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CONFIDENTIAL

CIA

From: District Intelligence Officer, Eleventh Naval District
To: Director of Naval Intelligence (Op322H2B5)

Subj: Foreign intelligence; collection of from domestic sources

Ref: (a) BIO-11ND SecSpdltr to DNI Ser 0042/32 dtd 7 Apr 50; Foreign areas, info concerning

1. The following is submitted to invite attention to what may be a general flaw in the present precept governing the collection of foreign information from domestic sources.
2. The individual referred to in reference (a) was not interviewed by any U.S. government intelligence agency during his recent short visit to the U.S. from Formosa.
3. In accordance with current directives and procedure, his presence in this area was made known to CIA/Los Angeles by this office which, in turn, was advised by CIA/IA that no further action was desired in view of the fact that the individual's company is an established contact of CIA/New York.
4. Since he was therefore not interviewed by this office, it is not known whether or not he possessed any information of value. However, the thought persists that he may have possessed such information and that as a WWII Burma Theatre infantry major in command of Chinese combat troops it is possible that he automatically observed many things while on Formosa which could be of interest as military intelligence but which would not be pertinent to his routine business reports to his home office, New York.
5. Of some importance to the prestige of Naval Intelligence, insofar as the forces afloat are concerned, is the fact that he was brought to the attention of this office by his brother, an intelligence-conscious CDR, USN, who himself will soon depart for the Far East under orders. It must have created some question in his mind as to just how efficient the Naval Intelligence service is when it talked to his brother only in general terms and failed to subject him to a serious interrogation with the object of increasing the Navy's knowledge of present-day Formosa. Even though it was indicated to the brothers that BIO's these days are not free agents in the matter of collecting foreign information, the impression left could not have been of the best.
6. Since the situation could be and probably has been repeated in other districts, it is suggested that the foregoing might be made the subject of discussion with CIA/Washington through regular liaison channels. It is specifically requested, however, that this letter not be shown to CIA, a procedure which in the past has had unfortunate local repercussions. Instead, it is suggested that the matter, if discussed at all, be presented simply as a hypothetical case and in the interest of plugging a loophole which appears to exist.

Over T. J. SHULTZ

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