

II-22/1

Lisbon, 2nd June 1945

Pouch Letter No. 329

To: ELTON

From: 983

Subject: Present Status of Safe Haven in Madrid; and elaboration of King 58 of May 26, 1945.

1. This is simply a progress report on the above subjects, written to you from Lisbon.
2. Although you have recently had word from me, from Madrid, on the above subject, I am taking the opportunity again of describing it to you because it has progressed considerably in a relatively short period of time. Also, my recent reports have included other subjects, - while this may be taken as a bird's-eye view of the operations of Safe Haven during the past five months.
3. Until shortly before V-E Day we were very considerably hampered in doing Safe Haven work by lack of directives from the Embassy. Such directives we did get were likely to be along the lines of "we should appreciate receiving all information you may have, or be able to obtain about S.A. Cros," which could obviously have been answered either by a brief perusal of our files, or the work of a large staff over the period of a year. At about this time, however, we began to see, ourselves, certain things which needed doing, and began to determine for ourselves certain "pin-point objectives". We went ahead and did these specific jobs, and they were most appreciated by the Embassy. We are continuing to work along these lines in increasing measure, and the Safe Haven Division of the Embassy has also been able to become more specific in its requests (although still far from specific enough).
4. It may be of interest to note how we have gone about this work and how we process the material obtained. It is particularly important that I explain to you how we go about the work because of your reaction to QUERES' King message #58 of May 26th, which stated that certain of our personnel are doing considerable X-2 work. This work has not been done by SI simply to produce X-2 material*; the work has been done because "one has to know the persons in order to get at the things". In other words - in order to obtain information on German companies we have had to become acquainted with these companies, which means obtaining information on the persons who would penetrate the companies, and subsequently on the persons who constitute the companies. Needless to say we have used X-2 in obtaining information

*With exceptions noted in my P.L. #330 from Lisbon also dated 2/VI/45.

on such individuals, always beginning our investigation by either requesting X-2 to give us any information in their files, or by making a special investigation for us. But, in the course of our own operations we have obtained a very considerable volume of material over and above that supplied by X-2, all of which materials has been furnished X-2 by us.

5. The case of Oficina Tecnica Liesau may be taken to illustrate our method of operation; this was pin-pointed by ARGUS. BUTCH who has been handling PELOTA for some months (with occasional direct contacts by the writer) discovered that one of PELOTA's contacts knew people in the Liesau outfit. She at once, therefore, requested X-2 information regarding PELOTA's contact (who had not previously been used for SI work) with the Liesau organization. X-2 had very little information on either the contact or the organization; such information as they did have on PELOTA's contact (who has been called EMERALD) was partially inaccurate. . . . After studying the problem with the writer BUTCH told PELOTA how to proceed, and the report that we received was largely from the source EMERALD. This information came to us in the form of a report written by PELOTA, and a supplementary report on certain corroborative information obtained by BUTCH from other sources. This "raw material" was produced by KATHY after checking the files of the Economic Section of the Embassy. The processing consisted of sending copies to you, ARGUS, and to three (3) sections of the Madrid Embassy, namely: Safe Haven (Mr. Blankenship); Axis Affairs (Mr. Horwin); and Joint Intelligence Office (Mr. Medalie). Note: Checking against the files of the Economic Section of the Embassy is customarily done at an earlier stage in an investigation to make sure that they do not already have everything that is needed on an objective.

6. For a good many months, as you may or may not be aware, it was not permitted by the Liaison Officer between our organization and the Embassy, to forward copies of our economic material to Washington. The writer felt that this attitude could be changed and personally made the Liesau report a test case, as the result of which Mr. Flexer, First Secretary of the Embassy at Madrid, and Political Officer thereof, approved the sending to you of copies of all our Economic and Safe Haven work. (I assume that this action by the Liaison Officer had the approval of the Counselor, Mr. Butterworth, but I also assume that at any time the decision may be reversed.)

