



Foreign &
Commonwealth
Office

THE RECORDS OF THE PERMANENT UNDER-SECRETARY'S DEPARTMENT

*Liaison between the Foreign Office and
British Secret Intelligence, 1873-1939*

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Introduction

Records of the ‘Permanent Under-Secretary’s Department’, 1873-1939

The Permanent Under-Secretary’s Department (PUSD) of the Foreign Office did not come into being under that title until 1948, but its name reflected the historical role of the principal Under Secretary of State as a point of liaison between the FO and British secret intelligence. The PUS was the most important official point of contact in respect of the acquisition of secret foreign intelligence long before, and after, a whole department was named after him. For that reason the collection of secret papers opened at The National Archives (TNA) in March 2005 bears the designation PUSD, even though the earliest documents date from the 1870s. The current release, comprising more than 100 pieces in nine boxes, joins a miscellaneous set of unregistered PUSD papers relating to Rudolf Hess, dating from 1939-46, that were transferred to TNA in the 1990s in class FO 1093.

Although the Secret Service Bureau, from which the Secret Intelligence Service (SIS) developed,¹ was not established until 1909, the use of espionage, interception and paid informants to further the cause of British foreign policy was no twentieth-century invention, and since its establishment in 1782 the Foreign Office had been linked indissolubly with the acquisition of secret intelligence overseas by a variety of clandestine means.² That link was forged from cash: the FO was, and throughout the period covered by these documents remained, the paymaster of those individuals and, later, institutions that provided the British Government with secret intelligence from foreign countries. And it is that monetary trail that can be followed, down sometimes bizarre byways, in the present collection of documents.

The earliest papers in the collection, dating from 1873, concern the mysterious and somewhat sinister activities of the flamboyant Professor Arminius Vambéry, said to be the model for van Helsing in Bram Stoker’s *Dracula*;³ the latest document SIS’s activities on the eve of war in 1939, including forging in July of that year a bogus Cabinet Conclusion to be passed to the Germans stating that Britain would regard any attempt by the German Government to ‘force the issue at Danzig’ as a *casus belli*.⁴

Intervening subjects include the pre-1914 organisation of the Secret Service Bureau and plans for the coming war (see, for example FO 1093/25 for a discussion in 1912 of a plan by 'C' to employ 'a body of cyclists in Belgium' to gather information); detailed accounts of estimates and expenditure of secret service funds (see for example FO 1093/60, including invoices from Pinkerton's Detective Agency to whom the Washington Embassy paid out \$14,373 in January-February 1915); a set of correspondence between the German General Staff and the Soviet of People's Commissars, 1917-18, bought from Russian informants by Allied agents in Petrograd;⁵ and a small collection concerning the financial arrangements and staffing of the Government Code and Cypher School.⁶

Much of the documentation is fragmentary and at first glance unexciting, though close study reveals often fascinating detail. The material is not arranged in any particularly logical order, nor are its trails easy to follow. One reason for this is that over the years, officials tended to put papers away marked 'PUSD' when they were just too difficult, or too secret, to put on regular files. Documents were buried there that their authors or recipients hoped would never see the light of day again, but could not bring themselves to destroy completely. The result is somewhat serendipitous. We have tried to group together connected information where possible, but have been reluctant to disturb the contents too radically.

Within the collection there are, however, several fuller and important collections. One of these can be found in FO 1093/37-40, 'Accounts and Correspondence concerning the Constantinople Quays Company', an enterprise bought jointly by the British and French Governments in the hope of containing growing German influence in Ottoman Turkey.⁷ Papers relating to the interwar Secret Service Committee, convened by the British Government on six occasions between 1919 and 1931 in response to organisational or financial crisis, can be found in FO 1093/66-74.⁸ The least well-known and potentially most exciting story, however, is that told in the papers of Sir Vincent Caillard, banker, Director of Vickers and former chairman of the Ottoman Public Debt Administration.⁹ These describe how the British Government entrusted Basil Zaharoff ('Zedzed'), Near Eastern entrepreneur and arms dealer, with millions of pounds during the First World War to try and persuade Turkey to negotiate a separate peace with the Allies, and persuade Greece to abandon her neutrality and join

the war on the Allied side.¹⁰ Although some of the early part of this story is already in the public domain, the current collection adds significantly to what is known and casts a new light on Prime Ministerial diplomacy during the First World War.

A rather different story is that of the Comintern Agent Hilaire Noulens, told in FO 1093/92-103. Noulens (whose real name, Jakob Rudnik, was only discovered thirty years after his death in 1963¹¹) was arrested in Shanghai in 1931, while engaged in fostering the work of Communist parties in Japan, Taiwan, the Philippines, Malaya, Singapore and the Dutch East Indies. On his arrest, a search of his safe deposit box uncovered a treasure trove of records of the Comintern's Far East Bureau, as detailed in the Exhibits attached to the Noulens papers. These documents identify for the first time Valentine Vivian, head of SIS's Counter-Espionage section, Section V, as the author of the report on the Noulens case.

The overall picture painted by the PUSD archive is not one of sinister secret or scandal, although some might consider the sums that British Cabinet Ministers were willing to entrust to 'Zedzed' little short of scandalous. It is, rather, a picture of constant if sometimes ineffectual official attempts to keep some kind of control over secret service expenditure (see, for example, FO 1093/31, containing papers critical of the Washington Embassy's use of their secret service allowance, and attempts to make the Ambassador use his own funds). The papers also reveal a surprising willingness on the part of the Foreign Office to engage in elaborate and apparently speculative attempts to deceive a foreign enemy or potential enemy. In this sense, the collection fills in valuable pieces of the jigsaw of early twentieth century foreign policy.

There is no doubt, however, that in general the Foreign Office preferred its clandestine connections to be swept firmly under the carpet into the PUSD files. The extent of official distaste, not to put it more strongly, for secret intelligence is exemplified in an exchange of minutes that took place in March 1939 between senior FO officials (FO 1093/86). On that occasion the Private Secretary to the PUS, Gladwyn Jebb (later Lord Gladwyn) found himself having to defend SIS against a scathing attack from Assistant Under Secretary Sir George Mounsey: SIS reports were not, Jebb assured Mounsey, obtained by 'hired assassins . . . sent out from this

country to spy the land’; this was ‘not at all how the system works in practice’: The then PUS, Cadogan, concluded the debate by pointing to the accuracy of recent SIS reports, but he, too, admitted in his diaries to a genuine and ingrained distaste for the secret world, though his position as PUS forced him to take account of it.

In short, the PUSD papers lift a corner of the veil on the relationship between the Foreign Office and its secret Agencies in the early years of the twentieth century. There are no startling revelations, but a rich quarry for researchers prepared to persevere. The history of the UK’s Intelligence Agencies can only be understood in the context of their relationship with their Whitehall customers: and these papers provide an opportunity to study that key interaction at a critical time for British foreign policy.

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¹ For ease of reference the designation SIS is used throughout these essays, although a number of other names for the organisation were used in the early years. The name ‘MI6’, however, dates from the period immediately before the Second World War, when it was adopted in order to denote the organisation’s anticipated military role.

² See “‘My Purdah Lady’: the Foreign Office and the Secret vote, 1782-1909’ (FCO History Notes no. 7, 1994).

³ See Keith Hamilton (FCO Historians), ‘Dervishes, Dracula, and Diplomacy: Arminius Vambéry and the British Foreign Office’.

⁴ FO 1093/86-91; see Gill Bennett & Chris Baxter (FCO Historians), ‘SIS on the eve of war, 1939’.

⁵ FO 1093/75-76.

⁶ FO 1093/104-6. GC&CS was formed in 1919 and came under FO administration in 1922.

⁷ Keith Hamilton (FCO Historians), ‘Dockside Diplomacy: The Foreign Office and the Constantinople Quays Company’.

⁸ Gill Bennett (FCO Historians), ‘The Secret Service Committee, 1919-1931’.

⁹ FO 1093/47-57.

¹⁰ Keith Hamilton (FCO Historians), ‘Chocolate for Zedzed; Basil Zaharoff and the secret diplomacy of the Great War’.

¹¹ Chris Baxter (FCO Historians), ‘The Secret Intelligence Service and the Case of Hilaire Noulens’.

Dervishes, Dracula and Diplomacy Arminius Vambéry and the British Foreign Office

‘For the pursuit after filthy lucre, however humiliating and despicable it may appear, is, and ever has been, a cruel necessity, indispensable to the attainment of even the loftiest, noblest ideals.’

*Arminius Vambéry*¹

Money matters, particularly to those who are born without it. Arminius Vambéry, Professor of Oriental Languages at the University of Budapest from 1865 until 1905, was no exception to this rule. The lame offspring of an impoverished Talmud scholar and his industrious, but illiterate, wife, Vambéry, first known as Hermann (Haschele) Wamberger,² rose to fame and modest fortune through his travels in central Asia, his extensive writings on the region, and his mastery of European and Asiatic languages. His knowledge of Islam and the customs, ethnography and philology of the Ottoman and Persian Empires facilitated his access to both the Sultan and the Shah, and earned him the attention and respect of British statesmen and diplomats. But the Vambéry correspondence included in these recently-released PUSD papers³ is evidence of another aspect of his extraordinary life—his quest for regular remuneration from the British Foreign Office, his irregular and unofficial employer for more than twenty years. The collection consists mainly of letters written by senior officials in London to Vambéry, and these reveal the size and frequency of payments made to him for his services as intermediary, publicist and spy. As is clear from other Vambéry papers already in the public domain, the letters formed part of a carefully contrived bargain. They were handed in a package to Esmé Howard, the British Consul-General in Budapest, on 19 January 1911 on the understanding that Vambéry, then nearing 80 years of age, would henceforth receive an annuity of £140. He was thus relieved of the onerous task of having to beg twice-yearly for financial reward, and the Foreign Office was relieved of the worry that the papers might, as one of Vambéry’s associates had none too subtly implied, eventually fall into unfriendly hands.⁴

Vambéry’s earliest contacts with British diplomats probably date from the four years 1857-60, when he was employed in Constantinople first as a private tutor and then as a translator in the Ottoman foreign ministry. But it was in 1864, on his return from his

epic journey through Khiva, Bokhara, Samarkand and Herat, undertaken in the guise of a Dervish Hadji, that he received from Charles Alison, the British Minister in Tehran, letters of recommendation to the Prime Minister, Lord Palmerston, and other public figures in London. These Vambéry put to good use. Following a less than enthusiastic welcome in his native Hungary, he left for England where he discovered a nation eager to learn of his adventures amongst Tartars and Turcomans. He was asked to address the Royal Geographical Society; he was quizzed by Palmerston on his travels in central Asia; and he was entertained at the Cosmopolitan Club by none other than the Prince of Wales.⁵ Lionised by London society, Vambéry was to return time and again to Britain during the next forty years. He embarked on lecture tours and in 1889, after being presented to Queen Victoria at Sandringham, he was invited to Windsor Castle. A year later, during dinner at the Beefsteak Club, he introduced Bram Stoker to the Dracula legend, and Vambéry may himself have subsequently served loosely as the model for Stoker's vampire-hunting Abraham van Helsing.⁶

The Queen found Vambéry a 'wonderfully clever man',⁷ and Stoker was evidently impressed by his tales of blood-sucking fiends from Transylvania, the land beyond Hungary's eastern forests. But Vambéry's first visit to London also came close to coinciding with the opening of a new round in the Great Game, the Anglo-Russian struggle for power in Asia, and what he had to say was of obvious interest to those concerned with the defence of India. Moreover, Vambéry was both a convinced anglophile and a resolute russophobe. He had been raised and educated in small towns close to Pressburg (Bratislava/Pozsony), Hungary's coronation city and the seat of the Hungarian parliament, and although he suffered the antisemitic taunts of a least one of the teachers at the Catholic seminary he attended, he was by his late teens a passionate Magyar patriot. During the revolutions of 1848 he readily identified with the Hungarian national cause, and Russia's military intervention in support of Austrian rule in Hungary appears to have been a defining moment in his personal political development. In his memoirs, appropriately entitled *The Story of My Struggles*, he wrote of the horror he felt at witnessing the execution of Hungarian rebels by Austria's 'Slav soldiers', and of the Tsarist government, 'that frightful instrument of tyranny, that pool of all imaginable slander and abuse, that disgrace to humanity', which 'must on no account be strengthened in its thirst for conquest'.⁸ Given these sentiments, it was hardly surprising that he perceived in Britain, whose liberal and

progressive institutions he so much admired, a counterweight to Russia and a means of checking the latter's expansion in Asia and therefore its influence in Europe.⁹

Within nine months of Vambéry's first visit to London Tashkent had been captured by Russian forces, and within nine years of his interview with Palmerston Khiva, Bokhara and Samarkand were under Russian rule or 'protection'. By the mid-1890s Russia had a contiguous border with Persia stretching from the Caspian Sea to Afghanistan. But Vambéry, who issued dire warnings about the dangers posed by Russia in Asia in the British press, the German-language newspapers of central Europe, and public lectures, was very often dismissed in Britain as too much of a scaremonger. Palmerston had thought his estimate of Russia's military strength exaggerated,¹⁰ and Vambéry's polemic *Central Asia and the Anglo-Russian Frontier Question*, first published in German in 1873,¹¹ did not win him any favours from the British Government. Indeed, Vambéry's biographers describe Gladstone, the Liberal Prime Minister during 1868-74, as his 'inveterate enemy'.¹² As, however, is evident from a letter of 23 March 1875 from Edmund Monson, the British Consul-General in Budapest, to Robert Bourke, the Parliamentary Under-Secretary of State for Foreign Affairs, included in these PUSD files but presumably not amongst those papers handed to Howard in 1911, Vambéry had hoped that the Government would be ready to pay for his services as an informant and journalist. He raised the issue with the British diplomat and Assyriologist, Sir Henry Rawlinson, during a visit to London in 1874. However, according to Monson, Rawlinson 'seems to have replied that Vambéry has so "affiché – d" himself as the enemy of Russia, that it would be very difficult for the Govt. to do anything for him without giving offence at St. Petersburg'.¹³ Anglo-Russian relations were always about more than central Asia, and Vambéry's efforts at public diplomacy were more public and less diplomatic than most British officials desired.

Vambéry was not deterred, and in the spring of 1875 he returned to the subject with Monson. He told Monson that after mature reflection he considered that his 'steady and honest services in the field of Asiatic politics' justified him in hoping that HMG might 'think him of worthy of recompense'. He claimed that for years he had 'been supporting, both in the public press of Europe and in his own printed works, the policy of England in Central Asiatic questions', and he asked if he could receive

either a pension for his literary services and for the information he had supplied, or ‘an annuity from the Secret Service Fund’ of £50 or £100 a year. Monson was sympathetic to Vambéry’s plight—one familiar to academics throughout the ages. ‘His means’, Monson observed, ‘are very limited, and he works very hard in a department of literature from which he reaps more credit than pecuniary profit.’¹⁴ But neither Lord Derby, the Foreign Secretary in Disraeli’s Conservative Government, nor Lord Salisbury, then Secretary of State for India, was in any mood to offer Vambéry a subvention. Salisbury was quite categorical on the matter. ‘So far as he is concerned’, noted his private secretary, ‘he does not think M. Vambéry has any sufficient claim on the British Govt. Indeed, he thinks that his alarmist writings have done us more harm than good.’¹⁵

Yet, Vambéry was ultimately able to secure the employment he desired, and if his own account is to be believed his recompense came in the first instance from an unusual quarter. It was, Vambéry informed a journalist in 1911, Gladstone who, during his second administration of 1880-85, rewarded him with £500 for a ‘mission’ connected with the British occupation of Egypt. Quite what the mission was remains uncertain, though Vambéry’s knowledge of Arabic and Turkish and his contacts with well-placed officials in Constantinople would seem to suggest that it might have been primarily of an intermediary kind.¹⁶ It is also difficult to be precise about why in May 1889 Salisbury, who since 1887 had been both Prime Minister and Foreign Secretary, should have agreed to utilise the services Vambéry so earnestly proffered. Given, however, British fears of an impending Russian descent upon Constantinople and the timidity displayed by the Turks before the demands of their northern neighbour, there is reason to suppose that Salisbury calculated that there was everything to gain and little to lose by seeking to exploit the direct personal links which Vambéry had already established with the Sultan Abdul Hamid. Indeed, according to Vambéry’s report of his subsequent mission to Constantinople, for which the Foreign Office paid an extra contribution towards his ‘travelling expenses’, Vambéry wasted no time in putting to the Sultan British concern over the Porte’s fortification of the Dardanelles and comparative neglect of the defences of the Bosphorus.¹⁷ During the 1890s Vambéry continued to supplement the activities of successive British Ambassadors to Turkey. He acted as an additional channel of communication to the Sultan and he

supplied information to the Foreign Office in return for which he received payments from the Secret Service Fund for his ‘expenses’ and for ‘presents’. Later in the 1900s, when Vambéry no longer had the Sultan’s ear, the Office provided him with further monies to cover such work as the publication in 1903 of his pamphlet *England’s Position in Asia, and Anglo-German relations there*, and, two years later, the translation into French and German of his forthcoming book *Western Cultures in Eastern Lands*, in both of which he extolled the virtues of British rule.¹⁸

