

# Counterintelligence in the Kingdom and the States

A Historical Comparison of the FBI and MI5

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## **Executive Summary**

The United States and the United Kingdom have different kinds of organizations to defend their national security from espionage and terrorist threats. The US relies on the Federal Bureau of Investigation (FBI), a law enforcement agency with counterintelligence functions, while the UK depends on the Security Service (MI5), a purely counterintelligence agency without law enforcement powers, to meet these challenges. The purpose of this paper is to examine the benefits, detriments, and the key motivations behind each system's development for the sake of showing that MI5 has ultimately served the UK better than the FBI has served the US in the realm of counterintelligence.

The historical trajectory of the Security Service is one of constant honing of counterintelligence work from its very inception. The history of the FBI reveals an organization that was initially established for law enforcement purposes and has never completely abandoned its preference for that mission amid US governmental pressure to become more intelligence-driven in times of international crisis (especially during World War I, World War II, and parts of the Cold War). The counterintelligence practices of the Service and the Bureau throughout their histories illustrate the deficiencies and proficiencies of each, which mutually contribute to the understanding of key counterintelligence qualities that are presented in the final chapter. These attributes are an overall penchant for secrecy, an external orientation, and a preventative operational culture. MI5 is shown to possess all of these qualities consistently while the FBI is found to have strived toward them in particular instances and only in contradiction to its own preferences. The final analysis indicates that the FBI can learn from its own history and MI5's history to defend the US from new threats in the future, if it only chooses to do so.

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## **Chapter 1: Introduction**

Every nation in the world seeks to protect its own secret information while attempting to learn other countries' secrets. There are countless reasons that national governments engage in the practice of intelligence. For example, a state may desire to estimate a rival's military capabilities, to improve diplomatic bargaining power, or to learn what a rival truly knows and thinks in secret to predict the future outcome of events. At the same time, states go to great lengths to protect their own proprietary information from foreign and domestic prying eyes for the sake of maintaining various advantages but also to protect their populations from inimical influences and physical danger. The intelligence component of national security is recognized by every nation, but there is great variation in the organizational structures that have been adopted to fulfill this mission.

The United Kingdom (UK) and the United States (US) eventually built their modern intelligence communities (ICs) with similar yet notably distinct structures. Both countries have foreign intelligence systems that engage in espionage abroad – the Central Intelligence Agency (CIA) in the US and the Secret Intelligence Service (SIS/MI6) in the UK. The major point of intelligence organization departure in these two governments is found in their differing approaches to counterintelligence – the practice of identifying, apprehending, deterring, and manipulating enemy intelligence operatives or agents. The UK has the Security Service (MI5/the Security Service/the Service) for the mission of counterintelligence and domestic intelligence, which is the application of intelligence practices against purely domestic threats. When the US has deemed it necessary to concentrate on these missions, it has turned not to a pure intelligence organization but rather to the primarily law enforcement and investigative agency of the Federal Bureau of Investigation (FBI/the Bureau). MI5 has never had police

powers nor an anti-crime mission (except for briefly in the 1990s) whereas the FBI has had independent police powers to carry weapons and make arrests since the mid-1930s.<sup>1</sup> To put it concisely, the US relies on the Bureau for law enforcement, domestic security, and counterintelligence while the UK's MI5 has focused on the latter two missions. Eventually, both organizations were also called upon to take the lead in countering the international and domestic threat from terrorism.

The terrorist attacks against the US on September 11, 2001 and subsequent international terrorist acts against the UK provided an occasion for both countries to reexamine the steps each had taken to counter foreign intelligence and terrorist threats. The debate in the US was particularly heated because the FBI had, in part, been blamed for failing to prevent the 9/11 attacks. This turn of events sparked a vigorous debate concerning the future of the US intelligence community (USIC). The National Commission on Terrorist Attacks upon the United States (or the 9/11 Commission) charged the FBI with intelligence failures and addressed the possibility of creating a new organization for the US modeled on the UK's MI5.<sup>2</sup> However, the commissioners did have serious reservations about recommending such a dramatic step – in the end they did not push for this policy prescription.<sup>3</sup>

Judge Richard Posner, a leading advocate for an American MI5, argued that the Bureau's culture of law enforcement has prevented it from preventing terrorist threats on account of the necessary law enforcement emphasis on arrest and prosecution.<sup>4</sup> John P. Mudd, a veteran of the CIA and Deputy Director of the Bureau's National Security Branch, staunchly criticized Judge

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<sup>1</sup> FBI. "A Short History of the FBI." FBI Records: The Vault. 6. <http://vault.fbi.gov/FBI%20History/FBI%20History%20Part%201%20of%208/view> (accessed March 26, 2014).

