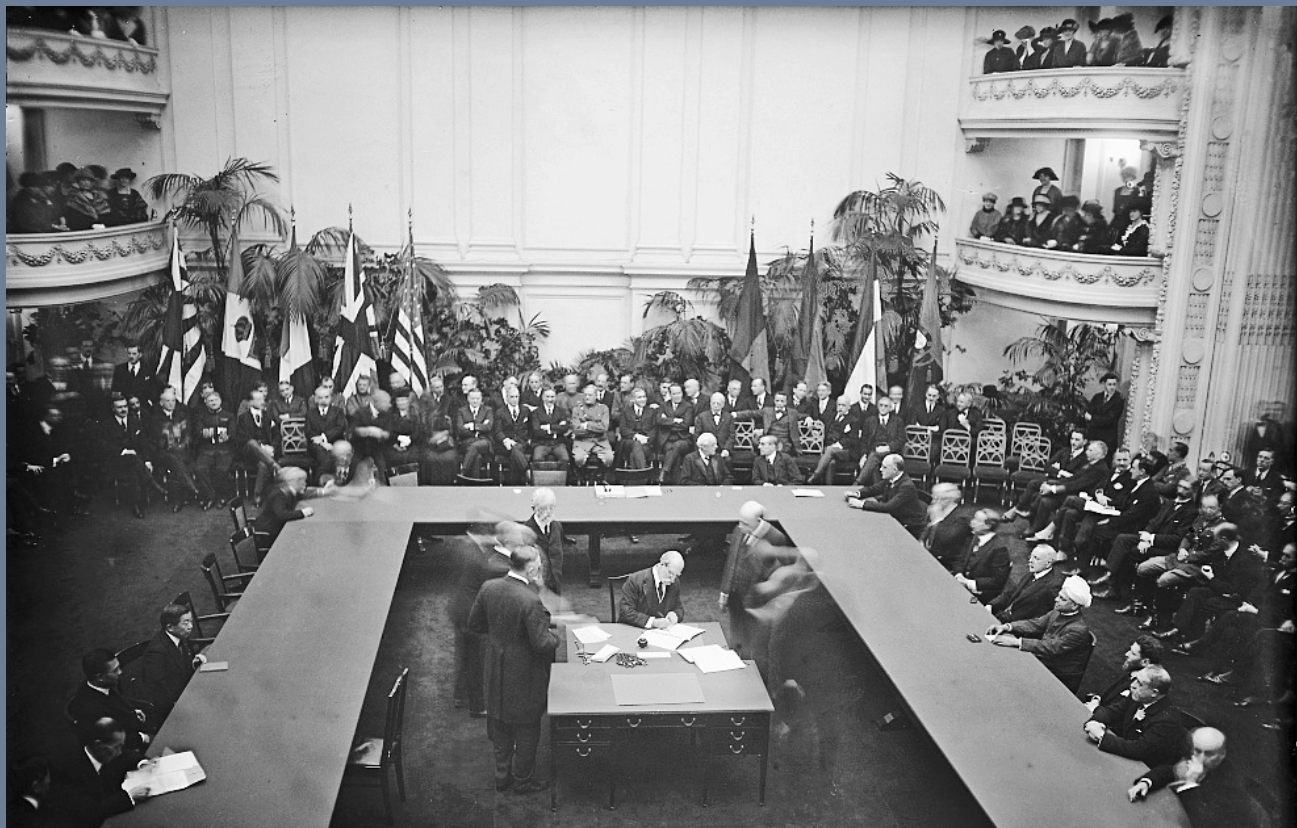


# UNITED STATES CRYPTOLOGIC HISTORY



## Issues in British and American Signals Intelligence, 1919-1932



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**Cover:** The 1921 Washington Naval Conference

# Issues in British and American Signals Intelligence, 1919-1932

John Ferris



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## Introduction

The first third of the twentieth century saw the development of modern communications intelligence (COMINT), and its rise to a major role in both military and diplomatic decision making.

European nations had engaged in communications intelligence since at least the Renaissance, but the invention of radio led to more and more timely communications on the part of most European powers. Radio also led to an increase in the volume of messages exchanged officially and made it easier for a third party to gain access to them.

Since radio communications were a new factor in world affairs at the turn of the century, development of the means to exploit it for intelligence purposes was conducted simultaneously with the basic technological development of the medium. While there were advances in both technology and exploitation early in the century, not surprisingly, intelligence collection and application processes matured most rapidly in the decade beginning with World War One.

Histories of cryptology often end up a bit skewed. Much of the previous writing on COMINT in those early decades has centered on its military development and on military use. However, COMINT, even from those first years, has been as important in the diplomatic and economic sectors of many countries as it has been in military affairs. In addition, historians of cryptology in any era tend to be a bit parochial, and often write about COMINT as if it existed in a vacuum.

Professor John Ferris of the University of Calgary, who served as a scholar in residence at the Center for Cryptologic History from 2008 to 2009, has avoided both of these pitfalls. His articles in this volume add immeasurably to our understanding of the role of COMINT in the opening days of World War One, and its development in the next decade. His research has brought to light previously unknown but important episodes from this formative

period, and, better still, with his wide-ranging knowledge about non-COMINT intelligence and about diplomacy, he has placed this new material in the proper context.

Many countries excelled at various aspects of COMINT in the early part of the twentieth century. Great Britain developed processes for acquiring and using COMINT for national decision making that grew consistently throughout this period and that eventually became a sophisticated tool for the country's decision makers in many government endeavors, both military and civil. The national benefits derived not only from a high level of competence in using this new source, but also from the ability to use it in combination with all sources of intelligence on a particular topic until the whole became much greater than the sum of its parts.

The first essay in this collection shows how Britain developed its proficient network for COMINT production while enforcing economic policies during the First World War. This happened independently of the famous "Room 40," the Royal Navy's well-known COMINT organization.

Professor Ferris's second essay, by blending COMINT materials and other intelligence from the 1920s, answers many questions about international problems with the emerging Soviet Union that have bothered historians of intelligence for decades. Along the way, he also gives a realistic appraisal of the infamous Sydney Reilly, a controversial figure of the time (the subject of the television series *Reilly: Ace of Spies*).

The story of Herbert O. Yardley and the so-called "American Black Chamber" is both familiar and is surrounded by a number of popular myths. In his third essay, Professor Ferris relates the real story of the Black Chamber and goes on to tell how COMINT actually supported several naval disarmament conferences in the late 1920s and early 1930s.

With these essays Professor Ferris has broken new ground for those interested in understand-

ing the origins and early development of what has become a major tool of government, not only in Great Britain and the United States but around the world. But the history of these organizations and activities is not simply of value in satisfying our curiosity. Each nation has its own approach to the structure and use of intelligence, and the experiences of the early twentieth century had great influence on later use and practices in intelligence, including COMINT.

Professor Ferris gives us a new and interesting portrait of how this all began.

**David A. Hatch**  
NSA Historian

# Part 1: Reading the World's Mail: British Censorship, Communications Intelligence, and Economic Warfare, 1914-1919

## Summary

The best-known element of signals intelligence during the First World War is work against the operational traffic of armies and navies, centering on cryptanalysis and traffic analysis; however, overwhelmingly its largest form, and the area where it was most frequently used, lay in blockade and economic warfare. This paper will center on Britain's role in this area, but British efforts were simply the main element of an allied system. From the start of the war, France pursued independent, essential, and parallel actions; Italy and Japan were less cooperative and important. When the United States entered the war, it worked with the existing system, and left management of the blockade and censorship of maritime cables to Britain and France.

## Background

Between July 1914 and November 1918, modern signals intelligence was born. The type and number of messages intercepted every month for communications intelligence swelled from thousands of enciphered telegrams to and from foreign offices; to millions of cables, letters, and radio dispatches, to and from diplomats, soldiers, sailors, airmen, and civilians, sent mostly in plain language or commercial codes. Its use in blockade and economic warfare also was perhaps the one case in history where com-

munications intelligence worked best without the aid of cryptanalysis, and where open source material was most central to analysis. It is closer to the modern practice of communications intelligence than were the actions of naval and military SIGINTers between 1914 and 1918. Its employment in blockade and economic warfare is also virtually unknown.<sup>1</sup>

The aim of economic warfare was to weaken an enemy's economy while strengthening one's own. Its central means, maritime blockade, sought to prevent an enemy from exporting or importing goods by sea, particularly raw materials which it did not produce at home, to create social and economic disruption in its territory, and to weaken its ability to produce military forces and equipment. In 1913, for example, 90 percent of the copper consumed by Germany was imported, primarily from the United States, which also was a great supplier of cotton used for textiles and guncotton (nitrocellulose), a form of explosive.

As the British General Staff wrote after the war, the ideal was to create "impaired military efficiency and exhausted national morale" and "so completely starve the enemy as to force him to come to terms by starvation."<sup>2</sup> This aim was ambitious, and so were the means. During the Great War, pursuing this aim led Britain to intervene in the economy of every neutral country, and to struggle with most of the world's

firms. To blockade Germany, Britain also needed to regulate imports into neighboring neutral countries, like the Netherlands, Norway, Denmark, Sweden, and, until 1915, Italy, which could become conduits to the Central Powers. Britain also needed to control exports of raw materials and manufactured goods from distant neutral polities, most notably the United States, but also Spain, and many countries and colonies in Latin America, Africa, and Asia. These needs forced Britain into complex arrangements with foreign governments and great firms, which often had political power of their own.

Blockade was complex enough, but economic warfare was even more so. It involved efforts not merely to weaken an enemy's economy, but also to strengthen one's own by, for example, enabling allies to maximize their weapons or metal procurement abroad, while minimizing the costs of so doing. Economic warfare could be pursued both by denying Germany access to, say, aluminum, and by reducing the unit cost which the allies paid for it. The aim was to inflict maximum damage on enemy states and their affiliated firms, with the minimum collateral damage to one's own.

In some cases the balance might mean using seemingly powerful tools with care, or not at all. The classic instance of failure to appreciate this point was Germany's adoption of unrestricted submarine warfare, which cost far more than it gained, by pushing the United States into the war—indeed, this was the single greatest consequence of the blockade itself, however indirect and unintended. Similar calculations affected Britain's caution in pursuing a financial blockade, or in tightening up its system of maritime control.

To further complicate judgments, for much of the war the allies did not expect to win a decisive victory, although they finally did just that in autumn 1918. Instead, they anticipated some kind of compromise peace, perhaps lasting for a few years, which would be followed by a renewed struggle. Given

these conceptions, economic warfare was intended to strengthen the allies and weaken Germany not just for this war, but the next one as well. Many aspects of economic warfare proved unnecessary given the German collapse in 1918, but they were rated highly at the time. This context must be remembered when assessing how intelligence supported policy.

The length of time since a lengthy war is also part of that context. Since 1815 the great powers had fought no prolonged war, or any to which blockade was fundamental, except for the Crimean War and the American Civil War. In 1914 they became engaged in a kind of war for which no one had prepared, a total war fought between societies as well as armed forces. Economic war and blockade were the epitome of total war, with states directly attacking enemy civilians. Every state was forced to find solutions to a complex range of problems. Central among them were economic matters.

## Economic Pressure

When war broke out, Britain was unsure about the fundamentals of blockade—how it would be exercised, and against what targets. The Royal Navy (RN) had just moved from the concept of close blockade in the North Sea, characterized by warships dashing after merchant ships and closely observing every German port, to distant blockade, based on cruisers at the entrances to the North Sea. Nonetheless, the Admiralty regarded economic pressure as being the RN's basic contribution to the defeat of Germany, with the containment of the High Seas Fleet, or its destruction if it came out, a close second.<sup>3</sup>

The Admiralty correctly appreciated that it might win the war at sea even if it could not destroy the German Navy. Distant blockade proved to be effective, as much as any other campaign of mercantile interdiction in history, and largely because of intelligence, but it was a novelty, and open to questions about legality, if also a defensible case in law. In terms purely of jurisprudence, the Germans were right to challenge the blockade, though their

response of unrestricted submarine warfare clearly was illegal, to a gross degree.

## Blockade Evolution

### Initial Attempt

In the opening months of the war, Britain literally did not know what its policy on blockade would be. Britain's hand was forced when it discovered that German and American firms were cooperating to send vast supplies to neutral countries for shipment to Germany. A coalition of Chicago meatpacking firms sent 23 million pounds of meat and lard to Denmark. American firms massively increased their shipments of copper to Italy, Scandinavia, and Switzerland, raising their exports to those markets from 8 million tons per year to 33 million tons in 4 months. At that rate, Germany easily could maintain its pre-war imports of copper through neutral neighbors, avoid any problems with its food supply, and escape economic pressure.

Britain chose to act against these dangers. Information from various sources, especially cable intercepts, was fundamental to this decision and also allowed most of these shipments to be seized for preemptive purchase before they reached their destination.<sup>4</sup> Having seized these goods, Britain then had to justify its actions. Whitehall was divided over how to handle these issues, but the German campaign of unrestricted submarine warfare simplified the problem. As retaliation, Britain declared the Treaty of London (below) null, which strictly speaking was easy to do, and then turned to adopt the most rigorous definition of blockade rights and contraband which any major state had ever followed. Conveniently, this major state happened to be the Union government during the American Civil War. British governments thus could use U.S. legal precedents to fend off American criticism.

## Legal Basis

Indeed, the entire basis of blockade under international law was uncertain. Between 1900 and 1910 Britain had led the world toward defining a narrow set of rules for blockade and contraband, codified through the Treaty of London; however, it had not ratified that instrument. Neither had Germany. Had the Treaty of London been in force when war broke out, Britain would have obeyed it, at least for years, so crippling the power of blockade and fundamentally transforming the First World War.

Private property could not have been seized without proof that it was directly intended to reach an enemy army, while food for civilian consumption would not have been contraband at all, and no blockade would have been legally acceptable unless it met a rigorous definition of "effectiveness," perhaps including close coverage of German ports in the Baltic. Senior naval officers and strategists in Britain generally accepted those ideas in the decade before 1914: in 1903, when testifying before an important strategic committee, the Director of Naval Intelligence, Captain Prince Louis of Battenberg, agreed that during war, belligerents generally would obey "the International Laws of warfare...It is rather difficult to see how civilized warfare can be carried on unless you assume that."<sup>5</sup>

## Dealing with Neutrals

Negotiating with neutral firms and governments raised a host of difficulties. Britain and France were able to impose blockade in the first place because they had overwhelming power in the Atlantic and its maritime economy, and a combination of carrots and sticks at hand. In the neutral countries, especially the United States, the Entente governments made huge purchases from all sectors of the economy, and then used blockade simply to prevent firms from making further money by dealing with Germany. Such prevention was easily implemented because Britain had created the architecture for maritime trade, commerce, and finance. The British state or its businesses



controlled key elements of that system, which they could use individually or in combination, to punish, coerce, or persuade neutral states or firms.

Britain preferred persuasion, because the effects were most economical and least explosive, particularly when confronting the world's strongest nation, the United States, but that ability rested on the power to coerce, which often required exemplary acts of punishment. Persuasion was unavoidable, because of the need to convince foreign firms and governments to reconfigure the pattern of their imports and exports to suit Entente demands. This situation easily could produce friction and wreck cooperation.

Through much of the war, for example, Sweden refused to cooperate with the blockade and won, because it had a powerful bargaining position: the ability to counter-blockade allied shipments to Russia passing through its territory. The United States had even greater power. Generally, however, neutral governments and firms preferred to cooperate with British efforts at blockade, because it let businesses make more money than usual while avoiding punishment. It also allowed states to avoid involvements which could be embarrassing or dangerous.

Thus, the Dutch and Danish governments let their firms form combines and enter arrangements with Britain, whereby they pledged to monitor and control their members to ensure that imports were not being illicitly forwarded to Germany. Even more remarkably, the United States government let Britain work with the main American export trades, forming councils which, again, guaranteed good behavior among their members, which these firms voluntarily did, rather than shelter behind the State Department. Washington also tolerated massive British pressure—economic warfare—against some of the strongest sectional groups in the United States, such as the cotton producing or meat packing industries.

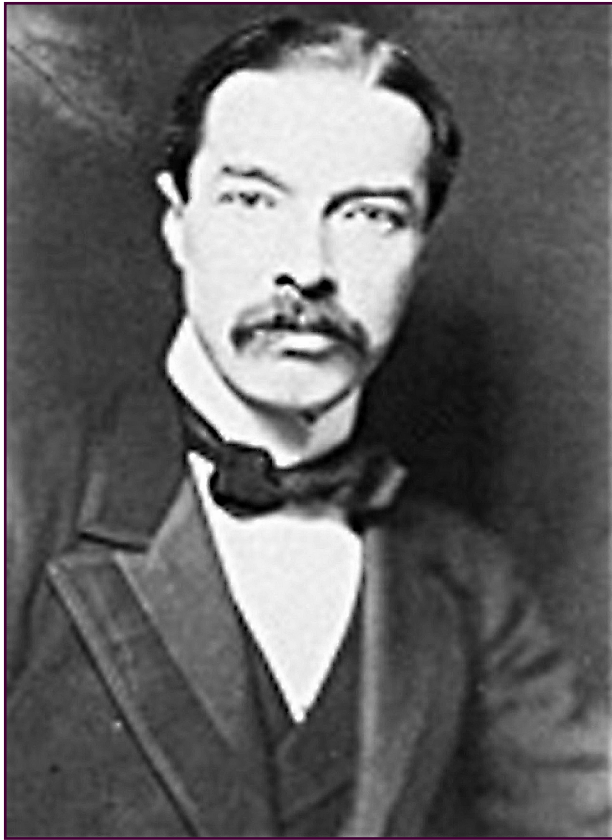
## **Evolving toward Interdepartmental Use of Intelligence**

Meanwhile, economic warfare and blockade became the most interdepartmental of all British activities. They combined issues of diplomacy, strategy, finance, and economics, which involved virtually every department of state, and many private institutions. The Bank of England and the Treasury had to be consulted, because finance was central to the blockade, as did a new ministry established to procure weapons at home and abroad, the Ministry of Munitions. Whitehall was unprepared to address these issues, which meant that raw forms of politics determined policy. Often for legitimate reasons, other organizations pressed on the Foreign Office's traditional role in diplomacy. It had to share responsibility in this field, so producing its celebrated decline of influence in the formulation of foreign policy.

At the same time, the Foreign Office's duties exploded; diplomats ran many of the departments established to manage aspects of the war, especially taking on unexpected duties in economic warfare, which came to be run by a Ministry of Blockade. As the professional diplomat who came to the highest position in blockade, Eyre Crowe, wrote explosively on Christmas Day 1914, regarding politically explosive negotiations with American meat-packing firms about cargoes seized as contraband, "The Foreign Office is at a disadvantage in treating this question. I am afraid we have too little knowledge and experience to be able to conduct a negotiation of this kind with wily American Jews."<sup>6</sup>

## **Interdepartmental Use of Intelligence**

The Admiralty had hoped to run blockade, but quickly placed second to the Foreign Office in that task. Blockade was a delicate and dangerous diplomatic issue—not merely the Foreign Office's most important task during the Great War, but its central one, and among the greatest triumphs in its history. Even more, the Foreign Office came to dominate the use of intelligence in the blockade and economic



**Eyre Crowe**

warfare, with much effort and constant skirmishes against the Naval Intelligence Division and its formidable head, Admiral Hall, as well as the Trade Division, the Admiralty's analytic unit which handled the blockade. Here, again, Whitehall faced a new phenomenon; over the previous fifty years intelligence rarely had been significant on more than one matter at a time, nor had it been fundamental to interdepartmental decisions or disputes.

At the outbreak of war, intelligence services sprang up like mushrooms, often remarkably good, but uncoordinated until 1916-17, leading to redundancy and missed opportunities; not until July 1916, for example, did the 'Political Section' of Room 40 realize that censorship, run by the Military Intelligence Department, intercepted the encoded cables of foreign governments, and begin to exploit masses

of material it had been able to read months before. Only by 1918 did the government effectively coordinate the intelligence services on diplomatic and strategic issues and use them in a centrally directed fashion.<sup>7</sup> Nowhere was the evolution of intelligence more problematical than in economic warfare; and yet this also was a success story. The success stemmed from the power of British sources and the speed and shrewdness by which it exploited them.

The blockade rested on Anglo-French sea power, and control over maritime cables. When the war broke out, Britain destroyed German transatlantic cables, while the United States agreed that, in order to remain a neutral, it could not let wireless messages in secret code be sent to or from its territory. When confronting the opportunities to block and to read such traffic, Britain suffered from the same problems it did everywhere with intelligence. Wireless and cable censorship initially were not coordinated, nor was sea mail systematically examined until late 1916.

Nonetheless, between 1914 and 1915 Britain read most of the messages crossing the Atlantic and, in 1916-19, all of them. This material essentially was sent in plain language, or a handful of commercial codes of which Britain had copies, but experience and expertise were needed to understand the communications. Whereas letters usually combined detail and background, commercial wireless and telegraph messages tended to be short, referring to specific transactions in gnomonic terms, and using jargon particular to a trade or a firm. They were hard for outsiders to comprehend, while firms that were trying to break the blockade often used ruses to cover hidden meanings, which might be penetrated only by reading many messages between several participants.

Cryptanalysis also was applied in some cases. The General Post Office maintained a small "black chamber" which examined suspect letters for secret ink, while cables were scrutinized to discover espionage traffic being communicated through plain language codes. In August 1914 Britain also seized, from the London offices of German banks, copies

of their secret codes, and used them to read some radio messages. In a 1917 attack on “a most elaborate code” involving veiled language between two Dutch and American banks, Pierson and Bossevain, showed how they had worked with German interests, so violating agreements with British authorities. They were punished in an exemplary fashion, to frighten other neutral banks away from similar behavior.<sup>8</sup> However, in essence the Entente had the chance to read the world’s mail in plain language. These advantages took time to be realized.

## Enforcing Blockade

Britain did not systematically enforce blockade until May 1915, and it worked in an odd fashion. Blockade was not applied by far distant weather-beaten ships—the weather beat the initial efforts by the Tenth Cruiser Squadron. The first blockading warships were quickly withdrawn and scrapped; the second group, passenger liners equipped with guns, sailed into a wild winter on the north Atlantic, where one simply vanished, presumably in a storm. Afterward, the blockade was enforced in equal parts by sailors, intelligence officers, and lawyers, and directed by diplomats.

Sailors found this arrangement hard to swallow. In 1916 the Grand Fleet wrote that “the work of the 10<sup>th</sup> C.S. in its effect on the whole life of the enemy peoples is the primary naval factor in the prosecution of the war. Every consular report dwells on the paramount importance of the operations of this squadron & the imperative necessity of using every means in our power during the forthcoming critical months to tighten still further our grip.” This statement exaggerated the role of that squadron, by treating it as a euphemism for the blockade as a whole. Without British sea power, blockade would have been impossible, but the RN did not dominate its mechanics.<sup>9</sup>

Certainly, the Tenth Cruiser Squadron patrolled the northern approaches to European waters, checking merchant ships and posing a physical barrier to blockade runners. One Scandinavian shipping line

even had its vessels use their wireless personnel to monitor RN traffic, gathering material from the strength of signals so to guide their own movements away from potential contacts.

