

30 June 1947

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Memorandum for Mr. R.F.S. Starr

Re: Cooperation of D.I.O. 3ND with C. I. G.

Following the establishment of the regional office of C.I.G. in New York in January, 1947, several conferences were arranged between the D.I.O. and the representative of C.I.G. to clarify several apparent inconsistencies found in the basic directive 15/1. In general, the interpretation of the intent and purpose of 15/1 as expounded by the C.I.G. representative was accepted, a very cordial relationship between the two organizations has existed from the outset.

According to the interpretation of 15/1 as accepted and applied in 3ND the controlling paragraph is set forth in Paragraph 9-b, viz.- "No new contacts will be approached without prior C.I.G. clearance." The only exception to this ruling is in the following cases - - USNR officers who have applied for permission to leave the U. S.; Firms and individuals in whom the Navy has "prima facie" a primary interest, such as U.S. Flag Shipping Companies and key employees thereof; specific firms and individuals as requested by C.N.I. In these cases D.I.O. 3ND keeps C.I.G. advised of what contacts are being made and furnishes C.I.G. with a copy of any 96 Report that may result therefrom.

Notes (a) and (b) in Paragraph 3 ^{has} been interpreted to apply only to those firms and persons whose names appear in the several lists which were prepared in conformance with Paragraphs 1, 2 and 3. In other words these definitions are not to be applied to any contacts made after January 1, 1947. C.I.G. supports this viewpoint by reference to and application of Paragraphs 8 (2) and (3). It will be observed that the vast majority of potential contacts will fall into the category of "subordinate" officials and therefore as soon as C.I.G. has contacted top executives, through Navy introduction or otherwise, future contacts with "subordinates" can be made only with C.I.G. approval.

The result of this cooperation with C.I.G. has been to limit Contact Register work to those firms or individuals listed in Paragraph 2 of this memorandum. These limitations make it possible for one officer and one agent (Insp. Peterkin) to cover the field of apparent Naval Interest quite efficiently but excludes a large number of USNR officers, both Organized and Volunteer, from active participation in D-3 work.

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To exemplify this point, Insp. Peterkin and the undersigned prepared an index of approximately 4,000 exporters and importers in New York City with the purpose of using these firms and individuals in the training of reserve officers in Contact Register work. The procedure used was to fully explain the purposes and procedures involved in the establishment of a Contact Register and the procedures involved in the collection of Foreign positive intelligence from firms and individuals residing in the U.S. After complete exposition of the plan and procedure the leads would be given to the trainee who would file check each name given, after which he would discuss each case with the O-I-C. Following this screening of the names the trainee would proceed to the actual contacting of the leads given and prepare the Contact Register forms under the supervision of the O-I-C. As a result of this on the job training practically every officer who had not previously known this type of work became enthusiastic and began to appreciate for the first time the great importance of the work and the necessity of tact, intelligence and initiative, with due regard for security, in performing D-7 duties. However, with the establishment of the C.I.G. office and after discussion of this program with their representative it was decided that the training plan should be abandoned. The reasons advanced were as follows: It would be a physical impossibility at this time to run a security check on so many names through the channels provided in the basic directive and any approach to these names must await the clearance by C.I.G. as provided therein - secondly if a comparatively large group of Reserve Intelligence Officers engaged in Contact Register work it would be impossible to comply with C.I.G.'s ideas of security. With acceptance of this viewpoint Reserve Officers on training duty do not get on-the-job training except for reading of directives, and completed Intelligence Reports. In exceptional cases a selected Trainee might be sent out on a specific request.

It is apparent that with the interpretation of 15/1 as pointed out in preceding paragraphs that although the potential volume of Contact Registers and actual Intelligence reports is far beyond the potential of any other Naval District the actual production has been and will continue to be below that of several other districts.

Wm. A. Courtney
Gen. U.S.N.R.

1 July, 1947

Memorandum for Mr. R.F.S.Starr

Ref (a) Memo dated 30 June, 1947

1. In reference (a) an attempt was made to outline the actual procedure and performance of the C.I.G. Regional Office in New York as it affects the D-3 Section of D.I.O.3ND. Briefly, the acceptance of the C.I.G. interpretation of their basic directive 15/1 has served to limit the activities of D-3 to (a) contacting USNR personnel who have applied for permission to leave the U.S. (b) Firms and individuals in whom Navy has apparent primary interest such as U.S. Flag Shipping Companies and employees thereof and (c) such firms or individuals as are suggested from time to time by C.N.I.

2. This limitation makes it possible for one officer and one civilian to fairly efficiently cover D-3 work but practically excludes the participation of USNR officers on training duty in such work.

3. There has been considerable discussion concerning the meaning of the word "CONTACT" as used in 15/1 - Some have held that by taking the definition of "contact" as set forth in notes (a) and (b) of Paragraph 3 that D.I.O.s could proceed with Contact Register work just as they did prior to the establishment of C.I.G. regional offices. In actual practise however this interpretation comes into direct conflict with the operating procedure as set forth in Paragraphs 8 a, (2) (3) and (4) which specifically states that "exploitation of subordinates will only be conducted as arranged by C.I.G. ". Since the vast majority of possible Contact Register prospects are subordinate officials of U.S. Firms with which C.I.G. has established contact at an executive level the D.D.O. must clear with C.I.G. before proceeding. not yet

4. From a practical viewpoint this is a reasonable limitation, in the opinion of the undersigned, for the following reasons: Let us assume that C.I.G. has been introduced to the President of U.S. Steel Export Company and is receiving information on a variety of subjects through the Presidents office - thereafter, one of the participating agencies approach one of the sales representatives or technical men of this same company for a Contact Register or in some cases for foreign information which is written up as an Intelligence Report. When and if the President of the Company learns of this he would be indignant and would consider that the approach to one of the subordinate officials of the company is a duplication of the information which he has agreed to supply C.I.G. - he would also take the view that if the subordinate officials become too intelligence conscious they will not be as efficient in their jobs and may embarrass not only themselves but the company

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and the U.S. Government. In other words the executives of these larger *concerns* prefer to personally control the flow of information because they are very security minded and are concerned not only about their competitors but also about the very substantial investments in foreign lands.

5. C.I.G. goes into great detail to explain that they are primarily a coordinating agency and are principally concerned in seeing to it that there be no reoccurrence of the overlapping and duplication that was so prevalent during the war, however, they go on to say that there are many subjects which ^{are} of interest to the Government at large which neither Army or Navy want and which C.I.G. will take for dissemination to appropriate agencies. Thereafter any approach to that particular executive, except upon a specific request for some special information, is considered a duplication of effort by the contact.

6. The weakness in the program appears to be that too much reliance may be placed upon top executives to furnish significant information and with the many heavy responsibilities inherent in these positions it is likely that much important strategic information may not be reported. In other words while the theory behind the program is excellent a frequent follow-up is essential. This constant follow up in a city like New York with its thousands of big business concerns cannot be performed by such a small group as are now employed by C.I.G.

John A. Courtney
Cmdr. USNR

Continued - as a corollary to this observation it follows that the participating agencies and those contacts with subordinate officials and possibly important information which will not otherwise be reported.