That the Foreign Office continued to fund Vambéry’s various initiatives is evidence that his work was valued. There were, however, occasions on which British officials thought it necessary to caution Vambéry against too overt expression of his views. In a letter to him of 13 September 1892, in which he explained that the proximity of Russian forces to the Hindu Kush, ‘though objectionable, [was] less dangerous than it was’, Sir Philip Currie, the Permanent Under-Secretary at the Foreign Office, observed: ‘I hope you will not write in the Press in an alarmist sense.’¹⁹ And the prospect of a visit from the self-promoting Vambéry was not always welcome news to busy officials in Downing Street. ‘I suppose I must see him’, minuted Currie’s successor, Sir Thomas Sanderson, on a letter from Vambéry of 14 August 1894 requesting money for his next journey to Constantinople.²⁰ Moreover, in the new century Vambéry was to find himself very much at odds with British efforts to achieve an understanding with Russia in Persia and central Asia. Despite the fact that after the commencement of the South African War he found himself boycotted by an increasingly anglophobic German press, he published in 1904 *Die gelbe Gefahr* (the Yellow Peril), a pro-Japanese work dedicated to the British Foreign Secretary Lord Lansdowne, in which Vambéry suggested an Anglo-German alliance to combat Russia in Asia. He had little time for the Anglo-Russian accords of 1907, and in the following year found himself in trouble with the Foreign Office when, in a lecture delivered in Budapest, he repeated an allegation by Baron Alois von Aehrenthal, the Austro-Hungarian Foreign Minister, that since June 1908 Britain and Russia had been conspiring against the interests of the Habsburg monarchy in the Balkans. Sir Charles Hardinge, Sanderson’s successor as Permanent Under-Secretary, was incensed by the reference to this ‘absurd story’, which, coming from Vambéry, was bound to have a ‘very mischievous effect’ which it would be impossible to correct. ‘If it should recur

again', Hardinge warned Vambéry, 'I shall be reluctantly compelled to reconsider our relations to each other.'²¹

Vambéry could hardly afford to ignore this reprimand. Although he frequently asserted that his support for Britain was not dependent on Foreign Office funding, his correspondence indicates that he attached considerable importance to extracting what he considered as adequate recompense from the Foreign Office. He had been particularly anxious to convert the *ad hoc* payments which he initially received into a regular allowance, and in 1895 he pressed Sanderson to set this at £120 per annum. Sanderson, who doubted the value of some of Vambéry's reporting, was reluctant to agree. He felt that such payments would tend to become a pension, and that Vambéry would then give up going to Constantinople 'and we should get little or no assistance or information from him'.²² But in 1897, when as in the previous year Vambéry was paid £120, it was settled that in future Sanderson would bring the matter of a gratuity before Salisbury each August or September on receipt of a 'simple reminder' from Vambéry.²³ The latter expressed his gratitude, but did not discontinue his efforts to put his relationship with the Foreign Office on a more regular basis. In 1904 he took up the matter of a life pension with both the King and Arthur Balfour, the Conservative Prime Minister, and, following their intervention and lengthy negotiations with the National Debt Office, Lansdowne agreed to purchase for Vambéry an annuity of £140. This was rather less than Vambéry had wanted. But, in addition to the pension, he continued to receive his gratuity on much the same terms as before, and it was in order to secure the conversion of this into a further annuity that in 1911 he finally handed over the letters which now form part of the PUSD collection.²⁴

Copies and drafts of many of the letters in this latest batch of Vambéry papers have long been accessible to scholars at The National Archives in two bound manuscript volumes in series FO 800/32 and 33. The newly-released papers do, however, provide additional detailed information on Vambéry, his Foreign Office correspondents, and the various payments offered for his services. Letters from Charles Hopwood, Salisbury's Précis Writer, would, for instance, seem to confirm the view that it was Vambéry who was responsible for soliciting a meeting with Salisbury in May 1889.²⁵ And the problems faced by Britain in its dealings with an Ottoman Empire, whose

institutions seemed impervious to reform, are only too apparent from Vambéry's exchanges with Sanderson. The Armenian massacres, the revolt against Ottoman rule in Crete, and the Græco-Turkish War of 1897 all impacted on an already strained relationship. 'I have', observed Sanderson in a letter to Vambéry of 6 April 1897, 'never seen the political situation more complicated than it is at present. The Cretan question stands in the way of all reforms in Turkey – and I fancy that the Sultan is not sorry that it should be indefinitely prolonged.'²⁶ The Young Turk revolution of July 1908 eventually opened up the prospect of radical change in the Near East and of an Ottoman government which would look to Britain for assistance. But Aehrenthal's response to these events and his decision to proceed with the formal annexation of Bosnia and Herzegovina, Ottoman provinces which had been under Austro-Hungarian administration since 1878, tested Vambéry's loyalties. In reply to a letter from Vambéry of 28 November 1908 in which he explained Aehrenthal's concern over strident criticism of his conduct in the British press, Hardinge wrote that what was resented in England was 'that just at a moment when Turkey was endeavouring to reform herself she should have received a stab in the back from Austria ... dealing a severe blow to the new régime in Turkey'. He added: 'to prolong the present situation is full of dangers, and I cannot believe the aged Emperor will countenance a policy which, as it appears at present, tends towards war'.²⁷

It is difficult to imagine how Vambéry would have reacted to Europe's descent into war in 1914 and Britain's alignment with Russia against Austria-Hungary and eventually Ottoman Turkey. He would almost certainly have despaired at the post-war peace settlement which deprived his beloved Hungary of two-thirds of its territory and handed his birthplace, his home-town and Pressburg to the newly-formed Czechoslovakia. But Vambéry did not live to witness these developments. He died on the morning of 15 September 1913. His contribution to the making and conduct of British foreign policy still requires further research and scholarly assessment. But the Foreign Office could at least count itself fortunate that in one respect it had made a small profit from Vambéry's life. In a letter of 28 March 1914 the National Debt Office informed Sir Arthur Nicolson, the Permanent Under-Secretary since 1910, that on the expiry of Vambéry's annuity a 'sum equal to one fourth part thereof, viz:- £35: - less Income Tax', became payable to him 'as the registered proprietor of the

Annuity'.²⁸ On receipt of the requisite forms and proofs of Vambéry's demise the sum was duly paid on 18 May.²⁹ In death, as in life, money mattered.

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- ¹ A. Vambéry, *The Story of My Struggles* (London: T. Fisher Unwin, 1905), p. 447.
- ² Wamberger was a Hungarian corruption of Bamberger. Vambéry's ancestors had migrated from the German city of Bamberg to St Georghen (Jur pri Bratislave) in north-western Hungary, and Bamberger was adopted as their family name following the Emperor Joseph II's decree that all Jews should have surnames. The young Hermann Wamberger later Magyarised his name to Vambéry Armin.
- ³ The National Archives (TNA), FO 1093/46.
- ⁴ TNA, FO 800/33 (Prof Vambéry's Letters), letter, Howard to Tyrrell, 10 Nov 1910. The story of how Vambéry was persuaded to part with his letters from the Foreign Office is summarised in Lory Alder and Richard Dalby, *The Dervish of Windsor Castle: the Life of Arminius Vambéry* (London: Bachman and Turner, 1979), pp. 453-61.
- ⁵ *Ibid.*, pp. 214-33.
- ⁶ *Ibid.*, pp. 312-20 and 462-67.
- ⁷ *Ibid.*, p. 312.
- ⁸ Vambéry, *My Struggles*, pp. 65-66 and 301-302.
- ⁹ *Ibid.*
- ¹⁰ Alder and Dalby, p. 228.
- ¹¹ Vambéry, *Centralasien und die english-russische Grenzfrage* (Leipzig, 1873).
- ¹² Alder and Dalby, p. 393.
- ¹³ FO 1093/46, letter, Monson to Bourke, 23 March 1875.
- ¹⁴ *Ibid.*
- ¹⁵ *Ibid.*, letters, Louis Mallet to Lord Tenterden (PUS, FO), 8 April 1875; Tenterden to Monson, 13 April 1875.
- ¹⁶ Vambéry's biographers speculate that in 1882, prior to the British occupation of Egypt (which until 1914 remained technically under Ottoman suzerainty), he may have been party to a plan to lure Arabi Pasha, Egypt's troublesome War Minister, to Constantinople. They also suggest that he could have been involved in Egyptian financial dealings through his friendship with Baron von Kremer, an Austrian orientalist and member of the Egyptian debt commission. Alder and Dalby, pp. 393-95.
- ¹⁷ FO 800/32, letter with enclosures, Arthur Nicolson (then Consul-General, Budapest) to Currie, 14 June 1889; letter, Currie to Vambéry, 25 June 1889.
- ¹⁸ Alder and Dalby, pp. 389-430.
- ¹⁹ FO 800/32, letter, Currie to Vambéry, 13 Sept 1892.
- ²⁰ Lord Kimberley, the Foreign Secretary, sympathised with the PUS. On Sanderson's minute he noted: 'Yes. I pity you. I have seen him. K'. *Ibid.*, letter, Vambéry to Sanderson, 14 Aug 1894, with minutes by Sanderson and Kimberley.
- ²¹ TNA, HD 3/137, letters, Hardinge to Vambéry, 22 Dec. 1908 and 11 Jan. 1909.
- ²² Alder and Dalby, pp. 421-22.
- ²³ *Ibid.*, pp. 425-27.
- ²⁴ *Ibid.*, pp. 431-61.
- ²⁵ FO 1093/46, letters, Hopwood to Vambéry, 30 April, 9 and 10 May, 1889.
- ²⁶ *Ibid.*, letters, Sanderson to Vambéry, 6 April 1897 and 30 May 1898.
- ²⁷ FO 800/33, letter, Vambéry to Hardinge, 28 Nov 1908. FO 1093/46, letter, Hardinge to Vambéry, 8 Dec 1908.
- ²⁸ FO 1093/46, letter, National Debt Office to Nicolson, 28 March 1914.
- ²⁹ *Ibid.*, letter National Debt Office to Nicolson, 17 April 1914.

Dockside Diplomacy

The Foreign Office and the Constantinople Quays Company

‘I was distressed to find when I came into office, how completely we had been ousted from commercial enterprises in Turkey and how apparently hopeless it was to get any footing there . . . since then I have been disappointed to find what a very poor set of financiers had got commercial enterprise in Turkey in their hands.’

*Sir Edward Grey*¹

The Bank of England’s role in the joint Anglo-French purchase of the Constantinople Quays Company in January 1907 was described by the foreign editor of *The Times* as ‘a little *coup*, quite à la Beaconsfield’.² But the affair was small fry when compared with Disraeli’s acquisition of a controlling interest for Britain in the Suez Canal Company, and its significance lay not so much in what it achieved as in what it was intended to prevent. Indeed, the purchase might never have been effected had it not been for British fears regarding the future of the Ottoman Empire, and more particularly the political consequences of the involvement of other powers in its economic development. Despite Britain’s longstanding strategic interest in the Sultan’s dominions, and the fact that Britain remained Turkey’s principal trading partner, the British share in capital investment and state finance in Turkey had been in steady decline for the best part of a quarter of a century. French financiers had by contrast maintained their position as chief creditors of the Porte and had, through their association with German industry and capital, established what Sir Adam Block, the representative of the British bondholders on the Council of the Administration of the Ottoman Debt, termed a ‘Franco-German entente in Turkish finance’. The danger was that if there were a fresh financial crisis in the Ottoman Empire and the Sultan were unable to satisfy his creditors, Britain, unlike France and Germany, would not possess a sufficient economic stake in Turkey with which to justify its political intervention. The French and Germans were according to Block’s pessimistic analysis ‘laying the economic foundation on which they [would] be able to build a political edifice’.³

It was against this background that the idea emerged of using the Anglo-French *entente cordiale* to enhance British influence in the Near East. The *entente* of 1904

had, largely as a result of the Morocco crisis of 1905-06, already begun to evolve into a quasi-alliance and it was assumed Anglo-French co-operation against Germany in Europe could be translated to the Near East. The Imperial Ottoman Bank (IOB), the Turkish state bank and the prime mover in French financial operations in region, had at the time of its establishment in 1863 been an Anglo-French institution and there still existed separate committees of directors in London and Paris. But the hope that the bank could with French diplomatic support be reformed and restored to its original form was a vain one: French financiers and diplomats were in close alliance and unlikely to surrender control of the Bank, and British financiers thought better and more secure profits could be earned elsewhere.⁴ An opportunity to work more closely with the French nonetheless presented itself in the course of 1906 when the Foreign Office learned that two of the principal shareholders in a French-controlled company, the Société des Quais, Docks et Entrepôts de Constantinople, wished to sell their shares.⁵ The Société, usually known to the British as the Constantinople Quays Company, had taken over the concession to construct and manage quays and docks on both sides of the port of Constantinople. During the 1890s quays had been completed between the Galata Bridge and Tophané on the northern shore of the Golden Horn and also on the southern Stamboul shore, and the Company seemed set to benefit from the expanding commerce of the southern Balkans and northern Anatolia.⁶

It was not however the Company's business potential which first led the British Foreign Office to take an interest in its future. Rather it was seen as a means of containing Germany's growing political and economic influence in Ottoman Turkey. The prevailing situation was summarised by Gerald Hyde Villiers, a clerk in the Office's Commercial and Sanitary Department. In a memorandum of 8 November 1906, in which he linked German *Weltpolitik*, with Britain's relative economic decline and the fate of the Constantinople Quays Company, he observed:

One of the outstanding features of the last thirty years has been the immense increase of German political influence in every quarter of the globe. This increase has corresponded to and been the direct result of the expansion of German commerce which has been effected largely at the expense of this country. Nowhere has it been more marked than in the Ottoman Empire. Ever since the accession

of the present Kaiser, German politicians and merchants have devoted a large share of their attention to Turkish affairs, and Germany now plays a role second to none in the Ottoman Empire ...With the exception of the Smyrna-Aidin line, all the railways in Asia Minor – one of the very few comparatively untapped fields for commercial expansion which still remain – are German.⁷

Moreover, as the Board of Trade pointed out in a note of 10 November, British imports from European Turkey, an area then stretching from Thrace in the east to Albania in the west, currently averaged about £1.4 million per annum, and its exports there averaged about £2.6 million. The equivalent figures for Germany, Britain's greatest commercial competitor, were £0.5 million and £1.7 million. But German trade with Turkey, which was mainly carried by rail, was growing more rapidly than Britain's largely seaborne commerce. In these circumstances officials in Whitehall feared that the Germans might, if the opportunity arose, seek to purchase the Quays Company or, with French collaboration, secure a substantial holding in it. They would then, the Board of Trade predicted, use their leverage to foster German as against other trade interests, and they would try to divert trade to the Asiatic side of the Straits and in particular to Haidar Pasha, the terminus of German-controlled Anatolian Railway Company.⁸

The extent to which German investors might have been interested in buying a controlling interest in the Quays Company remained uncertain. The Foreign Office relied very much on hearsay, which suggested that a Swiss financial group acting supposedly in German interests were 'nibbling at the bait'.⁹ But Sir Edward Grey, the Foreign Secretary, was persuaded to act. Herbert Henry Asquith, the Chancellor of the Exchequer and future Prime Minister, also saw advantage in the Government funding the purchase and, following consultations with the Bank of England, it was proposed that the Bank should purchase a controlling interest in the Company and that the Government should use Secret Service funds to guarantee the Bank a 3½% annual return on money raised for this purpose.¹⁰ Grey also saw in the project a way of furthering Anglo-French co-operation. Indeed, given the doubtful status of Jules Deutsch, the director of an Italian freight company who had first put himself forward

as an intermediary for the purchase of the shares, and the evident reluctance of the authorities in Paris to see a French company pass into British hands, the French Government's assistance may well have been essential. In any event, Stephen Pichon, the Foreign Minister in Georges Clemenceau's government, was in principle in favour of an understanding with Grey on the purchase of the shares, especially if this led to British ships making more use of the docks at Galata and Stamboul. And with the aid of the Rothschilds arrangements were made for the joint purchase of a controlling share-holding in the Company by the Bank of England and the Paris branch of the IOB acting on behalf of the French Government.¹¹

The deal was finally concluded early in January 1907. At a total cost of £375,808 3s 9d the Bank of England thus acquired 3,700 preferred shares and 5,050 ordinary shares in the Quays Company, and the Foreign Office committed its Secret Service fund to guaranteeing a 3½% return on this investment, or a total annual outlay of £13,153 5s 9d. Since the preference share paid 5% and as part of the package the Foreign Office was to lend about £30,000 to the market at approximately 2½% interest, it was reckoned that even with a dividend on the ordinary shares of only 2%, the Secret Service fund's liability might only amount £3,463 per annum, and it was optimistically forecast that this would practically be eliminated if the return on the ordinary shares increased to 3%.¹² The British and French Governments were each to nominate three directors, and a Convention between the Bank of England and the Paris branch of the IOB made plain the continuing political involvement in the affair, specifying that in all questions concerning the Company, 'which may affect the interests of the two countries, the two Contracting Parties shall be guided by the views of the two Governments'.¹³