Blockade runners, however, always were rare. Few ship owners dared challenge Britain’s position, instead voluntarily calling at control points. By the second half of 1916, only 63 of 2,359 neutral merchant ships crossing the Atlantic either way were not inspected, either voluntarily or through interception. Even these numbers soon vanished through bunker control and American entry into the war. Just after Jutland the British simultaneously intensified their blockade and removed most warships from that duty, because they were no longer needed for that purpose, which says far more about the war at sea than does that battle. Thereafter, that cruiser squadron essentially served as a means to handle enemy raiders, and to provide deceptive radio traffic.<sup>10</sup>

## Evolving Enforcement

In key ways, the blockade did not become effective until mid-1915, or mature until mid-1916, just months before American entry into the war changed the game by ending its greatest problems. As Lord Emmot, the head of a central element in British economic warfare, the War Trade Department, noted, blockade evolved through “a labyrinth of difficulties. Our policy was one of gradually increasing stringency. In other words, it altered from week to week, sometimes almost from day to day, but practically always in the direction of increased stringency.”<sup>11</sup>

The blockade worked by stopping the shipment of (a) raw materials, primarily metals and food, across the Atlantic Ocean to Germany, and (b) any German imports or exports of manufactured goods by sea. From early 1915, Britain essentially defined most items going to and from Germany as contraband, but other problems remained. Thus, should coffee, tea, or cocoa be contraband? Until 1916 British authorities thought not, but then changed their minds. Even at the end of the war, the General





**Robert Cecil, Minister of Blockade**

Staff and the Naval Staff disagreed over this matter. Blockade of such items did shake the morale of soldiers and civilians coming from coffee cultures, but when Germans bought coffee with hard currency abroad, that money could not be used to purchase other items.<sup>12</sup>

Simple mistakes abounded. In 1915 Britain authorized a shipment of Dutch gold even though the Admiralty had wireless intercepts showing that this transaction would work to Germany's benefit, which the Treasury and Foreign Office had not seen when they authorized the cargo; in 1916 British banks helped to arrange the finance for shipments of Colombian coffee, which the RN then seized as contraband. Material which easily would have condemned suspect shipments held as prizes was not available to prosecutors, because it was lost in the files.<sup>13</sup>

By 1916 the blockade became mature. Neutral states and firms accepted British rules simply as a cost of business, for several reasons. Britain clearly had established the intelligence, administrative, and naval means to monitor the behavior of all firms, and to enforce British policy and its definition of blockade rights on them. It then increased that power. Through "bunker control," Britain used its dominance over coal supplies to force all neutral shipping firms which wished to operate in the Atlantic Ocean either to accept British rules, or to go out of business: it even used this power to force them to carry goods for the allies during the worst of the U-boat campaign.

Britain also began to ration all categories of imports into European neutral states, to simplify and strengthen blockade. These levels were defined by a combination of historical norms and political requirements. As the able Minister of Blockade Robert Cecil, wrote in 1916,

My own strong view is & always has been that the only real safeguard is rationing & that all the elaborate paraphernalia of black lists & guarantees is very largely labour thrown away. I am further of [the] opinion that the system of what is called British control of imports into neutral countries is irritating to the neutrals out of all comparison to its effectiveness. That does not mean that our Consuls should not closely watch the import trade. But it does mean that any attempt to follow each consignment is almost certain to fail.<sup>14</sup>

Cecil's statement was overly strong, but the addition of rationing to previous measures certainly multiplied the power of blockade, as did American entry into the war.

## Intelligence: Evolving to Effectiveness

The blockade and economic warfare system was a triumph of unarmed forces, and of open sources. It also marked a revolution. In no other area of the war was the power of intelligence so transformed. In previous blockades, intelligence had been of limited value, resting primarily on visual sources and knowledge of shipping routes, and tactical in nature, its role in strategy crippled by the inability to pass signals to ships at sea. By 1914, however, developments in sources, organization, and communications all enabled distant blockade, because they made the problem transparent.

## Developments in Sources

Britain's two main sources of blockade intelligence were statistics and signals.

### Source I: Statistics

From April 1915 the War Trade Statistical Department (WTSD) carefully compiled and analyzed official statistics from across the world. This material was used to determine how far neutrals might be trading with Germany, especially as a conduit for goods from overseas; to define the level of exports in various goods which they could be allowed to import; and to convince their governments that the allies were treating them fairly. Statistical intelligence was essential for the working of the rationing system. It had a powerful and stable role as a source, and was tied as the leading one for the blockade between 1916 and 1918. After the war, W. E. Arnold-Forster, a major figure on the naval side of blockade, argued,

The fundamental problem of the blockade was, of course, to discriminate between neutral and enemy supplies. There were two methods by which such discrimination might be made—the evidential and the quantitative. The evidential method, unsupported by a rationing system, has now been

proved beyond question to be incapable of maintaining an efficient and equitable discrimination; the blockading power cannot hope to be able to so defeat the ingenuity of its enemy and of neutral traders as to acquire all the evidence which they would like to conceal...the basis of the discrimination must be statistical.<sup>15</sup>

### Source II: Signals/COMINT

That comment was an overstatement, which ignores the centrality of legal enforcement for blockade, where statistics alone were inadequate evidence. Nevertheless, it has much force. Compared to statistics, signals intelligence had a more dynamic history, more variable consequences, and a broader role. It always remained Britain's main source for evidential intelligence and blockade operations, including the legal process on which blockade rested and relied, and was fundamental to economic warfare. Communications intelligence also was linked to cable censorship in complex ways.

During the war, the word "intercept" had two distinct meanings: either to read or to block messages. British censors would read copies of a cable, and let it pass, or else delay or block it, with effects ranging from ruining a company's business to manipulating prices for goods on foreign exchanges. Radio messages, conversely, could be read but not blocked without the desire (and capability) to jam transatlantic transmissions entirely, which no one did, because all sides wanted to maintain the means of communication and the chance to read messages.

In August 1914, however, just three high-power radio stations stood in Europe and two in North America, with only one link under German control, Nauen and its allied Telefunken receptor at Sayville, New Jersey. During the war, these stations handled their maximum possible load, but cable still carried roughly three times as much transatlantic traffic.

## Signals Read by Censorship

Censorship generated staggering amounts of material—a quantum leap above the quantities provided by any previous or contemporary intelligence service. Between 1914 and 1919, British censorship read eighty million cables, of which eleven million were temporarily or permanently stopped after being sent to government departments for action: perhaps twenty-five million radio messages were intercepted, and millions of sea mail letters.

The Ministry of Munitions alone received one million cables and letters, of which 40,000 were sent specifically “for advice before being sent on.” On that basis, it sent 1,500 “letters of warning and asking for explanation.” Such material also was used to punish British citizens for trading with the enemy or falsifying their income tax returns.<sup>16</sup>

Since international financial transactions routinely involved the transfer of physical items, millions of pounds worth of securities or cheques were seized by the censorship, and sometimes cashed. Characteristically, when dealing with suspects, the censorship ruled that correspondence “should be allowed to continue for the present under the close surveillance of the Censorship” or “should be watched and allowed to continue at present, but that anything objectionable should be stopped.”<sup>17</sup>

The War Trade Intelligence Department (WTID), of which much more later, advocated a different policy, but without effect: “from the point of view of intelligence, more is to be gained by letting messages pass freely than by the refusal of cable facilities. It is by the regular and continuous communication between suspect firms that we are placed in a position to exercise the greatest possible control over enemy trade.”<sup>18</sup> Cable censorship began with 10 people controlling and analyzing telegrams, which reached 95 by December 1916, and a peak of 802 by mid-1918.<sup>19</sup>

## Resulting Data: 1914-1915

This process produced a host of data, which almost overwhelmed blockade intelligence during the first year of the war, not surprisingly, as this was the greatest quantity of intelligence that any analytic body had ever been forced to handle. Data was processed poorly, and not analyzed with optimum effect, and then thrown straight and raw at decision makers. In the opening weeks of the war, commercial cables were piled high onto desks at the Admiralty and largely ignored.

On 25 October 1914, however, the Admiralty's Restriction of Enemies Supplies Committee ordered that this data be assessed and indexed. This was done initially through a Neutral and Foreign Trade Index, where material was catalogued according to two criteria, the message's date of receipt and to which of twenty commodities groups it pertained, with the names of firms, people, and ships then entered on individual file cards.<sup>20</sup> This database soon was transferred to the Foreign Office.

While an excellent means to monitor the aggregate shipping of key commodities, and to gather data for strategic intelligence or economic warfare, this index was frustrating when dealing with the major problems involved in evidential intelligence for blockade, which were the names of firms and people. Under this system, two cables from one firm on the same day about different commodities, or the communications about one cargo on two sequential days between two firms, might be entered in different files, which the index could not easily pinpoint. Arnold Forster recalled wrestling with

that vast card index at the Foreign Office through which, on any day in 1915 the members of the Contraband Committee might be seen feverishly searching, in the hope of finding some incriminating record of the life-history of some obscure retailer of bacon or maker of musical instruments in a fishing village on the Norwegian fjords.

During a single morning in 1915 the manifests of ten or twenty ships would be received by telegram at the Admiralty, or War Trade Intelligence Department, two or three of which might consist of 200 or 300 items each. Each of these items might be the subject of five or fifty intercepted telegrams, and each consigner or consignee might have corresponded under a number of covernames.<sup>21</sup>

This harrowing procedure did not prevent communications intelligence from assisting the blockade, but did reduce its success.

## Developments in Organization

### The War Trade Intelligence Department

These problems were solved in mid-1915 by Britain's finest intelligence assessment body of the war, and perhaps of the twentieth century, the War Trade Intelligence Department (WTID). It re-indexed the older data on blockade intelligence, as well as all incoming material, including that from a new medium, sea mail. The WTID organized all cables on one numerical system, and used the names of individuals, senders and receivers, firms and ships, in alphabetical order, as means of categorization for the index.

Ultimately, the indices contained hundreds of thousands of different names, cross-referenced to highlight their connections. Whenever one wanted information on any name, every reference to it from millions of intercepts automatically appeared on the index, which was updated constantly. The relevant files could be retrieved immediately. This was the triumph of data processing for intelligence in the age of the card index.

The WTID achieved this end because it deliberately searched for the finest data processors in Britain, including two female members of the indexing staff of *Encyclopedia Britannica*. The WTID became experts in the jargon of all transatlantic trades and

about the firms which conducted them. It collated all current information, gave reasoned daily statements of evidence to the Contraband Committee, and retrieved and assessed data about specific questions with remarkable speed and thoroughness. By mid-1916, for example, the General Black List Committee began systematically to work through all WTID references on suspects, with the aim "gradually to go through the whole card index."<sup>22</sup>

### WTID Organization

The WTID became a data processing, information retrieval, and intelligence body, and the central element in that process for the blockade through the end of the war, though responsible to different executive branches as time went by. By late 1918, it had 333 members, including 40 to 50 seconded from the Admiralty and the Procurator General's Department, to handle work related to their departments and also the Admiralty's original Cable Index. The two largest sections—"Carding," which entered data on cards and maintained the index, and "Editorial," which disseminated material through regular reports—had forty-six and seventy-nine personnel. Smaller sections included:

- History (16 personnel),
- War Office (including guidance for the Secret Intelligence Service and liaison with French offices, and with 9 personnel),
- Commodities (9 personnel),
- Contraband (30 personnel),
- Export Licenses (49 personnel),
- Commercial Enquiries (20 personnel),
- Censorship (20 personnel),
- Black List (20 personnel),
- Italy (15 personnel), and
- Africa (9 personnel).<sup>23</sup>

The WTID processed and analyzed vast quantities of communications intelligence effectively in real time and enabled an elaborate machine to operate with remarkable efficiency. Individual



members of the Ministry of Blockade, like Robert Vansittart, or outside experts often analyzed individual messages in detail. In 1916, for example, John Maynard Keynes, attached to the Treasury, began one minute with the striking phrase, "For the past month or more I have read all the intercepted cables relating to financial transactions with Sweden."<sup>24</sup> However, most of that work was left to the WTID, which gained a high reputation: Cecil described its work as "admirable," no mean phrase in the age of English understatement.<sup>25</sup>

### WTID Demographics

The WTID also displayed distinct demographic characteristics. In Britain during the First World War, economic warfare was the only area where civilian analysts dominated intelligence on strategic topics, and also the one where women most entered their ranks. By 1916 the head of the WTID, F. Henry Penson, noted that clerks must be "really intelligent men of capacity."<sup>26</sup>

Soon the gender changed. During the war, two areas where women made particular inroads among the executive branches of Whitehall were in departments associated with the blockade, and with intelligence agencies based in London, especially sections involving data processing and communications intelligence. These departments had no established staff, men were required for the fighting forces, and women recognizably had the skills needed for the work.

Women came close to numerical parity with men in the civilian agencies responsible for blockade. Several hundred women worked in the War Trade Department, though the head of that institution noted that their presence was hampered by "unfair rates of pay." Treasury rules made it impossible to pay women above the bottom rung of the starting salary of a man in First Division, even though she "may have higher academic honors, greater ability and sounder judgment." The eight female intelligence officers of the WTID (15 percent of

its strength in that category), received roughly 66 percent of the salary of their male counterparts, though members of both genders were remarkably accomplished.<sup>27</sup>

## Developments in COMINT: 1914-1916

### Early in the War

Despite its organizational immaturity, communications intelligence most affected the blockade during the first eighteen months of the war. This material was crucial to the way British authorities learned how to understand the environment they confronted and decided how to manage it, and then to the means that they used to achieve these ends. Britain was competing against many rivals, where no one knew the rules of play, and many were trying to shape them. COMINT showed with precision, speed, and certainty how these other actors were acting and thinking, suggested means to affect their intentions and actions, and then monitored the effect of these means.

COMINT provided a host of key facts, available from no other source, showing what problems existed, as well as what solutions were and were not working, thus enabling general lessons to be drawn from a host of particulars. Although many key messages were overlooked or misconstrued in the early months of the war, communications intelligence still provided most of the evidence on the shipments to Germany, which caused Whitehall to take a hard line on blockade during late 1914. For the next eighteen months, Britain attempted to enforce blockade through a system which combined persuasion and coercion, involving voluntary cooperation by neutral firms and states.

Such a system could work only if one knew how other actors really were behaving, so enabling the guilty to be punished while minimizing damage to the innocent. Failure to punish the guilty or too much harm to the innocent would damage the

system. In particular, if too many Americans were made too angry, they might drive their government to challenge the blockade, and thus the Entente. In this context, communications intelligence had the unique virtue of showing which firms were working with the enemy and which ones were honoring their promises.

Thus, in early 1915 the British minister in Copenhagen recommended that Britain allow five Danish firms to import lard, because they were trustworthy. Communications intelligence soon showed that four of them were trading to Germany.<sup>28</sup> Throughout 1915 communications intelligence provided a check on the behavior of every single firm in the Atlantic economy with whom the blockade was interacting. Even when no action could be taken on information, COMINT at least let Britain understand what it could not control. It also showed the limits to its means of control and thus paved the way to improved procedures, such as the rationing system.

### Main Source: 1914-1915

Censorship and COMINT were not just the main source for blockade operations in 1914-15. They also aided economic warfare, by giving the Ministry of Munitions some ability to eliminate competition and to fix prices. Early in the war, censorship showed that British "touts and option hunters" were making speculative bids for weapons in the United States, driving up the prices, as was also happening because the allies were bidding against each other to purchase raw materials, often using British loans in the process. These actions quickly were stopped.

So too, by blocking or delaying cables from neutral countries, Britain prevented competition for purchases of food, metals or munitions in American markets, allowing massive reductions in unit costs. This practice continued throughout the war: the Ministry of Munitions found commercial "intercepts of the greatest value" in forecasting prices,

helping to form economical bids, and stopping commercial "combinations against the Ministry."

One of its "most delicate functions" remained stopping communications between neutrals "to safeguard our supplies, such as, by preventing messages going through between the U.S.A. and neutral countries which tended to detract from our source of supply of essential war materials."<sup>29</sup> From 1916 the Ministry of Blockade also used this power in an attempt to manipulate exchange rates across the bourses of the world.

Meanwhile, COMINT became a source in the intelligence products which guided economic warfare. Publications like the Admiralty's "Jottings from Intercepted Cables" of 1914-18, or the "Daily Summary of Intelligence" by MI6b (the military analytical agency for economic warfare), in 1916-18, consisted primarily of excerpts taken from letter, wireless, and cable intercepts, intended to illustrate how firms were coping with or evading the blockade, and German efforts to escape it.<sup>30</sup>

Communications intelligence also became an important secondary source for matters such as estimates of German munitions production, and the widely circulated and influential reports on the socioeconomic impact of the blockade on the Central Powers, written by an ex-consul in Germany, Max Muller.<sup>31</sup>

### Evolving: 1915-1916

From these lessons, British authorities learned in 1915-16 how to establish an evidential and policing system able to enforce the strictest form of blockade which they dared to make, in diplomatic terms. COMINT remained as important to every element of this system as it had been to its creation. Intelligence, especially the combination of signals intelligence at home and human sources abroad, was important to this power and central to its execution, providing knowledge, evidence, and means for leverage.

Thus, blockade struck as many enemies as possible and as few innocents. Intercepting letters, telegraph cables, or wireless messages let Britain know when firms were trying to break the blockade, often triggering the use of other sources in neutral countries to gather further information on the spot. The preferred sources were British businessmen and consuls, augmented by private detectives, hired from local agencies, like Pinkerton's in the United States.

Reports from censors, consuls, and detectives had a further advantage. They could be used as a political weapon: they could safely be given to firms, states, and combines to justify British actions against one of their own, without losing the source. Indeed, the more that neutral firms knew of the power of these sources, especially of COMINT, and the more they saw it used to guide punishment, the more willing they would be to accept British rules of blockade. This material also was openly used as the basis for the public and secret Black Lists, upon which the blockade worked.

Frequently, Britain also used informants, especially those able to provide evidence which might win a case in the Admiralty Prize Court. The Foreign Office paid one informant 112,500 Swedish kroner, or £30,000, a sum equivalent to \$3.3 million in 2010, for information essential to winning a prize court case involving contraband of almost £140,000: the Procurator General thought it "one of our most profitable investments."<sup>32</sup>

So too, if a firm fought a case in the Prize Court, or appealed against being placed on a Black List, British authorities could gather information from its own files, through an examination for discovery conducted by a local notary or accounting firm, though such evidence alone naturally was viewed with some mistrust.

## COMINT and WTID Information

COMINT was applied directly to every cargo Britain inspected. Whether because of interception

by the Tenth Cruiser Squadron or free will, almost all ships sailing to Europe were inspected at a port of naval control, like Ramsgate, Falmouth, and Kirkwall. Here, cargo, crew, and passengers were scrutinized both through physical means and intelligence, via "a vast hinterland of organization engaged in the critical evaluation of manifests and cargoes."<sup>33</sup>

The names on cargo manifests, crew, and passenger lists were compared to all the information held at the WTID. This was found easily through its system for information management, with reports passing back and forth between London and ports of control by telegraph. Ships with manifests pre-cleared in the United States via the NAVICERT system passed through ports of control rapidly, because intelligence already had been applied to their cargoes, crew lists, and all the individuals and firms related to them.

## COMINT and Enforcement

In cases where contraband was suspected, and cargoes seized, the blockade was enforced by the Treasury Solicitor's Department before The Probate, Divorce and Admiralty Division of The High Court of Justice, a British national court enforcing international law. It accepted secret intelligence (especially intercepted correspondence) as evidence, and had tough procedures. Here, signals intelligence constantly was used as public legal evidence—that was one of its main functions in the evidentiary system. These procedures were not kangaroo courts: the prosecution could win only with evidence; it did lose cases, and then faced penalties.

During the war, one member of the Procurator General's Department, which ran these prosecutions, wrote that he had

virtually no case in which I can see any prospect of condemnation without the help of intercepted letters, and certainly not without the help of intercepted cables. Further, the latter, even when very good ones from

this point of view, are seldom definitely damning, but usually only raise suspicion of a *prima facie* case, which is confirmed by a letter. The letter may even be necessary before the cables can be understood—not only when the letter gives a code, but because the letter (though possibly not referring to the particular transaction in question) shows the relationship or course of dealing between the parties, or it may be simply because the heading or signature of the letter shown [*sic*] the members of a firm.

I don't think it is too much to say that without intercepted letters, we shall not secure condemnation of half the goods in the Prize Court, even if cables etc. are intercepted as heretofore: and if the interception of cables is also given up, not one percent will be condemned.<sup>34</sup>

So too, after the war, the Procurator General described the role of COMINT as “impossible to over-estimate”: “without it hardly any evidence would have been available by which goods in the Prize Court could have been condemned.”<sup>35</sup> Normally, COMINT is used as a form of intelligence, and occasionally (as with wiretaps in criminal cases) as a form of legal evidence: in this rare case, it could be fully used for both purposes. Blockade intelligence was perhaps the greatest instance in history where COMINT was not simply a form of secret intelligence.

## Intelligence Impacts

Intelligence let Britain monitor the activities of neutrals and friends, and enabled the system of NAV-ICERTS and the rings of firms in foreign countries through which Britain managed the blockade, with the optimum mixture of ease and security, and so prevented or punished treachery. Meanwhile, intelligence and the working of the system of inspection and law had a broader political impact.

To be trapped by this system terrified businesses. Innocent vessels and cargoes could be held for months, disrupting shipping schedules and endangering firms; guilty ones could lose their property. British files are filled with pathetic appeals from small traders pleading for mercy from His Majesty's Government. All firms wished to avoid these risks. That end could be achieved by cooperating with Britain, which also offered the chance for unusually high profits.

The combination of any of several means—COMINT, the detention of ships at ports of control, Prize Courts, denial of access to coal or cables, being named on public Black Lists or the fear of being entered on secret ones—gave Britain extraordinary power against firms, which made even the greatest of them choose to play by “Marquis of Queensbury” rules.

Thus, Britain and France were enraged in 1915-16 by bitter attacks from the Hearst press, combined with COMINT showing that its sympathies often were pro-German. Hence, after the United States entered the war and Hearst's influence no longer was a political problem to them, and when he was besieged by the American government and rival newspapers, Britain and France, seeing their enemy in water up to his neck, took the chance to push him in deeper. They prevented his reporters from sending stories by cable, crippling his content, and his business. To end this damage, William Randolph Hearst surrendered with this formal, if secret, pledge:

I am perfectly friendly to England, as friendly as I know how to be ... While, as I said, I am going to do my utmost to aid the United States and England and France and all the nations associated in this war against Germany, it would nevertheless be helpful, and at any rate a matter of justice, if this embargo were lifted and no restrictions put upon our efforts and no reflection put upon our motives.<sup>36</sup>





**James Mann (right) with Speaker of the House Champ Clark, 1911-1919**

## COMINT and Enforcement

The odd nature of this power, and its relationship to COMINT, is illustrated by the “*Kim* case,” the central legal decision about the blockade.

