PART I

CHAPTER 1

Before the War

SECURITY as it was defined by the British war-time Security Executive in 1942 – 'the defence of national interests against hostile elements other than the armed forces of the enemy: in practice against espionage, sabotage and attempts to procure defeat by subversive political activity'[1] – has been almost everywhere a major and a continuing preoccupation of governments and their citizens since the Second World War. It was otherwise before 1914. The need to protect the state against these threats has a long history – a history as long as that of government itself. But before the twentieth century it was generally the case that it was met informally, not to say casually, at the margin of the main machinery of state, by authorities whose activities were shielded from popular curiosity.

In the United Kingdom, as elsewhere, the transition from the informal to the more organised pursuit of security began in the period of mounting international tension that culminated in the outbreak of the First World War. To be precise, it began in April 1907, when a conference of officials set up by the Admiralty and the War Office in 1906 to consider 'the Powers Possessed by the Executive in Time of Emergency' recommended an immediate strengthening of the laws against espionage and a War Office investigation into 'police surveillance and control of aliens'.[2] After the completion of the conference's report, which coincided with the publication in the Press of rumours associating the existence of spies with German plans for an invasion, the European section of the War Office's Directorate of Operations (MO 2) embarked on the systematic investigation of reports on German espionage. Its findings convinced it of the need for a specially organised counter-espionage bureau and in January 1909, in a paper entitled 'Espionage in Time of Peace', the General Staff drew the attention of Lord Haldane, the Secretary of State for War, to the problem. In March 1909, to the accompaniment of mounting public concern about alarmist spy stories and lurid invasion novels, and at the request of the General Staff, the Prime Minister set up a sub-committee of the Committee of Imperial Defence (CID), with Haldane as chairman. Its terms of reference were to consider the nature and extent of foreign espionage; whether the Admiralty and the War Office should be brought into official relations with the Police, postal and customs authorities with a view to the proper

supervision of aliens suspected of being spies; and whether any alteration should be made in the system in force in the Admiralty and the War Office for obtaining information from abroad.

The sub-committee reported in July 1909. It found that the evidence left no doubt that 'an extensive system of German espionage exists in this country'. But it also found that 'we have no organisation for . . . accurately identifying its extent and objectives'; and it recommended that this defect should be met by the creation of a Secret Service Bureau. The purposes of the Bureau should be:

'(a) To serve as a screen between the Admiralty and the War Office and foreign spies who may have information that they wish to sell to the Government.

(b) To keep in touch through the Home Office . . . with the Chief Officers of Police and if necessary to send agents to various parts of Great Britain with a view to ascertaining the nature and scope of the espionage that is being carried on by foreign agents.

(c) To serve as an intermediary between the Admiralty and the War Office on the one hand and the agents that we employ in foreign countries on the other'.

The Bureau should be separate from any of the departments but should be in close touch with the Admiralty, the War Office and the Home Office, and also with the Police and the postal and customs authorities.[3]

The Secret Service Bureau began work on 1 October 1909 under the nominal supervision of MO 5, the special section of the Military Operations Directorate that was responsible for questions relating to enemy aliens. Within a month its leading officers had agreed on a division of labour by which one of them took responsibility for all activities in the United Kingdom while the other dealt with foreign agents and the collection of intelligence abroad. During 1910 this division of labour was formalised in the division of the Bureau itself into the Home Section and the Foreign Section.

At the outbreak of war in 1914 the Home Section, hitherto known as MO(t), was mobilised under the War Office Directorate of Military Operations as MO 5(g). In January 1916 it became part of the new Directorate of Military Intelligence as MI 5 and its relationship to the Foreign Section, which was placed under the Director of Military Intelligence (DMI) as MI 1(c), was further defined. MI 1(c) was made responsible for counter-espionage outside the British Empire as well as for the collection of intelligence abroad. MI 5 remained responsible on behalf of all departments of state for counter-espionage in Britain and for developing

counter-espionage links with governments within the Empire.[4]

Until 1916 the department which then became MI 5 was almost wholly occupied with counter-espionage strictly defined and (from the outbreak of the First World War) with the threat of sabotage from foreign agents. From 1916 these threats were overshadowed in the minds of those responsible for security by the danger of political subversion. On the one hand, the threat from enemy agents had been all but eliminated. Twelve spies had been arrested before 1914, and the existence of a German network of 'stay-behind' spies had been detected. The arrest of the 21 members of this network who remained in the country at the outbreak of war had crippled the German Secret Service; 35 spies were arrested during the war, but by 1916 it had become virtually impossible for Germany to maintain agents in Britain.[5] On the other hand, symptoms of general war-weariness, the greater activity of pacifist groups and the rumbling of industrial unrest were by then emerging as grounds for anxiety.