The successful joint purchase of the Quays Company gave fresh impetus to the pursuit of further Anglo-French ventures in the Ottoman Empire. One such scheme, first proposed by Sir Arthur Vere, the agent of Armstrong, Whitworth and Co at Constantinople, was for the formation of British and French syndicates which would seek out and share engineering and other concessions in Turkey. If successful, this might replace Anglo-French rivalry with co-operation, help halt the relative decline in British investment in the Near East, and check the steady growth of German influence in the region. But there was little enthusiasm amongst French financiers for this

projected 'industrial entente', and French diplomats were evidently divided over its merits. While the IOB saw co-operation with British capital as a means of overcoming those limitations upon its conduct which seemed to result from France's political association with Britain, the Bank was reluctant to enter into a consortium over which it could not exercise a preponderant influence. And the Quai d'Orsay could find little advantage in any financial combination which might compromise the IOB's position in Turkey. The Foreign Office was equally reluctant to give its backing to the formation of syndicates in which the IOB would be the dominant party. Moreover, when in July 1908 the Young Turk revolution brought to power in Constantinople a government which was of an altogether more friendly disposition to Britain, the Foreign Office wasted no time in throwing its weight behind the establishment, under Sir Ernest Cassel, of the National Bank of Turkey, an institution which was regarded in Paris as a serious challenge to France's financial position in Turkey.¹⁴

The failure of efforts to promote Anglo-French economic collaboration in Turkey, albeit for essentially political ends, demonstrated how limited was the scope of the *entente cordiale*. The Bank of England and the IOB remained however the principal shareholders in the Constantinople Quays Company, and the newly-released papers in FO 1093/37-40 reveal the diplomatic complications to which this application of Secret Service money gave rise. As a business venture, the Quays Company was never more than a modest success and from a strictly economic point of view the Foreign Office would hardly have been justified in regarding it as a profitable investment. Its share dividends rarely matched the 3½% the British Government had guaranteed. In 1909 the dividend paid on ordinary shares was 2%, in 1910 2½%, in 1911 3%, and in 1912, albeit following the outbreak in September 1911 of the Italo-Turkish war, once more a measly 2%. Moreover, by 1913 Constantinople's economic prospects were far from rosy. The Balkan wars which began in October 1912 disrupted trade with what had been European Turkey and Bulgaria's acquisition of an Aegean coastline threatened to reduce the importance of Constantinople as a port.¹⁵

The Company's profits were also threatened by a longstanding dispute between the Company, the Ottoman customs authorities, and local traders. A very large quantity of merchandise, particularly bulky goods such as coal, iron, timber and cement, had traditionally not been landed at the Galatta or Stamboul customs houses, but had been

examined by customs officials at the time of its discharge into lighters and other small craft prior to transport up the Golden Horn. This practice, known as *vérification sur mer*, was anathema to the Company, which argued that it encouraged smuggling and defrauded the Company of a considerable amount of revenue. In time it was settled that certain classes of goods, such as coffee, sugar, rice and iron, would be brought by lighters alongside the quays for customs examination before their discharge elsewhere, and the Company was able to levy mooring dues on the lighters one third of the quay dues on the merchandise.¹⁶ The question, however, of which goods should pay the full dues and which the lower levy resulting from *vérification sur mer* remained in dispute. There was no list specifying which goods were entitled to the pass the customs by verification at sea, and by 1913 the Company seemed likely to be deprived of a substantial portion of its revenue by a court case ruling in favour of merchants who claimed that their goods had been subjected to inappropriate charges. The Company appealed to the British and French Governments for their intervention with the Porte.¹⁷ But ironically, Grey, who had initially regarded the purchase of the Company's shares as a means of defending British commercial interests in Turkey, found himself having to take account of a trading lobby wholly opposed to the dues the Company sought to raise. In a despatch to Constantinople of 4 July 1913 he made the point clearly. 'It must', he observed, 'be understood that I could not support any settlement which would inflict hardship on British Trade or any section of British Trade.'¹⁸

The likelihood of a further fall in Company dividends and the possibility of the Foreign Office making a 'dead loss' on its account at the Bank of England, prompted Sir Arthur Nicolson, the Permanent Under-Secretary, to speculate on whether it might be better for the Government to dispose of some its shareholding. Grey was adamant that it would 'not do to sell'.¹⁹ But he was equally opposed to the Secret Service fund being used to guarantee further investment in the quays when in the spring of 1913 consideration was given to the Company's purchase of land adjacent to Galata. The site in question was that of the former Tophané arsenal whose sale the Ottoman Government hoped would ease its dire financial problems. In truth, the Quays Company seems only to have been interested in preventing the waterfront at Tophané from falling into the hands of a possible competitor. There were rumours that the Deutsche Orient Bank had been making overtures with regard to the purchase of the

land, though this may have been on behalf of a Belgian concern. Anxious, however, lest its docks monopoly be threatened, the Quays Company sought assistance from the British and French Governments. It was suggested that either the National Bank of Turkey or the Bank of England might in conjunction with the IOB find the money required to fund the purchase.²⁰ But the National Bank of Turkey was as ever reluctant to work with the IOB, and Grey shared Nicolson's doubts about the wisdom of increasing Britain's holdings in the Quays. All he felt able to offer was the diplomatic support of the British Embassy at Constantinople, which was instructed to 'assist the Quays in their endeavour to acquire at least a strip of land on the harbour front which would enable them to extend & enlarge their Quay accommodation'.²¹

Grey's efforts to work with the French in support of the Quays Company were complicated by the fact that the British Government's role in the share purchase of 1907 remained a close secret in Whitehall. Even the British Embassy in Constantinople appears not to have been fully aware of the extent of the Government's involvement with the Company. However, by 1914 the Company's fortunes seemed to be improving. Cecil Lubbock, one of the British directors of the Company reported to Nicolson in February that the Company would be paying a dividend of 3% that year, 1% more than expected. And in May 1914 he forecasted that it was probably that in future the dividend on the Quays shares would be more than sufficient to pay the Bank of England's 3½%. 'If', he observed, 'the Turks can be prevented from going to war again, and if we can settle the question of the vérification sur mer, we might be able to keep the dividend at this rate, or even increase it.'²² Lubbock was far too optimistic. The joint purchase of the Quays Company shares proved of doubtful value to British traders in Turkey, had only a short-lived catalytic impact on Anglo-French economic co-operation in the Near East, and was a perpetual drain on Secret Service funds. It also offered few political rewards. By the autumn of 1914 the Ottoman Empire, defeated and dismembered in Europe, threw in its lot with Germany, the one great power which had seemed consistently ready to provide it with the investment and military assistance it required.

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- ¹ Grey (Foreign Secretary) to Sir Gerard Lowther (British Ambassador, Constantinople), 23 Aug 1908. *British Documents on the Origins of the War, 1898-1914* (London: HMSO. 1926-37), eds. G P Gooch and H V Temperley (hereafter cited *BD*), Vol V, No 28.
- ² Churchill Archive Centre (Cambridge), Spring Rice MSS, CASR 1/12, letter, Valentine Chirol to C. Spring Rice, 18 Feb. 1907. Cited in Keith Hamilton, *Bertie of Thame: Edwardian Ambassador* (Woodbridge: Royal Historical Society, 1990) p. 167.
- ³ *BD*, Vol. V, No. 147.
- ⁴ K A Hamilton, 'An attempt to form an Anglo-French "Industrial Entente"', *Middle Eastern Studies*, XI (1975), pp. 47-73.
- ⁵ The prospective sale was first brought to the attention of the Foreign Office by Jules Deutsch, a director of the Italian freight company, Ausiliare. FO 368/58, letter, Deutsch to FO, 19 May 1906.
- ⁶ FO368/58, memo by E Weakley, 7 Dec 1906.
- ⁷ *Ibid*, memo by Villiers, 8 Nov.1906.
- ⁸ *Ibid*, letter, H. Llewellyn Smith (Board of Trade) to FO, 10 Nov 1906.
- ⁹ *Op cit*, memo by Villers, 8 Nov 1906.
- ¹⁰ FO 368/58, letter and minute, E Hamilton (Treasury) to C Hardinge, 25 Oct 1906.
- ¹¹ *Ibid*, letter, Hardinge to F. Huth Jackson (Bank of England), 26 Nov and 14 Dec 1906; memo by P Cambon, 13 Dec. 1906.
- ¹² FO368/132, undated financial statement.
- ¹³ *Ibid*, authorised translation of Convention between the Bank of England and the Imperial Ottoman Bank.
- ¹⁴ See note 4 above.
- ¹⁵ FO 1093/37, minute, Lord Onslow to Sir A Nicolson, 26 May 1913.
- ¹⁶ FO 368/58, memo by Weakley, 7 Dec 1906.
- ¹⁷ See note 15 above.
- ¹⁸ FO 1093/37, despatch (commercial) to Constantinople, 4 July 1913.
- ¹⁹ *Ibid*, minutes by Onslow, Nicolson and Grey, 2 June 1913.
- ²⁰ *Ibid*, letters, R F Crawford to Lubbock, 26 June 1913; Lubbock to Onslow, 27 June 1913.
- ²¹ *Ibid*, letter, C M Marling to Onslow, 26 July 1913.
- ²² *Ibid*, letter, Lubbock to Grey, 16 May 1914.

Chocolate for Zedzed

Basil Zaharoff and the secret diplomacy of the Great War

‘If your Chairman considers my yesterday’s letter as important as I do he should spontaneously do the chocolate.’

*Basil Zaharoff*¹

Basil Zaharoff had a reputation for private wheeler-dealing. He also had an appetite for public honours. Born in 1849 to Greek parents then resident in Mughlia in south-western Anatolia, he was baptised Basileios. His family, which during a period of exile in Odessa had abandoned the name of Zacharias in favour of the slavic Zaharoff, subsequently migrated to Constantinople and the young Basileios was brought up in Tatavla, one of the poorest quarters of the Ottoman capital. There he learnt the wisdom of the streets, finding employment first as a guide to the red-light district of Galata, and then as a fire-fighter in a service better known for its success in extracting commissions for the rescue of threatened treasures than for its skills in extinguishing flames. Later, after working as a money-changer, he travelled to London, appeared in court in an action concerning the misappropriation of funds, and departed in haste for Athens, where, aged 24, he had the good fortune to befriend the political journalist Stefanos Skouloudis. It was on the latter’s recommendation that in 1877 Zaharoff was made a representative of the Swedish arms manufacturer, Thorsten Nordenfeldt, a position in which he soon exhibited both his commercial ingenuity and his flare for bribery and deception. He sold steam-driven submarines to the Greek, Ottoman and Russian, navies; he subverted Hiram Maxim’s efforts to demonstrate his automatic machine gun to the Austrian and Italian armies before buying a half share in Maxim’s enterprise; and by 1897, when Vickers purchased the Maxim Company, he was already on the way to amassing an immense personal fortune. The ease with which Zaharoff, as arms vendor, and eventually as company director, banker and minor-press baron, moved within the worlds of politics and high and low finance earned for him the description of ‘mystery man of Europe’.² After the outbreak of war in 1914 his business contacts and knowledge of the Balkans made him a useful agent of the British Government. His companies profited and he was further rewarded with the recognition he craved – the ‘chocolate’ of his cryptic correspondence – elevation to the rank of Knight Grand Cross of the Order of the British Empire.

Instrumental in securing ‘Zedzed’, the name with which Zaharoff signed off his letters, his ‘chocolate’ was Sir Vincent Caillard. Educated at Eton and Sandhurst, Vincent Henry Penalver Caillard, had, after service with the Royal Engineers and in the War Office’s Intelligence Department, embarked on a career in business management. Between 1883 and 1898 he was delegate of the British, Belgian and Dutch bondholders on, and alternate president of, the Council of Administration of the Ottoman Public Debt. The latter, as guardian of the interests of Turkey’s foreign creditors, had supervision of certain state revenues, and in consequence assumed a quasi-political role in Constantinople. Its members mixed easily with the diplomatic community and their advice was rarely ignored in chancelleries eager for information on banking and capital investment projects in the Near and Middle East. Caillard himself was to become involved in a number of such ventures, including those sponsored by his friend, the German-born banker and financial adviser to King Edward VII, Sir Ernest Cassel. Yet Caillard’s association with Zaharoff probably dates from 1898 when Caillard was appointed to the board of Vickers, a company of which he subsequently became financial director. In any event, by 1915 Caillard was well-placed to act as a channel of communication between Zaharoff, then usually resident in Paris, Monte Carlo, or his chateau at Boulaincourt, and the powers-that-be in London. His correspondence, now to be found amongst the newly-released PUSD papers in FO 1093/47-57, sheds fresh light on Zaharoff’s role as wartime propagandist in neutral and politically-divided Greece. It also adds significant detail to, and expands upon, the story first related by Victor Rothwell, largely on the basis of material in the Lloyd George papers, of the British Government’s funding of Zaharoff’s efforts to persuade elements within the Ottoman leadership to abandon Turkey’s allies and engage in negotiations for a separate peace.³

In the aftermath of the war Zaharoff was popularly perceived as a merchant of death, an evil genius and profiteer, who for his own pecuniary gain had sought to stimulate and prolong international rivalries and conflict. And Zaharoff’s own assertion, made to a journalist in 1936, that he had made wars in order to sell arms to both sides, did little to discourage this view. However, from the commencement of the Great War Zaharoff identified with the *entente* powers and his correspondence with Caillard was evidence of his readiness to work for their victory and the early conclusion of

hostilities. Given his background, it is hardly surprising that he should have followed intensely developments in the Near East, an area in which, prior to 1917, neither Britain nor France could claim many conspicuous successes. Their diplomacy had failed to prevent Ottoman Turkey from entering the war on Germany's side; their armed forces had failed in their Dardanelles campaign to secure the Straits between the Black Sea and the Mediterranean; and their diplomacy had failed again when in October 1915 Bulgaria aligned itself with the central powers and declared war on a beleaguered Serbia. Henceforth, their attention was fixed firmly upon Greece, a country whose territory they had only recently been ready to bargain away in the hope of securing Bulgarian support, and whose neutralist King, Constantine, they labelled 'pro-German' largely on the spurious grounds that he was brother-in-law to the German Emperor. The *entente* powers wanted Greek assistance for the Serbs and looked to Greece's liberal premier, Eleftherios Venizelos, to achieve their ends. With his connivance British and French forces were landed in Salonika and, following Constantine's dismissal of Venizelos, Limnos and other Greek islands were occupied. Relations between the Royal Government, which tried desperately to maintain Greece's neutrality, and the *entente* powers steadily deteriorated; a rival provisional administration was established under Venizelos at Salonika; and finally in June 1917 Constantine was toppled and Greece coerced into the war.⁴ In the meantime Zaharoff had volunteered his services as salesman of the Franco-British cause in Athens.