### Illustration

In November 1914 Britain stopped four American ships, including the S.S. *Kim*, sailing for Copenhagen with a fortune in meat and lard. The British stopped them because of strong evidence, from its consuls in Chicago and Copenhagen, that when this cargo reached Denmark, it would be transshipped to Germany. Once these vessels were seized, the cargo began to go bad, so Britain seized and shipped it to hungry soldiers. Hence, the meat packers changed their strategy. They offered not to protest the seizure so long as Britain paid for the meat—at the price it would have procured at Copenhagen.

Meanwhile, the meat packers sent smaller shipments of meat to neutral ports and used their formidable political power in Washington, telling the British ambassador that unless their aims were met, they would exert public “pressure” through James

Mann, congressman from Illinois and the Republican Party minority leader in the House of Representatives. The ambassador later warned that Mann “is a packer’s man and is dangerous. Also packer’s political and financial influence is strong in [the] Middle West, and they are assuming character of protectors of farming interest.”

To end the squabble, British authorities were willing to buy the condemned meat, but at a lesser price. The value of the cargo was disputed, but estimates varied around £2-4 million. One Treasury official placed it at “nearly 3 million sterling,” or \$15 million (about \$330 million in 2010 dollars). While the Foreign Office was “quite ready to expedite these negotiations,” the firms “intended evidently to string out negotiations and meanwhile to put goods into Germany through every neutral port.” Britain’s offer also depended on, as Crowe wrote, “the probability of obtaining condemnation.” The Procurator General doubted he could win the case.<sup>37</sup>

Then COMINT transformed the case like lightning. It had been secondary in the decision to stop the convoys, just providing hints to confirm the

reports of the consul in Chicago. But in 1915, the WTID's re-indexing of old cables enabled discovery of proof that two of the six meatpacking firms had planned to sell their goods to Germany augmented by letters which an informant provided on one of them. The hard-bitten lawyers of the Procurator General's Department noted privately that "the success of the Crown was very largely due to statistical evidence" that the cargoes were too large for any American sales in Denmark, a large meat exporting country, with "the intercepted cables supplying the necessary atmosphere of suspicion though affording surprisingly little direct evidence on the question of destination."

On this basis, the Prize Court condemned the property of the meat packers. Britain had a hammer against the firms, which it swung like thunder. It declared contraband the shipments which clearly had been intended for Germany, expropriating much of the property of those firms, as an example. Britain then made a one-time and time-limited offer to the firms.

It would pay for the remaining cargoes, but at the price they would have received in London. Britain would withhold fifty percent of that price until after the war, and pay it only to firms which made no further attempts to ship goods to Germany. Britain also insisted that the firms report every instance they discovered of attempts to ship contraband. Beyond that, off the formal record, the meatpackers were made to leash their dog in the House of Representatives, and press Mann to heel behind the Entente: the Procurator General offered terms even this generous to the meatpackers only because the Foreign Office emphasized the importance of this matter.

Crowe noted that, with the 1916 election looming, Foreign Secretary Edward Grey was "anxious for political reasons to obtain a settlement at the earliest possible date and therefore considers that the sacrifice of accepting the latest offer of the packers as

it stands must be made"; but also "that it would be desirable to intimate to the packers in some form that in meeting their demands in this conciliatory spirit we are trusting to their influence in stemming the anti-allied agitation in America."

The firms accepted these terms, which were enforced by the power of the censorship authorities. As Arnold-Forster noted, the meat-packers' agreement provided "complete control" over the trade, and bought the meat at 75 percent of what it would have cost to buy in London, not to mention Copenhagen.<sup>38</sup> The packers kindly provided their wares to Whitehall well below the market price, with their political support in Washington thrown in to sweeten the meat. These events were a model of the value of intelligence both for blockade and economic warfare.

### Limited Impact: Finance

Another example, however, shows the limits even to excellent intelligence. Blockade was slowest to move as regards finance, which it did not really touch until autumn 1916. That failure created dangers in economic warfare. Working through neutral banks (and thus, indirectly, through British financiers in the City [London], even three years into the war), Germany could purchase kroner in New York with American dollars and use them to buy goods in Stockholm, so sheltering the exchange rate of the mark; or it could buy zinc in Peru with hard currency and move it to American harbors, stockpiled beside interned merchant ships. Then, in case of an armistice, Germany immediately could ship such goods home, strengthening its position for a future war. This danger concerned British intelligence, the Admiralty, and the Foreign Office: in 1916 Admiral Hall even perceived a German "intended bid for mercantile supremacy after the war."<sup>39</sup>

On these issues, intelligence was admirable, but action was hard. Censorship, especially from wireless interception, made it easy to trace these efforts and to punish neutral banks, simply by withdrawing

cable privileges from them. British financial authorities, however, feared playing this game too hard, for fear it would drive foreign firms from the City, and so threaten their fundamental aims, to maintain the international capitalist system, and Britain's place in it. They opposed any harsh actions until, as Brian Cockayne, the chairman of the Bank of England put it, Britain was in the "last ditch."<sup>40</sup>

In 1915-16 ministers were evenly divided between men who wished to avoid "great friction not only with the Bank but in the City generally" and those who complained that Cockayne felt "entitled to decide on the blockade policy of the Government and to withhold or grant financial assistance according as he approves or disapproves of their policy."<sup>41</sup> Hence, British authorities played carefully.

In August 1915 they informed all British firms dealing with Irving Bank of New York that shortly its access to cables would be blocked, because of its constant dealings with German firms. This knowledge led to Irving's offer to abandon dealings with German firms, which Britain accepted largely because it knew that COMINT could monitor the issue. This instance, along with a similar French action against Societe de Credit Suisse, were intended as examples to frighten foreign firms into voluntarily adopting behavior which the allies could not force onto them.<sup>42</sup>

### Finance: Limits Mitigated

From mid-1916, however, Britain began more systematically to hamper German financial dealings, and also to shape speculation in exchange rates, both to ease pressure on sterling and increase it on the mark.<sup>43</sup> Only when the issue reached the last ditch, the defense of sterling and the gold standard, were the Treasury and the Bank of England happy to tolerate state interference in private enterprise, though both soon were forced to follow the Lloyd George government's policy of winning the war.

A Finance Section of the Ministry of Blockade was established to "dis-arrange and hamper, so far as possible, the financial system adopted by the enemy in the circumstances of the war," especially its ability to use "the considerable funds accumulated in various ways" in the United States. This Section sought to exploit London's status as "the great Clearing House for the financial transactions of the world," without damaging it by driving neutral bankers to work directly with New York rather than through the City.

The Finance Section acted through "firstly, the detection and blocking of the chief channels used by the enemy, and, secondly, the detection and prevention of particular transactions." It had the full-time assistance of "three of the foremost foreign exchange Authorities in London." Its sources were statistical, weekly returns of the dealings of British banks in various currencies and exchange rates across the world, and the assessments of English financiers, but above all cable and wireless intercepts. Its primary modes of action ranged from "hint(s) to Banks in the U.K. that it was undesirable to deal with certain firms—a policy which these Banks always had loyally acquiesced in and always would do so"—to blocking the cables of specific firms.<sup>44</sup>

However, Britain did not really exploit its extraordinary intelligence and power in this case until the United States entered the war. Between July 1916 and February 1917, German banks sold \$135 million of American currency through neutral banks in New York, apparently all that they wished to sell.<sup>45</sup> The American entry into the war largely ended the problem, allowing the allies to guide the use of their hammers with remarkable precision, though at smaller targets. Britain's efforts in this instance were limited by particular concerns, but they also illustrate general problems involved when states try to use COMINT to control the behavior of major financial institutions.

## Developments 1917-1918

Financial warfare wasn't the only area changed by the entry of the U.S. into the war; enforcement was considerably eased, even if censorship was complicated.

### Enforcement Eased

The evidential system worked better than Cecil and Arnold-Forster allowed; it wore down foreign firms and states and made them willing to cooperate with the blockade as a lesser evil. It inflicted enough punishment and coercion to make persuasion possible. They were right, however, to emphasize the cost of this success, as well as correct that the rationing system was more effective and less costly, and therefore superior from the perspective of economic warfare.

COMINT helped Britain to learn this lesson, but in so doing pride of place passed from the WTID to the WTSD (the War Trade Statistical Department). Blockade became even easier with the United States' entry into the war. Now, under American law, United States firms could not trade with the enemy, and Washington voluntarily—enthusiastically—supported British restrictions on shipments to the European neutrals. In 1917-18 blockade continued to function as it had done in 1916, based as ever on intelligence, but it was much easier to enforce.

### Complications in Censorship

The American entry did, however, cause some complications for censorship. Though British authorities aided the creation of a system for censorship in the United States and linked it to the existing Anglo-French one, they also wished to limit American ambitions and fears. The Director of Special Intelligence thought it "important not to give the United States Government any grounds for insisting on taking over themselves the control of the mails at present censored by British or French Officers." He ordered his men to take "every pos-

sible precaution... to avoid anything that might give rise to the imputation that H.M. Government are using the Censorship for the purpose of securing trade information for the guidance of British firms in extending their commerce abroad."

So too, the Admiralty Trade Division opposed any exchange between British and American censors of telegrams that one had passed, but the other had stopped, because it might "have far reaching and embarrassing results." Different attitudes toward suspicious cases "will, I think, inevitably lead to the accusation of favoring British trade at the expense of Americans."

American critics of the censorship did make such claims, with some reason. As part of their campaign of economic warfare, states were using their power to destroy German firms and to replace them with allied ones. Hence, when censorship showed means to harm a German firm and steal its trade, Whitehall encouraged British ones to act and advised them as to how. Usually it did so only by providing consular and press reports, but sometimes it gave them COMINT, though officials noted "the extreme importance of discretion in handling such matters."<sup>46</sup>

Thus, Whitehall probably did pass some information taken by the censors from American firms to British businesses, though in an episodic rather than a systematic fashion, but its chief reservations about the United States were less mercenary. Ample experience suggested that some American firms retained close ties with German ones, and might work with them after the war ended, or even during it, so thwarting the blockade and forcing delicate negotiations with Washington. Such efforts did, incidentally, begin once the armistice was declared but before the peace was signed.<sup>47</sup>

British authorities wanted to be able to monitor and hamper such developments, which might radically improve Germany's relative ability to recover from the war, or to fight it. Whitehall did not trust



Washington to share that view, because Britain and the United States differed over the aims of economic warfare with Germany, especially as regards Latin America.<sup>48</sup> In any case, Britain managed to maintain its power in blockade because American authorities did not challenge the Anglo-French blockade until after the Armistice.

### Technical Peak

During the last eighteen months of the war, the WTID worked at its technical peak of performance, but that effort mattered less than before. Blockade had become far simpler to maintain, while the WTID focused its efforts on aiding a campaign of economic warfare that never was realized. In June 1917, for example, it offered a thorough assessment of the actions of German metals firms and their relations with businesses in the United States or Spain, assessing how they might act in case of a compromise peace, which would allow Germany to import substantial quantities of metals.<sup>49</sup>

The WTID provided detailed assessments of the behavior and policy of firms across the world, to support attempts to destroy German businesses in Latin America, and replace them with Entente ones. Decision makers regarded such work as important. Even in mid-1918, a leading Foreign Office figure, William Tyrrell, could argue,

There is no doubt whatever that the matter which more than any other is now occupying the attention of the thinking and influential people in Germany, is the difficulty which they will be under of getting raw materials as soon as the war stops; the fear that they will be debarred from this is one of the most powerful levers which we have to influence them...The important thing is that the Germans should know that we have the power to do this if we wish and will use this as an instrument in negotiation.<sup>50</sup>



**William Tyrrell, a leading Foreign Office figure**

The value of this work declined because the allied victory meant that Britain did not actually have to pursue the policies which the WTID had labored to support.

### Conclusions

In terms of composition, organization, and procedures, the areas of COMINT during the First World War which most approaches its modern practice were blockade and economic intelligence. The NSA and GCHQ are more like the censorship arm and WTID than they are, say, Room 40. Even more: given the degree of British power in the main factors at play—warships, finance, communications and intelligence—this is among the historical cases where international law was most like jurisprudence within a state, being backed by near-sovereign power in detection and enforcement. For all of these reasons, this issue deserves wide attention from many communities.

The impact of intelligence on the blockade was substantial, but it is not simple to judge. Blockade had heavy costs for Britain. It created extraordinary problems with every neutral power, which could have reshaped the war: that this did not happen is a triumph of British diplomacy. Even so, the managers of the world economy were applying one hammer to the machine, precisely as the U-boats did with another, which had consequences after the war.

The blockade did not really begin to bite until 1916. The American entry into the war automatically eased its biggest problems. Much of what was done with intelligence after April 1917, when the system worked best, supported a policy of economic warfare which became unnecessary when Germany collapsed.

Nor is the effect of blockade on the Central Powers simple to assess. Its greatest effect was to reduce the food available to enemy populations, to attack their morale, and to drive Germany into its disastrous effort at counter-blockade, through unrestricted submarine warfare. In these areas, blockade intelligence had limited direct effect, though it did define the structure which supported these outcomes. The greatest impact of the blockade, and of its intelligence, conversely, was over the import of raw materials, which crippled the German war economy, but did not destroy it.

Nonetheless, intelligence was a major part of the significant factor of blockade and economic warfare. Perhaps its greatest consequence was to enable effective management. Blockade was all too easily employed as a battleaxe rather than a scalpel. It could damage relations with firms and states in a counterproductive fashion; intelligence helped Britain to wield it with some accuracy. The effect of the blockade still is a vexed question, but intelligence was a fundamental factor on the margin, minimizing the damage to Britain while maximizing that on the enemy. Without the intelligence provided by the censorship authority, the WTSD, and the WTID,

the blockade would have failed, or else caused more damage to Britain than Germany. Instead, it was an important contributor to Germany's defeat.

## Notes

1. The best account of the blockade, with frequent references to the role of intelligence and COMINT, remains Archibald C. Bell, *A History of the Blockade of Germany, and of the Countries Associated With Her in the Great War, Austria, Bulgaria and Turkey, 1914-1918* (London: HMSO, 1937). A useful recent study is Eric C. Osborne, *Britain's Economic Blockade of Germany, 1914-1919* (London: Frank Cass, 2004). Good works on the intelligence side are Greg Kennedy, "Intelligence and the Blockade, 1914-17: A Study in Administration, Friction and Command," *Intelligence and National Security*, 22/5 (October 2007), 699-721, and Jonathan Clay Rendel, "Information for Economic Warfare: British Intelligence and the Blockade, 1914-1918," (PhD diss., University of North Carolina at Chapel Hill, 1993).
2. CC (TBS)-7, CAB 15/21.
3. Compare Admiralty to Home Fleet, 26.10.11, to Admiralty to Commander in Chief Home Fleet, 11.7.14, "War Orders No. 1 (War with Germany)," ADM 137/1936. Other useful sources include, memorandum by Slade, 12.1.16, *passim* ADM 137/1164; memorandum by Ottley, 17.2.11, *passim*, CAB 17/87; and the minutes and memoranda of The Sub-Committee on Trading with the Enemy in Time of War (1911), CAB 16/18A and The Royal Commission on Supply of Food and Raw Material in Time of War, ADM 137/2872. For prewar British thinking about and preparations for economic warfare, see David French, *British Economic and Strategic Planning, 1905-1915* (London: HarperCollins, 1982).
4. ADM 186/603, memorandum by W.E. Arnold-Forster, Lt. Commander RNVF, undated, "The Economic Blockade, 1914-1919," 36.
5. Nineteenth Meeting of the Royal Commission on the Supply of Food and Raw Material in Time of War, 5.11.03, ADM 137/2872.

6. Minute by Crowe, 25 December 1914, FO 368/1162.
7. John Ferris, "Now that the Milk is Spilt": Appeasement and the Archive on Intelligence," *Diplomacy & Statecraft*, 19/3, September 2008, 527-565, and "British Intelligence and the Old World Order," in Greg Kennedy (ed.) *Imperial Defence, The Old World Order, 1856-1956* (Rutledge Press, 2008), 176-96.
8. DEFE 1/130, History of Cable Censorship, 1914-1919, 51; Fourth Report of the Finance Section of The Ministry of Blockade, 30.6.17, Note by the Finance Section on Messrs. Pierson & Co., 21.6.18, FO 902/37. For mail censorship, cf. DEFE 1/131, History of Postal Censorship, 1914-1919.
9. Memorandum by de Brock, undated, but circa December 1916 according to internal evidence, "Strength of the 10<sup>th</sup> C.S.," ADM 137/1910. This draft memorandum does reflect the views of the Grand Fleet on this issue.
10. Table A, Neutral Vessels Passing Through British Blockade Zone, (Period 1<sup>st</sup> July—21<sup>st</sup> December 1916, passim, ADM 137/1212; Minute by Director, Intelligence Division, 1.11.17, ADM 137/1373.
11. Memorandum by Emmott, 27.3.19, CAB 15/6/4
12. ADM 186/603, memorandum by W.E. Arnold-Forster, Lt. Commander RNVR, undated, "The Economic Blockade, 1914-1919," 62-63.
13. Webb to Hopkins, 25.5.16, FO 381/935; "The Censorship, with Particular Reference to the work of the Procurator General's Department," by C.D.N., 19.6.16, TS 13/138 A
14. Minute by Cecil, 12.3.16, FO 382/636, 35107
15. ADM 186/603, memorandum by W.E. Arnold-Forster, Lt. Commander RNVR, undated, "The Economic Blockade, 1914-1919," 58.
16. Treasury to Postal Censorship, 23.8.16, T 1/11960.
17. DID to Foreign Office, 1.3.18, Director of Special Intelligence to FO 8.3.18, FO 382/2110, 39020, 44460.
18. DEFE 1/130, History of Cable Censorship, 114-15.
19. DEFE 1/130, History of Cable Censorship, 92, 106-08, 116-17.
20. ADM 1/8408/1 Undated and unsigned memorandum, "The Admiralty's N.F.T. Index."
21. ADM 186/603, 58.
22. General Black List Committee, meeting 17.7.16, TS 14/24.
23. ADM 137/2735, Meeting at Trade Clearing House, 11.3.16: FO 902/36, 3<sup>rd</sup> Ministry of Blockade Committee meeting, 1.2.17; Undated and unsigned memoranda, but late 1918 by internal evidence, "A, Origins and Development of the War Trade Intelligence Department" and "B, War Trade Intelligence Department," BT 61/12/7.
24. Minute by Vansittart, 26.2.16, FO 382/911, 31016; minutes by Keynes, 22.5.16, passim, FO 902/38.
25. Minute by Cecil, 20.10.16, FO 382/945, 208145.
26. ADM 137/2735, Meeting at Trade Clearing House, 11.3.16.
27. CAB 15/6/4 Memorandum by Emmott, 27.3.19.
28. ADM 186/603, memorandum by W. E. Arnold-Forster, Lt. Commander RNVR, undated, "The Economic Blockade, 1914-1919," 54-5.
29. DEFE 1/130, History of Cable Censorship, 34-35, 106-08, 14-15.
30. WO 208/3568.
31. The range of his sources is well illustrated by FO 382/1311.
32. Foreign Office to Treasury, 26.4.19, Procurator General to Treasury, 5.5.19, T1/12319/18761.
33. ADM 186/603, memorandum by W. E. Arnold-Forster, Lt. Commander RNVR, undated, "The Economic Blockade, 1914-1919," 108.
34. Undated memorandum, "Censorship," by K.H.S., but circa 1916 by internal evidence, TS 13/138 A.
35. DEFE 1/130, History of Cable Censorship, 136.
36. "Statement dictated by Hearst and handed to Col Murray. 2<sup>nd</sup> January 1918," Murray of Elibank MSS, National Library of Scotland, MS 8805.
37. Washington embassy to Foreign Office, No 277, Commercial, 16.12.14, FO 368/1162; Washington embassy to Foreign office, No 2600, 24.11.15, TS 13/15A; Minute by Crowe, 5.1.15, Foreign Office to embassy, Washington, telegram No

- 201, 26.3.15. FO 382/4, 1355, 32973; Barstow to Bradbury, 22.9.15, TS 13/301 A; 24<sup>th</sup> Report of Restriction of Enemy's Supplies Committee, ADM 137/2988.
38. ADM 186/603, memorandum by W. E. Arnold-Forster, Lt. Commander RNVR, undated, "The Economic Blockade, 1914-1919," 57; Minute by Crowe, 24.2. 16 TS 13/15 B; "The Censorship, with Particular Reference to the work of the Procurator General's Department," by C.D.N., 19.6.16, TS 13/138 A. TS 13/15 A has copies of most of the documentation on the Kim case.
39. Minute by Hall, 22.3.16, memorandum by Director, Trade Division, 17.5.16, ADM 137/4354; memorandum by Arnold-Forster, 6.7.16, No 894, ADM 137/2913; Memoranda by WTID, 22.9.16, "Germany's New Merchant Vessels, 1914-6," RECO 1/335; WTID to Reconstruction Committee, 5.9.17, memorandum by WTID, "German Merchant Shipping, July 1916, to July 1917," RECO 1/337; cf. FO 382/1778, 84050.
40. Cockayne to Pollock, 8.2.16, CAB 39/69.
41. McKenna to Cecil, 30.5.16, Cecil to McKenna, 5.6.16, T 172/372.
42. Affidavit by Irving National Bank, 11.10.15, FO 115/1871; cf. FO 371/2812, 896, passim, FO 371/2544.
43. DEFE 1/130, History of Cable Censorship, 25-26.
44. FO 902/37, 10.16, "Report of the Finance Section of the Ministry of Blockade"; Meeting War Trade Advisory Committee, 4.1.17, CAB 39/108.
45. Third Report of the Finance Section of the Ministry of Blockade, 16.2.17, FO 902/37.
46. DSI to FO, 11.6.17, FO 382/1776, 117381, 63183; Trade Division 11.2.18 to Hugessen, "U.S.A. and British Censorship"; FO 395/257, 27378; Memorandum by MTZ, 29.8.18, BT 61/12/7.
47. Minute by Percy, 12.3.19, WO 32/4899.
48. Director of Special Intelligence to the Foreign Office, 2.2.18, FO 382/2107, passim; memorandum by Ministry of Blockade, "Proposed Economic Offensive," 21.9.17, FO 833/18; memorandum by Director of Trade Division, 28.6.18, passim, ADM 137/2828.
49. WTID to Foreign Office, 12.6.17, MUN 4/2199; memorandum by WTID, "German Activities in Spain," 31.7.18, ADM 137/2913.
50. William Tyrrell, 21.5.18 to Hankey, CAB 21/108



# Part 2: The Tale of the Trust: The Myth of Soviet Deception of British Intelligence in Russia, 1919-1927

## Summary

This paper will examine the relationship between the Trust, a Soviet deception organization, and one of its targets, British intelligence against the USSR.



**Felix Dzerzhinsky,**  
**first chief of the GPU in 1918**  
(Photo courtesy of Commons: RIA Novosti)

The question is how far the Trust affected British intelligence. The Trust purported to be a widespread underground organization within the Soviet government, able to subvert or replace the communist regime. If the Trust did influence British intelligence and policy, its influence should be detectable in the records.