It was the government's disquiet at the prospects of civil dissidence, a disquiet that had increased since the Bolshevik revolution in Russia in 1917, which prompted a further enquiry into the Secret Service at the end of the war. The War Cabinet appointed a Secret Service Committee in January 1919 after receiving from Mr Walter Long, the First Lord of the Admiralty, a memorandum stating that while he was no alarmist, he firmly believed that 'the elements of unrest and what we call Bolshevism are more general, more deep-seated than many of us believe . . . We must be vigilant and above all we must have an efficient . . . Secret Service on the civil side . . . under a Minister who can bring the facts to the notice of the Cabinet'. The Committee, consisting of the Foreign Secretary, the First Lord, the Home Secretary, the Secretary of State for War and the Chief Secretary for Ireland, agreed without delay. Leaving the 'military side' of the Secret Service aside for later investigation, it recommended that a new Secret Service directorate for civil intelligence should be created at once, the need for it to be reviewed when social conditions had returned to a more normal course; that it should be directed by Sir Basil Thomson, the Assistant Commissioner of Police in charge of the Special Branch of the Metropolitan Police; and that he should be responsible to the Home Secretary. The War Cabinet accepted the recommendations in March 1919.[6]

The establishment of the new Directorate of Intelligence did little more than regularise the existing situation. The Special Branch, which had long been the authority responsible for monitoring the conspiracies of the Fenians and other subversive groups, had under Thomson's direction already extended its operations in the later months of the war to cover the activities and

the propaganda of pacifist and labour organisations. But the Directorate had only a brief existence. There was continual friction between Thomson and the Commissioner of the Metropolitan Police, who had disciplinary but not operational control of the Special Branch. By cultivating close relations with the Press, Thomson attracted a good deal of publicity, and his over-zealous enlistment of agents and informants incurred the hostile criticism that he was operating a secret political police. By posting liaison officers abroad, moreover, and developing collaboration with the Police in foreign countries, he threatened the established division of labour between home security and the responsibilities of the old Foreign Section, which was then coming to be known as the Special or Secret Intelligence Service (SIS). For these reasons the opportunity was taken to abolish the Directorate in 1921 when, as a result of financial stringency, the Cabinet ordered an enquiry into the whole field of expenditure on the Secret Service.[7]

The 1921 enquiry, carried out by a committee of officials under Sir Warren Fisher, the head of the Treasury, was instructed to make recommendations 'for reducing expenditure and avoiding over-lapping'. Its report, issued in July 1921, commented unfavourably on Thomson's reports on revolutionary movements overseas: they had frequently contained 'misleading if not absolutely erroneous information regarding matters by no means invariably within the purview of his work'. It noted, further, that for his information on this subject he was largely dependent on the SIS. And it recommended that the work of his Directorate should be reviewed with 'the object of ascertaining whether its incorporation in the general organisation of the Metropolitan Police would not result in an increase of efficiency and a substantial saving in the Secret Service budget'.[8] The Commissioner of Police followed up the report in memoranda to the Home Secretary. He insisted that the independence of the Directorate was a menace to the discipline of his force and that the intelligence it supplied to the force was unsatisfactory. He also argued that the Directorate had a reputation for espionage against labour organisations which was resented; public opinion accepted a Secret Service for the Army, Navy and Air Force and even for the Diplomatic Service as a necessary evil, but was suspicious of anything approaching the continental system of domestic espionage. Thomson fought back, but in October the Prime Minister ruled that he should retire, that the separate post of Director of Intelligence should cease to exist and that the Special Branch should be fully subordinated to the Commissioner of Police. The Commissioner successfully resisted a suggestion that Major-General Sir Vernon Kell (the head of MI 5 from its origin in the Secret Service Bureau) should become

Director of Intelligence with modified responsibilities, and combine the duties of this post with those of Director of MI 5.

To begin with the Fisher Committee was also sceptical about the need to retain MI 5. It eventually concluded that since the agents of several countries were showing signs of activity, and in view of the new threat of Bolshevism in the Army and Navy, MI 5 should continue to be responsible on a reduced scale for detecting espionage and protecting the armed forces against subversion. But from 1923 the existence of MI 5 was again challenged by the new head of the SIS,* who believed that the intelligence and security machinery should be amalgamated under his control. As a result of his representations Fisher was asked to revive the committee of officials in February 1925. The committee started 'with a mild disposition in favour of amalgamation', but it finally concluded in December 1925 that in view of 'the heterogeneous interests, liaisons, traditions and responsibilities of the different Services, and the marked reluctance of the majority of those concerned to advocate any drastic change, a coalition would, if it were not an actual failure, be no great improvement'. It recommended, however, that it should itself remain in existence as a standing committee (the Secret Service Committee) to act as a court of appeal which might help to bring about compromise and greater co-operation between the three Secret Service organisations.[9]