Zaharoff set out his stall in a letter to Caillard of 12 November 1915. He claimed that over the past nine years he had given Greece £1.2 million, and that if he were to add a further £300,000 to this 'he could make Greece join the Allies and start fighting the Bulgars within 20 days'. He and Venizelos, he added, were 'dear friends', and the octogenarian Skouloudis, whom Constantine had appointed Prime Minister, 'would gladly follow me'. 'All that is needed', Zaharoff observed, 'is to buy the Germanophile papers, also 45 Deputies and one Frontier Commander.' For £1,500,000 properly spent, he reckoned, the war could be shortened by months.⁵ Some of this must have seemed implausible. Skouloudis had only just called for the disarming of the British and French forces at Salonika, and within six months he was to order the surrender to the Bulgarians of the strategically important fortress of Rupel.⁶ In any case, as Caillard's own 'friends' in Whitehall pointed out, it was difficult to see how Zaharoff could possibly influence the Greek parliament when

Venizelos was insisting that neither he nor his party would participate in any fresh elections. And any attempt to bribe a divisional general might easily be traced to source.⁷ Nevertheless, the British Government was well aware that the central powers had a firm grip over the Athenian press, and that under the able leadership of the Freiherr von Schenck they had an estimated 3,000 agents in Greece.⁸ Such thoughts appear to have overcome initial scepticism about Zaharoff's proposals. In a letter of 11 December 1915 Herbert Henry Asquith, the Prime Minister, informed Caillard that he had discussed the matter with Reginald McKenna, the Chancellor of the Exchequer, and that Caillard was to let his 'friend *go straight ahead*: the sum named by him [would] be paid by the Govt.'⁹ The money in question, £1,407,000, was subsequently placed to Zaharoff's credit at Barclays, and, after communicating the news to Venizelos via the French Legation in Athens, Zaharoff prepared to leave for Naples and Messina with a view ultimately to meeting disaffected politicians and representatives of the Greek press in Athens.¹⁰ 'Early this morning', he wrote to Caillard on 18 December, 'I received your wire saying that Barclays had transferred to my a/c at the Banque de France, & I immediately wired you that such being the case I start this A.M. full of go & praying for just a little luck & wishing you good-bye in a certain eventuality. I am off in forty minutes and will do my best. Lovingly Zedzed.'¹¹

Whether this Grecian odyssey offered the British government real value for money is questionable. Both Asquith and McKenna were evidently impressed by what they learnt of Zaharoff's achievements.¹² But their concern had been that Zaharoff should 'deliver some *immediate* and effective blow' in Greece, and that the account they had set up for this purpose should not be extended beyond the end of financial year in April, lest inconvenient questions be asked.¹³ One million French francs was paid through Cassel's *National Bank of Egypt* to Georgios Averoff, Venizelos's friend and agent, presumably with a view to providing direct aid to the Venizelists. The main idea to emerge from Zaharoff's talks in Greece was, however, for the establishment of an Anglo-French news agency in Athens. This eventually materialised in the spring of 1916 as the *Radio Agency*, an institution which was intended to combat Germany's influence over the Greek press and which Zaharoff hoped would develop into 'an honest international organ of propaganda'.¹⁴ Zaharoff already had experience as a publicist. By 1910 he had acquired a controlling interest in two Parisian dailies, the

Quotidiens illustrés and the politically more influential *Excelsior*; and following the outbreak of war he had joined with others in a combination which aimed at publishing and distributing literature on behalf of the *entente* powers. He also spent £37,000 of his own money on a printing house for the Venizelists, and by the summer of 1916 he was boasting to Caillard that of late the Greek parliament had neither voted nor proposed anything ‘against the Allies’.¹⁵ Yet, nor did the Royal Government seem any closer to declaring war on Bulgaria, and in July Caillard, urged on by Zaharoff, persuaded Asquith to share with the French in a further subsidy of 5 million drachmas to Venizelos to assist with anticipated election costs.¹⁶ This was fantasy diplomacy. There were, despite the demands of the *entente* powers, no new elections and Greece, on the verge of civil war, was finally brought into the war as a result of a naval blockade of the Greek mainland and the military intervention of Britain and France, Greece’s so-called ‘protecting powers’.¹⁷

The British Government supported Zaharoff’s operations in Greece. But neither Asquith nor McKenna was ready to take up Zaharoff’s other suggestion that he be allowed ‘to invest some money in Roumania’ out of funds already in his hands.¹⁸ They also appear to have been less than enthusiastic about an idea, mooted by Zaharoff in a letter to Caillard of 19 April 1916, that Enver Bey, the Ottoman War Minister, and forty or fifty of his Young Turk associates might be prepared to open the Dardanelles to the British fleet in return for a substantial sum (according to one account £4 million was mentioned)¹⁹ and their safe passage to New York. The matter was first raised with Zaharoff by Abdul Kerim Bey, who had represented Turkey in Athens and in Vienna, and with whom Zaharoff had dealt when Abdul Kerim was co-secretary to the Sultan Abdul Hamid. In early April 1916 the two men met secretly in Marseilles,²⁰ and some weeks later Abdul Kerim wrote from Athens proposing that Zaharoff travel to Adrianople for further discussions.²¹ Zaharoff was himself uncertain as to how far to proceed with this plan. He claimed that in Nordenfeldt’s time he had paid Abdul Kerim many thousand lira and, although he had only met Enver on a couple of occasions (first at a ministerial dinner in Paris and then on the Orient Express), Enver had once commissioned him to purchase of treasury bonds on his behalf.²² Nevertheless, Zaharoff ‘did not think it wise to go on this expedition’ unless he had adequate funds at his disposal, and these the British government must provide.²³ ‘I should’, he observed to Caillard in a letter of 26 June, ‘feel very

uncomfortable if the Chairman [Asquith] and Treasurer [McKenna] were even to dream for a second that I was encouraging this expenditure; consequently, if they decide upon taking action you will please very clearly state from me, that, although willing to act, I make no suggestion whatever, and am under great delicacy touching the money.²⁴ He need not have worried. McKenna told Caillard on 9 July that he thought the ‘idea about Turkey ... worth “risking the toss” to the extent of £100,000’.²⁵ By then, however, the moment had passed, and Zaharoff was warned by Abdul Kerim that in view of the British Government’s lack of haste the offer had been withdrawn.²⁶

This was not the end of the affair. By the spring of 1917 Zaharoff evidently thought that the time had come to revive the idea of his negotiating with Abdul Kerim.²⁷ On 23 May he wrote to Caillard that he was contemplating going to Switzerland where, ‘by accident’, he was bound to come across some of his Ottoman friends. He was, however, insistent that if he were to proceed further with the business he must ‘be properly backed’ and ‘more than ample confidence’ placed in him.²⁸ Caillard made soundings in Whitehall and seemed confident of securing Government support. Both he and Zaharoff had dealt previously with David Lloyd George, Asquith’s successor as Prime Minister, in his capacity Minister of Munitions and Secretary of State for War. Caillard was also on good terms with Walter Long, the First Lord of the Admiralty, and on 11 June he sent the latter a cutting from the *Tribune de Genève*, received by Zaharoff from Abdul Kerim, reporting that Young Turk representatives in Geneva were seeking a separate peace. He added in a covering letter that he regarded the matter as urgent because Abdul Kerim was ‘now throwing out his hooks again’ and because the moment seemed propitious.²⁹ The Prime Minister was evidently impressed. Although he was initially sceptical about Zaharoff going off to Switzerland to meet ‘second-raters’, he told Caillard on 17 June that a separate peace that year would be ‘worth a great deal’. In 1918, he observed, ‘it would probably be worth nothing, as by that time probably Russia would be in good trim again, and certainly the United States would be coming on in considerable force’. Lloyd George was even prepared to sketch out the basis of such a peace: Britain must retain Mesopotamia, the Russians would keep the Armenian provinces they had occupied, a ‘suitable arrangement which would involve at least Internationalisation must be made

for Palestine', and there must be some 'satisfactory arrangement' for Constantinople by which 'European Turkey should be practically free from Turkish rule as known hitherto'.³⁰

Caillard felt it necessary to remind Lloyd George that 'it was a pretty tall order to negotiate separate terms of Peace on the basis of the practical dismemberment of the country with which you would be negotiating'. He also explained to the Prime Minister that Zaharoff's previous exchanges with Abdul Kerim had concerned not a separate peace, but the opening of the Straits and the 'Deportation' of the Young Turks leadership. Lloyd George nonetheless considered it well worth while Zaharoff going to Switzerland to find out what was on offer.³¹ This turned out to be much the same as before. On or around 20-22 June Zaharoff met with Abdul Kerim in Geneva, and the latter announced that Turkey was 'ruined & lost', that Enver and his colleagues were willing to 'throw up the sponge on "reasonable conditions" and get out with their lives'. According to Abdul Kerim they wanted a retaining fee of \$2 million to be placed immediately at Morgans in New York; Abdul Kerim would take \$500,000 of this himself, after placing Zaharoff in contact with Enver and the Turkish finance minister, Djavaid Bey; the remaining \$1.5 million would buy certain indispensable people; and a total sum of \$10 million would pay for everything. The money was to be paid in stages as Turkish troops withdrew first from Mesopotamia, then from Palestine, and finally from both sides of the Dardanelles so as to allow *entente* forces to land and their ships to pass through the Straits. The Turks would then ask for an armistice which could lead in Enver's opinion to a general armistice with the central powers.³²

Zaharoff had serious doubts about Abdul Kerim and his associates. 'You know', Zaharoff subsequently wrote to Caillard, 'what a rogue he is, & what reliance should be placed on any of the Forty Thieves.'³³ But Lloyd George, to whom Caillard reported on Zaharoff's discussions in Switzerland, seems not to have been startled either by the character of Abdul Kerim or the sums involved. He did however wonder whether Enver was open to such bribery and, while he was ready to place the equivalent of \$2 million to Zaharoff's credit, he thought that the most that Abdul Kerim should be shown was a banker's receipt for this and that he should be given to understand that this would be transferred to an agreed nominee only when Enver and

Djavid met Zaharoff for serious discussion. Otherwise, he feared that any money Abdul Kerim received 'would stick without getting any further'.³⁴ Sensible though this condition was, it was clearly not what Abdul Kerim wanted, and when he next met Zaharoff in mid-July, he insisted that he wanted \$500,000 placing to his credit at the *Crédit Suisse* in Zurich, and a further \$1.5 million to be placed at Enver's credit in the *Banque Suisse et Française*. He had, he said, fixed an appointment for a meeting with Enver at Lucerne exactly thirty five days after the money was deposited. When Zaharoff revealed his instructions, Abdul Kerim protested 'c'est à prendre ou à laisser', and remained mute to all Zaharoff's subsequent attempts to re-open the conversation.³⁵

Zaharoff was personally of the opinion that it would have been worth taking the risk and paying the money Abdul Kerim demanded.³⁶ But Caillard, suspecting 'a plant', disagreed.³⁷ So too did Lloyd George, though his main concern was that the time was not right for such a gamble: he believed that the Turks were preparing with German assistance for an assault on British forces in Baghdad, and that with senior German officers in Constantinople Enver would be in no position to engage in the sort of scheme envisaged by Abdul Kerim. He was also confident that the army would be well able to defend itself in Mesopotamia, and that it would be better to allow the attack to proceed and fail before engaging in further talks in Switzerland.³⁸ In any event, there appears to have been no further contact between Zaharoff and his Ottoman interlocutors until mid-November, when he spent three days in Geneva once more in discussion with Abdul Kerim.³⁹ On this occasion, however, Abdul Kerim maintained that he could take no cash until instructed by Enver who was then seeking urgent assistance from Germany. During breakfast with Lloyd George in Paris on 27 November Zaharoff was able to reveal all that he had thus learned of Turkey's plight,⁴⁰ and within a fortnight he returned again to Geneva. This time he did so in the knowledge that the Prime Minister was not seeking the destruction of the Ottoman Empire or the surrender of Constantinople. The Bolshevik revolution and Russia's impending departure from the war meant that Russian requirements had no longer to be taken into account. Indeed, events on the eastern front made a separate peace with Turkey all the more attractive. Lloyd George insisted that the freedom of the Straits must be absolutely secured, that Arabia must be entirely independent, that Mesopotamia and Palestine be governed on Egyptian lines (i.e. effectively under

British protection), and that some autonomy be granted to Armenia and Syria.⁴¹ But in the meantime he was ready to sanction the transfer of \$2 million to the accounts specified by Abdul Kerim.⁴²

Instructions handed by the Prime Minister's secretary to Caillard on 9 January 1918 made it clear that the Government was ready to pay \$5 million in return for the opening of the Straits to British submarines, and their being afforded a favourable opportunity to sink the *Breslau* and the *Goeben*, the German warships acquired by Turkey in September 1914. Another \$2 million would follow once Turkish forces had withdrawn from Palestine and the Hedjaz railway.⁴³ These instructions were subsequently amended when news reached London that the two warships were already *hors de combat*, and Zaharoff was required instead to offer \$10 million to the Turks in order to secure the permanent safe passage of the Straits for the British fleet, including the withdrawal of forces from littoral fortifications.⁴⁴ But Zaharoff, who committed the original instructions to memory, had departed for Geneva before the new ones arrived at his residence in Monte Carlo. He left by train on 23 January, thus embarking on what, according to Zaharoff's own detailed account, turned out to be an exceptionally hazardous journey.⁴⁵ He had for some time been in poor health, suffering from a skin complaint which required the generous application of gelatine to his lower quarters,⁴⁶ and he took the precaution of travelling with his personal physician and a supply of his special diet food. Even, however, before the train reached Genoa his private carriage, which he had hired at the cost of twenty-four first class tickets, was invaded by Italian troops. They molested Zaharoff and his companion, stole some of their money, their luncheon basket and their seats, and forced them first into the corridor and then off the train. When, four days later, Zaharoff finally reached the Swiss frontier he found that his 'martyrdom' had only just begun. Swiss immigration officials insisted on subjecting the two men to the humiliation of a strip search; they were left naked for three hours in sub-zero temperatures; and Zaharoff came close to being denied entry into Switzerland when a quarantine doctor spotted his 'bleeding skin' and declared him to be suffering from a contagious disease.⁴⁷

After spending a night in a Swiss hospital, Zaharoff was allowed to continue to Geneva. But, as Zaharoff realised, the Swiss, whom he denounced as 'more German

than the Germans', evidently suspected his intentions, and during his stay in Geneva he was regularly followed by detectives. This was an ominous start to a mission which ultimately proved fruitless. Zaharoff was two days late for his meeting with Abdul Kerim, and although the latter arranged for Enver Bey to travel from Lucerne to Geneva, there was to be no face-to-face meeting between Zaharoff and Enver. Such discussions as there were took place on 27 January with Abdul Kerim acting as an intermediary. From these it emerged that while Enver felt it possible to arrange for Turkish forces to withdraw from Palestine and the Hedjaz railway to a line from Haifa to Deraa, he could offer no guarantees with regard to the Straits since these were now held by German forces. Moreover, Enver felt that the crumbling of Russia and Romania had made Talaat Pasha, the Ottoman Grand Vizier, more confident and that there was little chance of his accepting a separate peace. He could not, he insisted, accept the proffered \$1.5 million. Abdul Kerim was, however, equally insistent that he personally would not 'part with a piastre': he had arranged the exchange and fulfilled his part of the bargain. Zaharoff was for his part more than a little upset by the outcome. 'I have', he confessed to Caillard in a letter of 29 January, 'given my heart and soul to this scheme and its failure has broken me up.'⁴⁸ He was also two stone lighter as a result of his diplomatic exertions.⁴⁹

Contact was nevertheless maintained between Zaharoff and Abdul Kerim. A letter to Caillard of 21 August 1918 reveals that Zaharoff had once more been to Geneva, and that Abdul Kerim had informed him that Enver, whose star was in the ascendant, was again putting out peace feelers.⁵⁰ Lloyd George was impressed by the intelligence Zaharoff was able to glean from Abdul Kerim about relations between the central powers, and seemed ready to contemplate a payment of \$25 million to buy Turkey out of the war. He was also prepared to pay for further news of what passed between Germany and its allies.⁵¹ For his part, Zaharoff was reluctant to contemplate any such payments. 'I fear', he wrote to Caillard, 'that the money already paid, though somewhat insignificant has not produced the "delivery of any goods".'⁵² Such doubts did not, however, deter Zaharoff from meeting with Abdul Kerim and Enver in Geneva on 3 October. The diplomatic consequences of their liaison remain uncertain. Bulgaria had concluded an armistice with the entente powers on 29 September, and soon afterwards Lloyd George decided against Zaharoff going to Switzerland. Unfortunately, a telegram from Caillard of 1 October reporting the Prime Minister's

change of mind failed to reach Zaharoff before his departure from Paris.⁵³ Moreover, Enver's initiative was only one of several then being pursued by official and unofficial agents of the Ottoman Government.⁵⁴ What Enver held out to Zaharoff was the prospect of Turkey leaving the war with Austria-Hungary in tow, and he suggested that this could be achieved at the cost of no more than 10 million francs for the Turks and 15 million for the Hungarians. The idea certainly appealed to Zaharoff. 'I jumped at this suggestion', he noted, 'and told him [Enver Bey] that I would within an hour, place five million francs at his disposal, which with the money he intended sending me to Paris, would be sufficient for his Turks. He accepted and the finances were arranged before luncheon.' Enver left immediately for Constantinople, via Vienna, Budapest and Constanza, and Zaharoff returned to Paris.⁵⁵

Within three weeks armistice negotiations had begun between British and Turkish representatives at Mudros.⁵⁶ It is, however, difficult to establish any direct link between the opening of these talks and what passed between Zaharoff and Enver at Geneva. Caillard and Zaharoff later credited Enver with having usefully applied the 7 million francs he actually drew from the funds offered by Zaharoff. Both thought that the action taken by Enver 'with the strength of that seven millions upholding him probably hurried on the surrender of the Turks by some days, which were well worth saving'.⁵⁷ Zaharoff also recalled that at a luncheon with Lloyd George on 23 October the latter twice stated that Zaharoff had been 'most valuable to him'.⁵⁸ But Zaharoff was never one to understate his own contribution to diplomacy. An intensely private man, who was clearly delighted to find that the Foreign Secretary was ignorant of his 'various doings', he still craved public recognition. In the spring of 1916 he appears to have raised with Caillard the possibility of his receiving some honour from the King as a reward for his Secret Service work in Greece. As, however, Frederick Ponsonby, George V's private secretary, explained to Caillard, the conferring of such a favour on an individual when it could not be revealed on what account it had been conferred might create jealousy in the minds of others, and 'weaken the perfect secrecy which it was desired should be most scrupulously observed with regard to the whole business'.⁵⁹ Zaharoff would have to wait.