Thus, after considering the Trust itself, we will consider two Trust successes, then consider what the existing documentation is, which might contain evidence of further successes. One apparently failed attempt will be examined as well. Finally, the evidence will be assessed for Trust influence, and appropriate conclusions will be drawn.

## The Trust

During the 1920s Soviet intelligence and security agencies attempted to ensnare opponents based outside the USSR, primarily émigré Russian politicians but also foreign espionage organizations. The *Gosudarstvennoye Politicheskoye Upravleniye* (GPU, or State Political Directorate) used a ruse as part of its effort. It created an organization named “Trest” (the Trust), which purported to be a large and well-organized group of monarchists within the USSR. These supposed monarchists had infiltrated the organs of the Soviet state, which they were in a position to sub-

vert. To give the story credibility, the GPU trapped some real and well-known monarchists within Russia, who, along with its own officers, were used in an aggressive campaign to contact figures abroad. The Trust succeeded in penetrating and disrupting monarchist émigré groups.

The Trust also has been given credit for doing the same, in various ways, to all Western intelligence agencies of the day, which we will assess in this paper.

### Influential Idea

The tale of the Trust has become one of the most influential ideas about the modern struggle between secret intelligence agencies, and almost synonymous with the working of Soviet espionage. The assumption has been that the latter routinely used controlled agents to deceive foreign intelligence agencies, and did so with success. This idea affected the actions of the CIA during the 1960s and has remained a staple among international media.

### Cautious View vs. Sensational

Scholars of intelligence, however, have been more cautious about the Trust. They have described its work in detail and suggested that it fooled Western intelligence services to varying degrees, without offering specifics, although the strongest authorities on the topic, such as Christopher Andrew, Andrew Cook, and Keith Jeffery, indicate that its success against British intelligence was limited. Cautious comments, however, have done nothing to challenge sensational views, while some serious scholars believe that the Trust did have great success against Western intelligence agencies.<sup>1</sup>

### Similar Efforts

Prima facie, this case is plausible, because the Trust was not an entirely unique matter, contrary to the usual supposition. From 1917 to 1918 Britain used controlled agents to support a campaign of strategic deception against Germans and Turks in the Middle East.<sup>2</sup> During the interwar years, intel-

ligence agencies used controlled agents and practiced deception through them, whether Poles versus Germans, Italians against French, or Germans with British.

In this context, the Soviets simply deployed an elaborate version of conventional techniques against their internal foes, one which they had learned in turn through experience with the Tsarist Okhrana. The Trust was intended initially to deceive and capture anti-Soviet émigrés, but success against them gave the GPU greater opportunities. When working against the USSR, all foreign intelligence agencies drew heavily from these same groups of émigrés, thus exposing the foreign agencies to manipulation from Moscow, or from espionage entrepreneurs trying to sell false documents forged in the Russian diaspora.

Generally, the Trust has loose parallels to the later intelligence system of Malcolm Christie and Robert Vansittart, the Permanent Under Secretary of State at the Foreign Office, which, between 1934 and 1939, gathered data from both leading Nazis and many opponents of the regime. This situation exposed Vansittart and Christie (and, through them, Whitehall) to efforts at deception from several parties, including Hermann Goering and the Abwehr. This deception, however, was sporadic, while Vansittart and Christie understood the danger and accepted it as the price to acquire good intelligence.<sup>3</sup> Exposure to fraudulent and deceptive material is a cost of doing business for collectors of human intelligence.

### Known Successes

Two clear successes by the Trust are known, one short-lived and relatively obscure, the other more lasting and quite famous. Familiarity with them will aid in assessing whether there are others to be discovered within the known documentation.

### Short-Lived Success

In 1927 British military intelligence in Shanghai was deceived for several months by a Soviet agent in

Shanghai, Eugene Piek.<sup>4</sup> But this was a short-term success, without major impact.

### Sidney Reilly: The Example of a Trust Success

The case for a sizeable effect by the Trust on British intelligence centers on one man and one significant, sensational success. Sidney Reilly, born Sig-mund Rozenblum in Ukraine in 1874, was a British intelligence officer between 1918 and 1921, well known to his peers and to British officials. He was an adventurer and fabulist, charismatic, especially to women of a certain sort, with a mixed reputation.<sup>5</sup> In 1918, while working in Russia, he instigated an abortive plot against the Bolsheviks which compromised Britain's senior diplomat in Moscow, Robert Bruce Lockhart, and other Western ambassadors. British army intelligence later claimed that it had sent Reilly to Russia solely to deal with military matters, and had warned him not to "get into any official positions or to get mixed up with politics."

Reilly had disobeyed those orders and subsequent instructions to leave Moscow for Siberia "away from the Political atmosphere in which he was being involved." Military intelligence had other complaints against Reilly. They found him unscrupulous and "these wives of Reilly... rather tiresome."<sup>6</sup> Nonetheless, military intelligence and the Foreign Office remained impressed by Reilly's reports and qualities. In 1917 they had little knowledge of and few contacts with the Russian left.<sup>7</sup> In this context, Reilly had obvious qualifications. As R.H. Campbell, the Foreign Office liaison officer with the Secret Intelligence Service (SIS), noted, Reilly "is able to pass as a Bolshevik and obtained a passport from Litvinoff," the Soviet representative in Britain.<sup>8</sup>

During 1920, on behalf of SIS, Reilly organised an "anti-Bolshevik intelligence service" in central Europe. This service, jury-rigged from Tsarist intelligence and military officers in exile and officials of local governments, was loosely led by Vladimir Gregorievich Orlov, once a Russian intelligence officer.

In 1921, however, as Britain cut expenditure on intelligence and abandoned the policy of intervention against Russia, SIS ceased to work with or subsidise Orlov, or Reilly. These actions created problems for intelligence then, and evidence today. Orlov's agency shaped news or rumours about Russia and continued an anti-Bolshevik crusade, but soon fell victim to the Trust. Initially, it had credibility among foreign espionage agencies but that reputation collapsed, as many of its members became intelligence entrepreneurs, forging and selling Soviet documents, while Germany and the GPU manipulated others. Orlov's echo chamber became polluted with forgeries and disinformation, and then flooded the airwaves. Thus, during the 1920s, even a good espionage system which penetrated Soviet agencies and avoided the Trust, still would collect forgeries and disinformation. This situation hampers historians seeking to judge the quality of these services solely from their reports, or the parts which are in the public domain. The full story can be garnered only through full access to archives on Soviet and western intelligence agencies, which is not imminent.

By 1921 the Foreign Office and SIS broke with Reilly, but his connections remained powerful at the highest levels of the state and the middle echelons of British intelligence. In late 1921 the war minister, Winston Churchill, pressed the foreign secretary, Lord Curzon, about the émigré Russian politician Boris Savinkov (or Savinkoff). In particular, Churchill claimed, Savinkov had been approached to join the Soviet government by its representative in London, Leonid Krassin. This statement, retorted the permanent under secretary and the direct overseer of SIS, Eyre Crowe, was inaccurate:

According to what C [the Chief of the Secret Service, then Mansfield Cumming] has been able to ascertain it was Savinkov who approached Krassin but met with a far from favorable reception...I should have mentioned that we are still awaiting from our Passport Control Officer at Paris an

explanation of how he came to grant a visa to Savinkoff enabling him to come to London, when it had been decided here not to grant such authority. I have meanwhile ascertained that the notorious Mr. Reilly, who has always been a close friend of Savinkoff, and who is also in touch with Mr. Churchill, recently tried to get C to instruct the Passport Control Officer at Paris to grant a visa to Savinkoff. C refused. Reilly thereafter went to Paris and is known to have seen the Passport Control Officer; evidently he persuaded him somehow to grant the visa.

Then, Reilly engineered Savinkov's meetings with Churchill and Krassin, and "possibly" involved even Prime Minister David Lloyd George in these activities.<sup>9</sup>

Despite this hostility from the heights of SIS, Reilly retained some credibility among British intelligence officers, and ranked high on the USSR's enemies' list. In 1925 he was trapped by the Trust: he was lured into entering the USSR where he was arrested, interrogated, and executed. In 1927, the same year as the success against Piek, the Soviet newspaper *Izvestiya* announced Reilly's death, and outlined the broadly accurate confessions it said he had made about his work with British intelligence. In discussing a Parliamentary Question on the matter, Neville Bland, the Foreign Office liaison officer with SIS, recorded this mixed tribute:

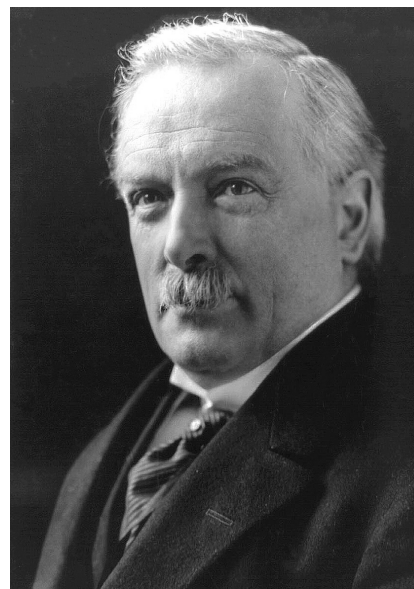
It is perfectly true that we did at one time make considerable use of Reilly. He was a man of great courage, inspired by a virulent hatred of the Bolsheviks, which, coupled with a somewhat unscrupulous temperament, made him a rather double-edged tool. This did not prevent people in high places, including Mr. Lloyd George, from coquetting with him. Another of Reilly's characteristics was to exaggerate his own importance and go about boasting of his subterranean activities: this tendency accounts not only

for the publicity which has obtained, but also in all probability for his fate...In all the circumstances, I think the less that is said in answer to this question, the better.<sup>10</sup>

## Documentation

The documents on British policy toward the USSR are excellent. The records for British communications intelligence, especially from the Government Code & Cypher School (GC&CS), are complete for the 1920s. Those on security and human intelligence are good, if incomplete, for 1919-23, when reports from SIS, MI5, Special Branch, Indian Political Intelligence, and the Criminal Intelligence Department (CID) of India, were routinely entered in operational files, making their impact easy to judge. Even more, these SIS reports also attribute specific items of information to sources who are described both by their codewords and through detailed accounts of their background and access.

The quality of this evidence is damaged by a 1924 change in the mode of recording such documents



**Prime Minister David Lloyd George, 1913**  
(Photo courtesy of Library of Congress)



in policy files, making SIS reports rarer and their description of sources sketchier. Still, much material from security and human intelligence agencies from 1924 to 1930 remains available, and its impact on policy can be discerned. British politicians and officials paid ample attention to intelligence, and their debates on policy often centered on it, particularly as regards Russia. Public or official means usually provided little information on the actions or intentions of the Soviet government, the most secretive on earth, making secret sources unusually important.

### UK, SIS Success vs. USSR

Certainly, from 1917 to 1921 Reilly and his SIS colleagues produced much intelligence, which often was good and appreciated by their superiors. In particular, with help from Reilly, Paul Dukes ran a successful agency in Petrograd, where he worked undercover for several years, generating useful and accurate reports on social, political, and economic conditions in Russia.<sup>11</sup> Even at its peak, however, this system was just one element of a multipronged effort. Its power declined after 1921, though some of its parts no doubt were inherited by SIS stations in the Baltic States.

Meanwhile, from 1918 security services penetrated the Communist parties throughout the British Empire, by exploiting the full range of sources available—telephone and letter intercepts, bugs, agents, and defectors—against attackers who, initially, were amateurish. These defensive sources illuminated the actions of local Soviet agencies and enabled penetration of the Comintern, which at that time was the main Soviet agency for external subversion and espionage. This work rose steadily in value throughout the 1920s, augmented by efforts against Soviet embassies, the Comintern, and the local nationalist movements to which it was affiliated, in Asian countries like Egypt, Persia, and China (the latter handled by two powerful agencies, SIS and the Shanghai Municipal Police).

These sources enabled Britain to monitor Soviet efforts at subversion and deception across the world, and thus to draw strong inferences about policy in Moscow. They also provided many documents sent to Communist parties abroad from the Comintern. Even in the 1930s, when it had no agents within the USSR, SIS remained able to acquire significant material from the Comintern.<sup>12</sup>

### SIS Istanbul

At the same time the Trust arose, a major UK center for human espionage emerged south of Russia. In 1920 and 1921 the Istanbul station was among SIS's largest, with eight officers, six clerical staff, and representatives from the Army and Navy. It also was unusually well financed, receiving £2,200 per month for all operating expenses. The agency was run by the SIS and the Government of India; its main personnel, including the head, Major Valentine Vivian, were drawn from an excellent intelligence and counterintelligence bureau, the CID.

Vivian had been attached to Indian forces in the Middle East during the First World War to monitor Turkish attempts to subvert Muslim soldiers through Pan-Islamism. That remained his initial task when he was sent to Istanbul in October 1918.<sup>13</sup> From 1919 to 1921 the agency focused on Bolshevik and Pan-Islamic schemes among Muslim states, including efforts to subvert India (which Vivian described as “the hardest worked section as it is largely the *raison d'être* of the organization”), focusing on Russians as intelligence sources; it ran some of the SIS's successful penetration of Soviet bureaus between 1920 and 1923.

Cumming wrote, “My agency in Constantinople is one of the most important, if not the most important, of all my agencies”; the head of his Military Intelligence section, MI1c, thought “a better service of information has never been organized regarding events in the Near East.” In early 1922, however, the organization collapsed, when the Government of India demanded the return of its personnel, includ-

ing Vivian. This event crippled the SIS in Istanbul—Cumming, “staggered,” even contemplated abandoning the station.<sup>14</sup>

## SIS Section V

These changes, even the collapse of the Istanbul Station, however, brought broader benefits, as Vivian resigned from the Indian Police to join SIS. He became head of Section V, whose function switched from political intelligence to counterintelligence.

For the next twenty-five years, Vivian oversaw SIS’s counterintelligence struggle against Soviet espionage and the influence of broader forces such as Pan-Islamism and the Comintern on anticolonialist movements in Asia. Though the outcome, from the SIS appointment of Kim Philby to the fall of the British Empire, might seem proof of Vivian’s incompetence, the story is more complex than this.

Vivian was an able officer who scored a run of successes against the Soviets and had limited responsibility for the failures, where the main weakness was appalling security failures by the Foreign Office; until 1939, the balance sheet lay on his side of the ledger. The ample documentation on the work of British intelligence against Soviet and Pan-Islamic conspiracies in Asia between 1919 and 1925, matters to which Vivian was central, show that he and SIS were able to collect and compare information from many sources against hidden and complicated enemies.

Though he (and SIS) suffered from the characteristic common among counterintelligence officers—overstating the existence and the significance of conspiracies—his judgment was solid enough, as was his experience with difficult sources and conspiracies. He could change his mind on major issues when the evidence required it. He knew what good evidence was. He collected much of it. He was familiar with lies, forgeries, deception, and conspiracy.<sup>15</sup>

Vivian, rather than Reilly, is the key figure to remember when assessing the success of the Trust

against British intelligence. When it attacked British intelligence, the GPU was engaging professionals rather than fantasists.

## SIS Sources in USSR Government

From 1920 to 1921, moreover, SIS had good sources in the Soviet government, with access to official documents and to the thinking of high-level officials. It believed it had one or more informers in both the Soviet Commissariat of Foreign Affairs (Narkomindel) and in the Kavbureau, the coordinating body for Communist Party agencies in the Caucasus, which influenced Soviet policy toward Turkey. SIS also believed it had less reliable agents in Soviet bureaus at Berlin, Helsinki, and Riga.<sup>16</sup> That station staffed by four men was the center of SIS’s effort against the USSR between 1922 and 1940.

Most SIS reports on the Soviets of that period were labeled “A.1,” meaning the source had proven reliable and had access to high-level documents, some of which his SIS controller had seen in their original form. These agents appear to have provided genuine and important information on matters such as Soviet relations with Turkey and intrigues in Muslim countries. In general terms, and sometimes specific, communications intelligence and other human sources often confirmed these reports.<sup>17</sup>

Such material led SIS to shrewd and mixed conclusions about the strength of Soviet subversion in Britain and across the world.<sup>18</sup> Some of these sources, however, appear to have stopped reporting between 1924 and 1926, perhaps because they ceased to interest Britain; thus, material from the Kavbureau fell in significance after 1923, when Britain evacuated Istanbul and fears about Soviet intrigues with Muslim states declined in force.<sup>19</sup>

## Agents in Moscow

Meanwhile, as the fields sown by Dukes and Vivian were reaped, a fresh crop of agents began to sprout. Increasingly from 1923, and exclusively between 1925 and 1931, British human intelligence

in the USSR centered on a series of agents in Moscow, with sources especially in the Comintern, many or all of whom were run from Riga Station.

E. H. Carr, who served in the British legation in Riga at this time, described its SIS officers as “British ex-residents in Russia, who had lost their fortunes in the revolution; their narrowness and bigotry far exceeded that of the relatively sophisticated people in the F.O.”<sup>20</sup> A long serving SIS officer, Dick Ellis, criticised the “over-close relationship between SIS’s Russian speaking officers, using their own names, and their Russian agents, and the socialising between both groups, which led to a most unprofessional level of inter-consciousness.” Though its head during the 1920, Rafael Farino does not fit E.H. Carr’s stereotype, successor, Harry Carr, and perhaps their assistants, did so. Nonetheless, Riga station had the appropriate background and opportunity to recruit agents. The Soviets themselves saw the Comintern as a vulnerable target, presumably because it could be penetrated easily from abroad.

According to the prison diary which Reilly recorded on sheets of cigarette paper, recovered by the OGPU after his execution and left in his file, a chief concern of his interrogators was “whether any inside agents anywhere Comintern”: “Repeatedly asked re: agents here.” Reilly claimed to have replied, “Expl(ain) why agents here impossible—None since Dukes.”<sup>21</sup>

If Reilly indeed made that statement, it was disingenuous, as he believed that SIS did have agents in Russia. Between 1923 and 1934, moreover, SIS consistently told its consumers that it possessed multiple sources in Moscow. The latter purported to present valuable material, some of which demonstrably was accurate, when weighed against evidence provided by reliable agencies which were independent of and unknown to them.

## 1923-1934: Two Sources

Farina developed two main sources, each with many sub-sources: possibly, some of the latter were imaginary, while others had been members of Orlov’s agency, or were influenced by its product. The nature and accuracy of just a few of these sub-sources is known. FR/4 allegedly had 24 sub agents, many in Moscow. In March 1928, SIS systematically assessed the product of one of these sub sources, concluded the product was bogus, and fired him. However, it continued to have faith in FR/4 himself. FR/3 allegedly had eleven sub-sources. One of them, FR/3/Moscow ( a.k.a. FR/3/K) worked in the secretariat for the Comintern and yielded the Zinoviev Letter. The fact that he had provided so much seemingly accurate and high level material caused SIS and the Foreign Office to believe in the Zinoviev Letter, just as his involvement with that document makes us doubt his other reports. At best, one can say that he provided real and fraudulent documents. From late 1924, another of FR/3’s sub-sources produced material from the Sovnarkom, the Council of People’s Deputies, a second tier Soviet organization, but one which reflected policy and preparations. This sub-source, known by SIS, probably was a real person. SIS assessed his product carefully and concluded that it probably was accurate, as does the only historian to have seen their analysis, Keith Jeffery. The material from this source in the public domain seems plausible, though that also is true of reports from FR/3/Moscow, apart from the Zinoviev Letter. These seem to have been the two major agents run by Riga Station, though FR/4 had one well regarded sub-source in 1923, at least. Any or all of these sub-sources may have disseminated forged material, but there is no sign of systematic disinformation directed by GPU.

FR/3 and especially FR/4, provided ample material on the negotiations for the Russo-Japanese Treaty of 1923, including copies of letters and telegrams between the Narkomindel and its representative in the Far East, Adolf Joffe. FR/3’s sub-source was

described as “an agent having access to documents in the Foreign Office at Moscow.” That of FR/4 was “a very sure source in Moscow,... closely connected with the Eastern Department of the Moscow Foreign Office” and “a trustworthy informant who has been able to examine files in the Far Eastern Section of the Commissariat for Foreign Affairs, containing dispatches to and from Joffe, Davtian, etc., and who has had conversations regarding Soviet policy towards Japan with members of the Far Eastern Section.”

These reports were backed by other sources, which purported to provide high-level material from Soviet agencies in the quasi-independent Far Eastern republic. The accuracy of their reporting was confirmed by the GC&CS and by official sources from Japan, both in general terms and on some specific details. SIS circulated these summaries with unusual headings, warning that they should be treated as “HIGHLY CONFIDENTIAL” or “MOST SECRET.”<sup>22</sup>

In 1923 SIS also provided several minutes of meetings of the Central Committee and the Politburo of the Communist Party of the Soviet Union (CPSU), dealing with foreign affairs, and from the Presidium of the Executive Committee of the Third International. These reports received a rare heading: “This Summary should be treated with the GREATEST SECRECY.” The sources again were FR/3 and FR/4, this time in equal force, and providing material from the CPSU and the Comintern, rather than the Narkomindel.

## Other Sources

The work of those two sources was augmented by “informants, closely connected with the Eastern Department of the Moscow Foreign Office and the Executive Committee of the Third International,” and by several agents who may have been foreigners attending Comintern meetings, BP 42, BP 32 and BP 18.<sup>23</sup> In May and July 1923 SIS claimed to have

three “well placed” and “independent agents in Moscow in close touch with official circles.”

In 1924 SIS noted, “one of our Russian agencies” claimed that the Executive Committee of the Third International had ordered the preparation of terrorist activities against its enemies, including the British minister to Tehran.<sup>24</sup> Between 1928 and 1934 Vivian often gave MI5 documents provided by new agents or sources allegedly reporting from Moscow.<sup>25</sup>

## 1923-1930: Main Sources?

The evidence in the public domain, especially a careful account of the Zinoviev Letter based on privileged access to SIS and MI5 files, suggests that between 1923 and 1930, SIS had several major sources in Moscow, augmented by many others. The independence or interdependence of these sources is not clear, nor are their identities. One source was described in 1923 as being in close touch with the Executive Committee of the Comintern and, in 1924, as working in its secretariat directly under Grigorii Zinoviev, the head of that organization.

Another source, unknown to SIS, was controlled through an agent, FR/3 perhaps the one who in 1924, Riga Station described as “himself a Comintern man.” In any case, some of the reports of this source were regarded as valuable and of proven accuracy, which also was true of the material provided by FR/3 and FR/4 in 1923. The sources continued to be trusted even after doubts rose about their authenticity in late 1924 and also after 1926-27, when the Trust became a public matter and British intelligence understood how it had operated.<sup>26</sup> Judging from the reports generated by Riga station and available in British files, the major sources remained in the Comintern until 1931 when, apparently, they ceased working for SIS.