As was perhaps unavoidable when the SIS was responsible for the collection of intelligence from foreign countries, including intelligence about suspect persons and subversive political movements, when MI 5 was charged with the detection of espionage and of subversion directed against the armed forces, and when the Special Branch at Scotland Yard dealt with subversion as it affected the civilian population, confusion and friction continued. They came to a head in 1931 when Scotland Yard and MI 5 had both taken the strongest objection to SIS operations against Communist targets in the United Kingdom. The Secret Service Committee was reconvened and accepted a proposal by Sir John Anderson, then Permanent Under-Secretary at the Home Office, that responsibility for evaluating all intelligence, other than that dealing with Irish and anarchist matters, should be transferred from the Special Branch to MI 5. The change, and the move of Scotland Yard's civilian intelligence staff to MI 5, took effect on 15 October 1931, the Special Branch informing Chief Constables that it had been made 'in order to centralise the information regarding revolutionary and subversive activities, but would not affect the duties of the police as regards any executive action'.

* By now known as 'C' and so referred to throughout this volume.

Ministerial, indeed Prime Ministerial, approval must presumably have been obtained for this important re-adjustment of responsibilities, but no record of it has been found and the whole transaction seems to have been characterised by informality. Papers of February 1933 in an MI 5 file state that neither MI 5 nor the War Office had any accurate records of the process by which MI 5 had ceased to be a small section of the War Office entirely under General Staff control and had taken over certain civil duties from the Metropolitan Police on behalf of the Home Office. Sir Vernon Kell had agreed to take over these duties subject to the approval of the CIGS and the heads of the defence services which had been obtained by personal interview. It had been agreed that the designation MI 5 should be retained for such official convenience as it could afford, without prejudice to the appropriate internal organisation of the Security Service.

The primary motive for this re-organisation seems to have been the removal of friction. But the authorities may also have been concerned to guard against the suspicion, which had been expressed so powerfully in 1921, that they were permitting the development of a 'continental system of domestic espionage'. The important organisational consequences were left undefined, but it was clearly understood that when dealing with subversive movements among civilians the head of MI 5 would be accountable to the Home Secretary, who was constitutionally responsible for the internal safety of the country and for upholding the liberty of the subject and the rights of minorities under the law. However, the head of MI 5 was not the servant of the Home Secretary, but the servant of a number of ministers. The result of the new arrangements was that MI 5, as the Security Service, became an inter-departmental and imperial intelligence service, without executive powers, working for and with the Home Office, the Service departments, the Foreign, Dominion and Colonial Offices, the Committee of Imperial Defence, the Attorney General and the Director of Public Prosecutions and Chief Officers of Police at home and overseas. This was an anomalous position, which might become difficult if there were serious differences of opinion between departments. Lord Hankey, Secretary of the War Cabinet and Cabinet 1916–1938, would write in May 1940* that MI 5 was 'something of a lost child' and he had been aware for a long time that its head wanted it to be attached to the Committee of Imperial Defence so that it would be within the sphere of the Prime Minister.[10]

This re-organisation did not, however, affect the responsibility

* See below, pp 39–40.

of the SIS for counter-intelligence abroad. Outside the three-mile limits of the Empire the SIS remained responsible for the acquisition of counter-intelligence as well as of intelligence, and it alone was empowered to assess and circulate it to other authorities and to advise them on the action they should take. The SIS, on whom MI 5 in any case depended heavily for its intelligence in discharging its security responsibilities within the Empire, was thus a counter-intelligence organisation of equal status to MI 5; the division of labour between the two was geographical and not functional.

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The division of responsibility for counter-intelligence was to produce renewed conflict between MI 5 and the SIS after the outbreak of war. In the few years before 1939, however, friction within the Secret Service community subsided, as is indicated by the fact that though the Secret Service Committee remained in being, it did not meet again after 1931. On the other hand, the inactivity of the Secret Service Committee may have increased the danger that MI 5 and the SIS, as servants of a number of different departments, would suffer from the inertia and neglect that arise when accountability is dispersed. Each underwent some expansion from 1935 in preparation for the outbreak of war, but from lack of imagination or lack of funds, and probably for both reasons, neither took adequate steps to earmark and train a war reserve and neither gave serious thought to the need for re-organisation to meet the demands which the outbreak of war would make upon it.

