since. Another perennial problem which made an early appearance at this time is reflected in the provision of reports divisions within the geographical branches, with the mission of grading, editing, reproducing and distributing the intelligence information collected overseas. This was primarily a decentralization of the function and some personnel of the old Dissemination Branch, later the Information Control Staff. However, it also awoke at least a quasi-evaluating interest in the operating branches and, depending upon the point of view of the individual reports officer, opened the door to withholding and altering information in conformity with the vested interests and previous positions taken by the branch. The only other significant new elements in this organizational chart was the first recognition of the need for certain elements organized on a functional basis according to subject matter. In this field were set up a Fiscal Intelligence Division and Technological Division, to guide the geographical divisions and process their product in the respective fields of fiscal and monetary intelligence and technological intelligence.

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Another arrangement during the summer of '46 was agreement with the State Department under which diplomatic cover was provided for CIG representatives abroad. This was put in effect by a letter from the Secretary of State to the chiefs of all foreign missions, dated 26 December '46. This letter was sugar coated, whether by CIG in getting the agreement with State, or by State in an effort to make it acceptable to its various ambassadors and ministers, is not indicated. However, the important thing was that the instructions sent out by the State Department did provide the cover required by CIG. Throughout the State Department letter, the term "security intelligence" is used and emphasis is placed upon the function of making file checks on applicants for visas and passports. Thus the impression is given that the CIG personnel who were given appointments in the Foreign Service Staff Corps and assigned to foreign missions will be to a major extent engaged in the clerical function of performing police-file name checks for the State Department. It is also specified that the CIG personnel will serve under the State Department Chief of Mission "for all purposes of administration and discipline," and that the Chief of Mission may require the CIG personnel to reveal to him all information obtained, including information about sources and even the identity of sources. The letter also refers to other duties to be assigned CIG personnel by CIG, stating that such duties will be explained to the Chief of Mission orally by the CIG appointee on his reporting for duty. Copies of this State Department letter were forwarded to CIG personnel abroad on 29 January '47 as an enclosure to General Operational Instructions No. 3. These instructions constituted a long exegesis of the State Department text, noting particularly that this text by no means told the whole story, and that the particular arrangements in each foreign mission would have to be individually worked out. In sum total, while the CIG personnel received the diplomatic cover required as well as such support as use of the diplomatic pouch and provision of office space and facilities, they were left with the considerable burden of negotiating the details of their own position in the mission as being responsible to CIG superiors at home, while being under the authority of the State Department Chief of Mission with whom they were negotiating.

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