## What Was Reported

Collectively, these sources provided material on wide-ranging topics, from the Sovnarkom, Politburo, and Comintern. Their reports were not hysterical—





**Grigory Zinoviev,  
head of Comintern in 1920  
(Photo by Bulla Studio)**

indeed, often they were boring. They portrayed the regular functioning of the bureaucracy of a hostile government, with internal divisions between Bolsheviks, and illuminated its policy debates and the formulation and execution of specific issues. Much of this material appears authentic. In any case, it was treated as such.

### **UK COMINT**

Whatever the case with spies, British communications intelligence scored a triumph against the Soviets, contrary to conventional views on that topic. One of the earliest sources on British codebreaking during the interwar years to become publicly available was a valedictory memorandum written in 1944 by the head of the GC&CS between 1919 and 1941. In this document, Alistair Denniston claimed that



**Prime Minister Stanley Baldwin**

Britain forever lost access to all Soviet cryptosystems in 1927, because of statements made to the House of Commons by the prime minister, Stanley Baldwin, after the Arcos Raid.<sup>27</sup> Given the provenance of this memorandum and the paucity of other information, Denniston's claims were widely accepted.

By 1987, however, material in the public domain demonstrated that this statement was inaccurate, while the subsequent release of the GC&CS's reports from the interwar period enables a different account.<sup>28</sup> Between 1917 and 1933 the GC&CS, and the cryptanalytical agencies of the British and Indian armies, read most of the Soviet traffic that Britain intercepted. They mastered the cryptographic systems of Soviet diplomatic and intelligence agencies, as much as they did those of any state. The GC&CS's small Russian desk, led by a defected

Tsarist codebreaker, Ernst Fetterlein, provided basic and advanced tutorials to other agencies, but the latter were larger and collected most of the fruit. Low-hanging pieces were as tasty as those hardest to reach.

The Government of India's codebreaking agency, the oldest in the British Empire, mattered as much to this effort as the GC&CS: it was here that John Tiltman learned his trade. Army signals intelligence in the Middle East focused on Soviet wireless traffic. In 1919, for example, it attacked radio messages between Budapest and Moscow, including those from Vladimir Ilyich Lenin and Bela Kun, showing their efforts to cooperate in propaganda and subversion and their difficulties in liaison.<sup>29</sup> These bodies, backed by the Indian government civil network and ephemeral stations in Teheran, Meshad, and Kashgar, had a rare ability to intercept Soviet radio traffic. They provided most British solutions of Soviet traffic between 1919 and 1924, including seventy-five percent of the "secret information" cited in Curzon's famous Note to the Soviets of 1923.<sup>30</sup>

Granted, British codebreakers lost some access to Soviet systems in 1921 and 1927, after public statements compromised British successes in codebreaking, but the GC&CS recovered from these defeats quickly. The greater problem was the limit not to cryptanalysis, but to Britain's ability to intercept material. Britain lost access to Soviet diplomatic and intelligence systems in London after the Arcos Raid not so much because Baldwin was indiscreet, as because Britain expelled the Russian Trade Delegation, which wrecked the ability to intercept Soviet traffic.

## Diplomatic COMINT

Soviet diplomatic representation in London between 1921 and 1927 was sparse, and British success against the codes used there was mixed. After 1921 Britain rarely gained from attacking Soviet codes in Europe, mostly because Soviet diplomats there were so few. To communicate with its legations in Tehran and Kabul, however, the USSR had

to use radio or a telegraph line under British control, to which Whitehall gladly offered access. A senior diplomat, William Tyrrell, was "strongly in favor of granting facilities so that we may have the opportunity of intercepting."<sup>31</sup> Britain also acquired Soviet traffic through agents in telegraph offices in Tehran and Beijing.

Between 1921 and 1933, a period when the USSR most concerned Britain through its activities in Asia, British codebreakers read all the intelligence and diplomatic traffic sent to and from Soviet agencies in China, Afghanistan, Saudi Arabia, and Persia, and to a lesser degree, Turkey. They also routinely read the diplomatic traffic of Afghanistan, China, Persia, Saudi Arabia, and Turkey between 1919 and 1941, illuminating the other side of relations with the USSR.

Codebreaking was Britain's best source on these relations, closely followed by stolen documents and overt information from officials. These sources gave British authorities useful means to determine the value, or the lack of it, of every report on the USSR, especially from human intelligence. Britain lost access to Soviet diplomatic systems around 1933, although it no doubt continued to regard them as a major target. However, it soon recovered from that loss through success against high-level Comintern and Red Army traffic which, again, provided precisely the evidence on the USSR that most concerned Britain at that time: Soviet military preparations in Central Asia and subversion across the world.

## A Trust Attempt?

Aside from the two successes mentioned previously, what else relating to the Trust can be found in the above documentation?

In late 1924 SIS was contacted in London, through a member of the War Office, by someone who appears to have been a representative of the Trust, judging by his description, his *modus operandi* and his claims. This man, according to an SIS his-

tory written in 1970, was an officer of the late Tsarist fleet and a leading monarchist. He “claimed to be the head of a large secret organization with representatives in ‘every government office in Moscow’, and that his agents inspected the contents of ‘every Russian courier bag which crossed the frontier of Russia and passed through Germany’.”

That officer appears to have given SIS its first experience with the expansive claims made by this Soviet deception campaign, though it had monitored the Trust as its tentacles emerged since 1922, from a distance. As samples of his wares, the naval officer gave SIS some accurate information, noting that one of its agents in Germany was controlled by the German government (which SIS knew to be true). He also provided two reports which allegedly emanated from the Comintern. They were almost identical to reports earlier provided by the main source of Riga station.

This duplication of secret material alarmed SIS. It had to determine the authenticity of the naval officer. Even more, it had to establish if Riga’s source or agent or both were a conduit for, or a promulgator of, false or deceptive reports, whether they emanated from the Soviet government, or from the rings of entrepreneurs forging Bolshevik documents and flogging them as true, or even if its sources were part of the naval officer’s organization.

This situation was doubly explosive because it was the Riga source FR/3/Moscow who had given SIS its copy of the Zinoviev Letter. That document, allegedly containing orders from the Comintern about how the British Communist Party should act during the general election of October 1924, had been leaked to the press, affected the outcome of the vote, and become a cause célèbre.<sup>32</sup> SIS’s decisions about the reliability of the FR3/Moscow source, and of the naval officer, were linked with its commitment to the authenticity of that document. If the FR3/Moscow source was not solid, the case for the Zinoviev Letter would collapse, causing embarrassment

for SIS and the Foreign Office. If it was solid, so was their position.

## Results of the Attempt

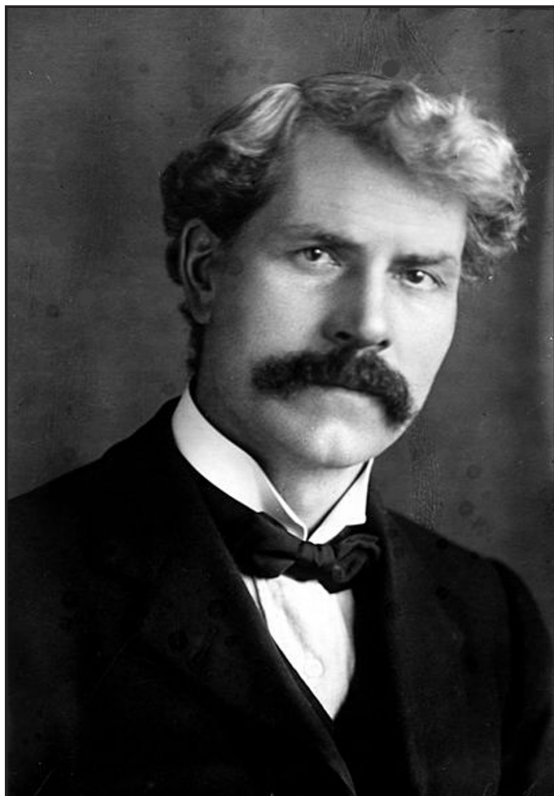
In principle, it might have decided that both sources were tainted, or else that each was good (though that would have forced it to explain how they were related and why it had not known of that fact before). Instead, SIS decided not to work with the naval officer’s organization, while continuing to trust the Comintern source of Riga station, and also concluded that the two were distinct.

Precisely why SIS reached this decision is unclear from the public record, which lacks any evidence about its relations with the naval officer, and is incomplete regarding the Riga source. Reconstructing this matter requires second-guessing an assessment on the basis of incomplete evidence about it. In any case, when vetting a new source, SIS’s usual practices involved corroboration against material already deemed reliable, demands that it provide copies of original documents, calls for a critique of these reports by consumers, and comparison with later developments.

As Vivian noted of one report in 1934, for example, “Since its receipt, we have been comparing it with older papers with a view to checking its reliability with the result that we find it a useful and probably quite accurate compilation.”<sup>33</sup> Reconstruction of SIS’s rationale in the case of 1924 is complicated because it had obvious reasons to defend the reliability of the Zinoviev Letter, while its attempts to do so were not entirely rigorous. They rested on remarkable faith in Riga’s sources, especially FR/3/Moscow, not surprisingly.

If reliable, it would have been a spectacular source by any standard and the best one SIS possessed at this period; moreover, it was backed to some degree by material stemming from Britain’s penetration of the Communist Party of Great Britain (CPGB). After hearing the description of FR/3/Moscow pro-





**Prime Minister Ramsay MacDonald**

vided by C, who by this stage was Admiral Hugh Sinclair, Crowe told Prime Minister Ramsay MacDonald that this was a man who “had never been known to make a mistake.”<sup>34</sup> When a member of the Northern Department, William Strang, wrote, “We are assured that the letter is of undoubted authenticity,” Crowe noted, “Yes. We have now heard definitely (on absolutely reliable authority) that the Russian letter was received and discussed at a recent meeting of the Central Committee of the Communist Party of Great Britain.” Crowe later commented that “the corroborative evidence obtained in this country came from a trusted agent in the Communist party.”

Bland told the King that the source was “an absolutely trustworthy agent in Russia and its receipt by the British Communist Party was reported shortly afterward from an entirely independent source in this country.” That so much of this language came close to the phrase, “absolutely reliable,” perhaps

never used in any other case for anything except communications intelligence, demonstrates the Foreign Office’s regard for both of these sources, and perhaps the degree to which it and SIS had oversold this matter. Notably, however, the GC&CS provided nothing, before or after the event, which illuminated the authenticity of the Zinoviev Letter.<sup>35</sup>

## SIS Assessment of the Attempt

SIS’s conclusions on the attempt are clear.

In 1924 (and later) SIS had powerful and independent means to assess the reliability both of the naval officer and the Riga sources, especially FR3/Moscow. It trusted the latter in the first place, because Riga’s reports were not contradicted, but rather were complementary to or supported by material from proven human sources, the GC&CS, and British security services. In particular, any Soviet effort at deception through controlled agents (or, for that matter, any attempt by espionage entrepreneurs to systematically feed forgeries through Riga station) would have faced problems their authors did not understand: surviving contact with the material provided by these other sources, especially the GC&CS, and the various British penetrations of the CPGB.

On the other hand, that process of confirmation was not simple. Sometimes, communications intelligence did directly confirm or challenge reports from other sources, but generally the relationship was looser, especially when it involved monitoring efforts at subversion, which were run by small agencies operating on a need-to-know basis. Instead, reports from public, SIS, MI5, and GC&CS sources, usually moved on parallel rather than intersecting lines, providing support for or challenging each other by illuminating complementary but independent parts of the same broad issue, rather than by directly addressing the reliability of individual pieces.

That is, SIS might provide material on the formulation of policy within the Narkomindel, Comintern, or Sovnarkom, while the GC&CS and security

services traced reports on its execution, and on the information returned to Moscow which shaped policy. Under these circumstances, despite the obvious logical problems, a new source seemed reliable when it simply was not contradicted by proven ones which reported on similar issues, and when they seemed to be describing the same broad matter, even in the absence of direct corroboration over points of detail.

Several bodies of evidence in the public domain demonstrate that, in late 1924, SIS decided to trust Riga's source, and to avoid the naval officer/Trust. The first of them stems from the Trust's ensnarement of Reilly, which often is used to suggest that SIS itself was captured. That Reilly was notorious, had complex relations with SIS, and was overrated by the Soviets, has distorted what really happened. The Trust fooled the SIS station chief at Helsinki, Commander Boyce and Reilly, but not SIS. In early 1925 Boyce, impressed by the Trust, encouraged Reilly to contact it, but emphasized that the latter must "keep our business from the knowledge of my department...I am not supposed to be connected with any such enterprise."<sup>36</sup>

This statement shows that, shortly after being contacted by the Trust, SIS ordered a station that wished to work with that body to stand aloof from it, and that Boyce believed a valuable fount of information was being ignored. Ironically and tragically, Boyce used Reilly to contact the Trust, precisely because he was not working for SIS, while Reilly appears to have acted in part to work his way back into the good graces of British intelligence. Second, during the mid-1920s, Section V regularly informed MI5 about SIS's new sources in the USSR. These reports show no sign of the presence of the Trust. They also confirm other evidence that SIS continued to rely on Riga station's sources, even after Reilly's disappearance in 1925, and the evidence which emerged steadily in 1926-27 about OGPU control over the Trust, capped by Soviet publicity about its existence, Reilly's capture, and Boyce's role as an intelligence officer.

By 1927 SIS and the Foreign Office understood how OGPU systematically sought to penetrate, manipulate, and destroy anti-Bolshevik Russian groups.<sup>37</sup> This evidence indicates that SIS saw the Riga source as distinct from the Trust, and was thus not trapped by the latter. Finally, British files for 1925 to 1930 are filled with material allegedly derived from the highest levels of the Soviet state. Most of it comes from the sources of Riga station. None of it is Trust-like. One cannot deny that the OGPU may have controlled all of Riga station's sources—merely that if it did, such a control was not used to pass the messages of the Trust, but instead to report on aggressive Soviet actions which angered Whitehall. Both of these facts are powerful pieces of negative evidence in their own right.

## Assessment

The Trust was trying to attack a British intelligence system which had several established and overlapping sources on Soviet diplomacy and subversion. Two of these sources (the GC&CS and the various imperial security services) provided excellent and reliable material, if usually on topics tangential from the perspective of the managers of the Trust. They also were unknown to Soviet authorities. Perhaps the human sources run through Riga too were authentic, but that matter simply cannot be taken for granted, either way. It requires careful analysis of tangled evidence.

## Riga Authenticity

To determine why SIS made its decisions on these matters is not easy. That the naval officer provided copies of some of the same material as did some of the main source of Riga station, raises obvious questions about the latter's authenticity. Yet the Trust is unlikely to have compromised a source under its control in so elementary fashion, which suggests it did not run the Riga source until at least after 1924. Indeed had it done so, the OGPU would have used FR3/Moscow to pass the tale of the Trust. Moreover, since the naval officer intended to impress



SIS at the start, rather than offer false wares, the fact that two of the reports he provided were identical to some previously supplied by FR3/Moscow, tends to support their authenticity, and that of Riga's agent. Again, the fact that the FR3/Moscow gave SIS the Zinoviev Letter, which the latest scholarship describes as being almost certainly a forgery that contradicted Soviet policy, suggests that it was not a plant (this conclusion, incidentally, would be doubly true if that document were authentic).

Meanwhile, the material provided by Riga station between 1923 and 1930 seems too detailed, diffuse, valuable, and variable to have been used for deception. It never passed the sort of message which the Trust was intended to transmit, but instead provided a host of details on matters which interested Whitehall, and supported hardline policies that over a sustained period they could not prove inaccurate, despite constant comparison with reports from GC&CS, MI5, and other SIS sources on parallel matters. This evidence indicates that the Trust never controlled that source.

The story does not end here, however. Even if they were not controlled by the Trust, some of Riga's sources may knowingly have passed some or much forged material. SIS reached that conclusion in 1928. That possibility is increased by their involvement with the Zinoviev Letter. If that document was false, then FR3/Moscow clearly passed important forged material to SIS. Moreover, he must have done so knowingly, if SIS's description of his status was accurate. Ironically, on the basis of known facts, one might even argue that Riga's main source was providing forged documents, which was precisely why SIS trusted him and rejected the overtures from the Trust!

### Riga Authenticity: Significance

This question has broader significance. Between 1923 and 1930 the material provided by Riga station was important to the formulation of British policy toward the USSR, and thus to its diplomacy throughout Asia. When refuting General Staff

arguments about a Russian threat in Asia in 1926, for example, diplomats agreed that Soviet policy was "shadowy," but Britain's best sources on it were papers from the Politburo and Sovnarkom—that is, from Riga station.<sup>38</sup>

### Stolen Documents: Authenticity

The most hidden dimension of British intelligence now is the record of stolen documents. Compared to solutions, alas, they are problematical. We do not even know how far the record is complete. During the time when GC&CS flimsies were withheld, their numbering system at least allowed scholars to define their level of ignorance. Nor is the authenticity of such documents clear. British intelligence sometimes was fooled by the forgeries of espionage entrepreneurs.

Equally, when compared to solutions of Soviet traffic and known facts, stolen documents often ring true. The SIS took some care to avoid being fooled by forgeries, while codebreaking provided checks on false reports as did, to a lesser degree, documents proven to be genuine. Many of the stolen papers in British files seem to have been authentic, but others are not, the problem being to tell one from the other.

The SIS seems to have acquired authentic and important documents from both Soviet agencies in the Caucasus and the Narkomindel in 1922 and 1923, and others on Soviet aims in Iran in 1925.<sup>39</sup> Special Branch's attacks on the CPGB yielded many authentic reports from the Comintern, which characteristically survive in the form of muddy photographs.<sup>40</sup>

### Riga: Apparently Authentic

The main run of surviving material derived from Riga station between 1924 and 1930 centers on Soviet policy in Persia, Afghanistan, and China. This material seems generally authentic, or at least plausible, when compared to the ample evidence on these topics from the GC&CS, and to secondary sources based on access to ex-Soviet archives. On

the other hand, the authenticity of some of Riga's material (such as reports that the Comintern wished to assassinate the British minister in Tehran) seems dubious, and other cases raise suspicions.

## Self-Assessment of Threat

### No Threat

Thus, documents, so SIS claimed, from a "well placed Moscow source" or "a Moscow source which has proved reliable in the past," indicated in 1929 that the Soviets intended to use the Iranian communist party to attack Britain's main interest in Iran, the Anglo-Persian Oil Company (APOC).<sup>41</sup> From 1929 to 1931 Vivian employed an experienced and able military intelligence officer, Gerald Wheeler, to create a network, based in Iraq, in order to address this issue. "By far the most important object of my enquiries was to be the activities of Soviet propaganda and intelligence agencies" against British interests in Persia. After much effort, Wheeler concluded there was no threat.

Whitehall had been misled by refugees, forgeries, and its tendency to credit the Soviets "with superhuman skill in manipulating Eastern governments and peoples according to the requirements of Soviet policy." He believed that many documents about a Soviet attack on Britain were forgeries. Many "White Russian refugees... gained a livelihood by playing on Western fears of Communism," especially by creating faked documents. One such forgery, written in Russian in 1928, about communist agitation among the laborers of APOC, had been compiled with great skill and impressed me with the gravity of the threat to one of Britain's most important interests... Fabrication though it was, this report like many others was based on a very good knowledge of Communist achievement in Europe and of Communist designs in Asia. It was accepted because it fitted in with what had by then become a habit of thought; and its original effect persisted even after it became known that the report was spurious. Shiloah,

then named Zevvan Zaslaniia head agent for SIS in the Middle East, working against communist organizations ran Wheeler's network in Iraq and Iran.

This incident throws some doubt on SIS's "well placed Moscow source" through which sub-source at FR/3 or FR/4 provided that material is unclear. This episode, incidentally provided the first experience with international espionage for Revieaun Shiloah, the father of Israeli intelligence.<sup>42</sup> Shiloah, then named Revvan Zaslani, a head agent for SIS in the Middle East working against communist organizations, ran Wheeler's network in Iraq and Iran.

### No Reflections of Success

Notably, however, no material which fits the pattern of the Trust appears in the documentation, including many MI5 files of its correspondence with the counterintelligence section of SIS about Soviet espionage.

Nor does British intelligence against the USSR fall in the pattern assumed by believers in the Trust.

Of course, SIS may have received Trust-like reports, which simply are not in the public domain. If so, one would expect to see such views reflected in British discussions about Russia from 1924 to 1927, which often were explicit commentaries on secret intelligence. No such reflection can be found. Instead, Whitehall believed that the Bolsheviks firmly controlled the USSR, and were attacking British interests at home and abroad—precisely what was reported by every secret source on record. This situation produced anger.

In 1924 reports on Cheka activities against the British mission in Moscow led Crowe to comment, "The Russian government is composed of utter brutes." In 1925 Foreign Secretary Austen Chamberlain said, "What strikes me most about Soviet Russia is its likeness to a nightmare of Tsarist Russia."<sup>43</sup> In 1926 Crowe's successor as permanent under secretary, William Tyrrell, wrote,

We are virtually at war with Russia, in spite of Russia discarding the time-honored practice of force and substituting for it the more invidious weapon of peaceful penetration on the one hand in the internal affairs of other countries, and, on the other, the stirring up of revolution everywhere in order to prevent us from carrying on trade, and thereby undermining the commercial prosperity on which our national life depends.<sup>44</sup>

Between 1924 and 1927 Whitehall was divided on lines like those in Washington during the 1970s: whether to encourage the rise of better behavior from the USSR through engagement, or to treat it as a foe. No participant in this debate, however, ever argued the Trust message that the Bolshevik system might collapse or be transformed in the immediate future. Some statesmen hoped that the Soviet system might evolve into a better state, but because Bolshevik leaders might change their minds, rather than through regime change. These circumstances surely would have invoked some reference to the message of the Trust, had it ever been received; the absence of such references is another powerful piece of negative evidence that it was not.

Their own hatred of communism, coupled with anger toward Soviet subversion and rhetoric, drove British politicians into pointless policies toward the USSR in general, culminating with the rupture of diplomatic relations in 1927. Conversely, on its main clashes of policy with the USSR during the middle 1920s, the struggle for influence over independent states in Asia, Whitehall understood and defeated Soviet policy. British policy was cautious, localised, and reinforced by good intelligence, the Soviets pursued risky aims through adventurist means; the leaders of these states varied from incompetent to extraordinary. Soviet leaders often publically advertised their intentions, while Britain acquired excellent material from communications intelligence, and its diplomats in Afghanistan, China, Persia and Turkey. In Afghanistan and China, Britain achieved

its aims and the Soviets failed spectacularly. Both powers succeeded in Turkey, neither in Persia. However, these experiences prove little about the value of Riga Station's sources. Few of their reports are in the public domain, if some of those appear authentic and important, and their influence on any of these issues is hard to trace, though it did exist. Moreover, the quality of other sources would have reduced the value both of accurate and forged material from Riga Station about Soviet decisions at high levels. Confirmation bias would lead authorities to look for material which supported these other excellent sources, while ignoring nonsense. Accurate intelligence would fit in with these other sources, but so too any forgeries which reflected public Soviet statements.