By 1925 MI 5's staff, which had been more than 800 at the end of the First World War, had fallen to 30. The transfer of the civilian intelligence staff from Scotland Yard in 1931 brought a small increment and from 1934 the size of the Service increased slowly. Its share of the Secret Vote, most of which was for salaries, rose from £25,000 in 1935–1936 to £50,000 for 1938. In September 1938 MI 5 had 30 officers, about 120 secretarial and registry staff and a surveillance section of six men. In the same month, in a covering note with a report summarising information from German sources on the development of German policy from 1936 onwards which reached the Foreign Secretary and the Prime Minister, MI 5 asked whether, 'apart from the paramount necessity for rapid re-armament', further measures should not be taken to develop the intelligence system and to provide a comprehensive review of the steps necessary to ensure security. Whether or not as a result of this, MI 5's share of the Secret Vote rose to £93,000 for 1939–1940. By the outbreak of war it had 83 officers and 253 other ranks (almost all of them women). These were deployed in

four Branches:

A Branch, responsible for personnel, finance and administration, including the registry.

B Branch, responsible for investigating all threats to security.

C Branch, responsible for vetting.

D Branch, which advised on the security of the munitions industry and public utilities and in war-time would carry out MI 5's responsibilities for travel control.

The head of the Service, Major-General Sir Vernon Kell, was in his 67th year. He had the confidence of his staff and, it appears, of the small number of senior officials with whom he habitually dealt. His deputy, Lt Colonel Sir Eric Holt-Wilson, had joined the Bureau in 1912 after seventeen years in the Army. He was 64 on the eve of war. The all important B Branch was directed by Mr O A Harker who had joined the Indian Police in 1905 and had been Deputy Commissioner of Police in Bombay in the First World War. He had been with MI 5 since 1920. His Deputy, and in 1940 his successor as Director of B Branch, was Mr Guy Liddell who had joined Sir Basil Thomson's Directorate of Intelligence after service in the First World War and had remained at Scotland Yard until the transfer of the civilian intelligence staff to MI 5 in 1931.

Between the wars recruitment to MI 5 was by personal introduction, which was thought to offer the best guarantee of the loyalty and integrity required in a Secret Service. Because the salaries which could be offered were acceptable only to men with a pension or some private means, recruits were mainly drawn from middle-aged retired officers from one or other of the public services and this had tended to produce a certain rigidity and lack of imagination. However, the new intake of the immediate pre-war years included a few younger men of more varied background. Two of them, Mr D G White and Mr R H Hollis, would hold senior posts during the Second World War and later in turn became head of the Service.

In the SIS the section responsible for counter-intelligence (Section V) consisted of only two officers until December 1938; it was then increased to three. Until 1937 the Section had devoted almost all its time to the study of international Communism. The SIS's overseas stations gave low priority to counter-espionage work until after the outbreak of war, except in Holland and Belgium from the autumn of 1938.

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Like the potentiality for conflict between them, the unprepared-

ness of MI 5 and the SIS was to have damaging consequences only after the war had broken out. Until the autumn of 1939 the evidence they obtained on espionage and (with the important exception of the Soviet-controlled Comintern) on the interest of foreign states in subversion against the United Kingdom was slight. MI 5 and the SIS were inclined to attribute the paucity of their evidence to the inadequacy of their sources of information because they did not know that it was due to the fact that the effort devoted to these activities by the Axis governments had been negligible in the case of Italy,* while restrictions by the German government on intelligence operations against the United Kingdom had lasted until late in 1937 in the hope that the United Kingdom could be persuaded not to intervene to thwart German ambitions in central and eastern Europe.[11] But the fact that they did not know this was no reflection on their peace-time efficiency. On the contrary, their anxiety, though unfounded, testified to their lack of complacency.

Although Germany had been forbidden by the Treaty of Versailles to have an intelligence service, as distinct from a counter-espionage organisation, she had resumed espionage activities in the United Kingdom from the mid-1930s. Until the re-occupation of the Rhineland in 1936 the SIS and MI 5 were not greatly disturbed, but this event gave a new impetus to Anglo-French liaison. In October 1937 the SIS drew the attention of all its overseas stations to the fact that there were serious gaps in its knowledge of the German espionage service, and of those of Italy and Japan. This followed upon discussions between the SIS and MI 5 and the French counter-espionage authorities in which the French reported that Germany had recently set up a base in Holland for operations against France and the United Kingdom, and this was later confirmed by a reliable MI 5 source who reported in 1938 that the espionage attack on the United Kingdom was to be stepped up. In the autumn of 1938 an SIS counter-espionage station was established in Holland to work in collaboration with the French, Dutch and Belgian authorities. It was reinforced in April 1939 and an officer was also posted to Brussels for counter-espionage operations.

These were modest steps, and little was learned as a result of taking them. They produced no contacts with sources who were in a position to provide comprehensive information about the plans and capabilities of the German or any other intelligence service. Before 1939 the SIS and MI 5 remained unaware even of the name of the German espionage organisation, the Amstgruppe

* Apart from the brief flirtation with Sir Oswald Mosley's British Union of Fascists, see below, p 16.