<sup>2</sup> Jeffreys-Jones, Rhodri. *The FBI: A History*. New Haven: Yale University Press, 2007. 247.

<sup>3</sup> Ibid.

<sup>4</sup> Posner, Richard A. "We Need Our Own MI5." Washington Post. <http://www.washingtonpost.com/wp-dyn/content/article/2006/08/14/AR2006081401160.html> (accessed March 26, 2014).

Posner's conclusions, arguing that the Bureau is perfectly capable of fulfilling its intelligence mission and that it is generally unhindered by its law enforcement mandate.<sup>5</sup> Mudd also argued that the separation of police and intelligence functions would increase bureaucratic confusion, though the UK has lived with this arrangement since the founding of its IC.<sup>6</sup> James A. Lewis, a Senior Fellow at the Center for Strategic and International Studies, rightly points out the fundamental differences between the UK and US systems of governance but nonetheless maintains that the US can learn important lessons from UK security organization even if it cannot adopt the same model in its entirety.<sup>7</sup> A Congressional Research Service report by Todd Masse in 2003 further stressed the differences between the US and the UK, concluding that each democracy approaches the balance between civil liberty and security in different ways.<sup>8</sup> Masse suggests but does not state outright that there is little merit in comparing the two systems given these differences.<sup>9</sup> The UK did not engage in similar soul-searching in part because, while the UK lost the most lives to a single terrorist attack than ever before on 9/11, the attacks had occurred on US soil, not UK home territory. In end, the UK ultimately decided to keep its longtime arrangement of pure counterintelligence in MI5 separate from its various police organizations and the US doubled down on its perennial preference to combine intelligence and law enforcement in the FBI.

To be sure, there are substantial reasons that complicate the comparison of MI5 and the FBI. First of all, the US is much larger than the UK with a population roughly five times the

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<sup>5</sup> Mudd, John P. "In Domestic Intelligence Gathering, the FBI Is Definitely on the Case ." FBI National Press Releases. <http://www.fbi.gov/news/pressrel/press-releases/in-domestic-intelligence-gathering-the-fbi-is-definitely-on-the-case> (accessed March 26, 2014).

<sup>6</sup> Ibid.

<sup>7</sup> Lewis, James A. "Why Can't the US Have Its Own MI5?" Center for Strategic and International Studies. 4. [https://csis.org/files/media/csis/pubs/060816\\_mi5\\_envy.pdf](https://csis.org/files/media/csis/pubs/060816_mi5_envy.pdf) (accessed March 26, 2014).

<sup>8</sup> Masse, Todd. "Domestic Intelligence in the United Kingdom: Applicability of the MI-5 Model to the United States." Congressional Research Service. 14-15. <http://www.fas.org/irp/crs/RL31920.pdf> (accessed March 26, 2014).

<sup>9</sup> Ibid.

UK's.<sup>10</sup> Policy prescriptions that work for one will not necessarily work for another on account of the sheer size difference – an American MI5 would need to be much larger and more bureaucratic than MI5, possibly limiting the projected benefits of this policy choice. The second obstruction to simple comparison can be found in the nature of the UK and US systems of governance – the FBI is a *federal* organization that is required to work while respecting local and state law jurisdictions. MI5, lacking police powers, does need to coordinate with the UK's police agencies very closely, but the nature of this relationship between the Service and police is much less complicated than the Bureau's relationships at local levels.

Third, while US culture and UK culture are hardly dissimilar (given the two countries' shared heritage), their approaches to civil liberties are very different, which has independently shaped how each country provides security for its citizens.<sup>11</sup> In general, Americans are thought to value civil liberties much more than their European partners. This in turn has shaped how policy makers have acted and it is frequently cited to deflate comparison of US and European security practices. Fourth, the security concerns of the US and the UK have been shaped by their respective geographical positions in the world. The UK has always had a hotbed of competitive neighbors on the European continent while the US has lived relatively peacefully with its North American neighbors since the end of the 19<sup>th</sup> century. This respective distance and proximity to foreign threats and influence has certainly shaped how these nations have chosen to defend themselves with MI5 and the FBI.

None of these differences, however, change the fact that the US and the UK have called upon MI5 and the FBI to perform the same counterintelligence functions throughout the twentieth century. This is the primary reason that I have chosen to examine these organizations

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<sup>10</sup> World Bank. "Population (Total)." The World Bank. <http://data.worldbank.org/indicator/SP.POP.TOTL> (accessed March 26, 2014).