## Final Assessment

The question of how far these documents, and the sources of Riga station, were authentic, can perhaps be addressed by some scholar who compares this material with the evidence which is publicly available on the Comintern, Politburo, and Nar-komindel during that time. These conclusions will affect the study both of intelligence and of strategy during the interwar years. For several years, British policy toward Russia rested either on a host of forgeries or on an army of good reports, among the best which any human intelligence service ever gained from the USSR—or on both at once. The answer to this question will matter.

## Conclusion

That the Trust failed to trap SIS should not be surprising. SIS was a poor target for its message. Though one cannot easily explain why SIS chose to ignore an agency that provided what it thought were genuine and significant documents, the naval officer's tale was inherently unlikely, and probably seemed so to SIS personnel like Vivian, experienced in dealing with the USSR, its espionage and security bureaus, and the collection of human intelligence from Soviet agencies. Russian monarchists and émi-

gré politicians, and men like Savinkov and Reilly, were vulnerable to the tale of the Trust, because it appealed to their taste for the fabulous, and their hopes for regime change in Moscow.

SIS and British decision makers, conversely, were not actively trying to overthrow the regime and did not believe it was possible. They thought Soviet power was here to stay. They simply wanted to know what the Soviets were doing, especially their efforts at subversion in Britain, Central Asia, and China.

Meanwhile, the accepted view of the intelligence struggle of the interwar years, especially between Britain and the USSR, must be revised. That struggle was less one-sided than often is portrayed. The USSR was easier terrain for foreign intelligence services between 1917 and 1930 than it became during the purges. British communications and human intelligence sources were successful against the USSR. They approached the Soviet standard for collection between 1917 and 1931, even excluding the sources of Riga station.

If the latter were authentic, then Britain beat the Bolsheviks in collection. Even between 1931 and 1939, Britain did fairly well in that struggle, though it lost. Only between 1939 and 1949 did Soviet espionage decisively defeat Britain. Between 1917 and 1991 Britain drew even in the collection struggle with the Soviets, being perhaps the only country which did so.

One may wonder how far the conventional view stems from a conscious decision by British intelligence to understate its success, combined with a Russian preference for bluster, for tactical as well as cultural reasons. More generally, both sides gained intelligence during their turn at bat. The Soviets used it poorly, the British better. Sometimes Britain lost this intelligence struggle, generally in places it cared little about, like Eastern Europe; but more often it won, and in areas it thought important, such as Asia. Meanwhile, “the Trust” had no influence on British policy, and never fooled SIS, although forg-

eries by Russian émigrés may have done so. One may wonder how far the Trust fooled any Western intelligence service; certainly one should not simply assume that it did so, without proof.

This conclusion challenges the influence which the tale of the Trust has had on ideas about Soviet intelligence, whether in the CIA during the 1960s or the media since 1980. It shows how the intelligence services themselves can suffer from a lack of understanding of their history, or from keeping too many secrets. More open access to their history serves the interests of intelligence agencies as well as of the public.

## Notes

1. Christopher Andrew, *Secret Service, The Making of the British Intelligence Community* (London: Sceptre, 1985), 445–48; Andrew repeats these comments in his recent official history of MI5, *Defence of the Realm, The Authorized History of MI5*, (London: HMSO, 2010). Andrew Cook, *Ace of Spies, The True Story of Sidney Reilly* (London: Tempus, 2004). Much of the literature about the Trust has become associated with stories about KGB-controlled operations and its influence on Western intelligence officers, especially the long-serving counterintelligence chief of the CIA, James Angleton. David Robarge, “The James Angleton Phenomenon, Cunning Passages Contrived Corridors, Wandering in the Angletonian Wilderness,” *Studies in Intelligence*, 53/4, December 2009, is the best and most recent study of these topics. I am indebted to Dan Mulvenna and Michael Warner for discussions on both this paper and counterintelligence.
2. DMI to GHQ Egypt, 13.1.17, WO 33/905
3. John Ferris, “Indulged in All Too Little?” Vansittart, Intelligence and Appeasement,” *Diplomacy and Statecraft*, vol. 6, no. 1 March 1995).
4. Minute by Foreign Office, 1.10.27, KV 3/145.
5. The best biographical accounts are Andrew Cook, *Ace of Spies*, and Richard Spence, *Trust No One, The Secret World of Sidney Reilly* (Los Angeles: Feral House, 2002). The official history of SIS,



- Keith Jeffrey, *The Secret History of MI6* (Penguin, New York, 136-9, 178-84, provides key evidence on the effort.
6. Minute by Pennington, 20.3.19, KV 2/827
7. Campbell to Kell, 20.8.17, KV 2/498.
8. French to Campbell, 10.10.18, undated minute by Campbell, FO 371/3319.
9. Crowe to Curzon, 28.12.21, Curzon papers, F. 111/219 B, Churchill to Curzon, 24.12.21, 219 A. The position of Passport Control Officer was standard cover for SIS station chiefs during the interwar years.
10. Minute by Bland, 21.6.27, FO 371/12605, N 3088. The best account is now Jeffrey, MI6, 216-22.
11. For samples of such reports during 1919-21, cf. FO 371/6848 and WO 106/621.
12. Memorandum by IPI, 11.6.38, to Mr. Silver, L/P&J/ 12/144; cf. KV 3/141.
13. "Far Too Dangerous a Gamble?: British Intelligence and Policy During the Chanak Crisis, September-October 1922," 139-184, in B. J. C. McKercher and Goldstein, Erik (ed.), *Power and Stability, British Foreign Policy, 1865-1965* (London: Frank Cass, 2003), and "The Internationalism of Islam: British Perceptions of a Muslim Menace, 1840-1951," *Intelligence and National Security* (24/1, February 2009), 57-77.
14. Cumming to Seton, 2.2.22, passim, L/MIL 7/18813; SIS Section 1A to Bland, CX/7488, E 9945, FO 371/7951.
15. Cf. "The Internationalism of Islam: British Perceptions of a Muslim Menace, 1840-1951," *Intelligence and National Security* (24/1, February 2009), 57-77, and KV 3/141.
16. Memorandum, 5.10. 'Secret' (no number or source indicated) 13.9.22, E. 10554, FO 371/7899.
17. Memorandum by Leeper, 18.5.22, "Anti-British Activities of the Soviet Government," FO 371/8193, illustrates how far British assessments of Soviet subversive activities throughout Asia during that period stem from SIS, IPI and communications intelligence, though Curzon (minute by Curzon, 30.5.22), complained that this material was incomplete.
18. SIS Misc. 27/1, "Review of Communist Movement (Exclusive of British Empire) for the Period 13<sup>th</sup> November, 1922, to 26<sup>th</sup> March, 1923," 17.4.23, FO 371/9332, N 3426
19. "The Internationalism of Islam: British Perceptions of a Muslim Menace, 1840-1951," *Intelligence and National Security* (24/1, February 2009), 57-77.
20. Jonathan Haslam, *The Vices of Integrity, E.H. Carr, 1892-1982* (London: Verso, 2000), 36; Jeffery, MI6, 195.
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23. No 1203, 18.7.23, FO 371/9332, N 6340, SIS Northern Summary, No 1128, 10.4.23, FO 371/5332, N 4279; cf. N 6139
24. SIS to Gregory, 16.5.23, FO 371/9332, N 4636, cf. N 3580; SIS to Bland, 8114/1a, 3.12.24, FO 371/10133, E 10805.
25. SIS to MI5, CX 1861/V, 14.1.28, KV 3/148, SIS to MI5, CX 10996/V, 24.1.34, KV 3/141.
26. Gill Bennett, "A most extraordinary and mysterious business': The Zinoviev Letter of 1924," *Foreign and Commonwealth Office, London*, 1999): 70, 78, 82, 87.
27. This was a "raid on the offices of a British-registered Soviet trading company, Arcos Ltd. It took place on 12 May 1927, with 200 police officers searching the company's premises in London, on suspicion that the company was a front for Communist subversion, and that it was holding a British army signals manual. However, no evidence of subversion was found." See Jan Palmowski, *A Dictionary of Contemporary World History* (3 ed.), (Oxford: Oxford University Press, 2008).
28. John Ferris, "Whitehall's Black Chamber: British Cryptology and the Government Code and Cypher School, 1919-1929," *Intelligence and*



- National Security*, Volume 2, Number 1, January 1987, 54-91.
29. "Wireless News," No 110, 27.3.19, ADM 223/4; Nos. 125, 135, 11.4.19, 21.4.19, ADM 223/5; No 206, 1.7.19, ADM 233/8.
  30. Army Department to Military Department, India Office, No 10764/9, 2.8.23, L/PS/10/1162.
  31. L/PS/11/231, P 1185, minute by Tyrrell, 13.6.23.
  32. Bennett, "Zinoviev Letter," 86-87.
  33. Vivian to Miller, 27.3.34, KV 3/141.
  34. Lewis Chester, Stephen Fay, and Hugo Young, *The Zinoviev Letter* (London, 1967), 176-77 (this account of Crowe's words is third-hand, being Hugh Dalton's much later recollections of MacDonald's memory in 1928 of Crowe's phrase of 1924).
  35. Minute by Strang 14.10.24, undated marginal comment by Crowe, Crowe to MacDonald, 26. 10.24, Bland to Stamfordham, 27.10.24, FO 371/10478. Notably, in 1928, when the issue of the Zinoviev Letter again came to public attention, the prime minister, Stanley Baldwin, publicly stated that it had emanated from an agent in the USSR who subsequently had been shot. Presumably this statement was drafted by British intelligence, to provide some cover for the Riga source (Parliamentary Debates, (Commons), 5<sup>th</sup> Series, volume CCXV. 19/3.28, column 62). The best account is now Jeffery, MI6, 216-22.
  36. S.G. Reilly, *The Adventures of Sidney Reilly, Britain's Master Spy* (London: E. Matthews and Marrot, 1931), 180-94. Jeffery, MI6, 183-84, supports this account.
  37. Minutes by Wellesley and Chamberlain, 4.7.27, passim, FO 371/13213, F 238.
  38. X.P. to Hose, CX/2178/19, 10.9.25, L/PS/10/1152; Minutes by Strang, 13.1.26, and Orde, 19.1.26, FO 371/11775, N 32
  39. Compare SIS CX/10771/1a, 8.5.25, E 2728, SIS Political Reports 1722/1 and 1434/1, 20/7.25, 21.7.25, E 4493, FO 371/10841, to material contained within HW 12s for contemporary periods.
  40. Scotland Yard to Foreign Office, 3.12.26, FO 371/11679, F 5335; Bennett, "A most extraordinary and mysterious business," 16, 18, 20-21, passim.
  41. Report by SIS "Eastern Department" to Foreign Office, 21.6.29, FO 371/13784, E 3200. For Shiloah & British intelligence, cf. Stephen Wagner, *British Intelligence and Policy in the Palestine Mandate 1919-1939*, (Oxford University, D. Phil, 2014), 207-08.
  42. Gerald Wheeler, typescript memoirs, undated but circa 1969 by internal evidence, *50 Years in Asia*, Middle East Centre Archives, St. Antony's College, GB 165-0298, 130-55.
  43. Minute by Crowe, 22.3.24 N 8784, FO 371/10495; Minute by Chamberlain, 3.1.25, FO 371/10984, N 16.
  44. Minute by Tyrrell, 4.12.26, FO 371/11787, N 5425

# Part 3: Gentlemen's Agreements and Gentlemen's Mail: Communications Intelligence and the Diplomacy of Naval Disarmament, 1921-1930

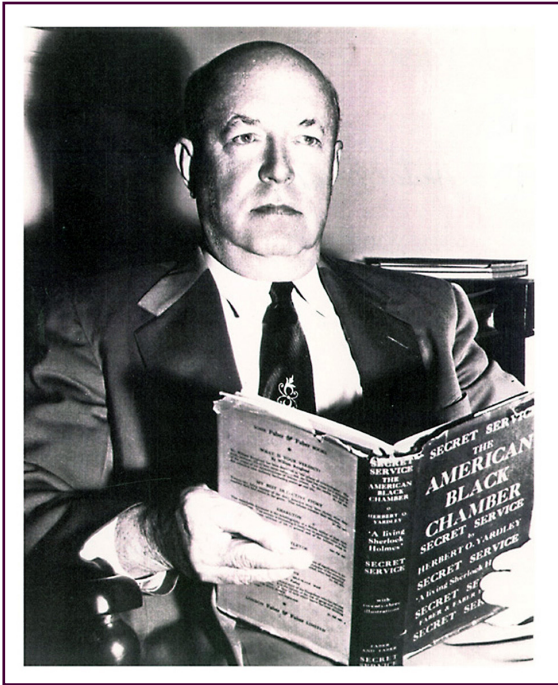
## Introduction

Much more has been written about how communications intelligence shapes military operations than how it affects diplomacy. Its role in these competitions takes different forms. In operations, the classic consequence of intelligence is to let you concentrate your strength against an enemy's weakness, or to shelter your vulnerabilities from its power.

In diplomacy the classic consequence of intelligence is to provide knowledge and means for leverage. It shapes influence rather than power. Diplomatic intelligence illuminates the attitudes of states and the factions within them. It shows concealed levers and hidden hands and means to manipulate them: how to act or to signal. It gives good news and shows the limits to bad, by increasing confidence that unknown and unpleasant developments are not happening. Variations every day, in the details of access to information and its value, and in the nature of actors and problems, reshape normal diplomacy and fundamentally affect crises. Minor comments in a good source can determine the plausibility of major statements in an uncertain one. The reports of one party can reveal the intentions of another. So too, knowledge may be useless.

The point of diplomatic intelligence is to aid action, by shaping one's policy or that of another party. This aim is not easy to achieve. More often than not, diplomatic intelligence provides first-rate information on third-rate issues, or knowledge which cannot be applied to policy. Actions, which in diplomacy usually are words of influence or threat, may be hard to deliver as desired, or with effect, and have unintended or counterproductive consequences.

Intelligence has more direct value in cases of diplomatic bargaining, when every party must act, and on the same issues. Then, it can let one party know the best deal it can achieve and how to get there, which cards to play, or not. Information on the bargaining strategy and tactics of other players can help take tricks, though their value depends on the stakes. Diplomatic information comes from many sources. Open or official ones usually are the most important, but the more that secrecy shapes any competition, the greater the value of sources like the ability to steal papers, to bug offices, or to intercept signals. In all cases, the influence of intelligence on diplomacy is hard for historians to judge, especially because decision makers often do not state how they have interpreted or acted on data, forcing one to draw inferences from the evidence. Nor is the effect of diplomacy on power easy to judge.



**Herbert Yardley**

Examining three naval disarmament conferences during this period, the communications intelligence of the major parties at each conference, and the strategic consequences that resulted allows us to assess the effectiveness of communications intelligence upon diplomacy, at least during this time frame.

## Three Conferences

### 1921-1922 Washington Naval Conference

#### Yardley's Bureau

The value and influence of communications intelligence in diplomacy are illustrated by one of the most celebrated instances of its use in this area. At the Washington Conference of 1921-1922, the American "black chamber," led by Herbert Yardley, solved secret Japanese telegrams which outlined the lowest ratio Japan would accept in the strength of battleships and aircraft carriers, compared to the

American and British navies. This knowledge about a central issue at stake helped American negotiators force Japan to that point, to a 5-5-3 ratio, down from the 5-5-3.5 level which Tokyo wanted. Naval personnel on both sides thought that in case of war, that difference would shape, and perhaps decide, Japan's ability to fend off the United States Navy (USN).

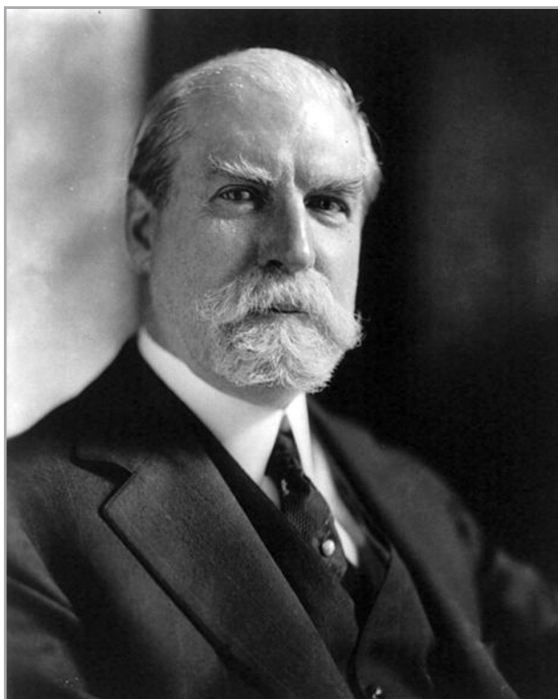
Yet the 5-5-3 ratio might have emerged anyway, as the United States and Britain both demanded it and had strong bargaining positions, while Japan's breakpoint was guessed by the *New York Times*.<sup>1</sup> Nor was Yardley's bureau even the best codebreaking organization working on the conference.

## GC&CS

Throughout the 1920s, the British Government Code & Cypher School (GC&CS) read, mostly in real time, the major codes of most great powers, including the United States and Japan. Yardley's organization, conversely, had little success against secret British codes. It rarely read anything that was not simply sent in the R code, which was designed only to cover routine matters from the scrutiny of telegraph clerks.

Yardley provided nothing significant on Britain during the Washington Conference, except to show that England was irritated at the way the American ambassador in London handled the negotiations which established the conference.<sup>2</sup> This weakness prevented the United States from exploiting its ability to intercept the large number of revealing telegrams exchanged between the British delegation and Whitehall, as they debated the details of their naval policy, which they had to redefine when the conference began, precisely as Japan did.

Equally, however, GC&CS could attack only the material it intercepted. Usually, British dominance of international maritime cables provided GC&CS ample material to attack, but not in this case. Britain could intercept only those telegrams



**Secretary of State Charles Evans Hughes**

which Tokyo and Washington forwarded to their embassies in London or Europe, whereas the United States could capture traffic which was sent on trans-continental and Pacific cables between Tokyo and its delegation in Washington. Since Tokyo did not issue to its embassies in London or Europe the key instructions which it sent to its delegation in Washington, GC&CS provided only secondary material on Japan during the conference.

GC&CS also acquired little data on American policy, as the conference was held in the United States, so allowing American decision makers to formulate their policy without any need to send telegrams about it to embassies abroad. Secretary of State Charles Evans Hughes defined American policy before the conference and kept it secret. Thus, he swung the hammer of surprise when he opened the conference, proposing a massive scrapping of battleships built and building, and a cessation of new construction in them. The chief of the British delegation, Arthur Balfour, had to define his country's policy literally as he sat waiting to reply.

On the other hand, Balfour was bright, while Hughes's proposals undercut the policy of the USN more than they did that of Britain, which outmaneuvered the Americans on the details of their bargaining. Meanwhile, United States negotiators used Yardley's intelligence on Japan in ways which suited British interests as much as it did their own. The success of American codebreaking and the limits to that of Britain had no bearing on the major naval issues at stake in the conference, on those between the USN and the Royal Navy (RN).

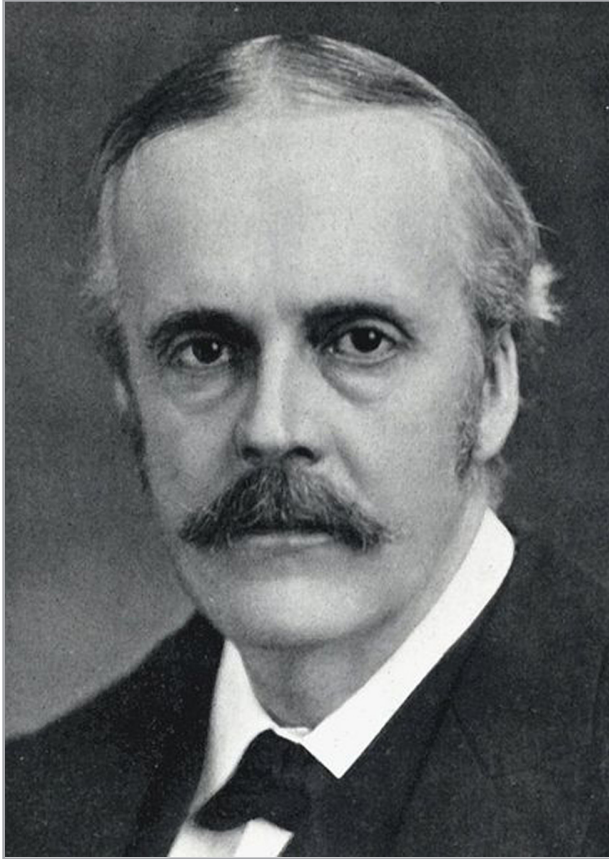
### Value in Context

Finally, the value of Yardley's material and of American success in diplomatic bargaining must be placed in a strategic context. Japan did better in naval matters at the Washington Conference than did the United States or Britain, with its real sacrifice being in abandoning some of its position on the Asian mainland. Japan, the weakest of the three great naval powers, would have slipped dramatically in relative strength had rivalry continued in construction. Japan achieved a far better position than this on a 5-5-3 ratio, even though this level left it vulnerable in case of hostilities with the United States.

Again, through the Washington Conference, in both absolute and relative terms, Japan scrapped far fewer warships, built or building, than did Britain or the United States—the latter actually sacrificed more than any other country. In private, the USN and the RN agreed that the Washington Naval Treaty left Britain notably stronger at sea than the United States. The American position deteriorated further in coming years, as Britain and Japan both built their authorized strength in restricted classes of warships, alongside many vessels in unregulated categories, especially cruisers.

Though nothing prevented the United States from doing the same, it was unwilling to spend on sea power. Hence, the USN's real position declined almost to 5-4-3. This development created irritation





**Arthur Balfour,**  
**chief of the British delegation**

in Washington, but few warships: though its real motivation was cheapness, it tried to characterize these actions as emanating from ethics.<sup>3</sup>

### 1927 Geneva Conference

The danger of a new naval arms race centering on cruisers became significant to international politics by the later 1920s, a moment when hopes to remake the world on liberal internationalist lines were high. This situation led to a new naval arms conference at Geneva in 1927.<sup>4</sup>

Before and during this conference, Yardley's organization gave nothing to American negotiators, partly because it could not intercept much relevant

traffic, though it still provided useful reports on Japanese policy in China.<sup>5</sup> Conversely, GC&CS, able to intercept American and Japanese traffic to and from Europe and reading all of their major systems, provided valuable data to Whitehall.<sup>6</sup>

This success, however, did not prevent a collapse of the conference, due to irreconcilable differences over policies. In particular, while Britain offered to extend the 5-5-3 ratio to all categories of warships, including cruisers, it wanted to do so at a level of tonnage that no United States government was willing to maintain. The Americans insisted that the 5-5-3 ratio must rest on a basis which Congress would subsidize for the USN—that the RN should be cut to a level which the United States could afford, rather than the one Britain would do. Britain and the United States also differed on the number of heavy cruisers which either should be allowed to build, because their naval strategies and conceptions of the value of such warships were different. Japan, meanwhile, insisted that the ratio for lighter warships must be 5-5-3.5, rather than 5-5-3.