A more patient man might have reconciled himself to this situation. Zaharoff was not such a man: he required his reward, and had no qualms about specifying what it

should be. Ponsonby had assumed that the appropriate class of either the Order of the Bath or that of Saint Michael and Saint George might suffice. But the news that the British Government was instituting a new order, the Order of the British Empire, persuaded Zaharoff to write to Caillard in June 1917: 'I would like to have the Grand X of the new order & I certainly risked my hide sufficiently to merit it'.⁶⁰ 'I am', he later noted, 'like a child who has been promised chocolate.'⁶¹ The new Greek Government's conferment on him in July of the Cordon of the Order of the Saviour, encouraged him to remind Caillard that he had already received from the French the Grand Cordon of the Legion of Honour, and that everybody, but those for whom he had 'especially [run] the gauntlet', had recompensed him.⁶² Lloyd George was sympathetic,⁶³ though he first wanted to see the outcome of Zaharoff's Turkish diplomacy before taking matters further, and he had in any case to take account of the protocol requirement that foreign nationals should only be honoured on the recommendation of the Foreign Office.⁶⁴ Meanwhile, after Zaharoff's unsuccessful mission to Geneva in January 1918, Caillard took up the matter with Robert Cecil, the Minister of Blockade, claiming that Zaharoff's activities would not be hampered by the award of a GBE.⁶⁵ And Zaharoff himself continued to supply snippets of information on Germany and its allies which he hoped would 'do the chocolate trick'.⁶⁶ They evidently did. In a letter of 12 April 1918 Lord Bertie, the British Ambassador in Paris, informed Zaharoff that the King had been pleased to award him the Grand Cross of the British Empire in recognition of his 'eminent services in the cause of the Allies'.⁶⁷

Other honours followed, including the award in 1921 of a Knight Grand Cross of the Order of the Bath. By then, however, Zaharoff was developing new interests, particularly in the commercial exploitation of fuel oil, and rumours of his meddling in the post-war politics of the Near and Middle East soon abounded. The servant of Mammon, Asquith and Lloyd George, he eventually purchased a half-share in the Casino at Monte Carlo, married the love of his life, the Duquesa de Villafranca de los Caballeros, and appeared briefly to settle for life of chocolate and champagne at Beaulieu on the Riviera. Unfortunately, the Duquesa, the widow of an insane Spanish Bourbon and Zaharoff's junior by several years, soon fell seriously ill and died in 1926 only eighteen months after their marriage. Zaharoff survived another ten years. Still a dominant figure, he was nevertheless set upon further fostering the image of a

man of mystery and, according to one account, he came close to burning down his Paris home in a determined effort to destroy his private papers.⁶⁸ It is little wonder that his life should have given rise to so much historical and journalistic speculation. For some he was a valued intermediary, a useful informant, an innovative manufacturer of arms and a generous public benefactor; for others he was little more than a charlatan, a Levantine villain who in the ruthless pursuit of his own ends was ready to exploit and sacrifice friend and foe alike. His correspondence with Caillard in the PUSD files is hardly extensive, but it offers a rare glimpse of the world as he perceived it, and of the means by which he sought to change it.

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- ¹ The National Archives (TNA), FO 1093/54, telegram to Caillard, 17 Feb 1918.
- ² Donald McKormick, *Pedlar of Death: the Life of Sir Basil Zaharoff* (London: 1965).
- ³ V H Rothwell, *British War Aims and Peace Diplomacy, 1914-18* (Oxford: Clarendon Press, 1971), pp. 175-78.
- ⁴ Douglas Dakin, *The Unification of Greece, 1770-1923* (London: Ernest Benn, 1972), pp. 203-20.
- ⁵ FO 1093/47, letter, Zaharoff to Caillard, 12 (misdated 23) Nov 1915.
- ⁶ Dakin, p. 212.
- ⁷ FO 1093/47, letter, Caillard to Zaharoff, 23 Nov 1915.
- ⁸ Dakin, p. 210.
- ⁹ FO 1093/47, letter, Asquith to Caillard, 11 Dec 1915.
- ¹⁰ *Ibid*, letter, Zaharoff to Caillard, 15 Dec 1915; telegram, Caillard to Zaharoff, 16 Dec 1915.
- ¹¹ *Ibid*, letter, Zaharoff to Caillard, 18 Dec 1915.
- ¹² FO 1093/49, letter, Asquith to Zaharoff, 6 March 1916.
- ¹³ FO 1093/48, letter, Caillard to Zaharoff, 4 Feb 1916.
- ¹⁴ *Ibid*, letter, Zaharoff to Caillard, 3 April 1916.
- ¹⁵ *Ibid*, letters, Zaharoff to Caillard, 30 June 1916.
- ¹⁶ FO 1093/50, letters, Zaharoff to Caillard, 11, 15 and 28 July 1916; Caillard to Zaharoff, 16 July and 17 Aug 1916. FO 1093/51, letter, Caillard to Zaharoff, 18 Aug 1916.
- ¹⁷ Dakin, p. 216.
- ¹⁸ FO 1093/48, telegram, Zaharoff to Caillard, 9 Feb 1916; letter, Caillard to Asquith, 9 Feb 1916; letter, Maurice Bonham-Carter to Caillard, 9 Feb 1916. FO 1093/49, telegram, Caillard to Zaharoff, 9 Feb 1916.
- ¹⁹ Rothwell, p. 174, note 110.
- ²⁰ FO 1093/48, letter, Zaharoff to Caillard, 19 April 1916.
- ²¹ FO 1093/49, letter, Zaharoff to Caillard, 8 June 1916.
- ²² FO 1093/48, letter, Zaharoff to Caillard, 19 April 1916.
- ²³ *Ibid*, letter, Zaharoff to Caillard, 19 June 1916.
- ²⁴ *Ibid*, letter, Zaharoff to Caillard, 26 June 1916.
- ²⁵ FO 1093/50, letter, Caillard to Asquith, 9 July 1916.
- ²⁶ *Ibid*, letters, Zaharoff to Caillard, 7 and 11 July 1916.
- ²⁷ FO 1093/52, letter, Caillard to Zaharoff, 21 May 1917.
- ²⁸ *Ibid*, letter, Zaharoff to Caillard, 23 May 1917.
- ²⁹ *Ibid*, letter, Caillard to Long, 11 June 1917.
- ³⁰ *Ibid*, letter, Caillard to Zaharoff, 14 June 1917.
- ³¹ *Ibid*.
- ³² *Ibid*, letter, Zaharoff to Caillard, 23 June 1917.
- ³³ *Ibid*.
- ³⁴ *Ibid*, letters, Caillard to Zaharoff, 27 June and 10 July 1917.
- ³⁵ *Ibid*, letter, Zaharoff to Caillard, 28 July 1917.
- ³⁶ *Ibid*, note, Zaharoff to Caillard, 28 July 1917.
- ³⁷ *Ibid*, letter, Caillard to Long, 1 Aug 1917.
- ³⁸ *Ibid*, letter, Caillard to Zaharoff, 17 Aug 1917.
- ³⁹ *Ibid*, letter, Caillard to Lloyd George, 23 Nov 1917.
- ⁴⁰ *Ibid*, letter, Zaharoff to Caillard, 27 Nov 1917.
- ⁴¹ *Ibid*, letter, Caillard to Zaharoff, 7 Dec 1917.
- ⁴² *Ibid*, transcript of letter, Zaharoff to Caillard, 15 Dec 1917.
- ⁴³ FO 1093/54, instructions enclosed in letter, Caillard to Zaharoff, 9 Jan 1918.
- ⁴⁴ *Ibid*, revised instructions, 21 Jan 1918.
- ⁴⁵ *Ibid*, letter, Zaharoff to Caillard, 29 Jan 1918.
- ⁴⁶ FO 1093/52, letters, Zaharoff to Caillard, 5 June and 2 July 1917.
- ⁴⁷ FO 1093/54, letter, Zaharoff to Caillard, 29 Jan 1918.
- ⁴⁸ *Ibid*.
- ⁴⁹ FO 1093/54, letter, Zaharoff to Caillard, 11 Feb 1918.
- ⁵⁰ FO 1093/56, letter, Zaharoff to Caillard, 21 Aug 1918.
- ⁵¹ *Ibid*, letter, Caillard to Zaharoff, 30 Aug 1918.
- ⁵² *Ibid*, letter, Zaharoff to Caillard, 4 Sept 1918.
- ⁵³ *Ibid*, telegram, Caillard to Zaharoff, 1 Oct 1918.
- ⁵⁴ Rothwell, p 237.

⁵⁵ FO 1093/56, letter, Zaharoff to Caillard, 3 Oct 1918. Zaharoff's mention of the money which Enver intended to send to him in Paris is evidently a reference to a commitment made by Enver in January 1918. Unable then to carry out his part of the bargain, he had returned 5 million francs to Zaharoff, and had promised to let him have the outstanding balance later. FO 1093/54, letter, Caillard to Bonar Law, 24 May 1918.

⁵⁶ Rothwell, pp. 240-45.

⁵⁷ FO 1093/56, memorandum by Caillard, 5 Nov 1918.

⁵⁸ Ibid, message from Zaharoff to Caillard, 23 Oct 1918.

⁵⁹ FO 1093/48, letters, Ponsonby to Caillard, and Caillard to Zaharoff, 22 June 1916.

⁶⁰ FO 1093/52, letter, Zaharoff to Caillard, 24 June 1917.

⁶¹ Ibid, letter, Zaharoff to Caillard, 12 July 1917.

⁶² Ibid, letter, Caillard to Long, 1 Aug 1917.

⁶³ Ibid, letter, Caillard to Zaharoff, 10 July 1917.

⁶⁴ FO 1093/54, letter, Caillard to Zaharoff, 1 Jan 1918.

⁶⁵ Ibid, letter, Caillard to Cecil, 30 Jan 1918.

⁶⁶ Ibid, letters, Zaharoff to Caillard, 4, 15 and 17 Feb 1918.

⁶⁷ Ibid, letter, Bertie to Zaharoff, 12 April 1918.

⁶⁸ Robert Neumann, *Zaharoff the Armaments King* (London: George Allen and Unwin, 1938), p. 283.

The Secret Service Committee, 1919-1931

On six occasions between 1919 and 1931 the British Cabinet saw the need to convene a high level Secret Service Committee to consider urgent matters relating to the UK's Intelligence establishment: in 1919, 1921, 1922, 1925, 1927 and 1931. In each case the reason for convening the Committee was financial or organisational crisis: sometimes both. On the first occasion, in 1919, the Committee comprised Ministers: thereafter, its membership was devolved to Permanent Secretary level. Sir Warren Fisher, civil servant extraordinary, Permanent Secretary to HM Treasury and head of the Home Civil Service from 1919 to 1939, was present at the 1919 Ministerial Committee, and a member of all subsequent Secret Service Committees, where he was joined by the almost equally legendary Sir Maurice Hankey, Secretary to the Cabinet from 1916 to 1938. The third member was the Permanent Under-Secretary of State at the Foreign Office: Lord Hardinge from 1916-1920, then Sir Eyre Crowe until his death in April 1925, succeeded by Sir William Tyrrell, Sir Ronald Lindsay (1928) and Sir Robert Vansittart (1930). In 1925 the Permanent Secretary to the Home Office, Sir John Anderson, joined the group.

Some records of the Secret Service Committee are already in the public domain. The best source is, unsurprisingly, the Warren Fisher collection in CAB 127.¹ There can be found one set of minutes and the Report of the 1919 Committee; the minutes and Reports of the 1921 and 1922 Committees and related papers; and a selection of papers pertaining to the 1925 Committee. In addition, some Secret Service Committee papers from 1919-23 were among records transferred to The National Archives (TNA) by the Security Service in May 2002, in KV 4/151.² War Office and Cabinet Office files also afford some insight into the more general context of the Committee's work and Intelligence organisation. However, the full records of the 1925 Secret Service Committee, and the records of the 1927 and 1931 Committees, are being transferred into the public domain for the first time in April 2005 by the Foreign & Commonwealth Office as part of the Permanent Under-Secretary's Department (PUSD) collection in FO 1093.

Despite its experienced and influential membership, its Cabinet authority and its power to summon the Intelligence Chiefs to give an account of themselves, the Secret Service Committee achieved very little in any of its incarnations. Budgets were adjusted and cut; the abortive Directorate of Home Intelligence under Basil Thomson was created and later abolished; recommendations were formulated and reforms urged, though few were carried out. It would not be stretching a point too far to say that on the whole ‘business as usual’ remained the order of the day for British secret intelligence throughout the period, sometimes to the relief of the Agencies, sometimes to their frustration. A proper study of the Committee would require a book: this essay is intended merely to highlight some points of interest.

In 1919, 1921 and 1922 the Secret Service Committee was convened by the Government in the hope that budgetary savings might be achieved at a time of financial stringency, coupled with the expectation that now that the country was no longer at war, an elaborate Secret Service organisation should no longer be necessary. These feelings of hope and expectation were, however, confounded both by events, and by the uneasy realisation that neither the domestic nor international scene seemed conducive to any relaxation of vigilance. Germany was defeated, but her military classes did not seem to realise it and her new Republican Government was engaged in active espionage against the UK. Some German authorities were also suspiciously friendly with the Bolshevik regime in the Soviet Union: hopes that this regime would soon be overthrown now seemed illusory, and the Comintern pursued increasingly aggressive tactics in both propaganda and espionage that many thought threatened the very fabric of British society.

In 1919, the War Cabinet’s chief concern in convening a Secret Service Committee, despite the avowed purpose of enquiring into ‘what is being done at present by the Secret Service Branches of the several Departments’, was the organisation of counter-subversion directed against organised labour unrest. Against a domestic background of widespread strikes and disaffected returning British troops, the Committee looked to secret intelligence to prevent the spread of Bolshevik doctrines and alert those in authority to potential flashpoints. The heads of the domestic (MI5) and foreign (SIS) Intelligence Agencies, Major Sir Vernon Kell and Admiral Sir Mansfield Cumming, feared savage cuts to their establishment, or—worse—takeover by the War Office,

who recognised none other than military intelligence. They need not have worried, however. The Committee's Report recommended maintenance of the division between military and civilian intelligence, while observing austerely that 'as a result of the general extension of the secret service organisation [during the War] there has been overlapping of activity and responsibility, and the large sums of money required for all these operations have not always been expended economically or to the best advantage'³. The budgets of MI5 and SIS were cut, in order to fund the creation of the ill-fated Directorate of Home Intelligence under Basil Thomson, Assistant Commissioner of Policy at Scotland Yard; an abortive experiment in counter-subversion that lasted only two years before the hopeless confusion caused by Thomson's ego and turf wars with the police and MI5 led to its abolition.⁴

By 1921, the parlous state of British Government finances led the Chancellor of the Exchequer, Sir Austen Chamberlain, to propose (at Fisher's instigation) that the Cabinet reconvene the Secret Service Committee (now with official rather than Ministerial membership) in order to try and reduce the Secret Service estimates down from an unpalatable £475,000 to £300,000. Again, Cumming and Kell feared for their future existence: again, they faced cuts but no more drastic action. The Committee, which held five meetings in May and June and issued its report in July, saved their strongest criticism for Basil Thomson (whose Directorate was abolished), and for the War Office, accused of refusing to admit any 'diminution of their demands'. They were generally supportive of and sympathetic to MI5 and SIS: their Report stated that they had been 'unable to discover any point at which the secret intelligence organisation encroaches upon, or is encroached upon, by any other', and had found no signs of culpable extravagance or mismanagement.⁵

The financial skies, however, remained dark. Between December 1921 and February 1922 the Geddes Committee on National Expenditure recommended wide-ranging cuts in Government defence spending, plus a reduction in the intelligence budget on the grounds that the conclusion of the Anglo-Irish Treaty in 1921 surely allowed a reduction in secret operations. The Treasury thought this only fair:

It is essential that economies should be effected on Secret Service as on other Services, and . . . it is not reasonable to ask that every risk

should be guarded against . . . It is not reasonable to maintain 3 1/2 years after the Armistice an organisation far more elaborate than was found sufficient in pre-war days.⁶

The Agencies had their defenders. Churchill, in particular, both as Secretary of State for War (until February 1922) and thereafter as Colonial Secretary, stuck up staunchly for SIS's budget, briefed by Cumming to maintain that too severe a reduction would mean that 'the whole system will have to be re-cast' at a time then 'the situations all over the world are so complex that greater vigilance on the part of SIS is required than in 1914'.⁷ Despite his pleading, a Ministerial conference on 20 February 1922 decided that the Secret Service Committee should again be convened, in order to report to the Cabinet on the best way to allocate a (much-reduced) estimate for 1922/23 of £200,000.⁸ Churchill recorded his dissent.