7. Just a word about the reason for the dissemination in triplicate to the Embassy J.I.O. was formed at the instance of the Ambassador, at ARGUS' suggestion. At its meetings sat: Messrs. Baldwin and Titus (The C.E. Division of the Embassy); Mr. Siscoe (F.B.I.); the Naval Attache; the Military Attache; Mr. Medalie; 857 and the writer. At the first meeting the Ambassador was present,

and at several meetings Mr. Flexer was present. Prior to V-E Day the principal purpose of the Committee was to "snitch" documents out of the German Embassy and its dependencies; on the two or three days preceding V-E Day it scrutinized the activities of the German Embassy and its dependencies, and attempted to trace the loads of material taken from these buildings. Since V-E Day the Committee has been looking forward to supervising the examination of the remaining contents of these buildings when they are turned over to us. The Committee has also right along had a secondary purpose in handling the matter of the Germans who are willing to "talk" in exchange for a notation on their records which might operate in their favor on "judgement day".

8. The meetings of the J.I.O., until recently, took place at very frequent intervals. The organization of J.I.O. was effected during the vacation of Mr. Butterworth in the Balearics. He was very much upset upon his return to be confronted with a fait accompli. About a fortnight thereafter a new organization was formed in the Embassy, known as "Axis Affairs", headed up by Mr. Horwin. As its purpose to some extent appeared to duplicate that of the J.I.O. it was felt that this was possibly a move by Mr. Butterworth to break the latter's power. In this respect it apparently failed, because (a) LEGION had the J.I.O. fairly firmly established and well in hand by that time; and (b) because Mr. Horwin is very friendly with ***. The work of both A.A. and J.I.O. overlapped with that of Mr. Blankenship, who is pretty much the focus of Safe Haven under Mr. Ackerman. The writer had friendly conversations separately with Messrs. Medalie, Horwin and Blankenship, and said that in order to avoid having to keep abreast of Embassy internal politics, and to ensure that all material got to all interested parties, he, the writer, would submit all material in triplicate to the three groups. This has apparently worked out satisfactorily.

9. Mr. Ackerman, First Secretary of the Embassy, and head of the Economic Section, is head of Safe Haven, Madrid, to all intents and purposes. I shall attempt, upon my return to Madrid, to find out if he is the titular head of Safe Haven there. . . Last fall and winter Mr. Whedbee was the principal Madrid man used on Safe Haven work by Mr. Ackerman. About February Whedbee was taken off Safe Haven and I believe Mr. Horwin was made Chief of that project under Mr. Ackerman. Meanwhile, Mr. Blankenship had arrived in Madrid as the Safe Haven specialist and he devoted his entire time to that work, although I believe he was and still is under Mr. Horwin. Mr. Horwin is an extremely able man, who has a number of irons in the fire in addition to Safe Haven. Mr. Blankenship is assisted by a Miss Moynahan, who I believe spent a good many years in Germany.

II-22/4

10. Mr. Blankinship has had a far greater volume of work than he has been able to handle, and his filing system is only being established now. I believe he has been relying heavily on the files developed in connection with the Black List, but I am not sure what coordination he is now making between them. Mr. Blankenship has been assisting Mr. Ackerman closely in some of the broader activities of the Embassy in regard to Safe Haven, particularly the demarche made by the Ambassador to the Spanish Foreign Minister - as the result of a strong directive from the Department - which produced the blocking of enemy funds in Spain.

11. Upon the formation of "Axis Affairs" Mr. Horwin was furnished with two new assistants, in the persons of Messrs. Fogler and O'Neill. These persons had previously been Oil Attaches under the direction of Walter Smith. Fogler had had his headquarters at Seville; he and O'Neill eventually became the only Oil Attaches remaining in Spain, the whole territory being divided between them, and both of them making frequent and prolonged trips. While in Madrid they made their headquarters in the Embassy Residence Building with Mr. Smith; upon being transferred to Axis Affairs they were assigned offices in the Chancery.

12. I have sketched above in considerable detail the way our Safe Haven material is obtained and processed. The example used is only an example because this material comes in to us from sources other than those mentioned. In fact, without exception, all our sources have been briefed on Safe Haven work and are expected to turn in material of a Safe Haven nature. BYBY, especially, has been groomed in this regard. The Airedales, also, have been urged along these lines, but those with whom we have contact are rather obsessed with politics to the exclusion of economic matters, although I am not without hope that they will be helpful in Safe Haven work. BOGOTA is also developing Safe Haven sources through GLORIA and DIDO. POPPY is being supervised quite closely, and we have a good man in the form of SILVESTRE in Bilbao, although contact with him is difficult. The processing in all cases is much the same - namely, BUTCH handles our liaison with X-2 and the writer and KATRY that with Blankenship.