### 1930 London Naval Conference

After the 1927 conference collapsed, the danger of a new naval arms race became seen as a great, perhaps the greatest, threat to international peace, and to Anglo-American relations. Meanwhile, the Washington Naval Treaty required the major naval powers to begin a massive and expensive program of battleship replacement in 1931, which many politicians were reluctant to do.

Thus, in 1929, when new governments took power in Washington and London, they both pursued naval arms limitation, but with different aims. American president Herbert Hoover married national interest to idealism, aiming to weaken British power compared to the United States, while also making a better world. In particular, he wanted Britain to cut its fleet while letting the United States build a substantial number of cruisers.



## British Prime Minister MacDonald I

British prime minister Ramsay MacDonald, leader of the Labour Party, was ignorant of naval issues—he caused, for example, great confusion by allowing American negotiators to believe that he somehow had agreed to let them build one or two new capital ships while Britain would construct none—and more concerned with spurring world disarmament than furthering narrow interests. When bargaining with Hoover over naval issues, MacDonald did not aim to maintain or strengthen Britain's position against the United States, but instead to change American attitudes, to gain their support for further moves toward liberal internationalism and disarmament in Europe.

To impress Washington, he accepted many of Hoover's demands, thus abandoning earlier British positions. In particular, he agreed to scrap large numbers of battleships and cruisers, far more than any other country, to reduce the level of tonnage in cruisers to the size demanded by Washington, and to let the United States build more new warships in that class, including heavy ones, than Britain. This compromise finally created parity between the USN and the Royal Navy. In the long run, it crippled British sea power; in the very short term, it weakened Britain in disputes with the United States, and forced it into intricate negotiations over naval strength with all participants.<sup>7</sup> Nonetheless, these actions also made possible a new naval disarmament conference, where Britain held the communication-intelligence cards.

## GC&CS's Opportunity

As the London Naval Conference occurred in its country's capital, GC&CS had unmatched opportunities to intercept traffic to and from the American, French, Italian, and Japanese delegations. GC&CS seems to have mastered all of these messages, and thus the aims and means of other players.

During this conference, GC&CS was a strong second to Britain's leading source, namely personal contacts with the other delegations. No other source mattered at all. Britain was able to monitor any diplomacy between other parties by cross-checking reports from several sources, including the codes of one, or usually both, participants. Its position was powerful and one-sided: no other state could match British communications intelligence capacity at this conference.

The United States had abolished Yardley's bureau several months before; nothing suggests that Japanese codebreakers provided any material relevant to the conference, while those of France and Italy could not intercept most key traffic related to the conference.

One group of American experts appreciated the problem. Though the USN had little information on British codebreaking after 1918, it picked up rumors, some accurate, about British successes against American traffic. By 1929 the USN's signals intelligence organization also was becoming mature. As the conference approached, OP-20-G warned its superiors that during the Great War, Britain had "a very large cryptanalytical section and obtained such excellent results that the value of such a section was undoubtedly indelibly impressed upon them." This organization "probably [was] still in existence with a reasonable number of highly skilled personnel." OP-20-G warned that the transmission of cables about the conference between the American delegation and the State Department would cause their codes to become "hopelessly compromised"; it offered to provide a fallback system for "any highly secret communications." This offer was not adopted.<sup>8</sup>

## MacDonald II

For several months, traffic from the London Naval Conference clearly was GC&CS's top priority, because it held that precedence for MacDonald. Success in this sphere obviously was intended to buy political credit for the intelligence services as a

whole, from a Labour government which was suspicious of them. GC&CS took the rare step of reissuing all solutions relevant to the conference under a numbering system, "NC" (e.g., Naval Conference 007) distinct from its usual six-figure method (e.g., 007007). This effort had some success, but it was limited by MacDonald's attitudes.

At the start of negotiations over naval disarmament, he gave American authorities unparaphrased copies of British diplomatic telegrams, which would have, as cryptanalytic "cribs," aided any reconstruction of its codebooks, had Yardley's bureau still existed. The Foreign Office, fearing that it was "quite on the cards that the U.S. Embassy have scented a useful method of trying to break our ciphers by asking No. 10 for copies of F.O. [Foreign Office] telegrams," took firm measures to halt this behavior. It recorded "that this incident when explained thoroughly scared the P.M."<sup>9</sup>

MacDonald read and acted on the GC&CS's material about the London Conference but, a good Presbyterian, first he sinned and then repented heartily. At some later point, perhaps when discussing international economic issues in 1933, MacDonald warned the American diplomat William Bullitt, "that every message sent or received by our Embassy in London is decoded at once and is on the desk of the Cabinet Minister interested the following morning."<sup>10</sup> This statement became common currency among American authorities. Notably, before the 1936 London Naval Conference, they took the danger of British codebreaking far more seriously than they had for the 1930 conference.

## Two Complex Issues

At the 1930 Conference, intelligence was avidly used by the Admiralty, Foreign Office and Labour politicians, as they confronted complex political and technical issues. Whitehall and Washington hoped that everyone would reason together, but also believed that a naval treaty could be signed even if France and Italy refused to join in, as quickly

became evident would be the case. Such a refusal was far less likely with Japan, although in the worst case the British and Americans might have signed a two-power disarmament treaty, albeit one which institutionalized rearmament against the third naval power.

In technical terms, two issues were at stake. With relatively little discussion, the three powers agreed to abandon the replacement of capital ships until 1936, when a new naval arms limitation conference would be held, and that Britain should scrap five old battleships, the United States three, and Japan, one, the battlecruiser *Hiei*. Debate instead centered on comparative tonnage in (a) all classes of cruisers, especially (b) heavy ones, armed with 8-inch guns, and (c) in destroyers and submarines.

The United States and Britain wanted to extend the 5-5-3 ratio to all classes of these lighter warships. Japan, however, demanded a ratio of 5-5-3.5 for lighter warships as a whole, especially for heavy cruisers, and to retain an especially large strength in submarines. Neither Britain nor the United States liked that package, though they were willing to accept some compromises on a strict 5-5-3 ratio.

Differences also existed between Britain and the United States over their tonnages in light and heavy cruisers. In particular, the American delegation initially insisted on the right to build twenty-one heavy cruisers. While Britain really preferred that the USN possess just fifteen heavy cruisers, it was willing to agree that the United States would have eighteen of them, Britain fifteen, and Japan twelve. Britain also knew that if the United States insisted on having more than eighteen heavy cruisers, Japan would demand more than twelve, forcing Britain to increase its requirements in that class, so producing a cascade effect that might wreck the conference.

This fact was one of their strongest arguments with the American delegation about the number of heavy cruisers the USN should procure. Even worse, on all of these issues, MacDonald's pursuit of Wash-

ington had left Britain with a weak bargaining position. It could not block American demands which it disliked, nor look as though it was manipulating Japan into opposing them. Unless these conflicts could be resolved, the conference would fail, making international relations worse than they would have been without it. Equally, compromise was possible. Britain worked for the latter, using the clash between Japan and the United States to play each against the other, and so reduce both of their demands in order to further liberal internationalism and British interests.

### Initial GC&CS Intelligence

Intelligence is about secrets. To negotiate, each side had to signal its position to some degree, while the Japanese, American, and British civilian delegations were open with each other, in the fellowship of liberalism, and had differences with their own naval advisors. Yet each state had a bottom line to hide and Britain had an edge. It had the means to discover secrets, while the others did not. Before the conference, official sources, especially the Anglo-American discussions where Hoover and MacDonald defined their policies, were Britain's main sources of information. Even so, GC&CS provided the first, though predictable, news that in 1930, as in 1927, Japan would demand a 70 percent ratio (5-5-3.5) for lighter warships.

Before the conference, GC&CS showed policy formation in Tokyo and Washington and the abortive discussions between the two capitals. The failure of these talks was comforting to UK diplomats, who could achieve British aims only if Washington and Tokyo remained divided, who feared that the United States might maneuver Japan against Britain, and yet knew they must not let American statesmen think that "we are using the Japanese difficulty as a lever to get the Americans even below their figure of eighteen [heavy cruisers]. Any such

policy on our part would be a breach of the 'Gentleman's Agreement' which at present exists between the United States and ourselves."<sup>11</sup>

In particular, Whitehall was certain that the prickly American secretary of state, Henry Stimson, was searching for signs of bad British behavior. By reading Japanese Naval Attache traffic, GC&CS also let the Labour Party parliamentary under secretary for foreign affairs, Hugh Dalton, ensure that British naval officers were not working with Japanese counterparts to thwart arms control, by briefing them to take actions which might make the conference fail. Although Labour overstated the danger, it was a possibility. During the conference, Japanese diplomats reported that some unnamed and unofficial RN officers were encouraging the Japanese naval delegation to adopt a position which might have wrecked the conference.<sup>12</sup>

When the conference began, GC&CS did better than American codebreakers had done at Washington, by reading the traffic of every delegation, instead of merely one of them. In general, its product ensured certainty, by confirming the accuracy of material acquired through official means, such as the impression that no arrangement between France and Italy could be reached (as when Benito Mussolini ordered his ambassador in London, "Refrain from making any further conciliatory proposals of any kind"; "Do not swerve from our position and do not make any further conciliatory proposals of any kind"), ending any chance of a five-power arrangement, but also indicating that these two countries would not prevent a three-power pact.<sup>13</sup>

GC&CS also made several contributions which no other source could provide. It offered reports, sometimes the first ones, on debates within the Japanese and American delegations, and of the negotiations between them. Frequently, it provided both the American and Japanese accounts of their bilateral discussions, as well as their impressions of talks with Britain. The ability to monitor all of these issues at

the same time, generally in real time, illuminated Japanese and American perspectives and policies.

In particular, GC&CS provided all of the reports of the Japanese delegation, including material which, during the middle stage of the conference, Japan's naval and civilian sides hid from each other, and their backchannel communications with different superiors in Tokyo, which were conducted on separate cryptographic systems. Whereas the British easily read the diplomatic codes, the naval traffic, some of it protected by the first Japanese use of a cipher machine, was a tougher nut.<sup>14</sup>

For several weeks, Britain actually understood the divisions between and the strategies of the two factions within the Japanese delegation better than either one of them did. Ironically, these factions focused more on hiding their traffic from each other than against foreigners, and Imperial Japanese Navy (IJN) codebreakers in Tokyo actually were attacking, and reading, messages sent by their own country's diplomats.<sup>15</sup> Against this, Japanese civilians did not hide the fact of these splits, which in turn improved their bargaining position against other countries—thus, ironically, to some degree codebreaking reinforced Britain's will to compromise.

### 1930 Conference: First Two Months

During the tense and inconclusive first two months of the conference, GC&CS also provided comfort, by showing that an acceptable deal could be reached with Japan, as politicians in Tokyo told the civilian delegation that when they made the best settlement they could, the government would sell that settlement at home, and make the admirals accept it.<sup>16</sup> This knowledge reduced the gnawing edge of nervousness which increased Japan's bargaining position. GC&CS also provided some sense of what arrangement the civilian and naval delegations would accept.

That point was significant, because Japanese bargaining strategy was not to explicitly define its

own position, but rather to have other powers make offers, which Japan's negotiators would then try to raise. Japanese reports of such conversations illuminated what arrangements they thought were acceptable. GC&CS revealed a key issue for Britain, the conflict between Japanese and American policies, including details that both sides kept from Britain, though it also generally demonstrated that their reportage to British delegates was truthful and fairly comprehensive.

GC&CS also penetrated the position of the Japanese Admiralty, the *Kaigunsho*, and the Japanese Naval Delegation, the truly hidden dimension of these negotiations. In particular, GC&CS revealed that Japanese naval authorities would oppose any sort of agreement which Britain or the United States could accept, and thus hamper the freedom of action of their civilian colleagues and the chances for success at the conference.

By 13 March 1930, after a month of secret talks, the British, American, and Japanese civilian delegations accepted a complex deal which let all claim victory, called the Reed-Matsudaira agreement after its negotiators, Senator David Reed and Ambassador Tsuneo Matsudaira. The United States and Britain offered Japan 100 percent parity in the tonnage of submarines, though this level fell beneath the IJN's demands. The United States agreed to abandon its demand for twenty-one heavy cruisers, and offered to settle for eighteen.

While GC&CS was irrelevant to that decision, it shaped another one: the American offer not to lay down three of its eighteen heavy cruisers until the end of the period covered by the Treaty. In practice, though not in theory, this offer would give Japan almost a 70 percent ratio to the USN both in heavy cruisers and in the aggregate tonnage of all classes of lighter warships during the tenure of the treaty, while also containing construction on both sides, thus nicely suiting Britain.



London's chief negotiator, Robert Craigie, had originated this alchemy, and secretly suggested that the Japanese delegation fall back on it in case of deadlock with the Americans. Craigie, a shrewd bargainer with a powerful grasp of the technical issues at stake, was GC&CS's main consumer during the conference. Craigie's actions stemmed from his knowledge of the issues, and intelligence on them. Press reports, statements by American and Japanese delegates, and solutions of their traffic showed the details of their discussions, the internal politics of their policy, and the fact that their governments wanted a deal. Acting on this knowledge, and able to monitor the reaction of his targets to his pressure by reading both their body language and their subsequent reports, Craigie pressed the other sides to negotiate, fed them a solution which met both of their bottom lines while pushing their programs down as Whitehall wanted, and rejected any alternatives that Britain disliked.

Even more, he achieved all these ends without the Americans suspecting his role, or even in breaking the gentleman's agreement with Washington: he sincerely believed that his proposals were the only way to break the deadlock, in which he was probably right. Craigie, that is, used communications intelligence on Japan to guide its policy in a direction which furthered Japanese (and British, and probably even American) interests. Ironically, GC&CS's solutions of Japanese messages provide a better picture of Craigie's conversations with that delegation, than do the accounts he placed in the official British record.

This triumph of policy and intelligence overcame Britain's bargaining weakness and allowed it to meet its aims over cruisers and world disarmament. It was GC&CS's main contribution to British policy during the conference, and a major one. Craigie might have been able to achieve these ends without the support of GC&CS, because his approach was an obvious solution to the problem, but the task would have been much harder.

## Crisis in the 1930 Conference

Precisely as a provisional agreement emerged, so did a crisis, as the Japanese naval delegation, and through them the *Kaigunsho*, learned for the first time what their civilian counterparts had been doing. Throughout this crisis, British authorities continued to keep British decision makers better informed than either Japanese faction, as GC&CS read all of the communications sent on both of their back channels. GC&CS quickly showed that the civilian delegates advocated the offer as the best possible deal, and an acceptable one. The only other option they saw was to wreck the conference, so creating British and American hostility, and possibly increased naval construction, which would be against Japan's best interests.

GC&CS also demonstrated that the Japanese foreign minister and prime minister, Kijuro Shidehara and Osachi Hamaguchi, were willing to accept the provisional deal. Before they would present it to the Japanese cabinet, however, they wanted the civilian delegates to convince the heads of the naval delegation, the minister of marine, Admiral Takeshi Takarabe, and the technical chief, Admiral Kiyokazu Abo, to offer formal support for that offer. Even more, GC&CS revealed that a united front of all other members of the naval delegation, led by Admiral Isoroku Yamamoto, was preventing Takarabe from accepting the offer, on the grounds that Japan could get a better deal by holding out and especially by working with the French.

Worse yet, GC&CS provided reason to believe that such an unholy alliance was at hand, as it finally solved a month-old message from the *Kaigunsho*. Had this message been solved when it was sent, on 8 February, Whitehall would have been concerned and might have changed its actions during the period of negotiations. This message (like some others solved between 13 and 18 March, but even more so) showed that the *Kaigunsho* absolutely demanded a real seventy percent ratio in lighter warships. Rather



than accept anything less, it was preparing to wreck the entire conference, by exploiting the stalemate between the five powers; this implied that it would work with another party. Whitehall feared that France might wish to do the same.

GC&CS closely followed all French and Japanese reports of their discussions during the conference, which showed they had some common ground. In particular, the French charge d'affaires to Tokyo, M. Doubler, was pressing Japan toward positions on submarines which might sink the conference—indeed, seemed to have precisely that intent in mind. British and American statesmen, suspicious of France, took this possibility seriously. These circumstances threatened catastrophe. Stimson and MacDonald agreed privately that if Japan rejected the compromise of 13 March, Britain and the United States should sign a two-power arrangement, which maintained the battleship replacement program of the Washington Naval Treaty. Thus, a naval disarmament conference would produce a naval arms race.

At this stage, British statesmen began to work closely with the American authorities in London, especially Stimson, informing them of matters which Whitehall knew through codebreaking, though without revealing the source. These actions create a host of ironies. Stimson had closed the American “black chamber” several months before on the grounds, as he later recalled, that “gentlemen should not read each other’s mail.”<sup>17</sup> Now, he was acting on the reading of gentlemen’s mail at second hand, without knowing it. Again, when justifying the publication of *The American Black Chamber*, Yardley warned that shutting down his bureau would damage American diplomacy at the London Naval Conference.<sup>18</sup>

However counterintuitive it may seem, his prophecy proved wrong, under these circumstances. The sympathetic fellowship among liberal politicians kept Stimson well informed. On central mat-

ters, the British informed him of the conclusions they reached from codebreaking, which largely coincided with what he already knew. In other cases, although he was ignorant of GC&CS material, he acted precisely as did British statesmen who had such data.

Meanwhile, there is no reason to believe that Yardley’s bureau actually could have assisted Stimson at the conference, because the United States could not have intercepted the backchannel reports that the British did, which were sent secretly between two small groups of Japanese decision makers in London and Tokyo on cables between Europe and Asia, nor that he could have provided material which would have detected Craigie’s manipulations on the cruiser issue. Again, reading American traffic offered Britain few advantages over the United States at the London conference, while the British said nothing over cables to Washington that they did not tell Stimson face to face. Finally, had Yardley’s bureau had any success, the British would immediately have known about it, as any such reports would have had to be sent to Stimson via codes which the British were reading.

The British and Americans drove a stake through the heart of an unholy alliance by directly querying the French and Japanese foreign ministers about Doubler’s proposals, aiming to destroy any intrigue by showing that it was known. In hindsight, Doubler’s actions and the possibility of cooperation between the French Navy and the *Kaigunsho* posed little danger, because they were unauthorized by the French government and rejected by Shidehara, too shrewd to be manipulated, especially by a diplomat whom he held in some contempt and who he thought was acting without instructions.<sup>19</sup> However, these facts were unknowable at the time. The British and Americans ended the problem by bringing it into the open, which they had no choice but to do.

## A Japanese Weakness

Dealing with another issue, and intelligence on it, was much harder to handle. The *Kaigunsho's* opposition to the proposed agreement was public knowledge four days after GC&CS first detected it, when naval officers started a press campaign against the Reed-Matsudaira compromise in Japan. Meanwhile, for several weeks the Japanese government made no decision on the issue. The Foreign Office saw "a strong possibility of the naval element in the Japanese delegation overwhelming their political colleagues and preventing an agreement," while "a most determined effort is being made by Japanese naval authorities to reject this compromise and nothing should be left undone to prevent such a disaster occurring."<sup>20</sup> In hindsight, this assessment was alarmist; in practice, little could be done about it. As Britain opposed further concessions to Japan, it could neither appease naval personnel nor strengthen civilians. It did have potential modes of leverage, but each was problematical.

That Japan suffered from financial weakness was generally known, but GC&CS demonstrated that its government was extremely sensitive on that issue. The latter twice warned its delegation to avoid any discussions which might even invoke the matter, especially because Tokyo was renegotiating major loans in London precisely at the time it was negotiating on sea power. Indeed, GC&CS showed that the civilian delegates and Shidehara feared having to start the battleship replacement program, since the cost might cripple the economy.<sup>21</sup> If communications intelligence showed any Japanese vulnerability to exploit, this was it. However, British and American decision makers were careful in playing this card, for two reasons.

First, Japan's financial embarrassment occurred in part because it was preparing to join the gold standard, which was a major priority for the British and American Treasuries, the Bank of England and the Federal Reserve Bank. This fact prevented

anyone from exercising open pressure on the issue; indeed, had they been consulted, as would have been necessary, British and American financial authorities probably would have refused to place such pressure on Japan, because this endangered aims they cared about.

Even more, to raise this issue too openly would seem a threat, and antagonize the Japanese government. Hence, in private discussions with Japanese civilian diplomats, British and American decision makers referred to Japan's financial weakness carefully, and in polite and elliptical terms. Craigie, for example, warned one Japanese diplomat that if the conference failed, "it was as clear as daylight that the nerves of the American people would be affected and that they would carry out construction on a large scale." Then, American financial and naval strength would overwhelm Britain just as much as it would Japan (here Craigie overstated British weakness to sweeten his comments on that of Japan), while any failure to agree about lighter warships would also prevent any revision of the replacement schedule for capital ships, so forcing Japan into a construction race.

The Japanese civilians understood these risks, and emphasized them in their reports to Tokyo. So too, without benefit of access to communications intelligence, the American ambassador to Japan, William Castle told Shidehara that if "an agreement could be reached with Japan, this would have a particularly good repercussion upon public opinion, whereas, if an agreement confined to the United States and Great Britain should emerge, really deplorable consequences upon relations with Japan were to be apprehended."<sup>22</sup> Doubler raised the point with less tact and effect, telling Shidehara that Britain and the United States were using Japan's financial weakness as a naval weapon. If, however, Japan stood firm on the issue of submarines and so faced Anglo-American financial pressure, French money markets no doubt would open to Tokyo. When Shidehara reported this comment to the American

ambassador, Castle, the latter retorted immediately, or so he told his superiors, "it seemed strange first to be insulting and then to attempt bribery."<sup>23</sup>

The second form of leverage was to act elsewhere. During the crisis, Britain and the United States could gain nothing by working on, or through, the delegation; useful action could be taken only with Tokyo. The Foreign Office thought the *Kaigunsho* had little power in the government or with the public. It believed that public opposition to arms limitation was artificial, no doubt reinforced by solutions indicating that the *Kaigunsho* was manipulating opinion against the 13 March compromise.<sup>24</sup> The Foreign Office also believed the Japanese cabinet was strong and wise enough to accept the compromise, and not to subvert the conference.

Still, the Foreign Office immediately reported the facts (though not the source) to American authorities, including Stimson, and to its own ambassador in Tokyo, John Tilley. He was to "keep in close touch" with Shidehara and "use all your influence with the Japanese Government in favour of a reasonable settlement of this particular question at the earliest possible moment." Tilley also was to act with Castle, while avoiding anything which looked like "joint or concerted pressure." Stimson sent identical instructions to Castle. Notably, the men who decided how to act on these instructions did not know firsthand the intelligence that inspired them.