The 1922 Secret Service Committee met three times in March, discussing the possible effect on the Agencies of a reduced budget. Yet again, despite the Cabinet's urgings, the results of the Committee's deliberations were less damaging than the Agencies feared: the Committee decided to squeeze Home, Irish and War Office estimates in order to allocate extra funds for foreign intelligence. SIS's cause was argued ably before the Committee by its future chief, Stewart Menzies, then serving in the military section of SIS on behalf of the War Office. His eloquence was rewarded: the Committee recommended a £90,000 budget for foreign intelligence, which would, 'while necessarily of a less elaborate character, will nevertheless cover all the countries contemplated under the higher scale of expenditure, and will involve neither the abandonment, nor unduly drastic curtailment, of any essential services'.⁹

Despite suffering budget cuts in 1919, 1921 and 1922, there is no doubt that Cumming had played SIS's cards well in respect of the Secret Service Committee. The costs and uncertainties of maintaining a network of overseas agents made him vulnerable: the Cabinet tended to be more open to arguments about domestic than foreign threats. The Foreign Office, despite its parental responsibilities for SIS and GC&CS, was distinctly sniffy about 'secret service'; and Kell, too, had his supporters. By the time the Committee was next convened in 1925, however, Cumming was dead

and the experience of a Labour Government, elected by surprise and brought down in scandal in 1924, had changed the political scene for ever.

Rear Admiral Hugh ('Quex') Sinclair, who succeeded Cumming as Chief of SIS in June 1923, had strong views on British Intelligence: the existing Agencies should be amalgamated and directed by a single head, preferably himself. He had already succeeded in attaching the Government Code and Cypher School (GC&CS) to SIS in September 1923;¹⁰ though he failed to do the same with Indian Political Intelligence.¹¹ Sinclair did not conceal his intentions, writing to Crowe in November 1923: 'I wish to undertake certain re-organisation of this Service, which should be more efficient, and what is more important, should, should provide a basis for a war organisation.'¹² He was provided with an opportunity to press his ideas for Intelligence reform on the 1925 Secret Service Committee by the Zinoviev Letter affair of 1924.

This episode, concerning a letter allegedly sent by the President of the Executive of the Comintern to the Communist Party of Great Britain, inciting general unrest and mutiny in the armed forces, certified as genuine by British Intelligence and leading to a furore when published in the press, might be thought to have been an embarrassment to SIS.¹³ It certainly caused political turmoil and deepened existing suspicion of the Intelligence Agencies on the part of the Labour Party, who detected a Tory plot had caused their electoral downfall in November 1924. But Sinclair took it as a renewed opportunity to voice his views about the performance and organisation of British Intelligence generally. He welcomed, if not encouraged, the enquiry ordered by Prime Minister Stanley Baldwin in February 1925, to be carried out by the reconstituted Secret Service Committee.¹⁴

Sinclair lost no time in taking the initiative, writing to Crowe on 25 February 1925:

I suggest that the first question to be put to any witnesses that may be called by your Committee is: 'Are you satisfied with the present organisation of the Secret Service. If not, have you any suggestions for improving it?' If any witnesses state that they are satisfied (which I should hardly imagine will be the case) I suggest that further questions enquiring whether they are satisfied with the

cooperation and coordination now existing between the various branches of the Secret Service are put to them.¹⁵

He even went on to list the witnesses he considered necessary (beginning with himself) and opened his own statement to the Committee on 2 March by stating that in his opinion ‘the whole organisation of British Secret Service . . . was fundamentally wrong’:

All the different branches ought to be placed under one head and in one building in the neighbourhood of Whitehall, and to be made responsible to one Department of State, which ought to be the Foreign Office.¹⁶

He subsequently submitted in support of his arguments a document entitled ‘Some recent examples of lack of co-operation, coordination and overlapping between C’s organisation, MI5, Scotland Yard, IPI and the Passport Control Department’, ranging from the handling of the Zinoviev Letter through arms deals and postal intercepts to ‘unnecessary correspondence on minor points’.¹⁷

Despite Sinclair’s forceful onslaught, the Committee were not convinced. They were clearly nervous at the prospect of concentrating so much power in the hands of one man (particularly if that man were Sinclair) and at disturbing the balance of Ministerial responsibility. Hankey expressed his reservations at an early stage, submitting a note to the Secretary on 27 March 1925:

I am not at present convinced that the connection between the several branches of the Secret Service and the Government Departments for whose benefit they were respectively established is not more important than their connection with one another . . . If unification took place at present I apprehend that the present control of the Foreign Office, of the Home Office, and of DMO&I [Director of Military Operations and Intelligence] (acting for the Service Departments) over the several sections of S[ecret] S[ervice] which were respectively established for their particular benefit, would be weakened and that the advantages they derive from those services might be diminished.

The Committee held eleven meetings between February and October 1925, and commissioned a supplementary report into Scotland Yard from Sir Russell Scott, Control of Establishments in HM Treasury;¹⁸ their final report, however, while paying due deference to the views of the ‘remarkably efficient Chief of the Secret Intelligence Service’, did not support his recommendations for drastic change. Sinclair, they said, was the only witness to have expressed serious dissatisfaction with the existing Intelligence organisation, though they admitted that ‘if there were today no British secret service of any kind . . . we should not adopt the existing system as our model’. They contented themselves with recommending all sections of the Intelligence community to cooperate more closely, while the Committee itself would remain in existence on paper, ‘as it were a sleeping partner . . . to which any fundamental differences of opinion arising between the various branches could, if necessary, be referred for advice or settlement’.¹⁹

Although in 1925 the Secret Service Committee decided in favour of the *status quo*, they were aware of unresolved problems raised during their enquiries. One of these was the role of Scotland Yard, and in particular the role of Special Branch sections SS1 and SS2, whose business was liaison with the Agencies. Neither the official members of the Committee nor their political masters were at ease with the fact that ‘paid Officers of the Crown’ were supplying information about Communist activities, thereby raising the possibility that a Conservative Government might be forced to turn to Scotland Yard for information against its Labour opposition. This prospect, aggravated by an apparent ‘leak’ from Scotland Yard late in 1926,²⁰ led Baldwin to reconvene the Secret Service Committee early in 1927 to discuss the activities of Special Branch, including the proposal that SS1 and SS2 might be transferred to SIS. Between the Committee’s second and third meetings, however, on 22 March and 24 June, the chaotic and fateful raid by the Metropolitan Police and Special Branch on the headquarters of ARCOS, the Soviet trading organisation, on 13 May 1927, brought the shortcomings of British Intelligence organisation and coordination into sharp relief.²¹

The story of the ARCOS raid is one of deliberate and accidental misunderstanding, born of competition between the Agencies and fostered by the Government’s frustration at the persistently provocative activities of the Soviet regime. Its

preparation was flawed, its execution bungled and its results—including the announcement in Parliament by Chamberlain that British Intelligence was reading Soviet cyphers—disastrous. Sinclair, who submitted a long memorandum on the case ‘showing the danger which is caused by the absence of any central control or authority, in matters of this sort’,²² saw a renewed opportunity to present the Secret Service Committee, already in session, with a detailed indictment of the deficiencies in the Intelligence establishment, advising again that the remedy lay in the unification of MI5, SIS and Special Branch.

The Committee, however, seemed curiously unwilling to take the whole affair seriously. Their chief criticisms were reserved for Kell, who had dared to approach Ministers directly instead of going through official channels to obtain permission to launch the raid. Tyrrell, in particular, expressed himself shocked: ‘He spoke from long experience of the disastrous results arising from the omission of stages in the ordinary channels of communication with political heads of departments.’ His colleagues solemnly agreed. Otherwise, they were disinclined to view the raid too tragically, concurring in Anderson’s verdict that ‘Cooperation had been good on the detective plane, although there had been some impetuosity higher up.’²³ There is no mention in the Committee’s records of the fact that Chamberlain’s fateful Parliamentary announcement led to the Soviet abandonment of their (readable) cypher in favour of the undecipherable one time pad; despite the inclusion in the collection of a document submitted by Sinclair on 26 May that could have prevented the need for any such announcement to be made.²⁴

Yet again, Sinclair had to retire defeated and concentrate on internal reform of SIS, while the underlying problems raised by the Secret Service Committee in 1925 and 1927 remained unresolved. It was one of these problems that led to the Committee’s being convened in 1931. At issue on this occasion was SIS’s employment of agents within the UK. Sinclair had been challenged directly on this point by Sir John Anderson, Permanent Secretary to the Home Office, during the Committee’s meeting on 2 March 1925:

Did C at present employ any agents in the United Kingdom? C replied that as neither MI5 nor Scotland Yard were prepared to do

so, he had been compelled to make his own arrangements in this respect for checking information received from abroad and had done so successfully.²⁵

Sinclair made it clear to the Committee that in his view the distinction between espionage and counter-espionage was an artificial one, and that SIS needed access to information about domestic subversion in order to prosecute their struggle against Bolshevik activities overseas:

It was impossible to draw the line between espionage and contre-espionage, for both were concerned solely with foreign activities, and to attempt in practice to make a distinction between the two only led to overlapping . . . MI5 looked to him to obtain abroad information relating to spies working in the United Kingdom and were then supposed to follow it up in this country; but they had no 'agents' and had to rely on informers and the interception of letters in the post . . . Sir Maurice Hankey suggested that it was the growth of communism which had so materially changed our requirements in regard to secret service since the war and C agreed.

Hankey's appreciation of the problem did not, however, lead him nor the rest of the Committee to favour the amalgamation of MI5 with SIS.

Following the Committee's refusal to adopt his schemes for organisational reform, Sinclair, mistrusting the ability of either MI5 or Scotland Yard to provide him with the kind of domestic intelligence he sought on the activities of Bolshevik and other foreign espionage in the UK, had turned instead to the development of a new section of SIS, Section V, to deal with counter-intelligence and counter-Communist work.²⁶ This section, set up in 1925 and headed by Colonel Valentine Vivian, used a network of informants, many of them built up by Desmond Morton, head of Production at SIS, and known as the 'Casuals'. During the late 1920s use of this network (combined with a clash of personalities between Morton and Colonel Carter of Scotland Yard) caused increasing friction between SIS, MI5 and Scotland Yard, culminating in a first class row in the summer of 1930 when Carter, in nominal control of Special Branch sections SS1 and SS2, denounced their work as superfluous and accused Morton of working on behalf of the Conservative Party.

By 1931 the situation had become so inflamed that the Secret Service Committee was again convened. Three meetings were held, on 27 April, 11 June and 27 June to discuss 'the difficulties which had arisen in the inter-relation between C's organisation and Scotland Yard'. It was soon clear that these difficulties were rooted in personalities and would not be susceptible of easy reconciliation. Each side complained about the other: MI5 and Scotland Yard about SIS, and vice versa; the officers of SS1 and SS2 about Colonel Carter. Mutual suspicion was deeply rooted and, the minutes record, 'the representatives of Scotland Yard did not respond to the appeal of Sir Warren Fisher for a different spirit'.²⁷

By the third meeting, the Committee had come to the view that earlier ambiguities about the divide between foreign and domestic intelligence could no longer be allowed to persist. Scotland Yard's anti-Communist functions, as embodied in SS1, were transferred to MI5, where Captain Guy Liddell, formerly in SS1, became deputy the head of B Branch and went on to a distinguished career in the Security Service. SS2 was transferred to Home Office with the brief of forming 'a central bureau of information about suspects for the whole of the country'. SIS's domestic agents, the 'Casuals', were transferred wholesale to MI5 where they became known as 'M Section'. From their new base, they continued to cooperate closely with Vivian and Section of V of SIS, though their channels of communication were more closely regulated. According to Curry's official history of the Security Service, the results were harmonious:

These changes inaugurated a period of close and fruitful collaboration between the Security Service and SIS through the medium of Section V which, under the direction of Major Vivian, became expert in the wide range of subjects covered by the activities of the Comintern . . . If due allowance is made for the shortage of funds and of staff, the degree of success obtained as a result of good collaboration can fairly be claimed as being on a high level.²⁸

It is not easy to tell whether this positive outcome should be attributed to the Secret Service Committee, or to the fact that the new arrangements kept Morton and Carter

apart. Whatever the reason, this was the last occasion on which the Secret Service Committee was convened in its interwar form.

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¹ Secret Service Committee records can be found in CAB 127/355-65, not always in chronological or logical order.

² Victor Madeira made good use of these KV records, as well of Cabinet and War Office material, in his article 'No Wishful Thinking Allowed': Secret Service Committee and Intelligence Reform in Great Britain, 1919-1923', *Intelligence and National Security*, vol. 18, Spring 2003, pp. 1-20.

³ *Ibid.*

⁴ See Madeira, *loc. cit.*, for an account of the creation and abolition of the Directorate.

⁵ Report of 27 July 1921, CAB 127/357.

⁶ Treasury memo of Jan. 1922, CAB 127/358.

⁷ Note of January 1922, CAB 127/360..

⁸ CAB 127/356.

⁹ Report of 4 April 1922, CAB 127/356.

¹⁰ For a lively account of Sinclair and the absorption of GC&Cs into SIS see Christopher Andrew, *Secret Service* (pb edn 1986), Chapter 9. The postwar decline in Service cryptographic traffic and corresponding increase in diplomatic communications had made the FO seem a natural home for GC&CS, formed in 1919. However, the agency's dual purpose of advising on the security of codes and cyphers used by government departments, and of studying the methods of cypher communication used by foreign powers, led Sinclair, then at the Admiralty to argue that the 'calm deliberation' of the FO was not suited to such a 'live' undertaking as cryptography: see Keith Jeffrey and Alan Sharp, 'Lord Curzon and Secret Intelligence', in *Intelligence and International Relations 1900-1945*, ed. C. Andrew and J. Noakes (University of Exeter, 1987), p. 105.

¹¹ FO 1093/67.

¹² Cumming to Crowe, 3 November 1923, FO 1093/66.

¹³ On the Zinoviev affair, see Gill Bennett, *A most extraordinary and mysterious business: the Zinoviev Letter of 1924* (FCO History Notes No. 14, February 1999).

¹⁴ Note by Baldwin, 10 February 1925, FO 1093/67 (a folder of papers relating to the Secret Service Committee's proceedings in that year).

¹⁵ Sinclair to Crowe, 25 February 1925, FO 1093/67.

¹⁶ Minutes of Secret Service Committee 1925, FO 1093/68.

¹⁷ A copy of this document is preserved in CAB 127/364, as well as in FO 1093/67.

¹⁸ FO 1093/67; a copy of Scott's report can also be found in CAB 127/366.

¹⁹ FO 1093/69. The Committee's Report, dated 1 December 1925, is printed as Annex E to Bennett, *Zinoviev Letter*.

²⁰ See FO 1093/70. Doubts about the integrity of Special Branch proved well-founded: two officers were later found to have been in the pay of Moscow since 1922. See Victor Madeira, 'Moscow's interwar infiltration of British Intelligence, 1919-1929', *The Historical Journal*, 46, 4 (2003), pp. 915-33.

²¹ Documentation on the ARCOS raid can be found in Security Service files KV 3/15 and 3/16 at TNA: accounts published prior to the release of these files include Andrew, *op. cit.*, pp. 459-61. A detailed account based on SIS documentation will be included in the forthcoming biography by Gill Bennett of Desmond Morton, SIS's head of Production, who played a key role in the episode.

²² FO 1093/73.

²³ Minutes of 1927 Secret Service Committee, FO 1093/71.

²⁴ See document submitted by C, FO 1093/73.

²⁵ Minutes of Secret Service Committee 1925, FO 1093/68.

²⁶ The published official history of the Security Service by John Curry (TNA, 1999) states that Section V was created after the 1931 re-organisation (see pp 55, 85 and 101-2). It was, in fact, set up in 1925: nor was its only function, as Curry suggests, liaison with the Security Service.

²⁷ Minutes of 1931 Secret Service Committee, FO 1093/74.

²⁸ Curry, *op. cit.*, pp. 103 and 107.

The Secret Intelligence Service and the Case of Hilaire Noulens

During the 1920s, the Secret Intelligence Service (SIS) achieved considerable coverage of Communist activity in Europe through agents reporting from Rotterdam, Warsaw, Berlin and Vienna. It was a period of anxiety within SIS as they monitored the spread of Communism and the organs of the Soviet party involved in it. The chief of these was the Communist International or Comintern. Founded in 1919, it maintained a professional connection with 'pure' Soviet intelligence organisations and had its own clandestine arm. Towards the end of the 1920s SIS's agent coverage was supplemented by the interception of the Comintern's clandestine communications from Moscow to Europe (MASK). The arrest in 1931 of Hilaire Noulens, the Comintern representative in Shanghai, heralded a critical period for SIS's coverage of the Comintern. Noulens, identified only in 1994 as Jakob Rudnik,¹ played an important part in fostering Communist parties across the Asian-Pacific region. Newly released PUSD papers reveal that Valentine Vivian, Head of Section V, SIS's counter-espionage section, was responsible for drawing up a report on the value of the papers found upon Noulens. Vivian's report, available previously only in sanitised form, has now been released in full along with all its exhibits and enclosures detailing the extent of the Noulens haul.

What do we already know?

In August 1931, a report prepared by the Intelligence Bureau (Shanghai), observed that it had been known for 'some considerable time' that an individual working out of Shanghai had been acting for the Comintern, distributing funds in the Asia-Pacific for Communist purposes. Yet the Shanghai Municipal Police had no idea of the identity of the individual responsible for these activities, until the information was supplied by the arrest in Singapore of the French Communist and Comintern courier, Joseph Ducroux, alias Serge Lefranc, on 1 June 1931.² Among Ducroux's papers was the discovery of the telegraphic address 'Hilanoul, Shanghai' and an address bearing 'P.O. Box 206, Shanghai'.³ Singapore's Special Branch immediately alerted the Shanghai Municipal Police.⁴ 'Hilanoul, Shanghai' proved to have been registered with the Eastern Extension and Great Northern Telegraph Companies in the name of Hilaire Noulens, at 235 Szechuan Road, one Noulens' addresses. Further enquiries by the Shanghai Municipal Police showed that Noulens was posing as a Belgian citizen.

After some considerable delay a warrant was obtained from the Belgian Consul for the arrest of Noulens and the search of the Szechuan Road premises.⁵

It was at this address on 15 June 1931 that the Shanghai Municipal Police arrested Noulens, who was carrying on the ostensible profession of a teacher of French and German.⁶ A search of 235 Szechuan Road produced no papers of importance, but a Yale latch-key in Noulens' possession led to the identification of an apartment, No.30C, in a large building known as 'Central Arcade', situated at 49 Nanking Road. Noulens had been observed to visit this address regularly and it was in this latter apartment that three steel boxes were discovered, containing the bulk of the documents, upon which the Noulens Case was based.⁷ Noulens had rented this office under the name Alison, and he was subsequently found also to be the occupier of two houses in the Western District, in one of which Madame Noulens, passing herself off as Madame M. Motte, was arrested later that day.

As Noulens claimed first Belgian and then Swiss citizenship (as Noulens and later Ruegg) all of which were denied, his arrest attracted worldwide attention. The German Communist, Willi Münzenberg, organised a campaign across Europe with a number of radical sympathisers through what became known as 'Noulens (Ruegg) Defence Committees', who wrote protest letters seeking clemency for Noulens and his wife.⁸ Münzenberg's campaign attracted some famous supporters, among them Albert Einstein, H.G. Wells, Romain Rolland, Clara Zetkin, Henri Barbusse, Theodore Dreiser, Maxim Gorki, Agnes Smedley, Madame Sun Yat-sen and Sun Fo. Meanwhile, Moscow, concerned about the impact of further Comintern secrets being revealed, made desperate attempts to free the Noulens. Otto Braun and Herman Siebler, two German Communists working for the Fourth Department (Soviet military intelligence) were sent from Harbin to deliver money to Richard Sorge, then active in Shanghai, in order to buy the Noulens' freedom. Both men, who had been carrying \$20,000 each, met Sorge and delivered the money but it is unclear what happened next apart from the mission's evident failure.⁹

As well as a vigorous public campaign for their release, the Chinese Communist Party (CCP) also took measures to keep up the Noulens' spirits and thus discourage them from co-operating with their captors by establishing clandestine contact with them in

their prison cells. The senior Investigation Section Officer responsible for the Noulens case was bribed to smuggle messages to and from the Noulens' and also, if required, to raise the alert on any plans to murder the couple before their trial. The Noulens were finally brought to trial on 10 August 1932 in Nanking, without Western defence lawyers. On 19 August, the Noulens were found guilty of endangering the safety of the State, and a sentence of death, later commuted to one of imprisonment for life, was passed upon them.¹⁰

SIS and the Noulens papers

SIS took an active interest in Noulens' arrest and Vivian undertook the task of drawing up a report on the material found. Vivian, who had served in the Department of Criminal Intelligence in India, regarded the Comintern as a criminal conspiracy rather than a clandestine political movement and therefore focused on evidence of illegal activity although he was not blind to the Comintern's revolutionary aims, particularly where they affected British interests. His analysis also drew on intelligence derived from SIS operations in Europe, since the Comintern's Far East Bureau (FEB) communications with Moscow ran through Berlin. Vivian took the view that the seizure of the papers *per se* would not affect the activities of the FEB in the long run and he seems to have regarded the seizure as an opportunity for illumination rather than counter-action. This view may have been shared by the Foreign Office whose side-linings of the CX report demonstrate an interest in the conspiratorial machinery of the FEB's activities rather than its political consequences.

With Noulens' arrest some of the archive of the Comintern's FEB and TOSS, or Shanghai Secretariat of the Pan-Pacific Trade Union Secretariat (PPTUS), was recovered from his safe deposit boxes. The FEB maintained a close liaison with the CCP and was the conduit through which Chinese Communists visited Moscow for study and training. It also had considerable influence on the Politburo of the Chinese party's central committee. Since Noulens' communications with Moscow ran through Berlin for reasons of denial and security, these records necessarily reflected a German aspect, which MASK, with its insight into Moscow's communications with Europe, must have been able to supplement, illuminate and confirm. Equally, since Noulens' responsibilities covered a substantial portion of the British Empire, which Vivian was uniquely placed to unravel, Section V found itself in a pivotal position. Vivian

corresponded with the Shanghai Municipal Police through Harold Steptoe, ostensibly Vice-Consul in Shanghai but in reality SIS's representative; the security authorities in Singapore, Batavia and India; and with the Swiss, French, Dutch and Germans closer to home. There was also an American dimension, since US communists such as Earl Browder, later deeply involved in Soviet espionage in the United States, figure in the Noulens papers.

In March 1932, Vivian finally issued a report on the Noulens case together with the Comintern documents, circulated as some 120 'exhibits' which dealt with a particular geographical area or topic. In an addendum issued under the signature of the then 'C', Sir Hugh Sinclair, on 11 May 1932, Vivian described the organisation and activities of the FEB and its links, financial and administrative, with Moscow, which the latter had been at some pains to conceal.¹¹

What role did Noulens play?

Noulens' role in China is intriguing although difficult to ascertain precisely. He had been in Shanghai between 1928 and the summer of 1929. During that time, he organised meeting places, while travelling to cities in China and Japan to carry out activities for the Department for International Liaison or *Otdel Mezhdunarodnoi svyazi* (OMS), the logistics, communications and intelligence arm of the Comintern. He also interpreted and did the work of a technical secretary at the FEB.¹² Vivian was unable to trace Noulens' career prior to 4 December 1929, at which point he obtained his Belgian passport in Brussels in the name of Samuel Herssens. It was on the Herssens passport that Noulens travelled back to China, arriving at Shanghai on 19 March 1930. Vivian suggested that 'a great mass of contributory indications point to the conclusion that he (Noulens) was the administrative and organisatory pivot around which the work of the FEB revolved'. To assist him, Madame Noulens arrived on 19 June 1930. In effect, Noulens was in charge of all accommodation, finance and communication. These activities carried the risk of attracting attention and in the end helped to assist the police in unravelling the network. Still, the evidence suggested that Noulens was not the biggest executive Comintern agent in the area. For example, the papers revealed that other figures were drawing higher salaries. Furthermore, nowhere in the administrative correspondence with Berlin is any one of Noulens' many aliases mentioned.¹³

What did the Noulens haul reveal?

Perhaps the most outstanding document among the Noulens papers was a letter from the FEB to the Eastern Secretariat of the Comintern, dated 10 June 1931, giving a detailed account of the situation of the CCP at that time. The first part of this was devoted to an account of the arrest of 'the provocateur Gu'. 'Gu' was an agreed term denoting Gu Shunzhang, a member of the Political Bureau of the Central Committee of the CCP, who was arrested by the Hupeh Provincial authorities on 26 April 1931 after trying to smuggle 'military advisers' into Shanghai for the FEB. Taken to Nanking, Gu submitted to the Chinese Nationalist Government and revealed to Chiang Kai-shek the addresses of several members of influence of the CCP as well as the ties of liaison between the Central Committee, the Comintern and other Communist organisations in China. This information enabled the Nanking Government to arrest the Secretary General of the CCP, Xiang Zhong fa, executed on 23 June 1931, and Bao Junfu, information agent of the Nanking Government, who was correctly suspected of being allied with the Communists. The 'turning' of Gu, dealt a serious blow to the work of all the leading branches of the CCP in Shanghai and in other centres of the Yangtze Valley.¹⁴ Many of Noulens' associates left China immediately, which explains why so many FEB and TOSS documents were found with the Noulens.¹⁵

After the letter of 10 June had described the 'turning' of Gu, it set out in detail the condition of the CCP. From the letter, Vivian was able to set out a detailed chart of Communist organisation in China. The FEB was confident, that after initial errors, the CCP would be in a position to attract more followers. Dire economic conditions and 'hundreds of millions of hungry and unemployed people strengthen still more the Red danger' but:

The further development of events in China depends upon the state of our party. In so far as the party will be in a position to rule the revolutionary sea, to place itself at the head of the movement and, above all, to lead correctly the revolutionary flock (the Soviet districts), the Imperialists and Chinese reactionaries will not succeed in extricating themselves from this crisis or in retaining power in

their hands. In our conversations with our Chinese friends we constantly point this out to them and try to give them advice in accordance with the orders of the Comintern.

The FEB was convinced that Chiang Kai-shek's effort to unify China and to destroy Soviet districts and the Red Army would end in 'an absolute failure'.¹⁶ By the time Vivian was writing his report, some nine months had passed and he was sure that minor changes in method and personnel must have taken place. But Vivian was confident that the main lines of policy and organisation seemed on the whole 'too fundamental to have suffered any radical change as the result of the lapse of a few months and the temporary disorganisation caused by the seizure of FEB and TOSS archives'. Vivian therefore thought the document would retain 'some permanent interest'.¹⁷

Other documents from the Noulens haul contributed much detailed information on the aims, methods and progress of the various branches of Communist endeavour, with which the 'Departments', shown on Vivian's organisational chart as dependent upon the Politburo of the CCP, were organised to deal. Papers bearing upon the establishment of a Soviet District on the borders of Hupei, Hunan, and Anhin and others discussing military matters and work in the Army were perhaps the most important. These together with some of the cipher wires from Moscow, especially the composite message from the 'Political Commission', appeared to be of particular interest. They exemplified, Vivian noted, 'the conscious exercise of control by the Comintern over events in a foreign country, which being regarded as already in a state of revolutionary transition, was, by means of this control of events, to be converted into a Soviet State'.¹⁸ For example, in a document called 'ARCHIV' but not dated, a passage read, 'At present the district of the IVth Army is not thoroughly Sovietised. In all its parts Revolutionary Committees must be established, the Soviet elections must be carried out and Soviet governments must be set up.'¹⁹ Vivian also drew attention to two documents on the 'organisation-project of the GPU' and on the working of the 'Workers' and Peasants' Inspection'. These papers once again suggested to Vivian that in the official Comintern view, parts of China had already become, or were ripe for conversion into, Soviet states, where counterparts of the Moscow GPU and Workers and Peasants Inspection were to be established through the agency of the

FEB. Apart too from the Chinese interest, these documents were valuable as giving a clear-cut account from the Communist viewpoint of the objects and functions of these powerful Soviet organisations.²⁰ In addition to the classes of papers mentioned a great many of the archives relating to China comprise accounts of interviews between leaders of the CCP and liaison agents of the FEB and TOSS. The papers illustrated the method by which these bodies collected information for the purpose of reporting to Moscow, drafting for the Communist press and controlling the various ramifications of the movement.²¹

Apart from the CCP, the Noulens papers also provided insights into other Asian-Pacific Communist parties. From April 1930 the Malayan Communist Party and, Vivian conjectured, 'presumably the Indo-Chinese Communist Party', was directed through an organisation in Hong Kong known as the 'Southern Bureau'. In December 1930 this was raided and its records seized by the Hong Kong police. It appeared, however, to have lived on in a moribund state as a transmission and translation sub-agency of the FEB, in the person of Nguen Ai Quac, later known as Ho Chi Minh, the Annamite Communist. There was 'a bewildering mass of this man's oddly expressed letters' to the FEB seized among the Noulens archives, which furnished the main clues to the Communist situation in those countries and the working of the FEB and TOSS in their connection. The collection of letters provided a cumulative impression, as regards Indo-China. The local ardour for the Communist cause appeared considerable but it was tinged with a fierce nationalism, that had been largely uncontrolled either from Moscow or Shanghai, and from the Communist standpoint, was grievously off the party 'line'. The movement was also being subjected to violent suppression from the French Colonial authorities, and was heavily handicapped from within by mistakes in practice, by deviations due to want of experienced leaders and by a total absence of 'directives', either from the Third International or from the FEB.²² Nguen Ai Quac plaintively wrote on 21 February 1931, that the struggle of the masses in Indo-China had been 'completely ignored by our organisations, that they are forsaken, forgotten and lone, that they have no backing from international solidarity'. Nguen Ai Quac was arrested on 6 June 1931 in Hong Kong, a result of the turning of 'the provocateur Gu'.²³

With regard to Malaya, there was a mass of minute memoranda, which showed that the area had been studied thoroughly from statistical, Trade Union and 'strike' standpoints. But there was comparatively little on the Communist situation either from these notes or from Quac's letters, except that the Malayan Communists stood in the same need as the Indo-Chinese of direction, finance and leaders.²⁴ Meanwhile, the connection of the FEB and TOSS with Communist work in Japan was evidenced by a number of very lengthy reports and essays. These were not reproduced, as they afforded 'no particular insight into the underground working'.²⁵ However, among the Noulens papers were rough notes which, though the majority dealt impersonally with labour problems, strikes and party questions, included conspirative memoranda in the case of Japanese Communism. These proved of practical value in furnishing detailed particulars of several active agents, including an artillery officer, in the Japanese movement, together with their addresses for secret correspondence and their passwords for contact with emissaries from Shanghai. It enabled the Japanese authorities to effect important arrests and to take severe measures against the Japanese movement as a whole.²⁶

The consequences of Noulens arrest

Vivian remained cautious when analysing the effect of Noulens' arrest. He concluded that the Noulens case did 'little more than administer a temporary and partial check to Communist-inspired centres of revolt or disaffection'. Vivian observed that:

The main power-house in Moscow and its sub-agency in Berlin, without whose generous funds and able organising ability, the Communist organisations in the countries of the East would die a speedy natural death, remain supremely unaffected by the disclosures and will remain so as long as the Soviet Government's bland disclaimers of responsibility for the Comintern is accepted as closing the argument.

Even the staffs of the FEB and TOSS had, Vivian noted, managed to ride out the crisis so that the majority of these trained organisers would be able in due course to reform and continue their work of disintegration, either again from Shanghai or elsewhere. It was unfortunate that at the time of Noulens' arrest, many of the agents working for the Comintern in China, should have been out of Shanghai and that the

whole group was more than usually upon its guard owing to the recent 'treachery' of the 'provocateur Gu'. In the end, only Noulens, Ducroux and Nguen Ai Quac were caught.²⁷ Several Comintern agents, despatched from Berlin about the time of, or after Noulens arrest, even arrived safely in Shanghai and received directions through Berlin.²⁸ However, Vivian was convinced that if there was one lesson to be learned from the Noulens Case, it was the 'utter dependency' of oriental Communist organisations upon Moscow and upon Moscow's confidential agents. Without them, Communism in the east was 'unlikely to represent any particular danger'. With them 'it cannot but remain a constant lurking danger both to prosperity and to stability'.²⁹

It is possible, nevertheless, to take a much more optimistic view of the impact of Noulens' arrest. In the first instance, a considerable amount of detail had been added to official knowledge on the aims and methods of Communist intrigue in China, Indo-China, Indonesia, Malaya, Japan, Formosa, Korea and the Philippine Islands. Safe houses were blown, cipher and code material was discovered together with a large sum of money and numerous incriminating documents. Despite efforts to free the Noulens' and limit the damage caused by his arrest, Communist parties across the Asia-Pacific were hit hard. The Japanese Communist Party suffered losses and the Philippine Communist Party severe losses. In China, Nationalist action against the urban communist infrastructure had already been successful. The arrest of Noulens probably accelerated the departure from Shanghai of Zhou Enlai, first Foreign Minister and later, Prime Minister after the Communist victory in 1949, and other members of the Politburo to join Mao Zedong in the rural hinterland. In sum, the papers provided a unique glimpse of the clandestine machinery of Soviet revolutionary activity in the Asia-Pacific and of SIS's view of it a decade and half after the October Revolution.

In addition to the Noulens case of 1931, MASK was further supplemented by the recruitment in Berlin in 1933 of a Comintern agent 'Jonny'. Thus, from 1933 onwards Vivian was able to exploit the Noulens database as well as agent coverage and SIGINT (MASK) to investigate and counter the Comintern's attempts to spread Soviet influence. When Jonny was sent to the Asia-Pacific in the early 1930s this coverage extended to the Soviet party's generally uneasy relationship with the CCP. Jonny was able to provide the CCP's own assessment of their position as it was before

the Long March of 1936. Steptoe, SIS's head of station at Shanghai, would handle both the Jonny case and the Noulens material in China.³⁰ When Jonny was attached to the Comintern presence in Shanghai in 1934, Steptoe was able to report on the Comintern's generally unfavourable view of the prospects of the CCP. He was also able, in many cases, to clarify the identities of Chinese Communists, some en route to Moscow, who appeared in the Noulens papers under Russian pseudonyms, one of whom was Zhou Enlai. Steptoe's handling of the Jonny case and of the Noulens material must have absorbed much of his time. It may also explain why, in 1936, when the British naval authorities in Shanghai demanded his recall on the grounds of his failure to produce intelligence on Japan, Sinclair leapt to his defence.³¹

Postscript: Who was Hilaire Noulens?