Meanwhile, GC&CS monitored American and Japanese reports of their discussions on these topics, so outlining what Tilley and Castle really were doing: thus, Japanese telegrams revealed actions by Tilley which he did not tell his own superiors at the time. GC&CS also showed how the Japanese were reacting to this ambassadorial pressure. In particular, Shidehara said precisely the same to the head of the civilian delegation, Reijiro Wakatsuki, as he did to Castle and Tilley: that he was delaying any action on the proposed treaty until he could finesse

the political support needed to pass it easily through the Cabinet, both by working behind the scenes in Tokyo and by having the civilian delegation convince Takarabe to support the proposal.<sup>25</sup>

Tilley chose to work "almost entirely" through Shidehara, refusing to contact Prime Minister Hamaguchi, who "not only does not speak English but abstains in the most marked way from any communication with foreigners. Conversation with him would be very difficult, would be most unlikely to elicit any statement of opinion and would attract great and probably unfavourable notice in the press." "Any attempt to influence the Press would have been exceedingly dangerous"; nor would he use the Naval Attache to contact the *Kaigunsho*, as "the real problem is a political one," while the position of Shidehara, "who was disposed to defend the compromise even at the risk of having to resign, might be weakened if it were known, or believed, that a violent Anglo-American campaign was in progress and because alternately his own sympathy might be diminished if he learned that we were working by other means than through himself."<sup>26</sup>

GC&CS almost immediately solved a telegram in which Castle expressed identical views to Stimson. Tilley carefully avoided "too much trace of concerted action" with Castle, but they had similar views, compared notes and moved in parallel. Castle thought any effort to contact Hamaguchi could backfire disastrously and was pointless—"the Prime Minister is a silent man, but in spite of the general belief that does not prove that he is a strong man. And could anyone be stronger than Shidehara has proved himself to be?" Tilley, Castle noted, "feels also that Shidehara himself is our best bet and that we cannot afford to alienate him. Sir John is a pretty wise old boy in the ways of diplomacy."

Both diplomats sounded out circles linked to the Emperor's political advisor, the *genro* (elder statesman) Kimmochi Saionji, and discovered that he favored the Reed-Matsudaira proposal. However,

Castle's effort to have a subordinate send Saionji a message through a dinner conversation with his political secretary, Baron Harada, failed, as "the good Baron got tight so that he would not have appreciated any message." For an uncertain reason, and to no apparent effect, Tilley "arranged for confidential communication with the Chief of the Naval General Staff," a great opponent of the deal, Kanji Kato.

Both diplomats pressed Shidehara and asked him to deliver messages to Hamaguchi from MacDonald and Stimson, in praise of the 13 March compromise. Neither told the full story to his superior, though in each case GC&CS generally showed that this was so. According to Japanese records, once he realized Shidehara's resolve, Tilley told him to "just pigeon-hole the message." According to his own diary, Castle left Shidehara the message to do with as he chose, after first using scissors to remove from the text his own name as sender and Hamaguchi's as the recipient.<sup>27</sup>

These diplomats discarded what their superiors intended to be trump cards, to show Shidehara how much they trusted him. He picked these cards up and played them in a game of his own, as he publicized that situation among leading liberals in Japan, presumably to show how he mastered problems with *gaijin* and Japanese. Nothing more could be done, though the situation frustrated British and American leaders, who looked for "some method of hurrying up the Japanese." Castle wrote, "It is rather maddening to sit around when there ought to be so much to do to help on the Conference, but there are times, of which this is emphatically one, when any obvious efforts to push things along would probably end in disaster."

This situation also frustrated the Japanese civilian delegates. Wakatsuki warned Shidehara, "I must be prepared in so negotiating to face unconcerned a breakdown of the Conference. If you should require a person unfamiliar with diplomacy like myself to embark upon negotiations of this kind, you must

make up your mind in advance to the probability of the Conference being wrecked. To the unhappy consequences of such a breakdown upon Japan you are yourself fully alive." Ultimately, however, despite their inability to gain support from Takarabe in London, Shidehara, Hamaguchi, and their allies in Tokyo convinced the Cabinet to accept the Reed-Matsudaira proposals as a basis for negotiations. In the last stage of the conference, the Japanese gained further concessions, in part because British and American negotiators realized their counterparts' difficulties.

GC&CS's intelligence on the *Kaigunsho's* position affected British actions, but not events in Japan. Britain and the United States would have done much the same without it—indeed, when Britain first pressed Stimson on the need for "stirring...up" Japanese civil authorities, he retorted that he already had done so: "British should now do their share"; "it was now up to them because we had done all we could and that they should send a telegram."<sup>28</sup> Although this information affected the form and the timing of British and American approaches to Shidehara and Saionji, the latter two would have acted as they did anyway.

Indeed, the Anglo-American efforts to hasten this process did nothing except to irritate the Japanese with whom they were working. Comments to that effect from Tilley, Castle, and Japanese authorities seem to have led Whitehall to abandon its efforts at pressuring Tokyo. Stimson, lacking much of that evidence and dubious of Shidehara's character, remained more insistent on the matter, but Castle contained such pressure. MacDonald actually apologized to Wakatsuki for British actions at Tokyo, perhaps after reading a telegram in which the latter said that they "savour of coercion" and had "stiffened perceptibly" the "antagonism" of his Naval Delegation.

Wakatsuki replied, "some members of his Delegation had been indignant at what they considered



an exertion of pressure. He himself had thought it an indifferent plan but he was more concerned with a general settlement than with such a question of procedure." The Japanese press, moreover, soon detected and reported on this pressure, and on an independent offshoot by an ex-American military attaché who was attached to the United States delegation in London. Castle thought this publicity "was dynamite pure and simple."<sup>29</sup> This reportage could have had counter-productive consequences had it occurred before the cabinet reached its decisions, and probably did shape subsequent hostility in Japan toward the London Naval Treaty.

### Effects of Communications Intelligence

These experiences with communications intelligence between 1921 and 1930 illustrate the span of possible outcomes when one applies cryptanalysis to diplomacy, ranging from irrelevance to triumph to perversity. They also show much about its nature in conditions like those of the telegraph age. These experiences, however, also have peculiarities which must be remembered by anyone trying to generalize from them. There, as ever, intelligence affected diplomacy in complex ways, which rested on particular political and technical circumstances. As a result, more than with military operations, unique features shape every instance of diplomatic intelligence, and any effort to explain such cases must be complicated.

In technical terms, the power of communications intelligence for naval disarmament conferences between 1921 and 1930 was shaped as much by the ability to intercept traffic as by the quality of cryptanalysis. Target communications were a narrow set of messages transmitted between only two offices down one cable, separated by continents. These conditions worked in favor of a state which had some cryptanalytical capacity and the greatest ability to tap relevant traffic. Though, of course, the best position was strength in both spheres, a state

with an excellent capability for codebreaking but a weak one for interception was not well placed.

In 1921 Yardley's bureau gained from its ability to read Japanese traffic but failed against British codes, whereas GC&CS profited little from its mastery of American and Japanese systems. These conditions were characteristic of cryptology in the telegraph age and a powerful argument for holding international conferences in one's own capital.

For diplomatic intelligence as a whole, however, the ability to intercept traffic remained a powerful factor, but its value declined compared to that of strength in cryptanalysis, again for technical reasons. A state's interests were broad, while most of the important and relevant traffic which any state could collect was sent to and from embassies in its capital, and easy to intercept. Between 1915 and 1939, before radio routinely carried diplomatic messages, British dominance of international cables gave it the greatest ability on earth to intercept traffic sent outside territories under its control.

Even so, around 50 percent of the important messages which British diplomatic codebreakers solved during that period were sent to and from embassies in London, while some of the rest were transmitted to and from consulates in its empire. The relative value of the ability to intercept traffic compared to that of strength in cryptanalysis declined still further when dealing with radio messages, which could be caught even when they were sent and received far from one's own territory.

These cases of diplomatic cryptanalysis were one-sided: yet in diplomacy and bargaining, often two or more powers have excellent intelligence on each other or on the multilateral relationship that enmeshes them, meaning that its overall effect stems from a competition between what one state gains from knowledge, compared to what its rivals do. Again, communications intelligence operates in unique diplomatic environments. In this case, that environment centered on negotiations between

three liberal governments which really had few secrets between them, understood each other, agreed on basic issues, were willing to compromise on the details of disagreement, and, above all, on an odd form of cooperative competition between the United States and the United Kingdom.

The latter circumstance shielded Stimson in 1930—a negotiator in his position facing a hostile foe with Britain's superiority in communications intelligence might have suffered heavily from it. So too, because of this circumstance, when either of these states made negotiating gains against Japan through communications intelligence, usually it also worked in the other's favor as well. Equally, British leaders in 1930 could not exploit certain knowledge of how weak Japanese leaders thought their country was, in order to push the IJN below the 5-5-3 ratio, because they accepted the legitimacy of that ratio; such knowledge might have been used more ruthlessly in other circumstances. Certainly it would have supported a far tougher negotiating stance than a 5-5-3 ratio for the United States in 1921 and Britain in 1930.

Meanwhile, an examination of British and American communications with their embassies in Tokyo on matters of naval arms limitation in 1921, 1927, and 1930 suggests that Japan could have gained little from codebreaking against them in the first two cases, but much in 1930, when the nature of the negotiations forced Anglo-American statesmen constantly to consult their ambassadors in Japan on major matters, so discussing and potentially revealing much about their bargaining position. Whether IJN codebreakers were breaking British or American diplomatic traffic in 1930 is unclear, though if they were, the divisions in Tokyo might have prevented such material from being used with effect.

In any case, this evidence suggests that a state in Japan's position—bargaining at a conference held away from its capital—could gain most from communications intelligence by forcing its rivals into

hard negotiations, where they needed to consult their local embassies, thus sending topically relevant traffic which could be intercepted. So too, the experiences of 1921 suggest that a state holding such a conference can gain most from communications intelligence by creating a surprise, or some other obstacle which drives foreign delegations and their governments to reappraise their policies in real time, into debates which can be intercepted, rather than letting them work from a script which they have coordinated in advance and at home.

That is, the ability to take the initiative in negotiations aids one's codebreakers, just as much as they help one to gain that opportunity. Likewise, there exist diplomatic equivalents of the military tactic of destroying an opponent's landlines to force his communications on the air, where they can be intercepted. Such techniques can improve the power of communications intelligence for one's own diplomacy, or warn when one is on dangerous ground.

## Communications Intelligence and Negotiations

Central to the relationship between communications intelligence and any form of action is the impact of delays between the time when a foreign state transmits traffic, when it is solved, and the resulting intelligence sent to decision makers. That problem is especially significant with diplomatic bargaining and strategic crises, where every element of decision-making can change from day to day in a kaleidoscopic fashion. In such cases, decisions will be affected, and perhaps deformed, simply because messages are received out of sequence. Trivial but current messages will receive disproportionate attention. Important older messages that emerged from different circumstances may be misinterpreted as they are applied to immediate actions which one must take. Routinely, crucial material will come in just too late to take action, though it may affect the lessons learned from an event. Again, to receive just

parts of the communications surrounding any issue is far less satisfactory than seeing the whole.

In diplomacy, communications intelligence contributes to a whole picture of events both by sharpening the clarity and certainty of issues which are already known, and by discovering matters that are not. Because intelligence penetrates secrecy, and sees things which other people are trying to hide, characteristically it discerns unknown dangers; but can also distort them. That problem is redoubled with communications intelligence, because of its unusual combination of precision and reliability. As with Doubler's intrigues, communications intelligence easily can both discover and distort a weak danger, for the same reasons—by magnifying it. Again, with rare power and sensitivity, communications intelligence reveals opportunities to exercise diplomatic leverage, and means by which to do so.

In this area, Yardley's bureau made a key and simple contribution in 1921: knowledge that if one merely sat tight, a rival would fold. During 1930 GC&CS made four more complex contributions in this vein. Of these, the first, playing Japan off against the United States over heavy cruisers, was obvious enough, but still a delicate task which was eased by precise knowledge. The second, referring to Japan's financial weakness as a means to move its government, could be used only with caution and when unavoidable, though little pressure was needed to make the point; again, precise knowledge enabled effective work. GC&CS brilliantly illuminated the third instance in a way that no other source could have done, namely the problem posed by the *Kai-gunsho* in Tokyo; yet attempts to act on that information did not work as intended and caused more trouble than they solved. Finally, knowledge of Doubler's actions caused more alarm than was warranted, though it also sparked actions which easily scotched the problem.

These cases exemplify what communications intelligence can and cannot do in diplomacy. They

show that expertise and intelligence often cannot bear fruit. Excellence in codebreaking alone could not give Britain useful intelligence at the Washington Conference. Even excellence in both interception and codebreaking could not let Britain achieve its aims at the Geneva Conference. For the United States in 1921 and Britain in 1930, conversely, communications intelligence helped statesmen to achieve victory on key parts of a negotiating package for naval arms limitation.

These two successes might have happened anyway, but in the world as it was, communications intelligence was fundamental to both. It provided situational awareness. It enabled statesmen to be sure that they were not missing an obvious opportunity, or a threat to their own position, and provided confidence that they understood their environment and were behaving appropriately. Communications intelligence confirmed the accuracy of material in other sources (in this case, primarily what one's own diplomats heard and foreign ones said). It revealed the real position of rivals, and the accuracy of statements they made and thus their sincerity, which in this case increased confidence in the value of their promises, and of an agreement with them.

Communications intelligence steadied nerves when things seemed to be going nowhere, or going wrong. It increased knowledge of a rival's position and how to manipulate it. Communications intelligence showed when to try gambits, what they might be, how they were working, and when to amend or abandon them, because they were having no effect, or perverse ones. It was a tool, a balm, and an insurance policy.

### Strategic Consequences: Assessment

A complete assessment of how intelligence affects any act of diplomacy requires consideration of its strategic consequences—in this case, of who won and lost at the London Conference, and how and why. Here, we are assessing what did happen in the context of what might have happened. Had the

stable environment of the later 1920s endured, the policies pursued at the London Conference might have had different, and better, outcomes. Hoover and MacDonald might have had some success in recasting the world around liberal internationalist principles, underwritten by armed liberalism. In the world as it was, however, the story is unpleasant and ironic. In material terms, the great loser at the London Naval Conference was Britain, which sacrificed more warships than its partners and gained less new construction than the United States, so crippling its shipbuilding industry.

This outcome, however, was guaranteed before the conference began, because of MacDonald's decisions. In the negotiations at London, Britain used intelligence well, so overcoming the weaknesses in its bargaining position, and letting it achieve its immediate objectives. Ironically, however, the process of liberal diplomacy allowed Japan, the weakest of the great naval powers, to do best among the parties in London, just as it had done in Washington. The Reed-Matsudaira agreement was fairly generous to Japan, which later managed to budge it still further, because Whitehall and Washington realized that they must work to sell the deal to Tokyo. These facts were clear from official sources, but doubly so through communications intelligence. They reinforced Britain's willingness to let Japan make gains on the Reed-Matsudaira agreement during the final stages of the conference, although the American delegation actually made compromises on London's behalf.

In particular, Japan was allowed to turn *Hiei* into a gunnery training ship by removing most of its turrets and armor, rather than scrapping it entirely, which enabled that warship to be refit for service during the Second World War. Thus, at London, the RN and the USN together sacrificed almost as many capital ships as the IJN possessed, while Japan really lost none at all. Even more, unbeknownst to Britain, the United States, and to Japanese civilians, the tonnage of Japan's modern heavy cruisers was

around 33 percent heavier than the IJN officially acknowledged—by 35,000 tons, because of cheating or inexperience in design when Japan created these warships, the first they built without foreign assistance or models. In reality, the IJN actually matched the RN in the tonnage (though not the numbers) of heavy cruisers, and had a 5-5-3.8 ratio in the weight of lighter warships as a whole. Thus, the negotiations about relative tonnage which dominated the London Conference seem unreal, as often occurs when one examines any set of negotiations in hindsight.

The London Naval Treaty left Japan master of the western Pacific and the strongest power in East Asia, which could not have happened had it confronted serious naval construction by Britain and the United States. These countries accepted that position because they regarded Japan as a liberal, aligned, power. As Stimson told a Japanese diplomat, "Japan stood in the Far East in the position of the interpreter of Western civilization to Orientals and that for this reason not merely was her position of predominance in those regions not a cause of uneasiness to America but on the contrary it was rather regarded by the latter as being to America's advantage."<sup>30</sup> British and American leaders also hoped that the London Conference would boost the power of liberal internationalist rules in the world.

Instead, that Conference began the process by which Japan became a revisionist power, attacked liberal internationalism, and broke the armed liberalism which underlay international stability. Ironically, that process was propelled in part by the past successes of Anglo-American codebreaking. In 1930-31 the role of codebreaking at the Washington Conference and of Anglo-American pressure on Tokyo during the London Conference became public knowledge. That publicity delegitimized these agreements, and the Japanese liberals who made them. The London Naval Treaty lit the fuse for a political explosion which blew Japan down the road to the Pacific War.



Ironically, the best outcome for Britain, the United States, and Japan itself would have been for the *Kaigunsho* to wreck the London Conference, so forcing an Anglo-American treaty and maintaining the battleship replacement schedule of the Washington Naval Treaty. That arrangement quickly would have driven Japan far below a 5-5-3 ratio, and given its leaders a better sense of their power, and the limits to it.

In statesmanship and intelligence, wisdom is to information as three is to one. For Britain at the London Naval Conference, excellence in diplomatic intelligence was harnessed to mediocrity in policy and disaster in outcome.

## Notes

1. The standard account of Yardley, his bureau, and its role during 1921-22, is David Kahn, *The Reader of Gentlemen's Mail, The Story of Herbert O. Yardley* (Yale University Press, 2004). A useful study of the conference itself is Erik Goldstein and John Maurer (eds.), *The Washington Conference, 1921-1922: Naval Rivalry, East Asian Stability and the Road to Pearl Harbor* (Routledge, 1994); for its naval consequences, see Ferris, J.R., "It is our Business in the Navy to Command the Seas: The Last Decade of British Maritime Supremacy, 1919-1929," in Keith Neilson and Greg Kennedy, *Far Flung Lines, Maritime Essays in Honour of Donald Schurman*, (Frank Cass, 1996). "Strength" was an arbitrary issue, defined by a complex mixture of factors, especially tonnage and numbers, but also including armament.
2. Herbert Yardley Papers, copies at The National Cryptologic Museum, Fort Meade, Md.
3. Ferris, "Last Decade," *ibid*.
4. Herbert Yardley Papers, copies at The National Cryptologic Museum, Fort Meade, Md.
5. Cf. the HW 12 series, for 1926-27.
6. Tadashi Kurumatsu, "The Geneva Naval Disarmament Conference of 1927: The British Preparation for the Conference, December 1926 to June 1927," *The Journal of Strategic Studies*, 19/1, March 1996, 101-126. The best accounts of this conference, which recently have attracted much attention, are Kurumatsu, above, and Richard Fanning, *Peace and Disarmament, Naval Rivalry & Arms Control, 1922-1933* (University Press of Kentucky, 1995). See also Sadao Asada, "From Washington to London: The Imperial Japanese Navy and the Politics of Naval Limitation, 1921-1930," *Diplomacy & Statecraft*, 4/3, November 1993, 147-191.
7. Ferris, "Last Decade." John H. Maurer & Christopher M. Bell (eds) *At the Crossroads Between Peace and War: The London Naval Conference of 1930* (Naval Institute Press, 2014) place it in the broader context of naval arms limitation discussions between 1920 and 1935; cf. Fanning, and the essays in B. J. C. McKercher, *Arms Limitation and Disarmament: Restraints on War, 1899-1939* (Praeger Press, Westport Ct. 1992). Sadao Asada, "From Washington to London: The Imperial Japanese Navy and the Politics of Naval Limitation, 1921-1930," *Diplomacy & Statecraft*, 4/3, November 1993, 147-191, offers an excellent account of Japanese debates on these issues.
8. "Secret Memorandum by A.D. Struble, 5.11.29, RG 38-1030-104. NARA, College Park.
9. Minutes by Colesworth, 7.9.29, 11.9.29, *passim*, FO 371/13523, A 6037.
10. Orville H. Bullitt (ed.), *For the President, Personal and Secret, Correspondence between Franklin D. Roosevelt and William C. Bullitt* (London: Andre Deutsch, 1973), 249.
11. Minute by Craigie, 22.11.29, FO 371/13526, A 126.
12. Ben Pimlott (ed.), *The Political Diary of Hugh Dalton, 1918-40, 1945-60* (London: Jonathan Cape, 1986), 69-72, 80-81; NC 278, 27.3.30, HW 12/126.
13. NC 275, 27.3.30, HW 12/126.
14. NC 3, 23.1.30, HW 12/126.
15. Asada, "From Washington to London," 177.
16. NC 135, 25.2.30, HW 12/126.
17. David Kahn, *Reader of Gentlemen's Mail*.
18. Herbert Yardley, *The American Black Chamber* (Annapolis: Naval Institute Press, 2004).
19. NC 123, 21.2.30, HW 12/126.
20. Minute by Thompson, 25.4.30, and Tokyo embassy to Foreign Office, despatch No 145,

- 25.3.30, A 2796, FO 371/14263; *Documents on British Foreign Policy, 1919-1939, Second Series, Volume 1* (London, HMSO, 19XX), 249-66. After reading this statement, Doubler also reported "Il me parait difficile qu'après une telle déclaration, l'amirauté puisse laisser ceder les autorités civiles," and thought that the Emperor himself soon would step in to end the dispute. NC 227, 20.3.30, No 228, 20.3.30.
21. NC 132, 24.2.30, HW 12/126.
22. NC 193, 12.3.30, NC No 222, 19.3.30, HW 12/126.
23. Joseph Castle diary, entry 21.3.30.
24. NC 183, 11.3.30, HW 12/126.
25. NC 276, 27.3.30, HW 12/126.
26. Minute by Thompson, 25.4.30, and Tokyo embassy to Foreign Office, despatch No 145, 25.3.30, A 2796, FO 371/14263; *Documents on British Foreign Policy, 1919-1939, Second Series, Volume 1*, (London, HMSO, 19XX), 249-66; *Foreign Relations of the United States, 1930, Volume One*, (Washington: GPO, 1945), 66-79; William Castle Diary, MF89/2687, Herbert Hoover Presidential Library, West Branch, Iowa, entries 21.3.30, 24.3.30, 28.3.30; Henry Stimson Diary, Reel Two, Volume Two, entry 25.3.30) Thomas Francis Mayer-Oakes, *Fragile Victory, Prince Saionji and the 1930 London Treaty Issue*, (Wayne State University Press, Detroit, 1968), 100. For these events as a whole, cf. *ibid.*, Asada, "From Washington to London," Ian Gow, *Military Intervention in Pre-war Japanese Politics, Admiral Kato Kanji and the 'Washington System'* (London: Routledge, 2004), James William Morley (ed.), *Japan Erupts, The London Naval Conference and the Manchurian Incident, 1928-1932* (Columbia University Press, 1984); and John Ferris, "It is our Business in the Navy to Command the Seas: The Last Decade of British Maritime Supremacy, 1919-1929," in Keith Neilson and Greg Kennedy, *Far Flung Lines, Maritime Essays in Honour of Donald Schurman*, (Frank Cass, 1996).
27. *Ibid.*
28. Stimson Diary, entry 19.3.20, "Very Confidential Memorandum of Conversations March 19-20, 1930."
29. Castle Diary, entry 3.4.30.
30. NC No 224, HW 12/126.

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