After 1934, when photos of the Noulens were released to show that they had not been maltreated in prison, interest in their plight waned. On 27 August 1937, during the first few months of the Sino-Japanese war, the Noulens were released from prison allegedly to find bail but they fled seven days later to Shanghai and were taken in by Madame Sun Yat-sen. The latter left Shanghai that same month. The next part of the story is unclear although they eventually returned to the Soviet Union sometime in 1940 after receiving help from the Soviet Consulate in Shanghai, leaving China on 25 July 1939. Noulens' identity was only fully established 30 years after his death when the academic, Frederick Litten, identified him as a Russian, Jakob Rudnik (1894-1963) together with his wife as Tatyana Moiseenko (1891-1964).³² Contemporary SIS records report a Jakob Rudnik as Head of the Press Section of the Soviet mission in Vienna in 1928. This matches with the academic study, which also, on the basis of access to Comintern records, identified Rudnik as a member of OMS. Fascinatingly, Arnold Deutsch, Kim Philby's recruiter was also in Vienna at the same time as Rudnik. It presents the possibly intriguing sight of Vivian investigating Noulens whose associate Deutsch was to recruit Philby, whose mother Dora had been a childhood friend of Vivian's wife in India.

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¹ In an impressive piece of academic detective work, Frederick S. Litten made strenuous efforts to ascertain Noulens' identity, his contacts and what happened to him after his imprisonment. Frederick S. Litten, "The Noulens Affair", *The China Quarterly*, Vol.138 (1994), pp.492-512. F. W. Deakin & G. R. Storry, *The Case of Richard Sorge* (London, 1966), pp.84-94 devotes a chapter to the Noulens affair, however, it contains some factual errors.

² "Report on the Arrest in Shanghai of the Communist Agent Noulens" Intelligence Bureau (Shanghai) report for General Officer Commanding (GOC), China, 27 August 1931, WO 106/5815, The National Archives (TNA). Ducroux had also used another alias, Dupont, when in Marseilles during the 1920s. See Ban Kah Choon, *Absent History: The Untold Story of Special Branch Operations in Singapore 1915-1942* (Singapore, 2001), pp.147-48 and Laurent Metzger, "Joseph Ducroux, a French agent of the Comintern in Singapore (1931-1932)", *Journal of the Malaysian Branch of the Royal Asiatic Society* 69/1 (1996), pp.1-20.

³ Litten, "The Noulens Affair", p.493, fn.9.

⁴ Choon, *Absent History*, p.152.

⁵ "Report on the Arrest in Shanghai of the Communist Agent Noulens" Intelligence Bureau (Shanghai) report for GOC, China, 27 August 1931, WO 106/5815, TNA.

⁶ "Communist Activities in China, Federated Malay States, etc. (The 'NOULENS CASE.')" (Hereafter referred to as "The Noulens Case"), Vivian report, 7 March 1932, FO 1093/97, TNA.

⁷ *ibid.*

⁸ Litten, "The Noulens Affair", p.495.

⁹ *ibid.*, pp.497-8.

¹⁰ Extract from "China Annual Report, 1932", Peking despatch No. 55, 11 January 1933, WO 106/5815, TNA.

¹¹ "C's" letter explained that alterations and omissions had been made for more widespread circulation. Sinclair to Norton, letter, 11 May 1932, FO 1093/93, TNA. The revised edition was made available to selected officials of certain foreign powers and to certain British Colonial and Dominion authorities, "to whom information of so delicate and secret an order is not ordinarily passed, but whose interests in combating subversive Communist conspiracy are as great as those of the recipients of the original". Addendum to CX/1434, dated 7 March 1932, *ibid.*

¹² Litten, "The Noulens Affair", p.502.

¹³ *ibid.*, pp.502-03 and "The Noulens Case", Vivian report, 7 March 1932, FO 1093/92, TNA. See Litten, "The Noulens Affair", pp.492-512 for a thorough analysis of who was who in the Communist apparatus for the Asia-Pacific.

¹⁴ Translation of a typewritten document in German headed "An das Ost-Sekretariat der Komintern" and dated at end 10 June 1931, FO 1093/99, TNA.

¹⁵ Litten, "The Noulens Affair", pp.506-07.

¹⁶ Translation of a typewritten document in German headed "An das Ost-Sekretariat der Komintern" and dated at end 10 June 1931, FO 1093/99, TNA.

¹⁷ "The Noulens Case", Vivian report, 7 March 1932, FO 1093/92, TNA.

¹⁸ *ibid.* For papers on the organisation of the Red Army see FO 1093/99, *ibid.* The cipher wires can be found in FO 1093/96, *ibid.*

¹⁹ Typewritten draft document in German headed "ARCHIV", undated, FO 1093/99, *ibid.*

²⁰ These papers can also be found in FO 1093/99, *ibid.*

²¹ "The Noulens Case", Vivian report, 7 March 1932, FO 1093/92, *ibid.*

²² These papers can be found in FO 1093/100, *ibid.*

²³ Litten, "The Noulens Affair", footnote 10, p.494.

²⁴ Papers relating to Malaya can be found in FO 1093/100, TNA.

²⁵ See papers on Japan in FO 1093/101, *ibid.*

²⁶ Copyright of typewritten document in English, addressed to the Eastern Secretariat of the Communist International, dated 10 June 1931, FO 1093/*ibid.*

²⁷ "The Noulens Case", Vivian report, 7 March 1932, FO 1093/92, TNA.

²⁸ One of these had been identified as an individual who arrived on 2 August 1931 under the name Oswald Doenitz, posing as a traveller for a Hamburg quack medicine firm. This 'cover' appeared to have been real inasmuch as the business actually existed. Doenitz also opened premises purporting to represent the 'Eastern Trading Developing Co.', which he soon closed without doing any business. His movements were furtive and he changed his address often. He eventually left Shanghai for the Soviet Union on 26 December 1931. There was nothing to show whether Doenitz was one of the members of the FEB or TOSS groups mentioned or whether he was a new addition. "The Noulens Case", Vivian report, 7 March 1932, FO 1093/92, TNA. When Richard Sorge was seen with Doenitz, he was suspected to be an agent of the PPTUS. Litten, "The Noulens Affair", fn.103, p.507.

²⁹ "The Noulens Case", Vivian report, 7 March 1932, FO 1093/92, TNA.

³⁰ A report by Steptoe on Noulens arrest and trial can be found in an enclosure to Shanghai despatch to Peking, No.332 of 22 September 1932, F8714/75/10, FO 371/16199, TNA.

³¹ Steptoe has generally not received a good press and appears as a slightly ridiculous figure in some accounts. But if his Chinese calligraphy is anything to go by he was in the mould of the best traditions of the China Consular Service. He died, *en poste*, in 1948 when Minister to San Salvador.

³² Litten, "The Noulens Affair", p.498-9, 508-12, and Georgi Dimitroff, *Kommentare und Materialien zu den Tagebüchern 1933-1943*, Herausgegeben von Bernhard H. Bayerlein und Wladislaw Hedeler, (Berlin, 2000), p.612.

SIS on the eve of war, 1939

Since 1919, the Secret Intelligence Service (SIS) had been working in expectation of another war, though the chief opponent during the 1920s, and to a lesser but still significant extent during the early 1930s, was the Soviet Union. It is hard to exaggerate the level of anxiety provoked after the 1917 Bolshevik Revolution by the subversive activities of the Comintern. The all-consuming nature of that assessed threat led to some delay in the identification within SIS of Hitler's Nazi regime as the most likely danger to peace: a delay that affected SIS's contribution to the process of planning for war with Germany. Although SIS has been often criticised for being caught out in 1939, newly released PUSD files show that the organisation was in actual fact making some acute comments on Hitler's intentions. Indeed, it was often the Foreign Office and the Service Departments that assumed a more dismissive stance towards the value of secret work.

In the later 1930s, SIS was a small organisation with a wide, and expanding remit. As the international situation worsened, demands for information increased sharply but no extra resources were allocated to enable it to meet them. Of all SIS's customers, the armed forces were 'the most pressing and the least satisfied'. The Service Ministries were particularly critical of SIS's failure to produce sufficient tactical and technical intelligence, even though, for example, SIS had supplied regular information on German aircraft production, armaments and reserves of raw materials. It is not hard to conclude that such complaints were exaggerated, but it is possible that the problem was caused by a lack of communication between the complainants and the Intelligence Staff. Nevertheless, 'C', Sir Hugh Sinclair, did not deny that SIS had a problem. Justly proud of their organisation's successes against Communism, they were not unaware that SIS's European coverage had become unbalanced and badly overstretched.

However, SIS was not blind to the German threat. On 2 January 1939 'C' sent Gladwyn Jebb, the Private Secretary to the Permanent Under-Secretary at the Foreign Office, a memorandum dated 20 December 1938, on 'Germany: Factors, Aims, Methods etc'. The paper began with an analysis of Hitler's 'incalculability and

lightning-like decisions'. Although the paper's further analysis was not borne out in terms of where Hitler's next thrust might be directed, it was prescient on the supremacy of Hitler's 'will' and his ability to dominate his lieutenants. The paper observed that:

Among his characteristics are fanaticism, mysticism, ruthlessness, cunning, vanity, moods of exaltation and depression, fits of bitter and self-righteous resentment, and what can only be termed a streak of madness; but with it all there is great tenacity of purpose, which has often been combined with extraordinary clarity of vision. He has gained the reputation of being always able to choose the right moment and right method for "getting away with it". In the eyes of his disciples, and increasingly in his own, "the Fuhrer is always right". He has unbounded self-confidence, which has grown in proportion to the strength of the machine he has created; but it is a self-confidence which has latterly been tempered less than hitherto with patience and restraint.¹

Despite such sound analysis, a large level of suspicion remained endemic among some FO officials regarding 'secret reporting'. This had resulted from the Government's decision to pass on to the United States and other allies warnings received early in 1939 from secret sources of an imminent German attack on Holland.² SIS had considered the threat credible, as part of a general pattern of information indicating that Hitler's aggressive intentions now lay west, rather than eastwards. It also conformed to reports of increasing enemy espionage on UK soil, indicating that Holland was the largest base for German activities.

When the information relating to an attack on Holland proved unfounded, Sir George Mounsey, Secretary designate to the Ministry of Economic Warfare (MEW), complained bitterly in minutes of 3 and 6 March 1939 that the episode had been both humiliating and damaging. If the totalitarian states were really planning to provoke a crisis, he said, a credible warning was much more likely to come from 'ordinary' than from secret sources, which were 'unsettling, liable to influence our own policy in an undesirable way, and may be both embarrassing to us and even actively mischievous'.

The Foreign Office, he complained, had undermined their position and authority by taking action ‘of a highly sensational and highly disturbing kind on information which they are unable to guarantee’. The result had been to revive an atmosphere of mutual distrust and recrimination between Britain and Germany just at a time when Neville Chamberlain, the British Prime Minister, was trying to carry out his policy of appeasement. Mounsey was disparaging about secret agents – ‘they have a secret mission, and they must justify it, and . . . if nothing comes to hand for them to report, they must earn their pay by finding something’. Mounsey professed himself ‘heretic enough to embrace all reports of a secret nature in my general dislike’:

This seems to me a very serious matter. Are we going to remain so attached to reliance on secret reports, which tie our hands in all directions, that we are going to continue acting on them in disregard of the clear warnings we now have of the effect which such action may have, firstly on the rest of the Empire, and secondly on the rest of the world?³

By the time Jebb responded to this onslaught at the end of March, German troops had marched into Prague, and as Jebb put it, the policy of appeasement had ‘receded rather into the background for the time being’. He protested that Mounsey’s view of SIS reports as ‘obtained by “hired assassins” who are sent out from this country to spy the land’, was ‘not at all how the system works in practice’:

The greatest possible caution is observed in regard to all alarmist reports and, under the new system, whenever a report conflicts in any way with what one of our Missions has been saying, a copy is either sent out to the Head of that Mission, or shown to him on the spot, and his observations invited. If the Head of the Mission says that he thinks that report is nonsense it does not, in practice go forward.⁴

On the same day, Sir Alexander Cadogan, the Permanent-Under Secretary, while sympathising with Mounsey’s distaste for secret reports, pointed out that, ‘they did warn us of the September crisis, and they did not give any colour to the ridiculous optimism that prevailed up to the rape of Czechoslovakia, of which our official reports did not give us more warning’. Cadogan also observed that when Mounsey

complained that the secret reports operated to the exclusion of the pursuit of a policy of settlement, 'they may not have been so wide of the mark'.⁵

In the aftermath of the break-up of Czechoslovakia, SIS turned its attention to Poland and attempted to convey to the Germans a series of warnings about further advances eastwards. On 28 March the rumours had reached London from the Berlin Embassy that Germany would attack Poland next unless Britain and France stated clearly that they would fight. The Foreign Secretary, Lord Halifax, told a special meeting of the Cabinet on 30 March that there was now sufficient evidence to warrant 'a clear declaration of our intention to support Poland...' and the Cabinet agreed that Chamberlain should issue such a statement to the House of Commons.⁶ Other methods were also attempted to try and dissuade the Germans from an attack on Poland. In May 1939, the Foreign Office drafted a telegram to Berlin and Rome, and sent to 'C', with the request that messages based on its paragraph three should be planted '...wherever you think they would be most likely to be effective'. Paragraph three contained the sentence:

If the German Government should demand the unconditional return of Danzig, it is in our view certain that the Poles would consider that their independence was menaced and that any employment of force by Germany for this purpose would be met by force on the part of Poland. And if by such action on Germany's part the Danzig situation so developed as to justify the Polish Government in invoking our guarantee there is no doubt that both we and the French would come in and that many other States would be likely to join us.⁷

Two months later, a bogus Cabinet decision was drafted for SIS to communicate to the Germans. It read that, 'The Cabinet decided to adopt the advice of the F[oreign] S[ecretary], and to regard any attempt by the German Government to force the issue at Danzig, which might be resisted by the Polish Government, as a casus belli. In order to make this perfectly clear, they authorised the publication of a statement defining the attitude of His Majesty's Government.'⁸ During this time, SIS would provide a series of warnings that Germany was due to attack Poland in mid-August

1939. However, some of these reports were not passed on to the War Office, which received them only on 11 August after the Chief of the Imperial Staff had requested copies, starkly illustrating a lack of communication that continued right up until the outbreak of war.⁹

Historians have not always been kind in their assessments of SIS in the 1930s, but it is possible to argue that SIS's pre-war record has been judged over-harshly. There were certainly mistakes in emphasis: the insistence until the end of 1938 that Hitler's next moves after Czechoslovakia would be to the east, not west; over-emphasis on the degree of dissent within the Nazi leadership and thus over-estimation of the potential for removing the Fuhrer. However, despite the organisation's lack of resource and a certain imbalance of focus, the evidence and detail contained in the secret reports transmitted to the Foreign Office, the Service Ministries and indeed to the Cabinet were on the whole impressive and substantially correct; nor has their judgement, expressed in the December 1938 memorandum been shown to be so wide of the mark. The full significance of SIS's reporting could only be appreciated by placing it in the wider context of diplomatic reporting, military and economic information. SIS's responsibility, after all, was for the collection and dissemination, not the analysis of intelligence.

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¹ 'Germany: Factors, Aims, Methods etc', SIS memorandum, 20 December 1938, enclosed in a letter from 'C' to Jebb, 2 January 1939, FO 1093/86, TNA.

² For an account of this episode see David Dilks (ed.), *The Diaries of Sir Alexander Cadogan, O.M. 1938-1945* (London, 1971), pp.139-54. Christopher Andrew, *Secret Service: The Making of British Intelligence* (London, 1985), p.581 points out that there were twenty warnings from secret sources of impending Axis aggression between mid-December 1938 and mid-April 1939. Cadogan's Diaries are a good source generally on these warnings and give the flavour of their reception in Whitehall.

³ Minutes by Mounsey, 3 and 6 March 1939, FO 1093/86, TNA.

⁴ Minute by Jebb, 31 March 1939, *ibid.*

⁵ Minute by Cadogan, 31 March 1939, *ibid.*

⁶ F. H. Hinsley, *British Intelligence in the Second World War*, Vol. I: *Its Influence on Strategy and Operations* (London, 1979), p.83.

⁷ FO telegram to Berlin and Rome, 9 May 1939, FO 1093/87, TNA

⁸ 'Bogus Cabinet Decision drafted for SIS to communicate to the Germans', 7 July 1939, *ibid.*

⁹ Hinsley, *British Intelligence in the Second World War*, Vol.I, p.83.