<sup>11</sup> Masse, 10-11.

side by side. A secondary reason for comparison is the fact that both organizations and both countries have faced the same global threats at essentially the same time, which caused MI5 and the FBI to shift their focus and operation in various similar and dissimilar ways. Third, as discussed above, the US looks to the UK's MI5 as a potential model for counterintelligence while the UK has looked to the US to learn more about centralized law enforcement.<sup>12</sup> This recent mutual examination means that the topic of this paper may have policy significance for both the US and the UK. Fourth, while there is bountiful literature comparing the modern Security Service and Bureau, these debates rarely reach far back into either organization's history to inform current thinking. The careful examination of an organization's history can shed light on future projections concerning capabilities and adaptability. The comparison of the Bureau and the Service across national lines throughout their histories provides a further layer of analysis for the sake of revealing the deeply-rooted preferences in the cultures that encompass these two organizations.

The overarching question that I seek to answer in this work is the following: why have the US and the UK adopted and maintained different approaches to counterintelligence and what are the benefits and detriments of each? Secondly, I ask if one system is superior to the other. It is my contention that these questions cannot be answered sufficiently without examining the operational and organizational histories of MI5 and the FBI. Both organizations continue to evolve with the passage of time, and looking at their histories should assist in understanding their future development. It is my hope that this work will fill a gap in literature concerning counterintelligence and law enforcement at critical moments in the history of the twentieth century. While the analysis in this paper does not advocate the creation of an American MI5 (or

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<sup>12</sup> Johnston, Philip. "The National Crime Agency: Does Britain need an FBI?." The Telegraph. <http://www.telegraph.co.uk/news/uknews/law-and-order/10361009/The-National-Crime-Agency-Does-Britain-need-an-FBI.html> (accessed March 26, 2014).



a British FBI), it does posit that there is much that the US can learn from British counterintelligence practice and organization, regardless of whether or not it adopts the very same approach. In the end, key qualities of successful counterintelligence organizations will be drawn from the histories of the Service and the Bureau for the sake of indicating whether the present course of each country has sufficiently prepared them to combat twenty-first century threats from terrorism and achieve future counterintelligence success.

The next chapter will present the founding and early operational period of the FBI and MI5. The security concerns of each government, the organizations' founding requirements, and their respective character soon after establishment will provide a starting point for each organization's trajectory to be compared in the analysis section at the end of the chapter. These cases will be examined to determine qualities in the early Service and Bureau that either helped or hindered counterintelligence missions. The origins of any organization are crucial to understanding its character because the initial mission and surrounding atmosphere of its founding will likely shape how it operates for years to come. Indeed, it will be demonstrated that breaking free from initial tendencies has been remarkably difficult for both MI5 and the FBI.

The third chapter will follow the counterintelligence practices of Service and the Bureau through the tremendously formative years of 1914 through the late 1940s. This chapter will present the Bureau and the Service separately like the previous chapter, but each case will be sub-divided into four smaller sections due to the amount of relevant events and developments found in this timeframe. The two world wars, the interwar period, and the early post-war years all provide excellent tests of each organization's founding preferences and practices established in the previous chapter. Until the turn of the century, this period showed MI5 and the FBI acting in more similar ways and performing the most similar tasks than at any other time.

In the fourth chapter, the cumulative counterintelligence experiences of MI5 and the FBI will be tested with the unprecedented rise of international terrorism and the renewed threat of domestic terrorism. Successes, failures, efforts, and significant changes in each organization will be examined to provide an assessment of their performance in this arena. Terrorism represented a new threat, but both the US and the UK realized that it required a return to old counterintelligence practices. The shift was more painful and complicated for the Bureau than for the Service, but both proved to be capable in the realm of counter-terrorism soon after making various adjustments.

Finally, there will be a concluding chapter in which I will offer an answer as to why each country has developed counterintelligence practices as such and whether one system is superior to the other. I will also propose several qualities of successful counterintelligence operations and organizations examined here that might be integrated into a theory of counterintelligence. Ultimately, this paper does not praise either the FBI or MI5 uncritically. Rather, the purpose here is to determine the best practices of each system and to see whether or not they fall into mutually exclusive categories. While the analysis is more interested in collecting lessons from the British MI5 for the sake of enriching US understanding of counterintelligence, the conclusions presented here are optimistic for the future of both US and UK national security for different reasons.

## **Chapter 2: Origin, Establishment, and Early Life**

On both sides of the Atlantic Ocean, the late 1800s and early 1900s were a time of great change for the US and the UK. Domestic issues and foreign relations increasingly pressed upon governmental leaders in both countries to adopt new policies for the sake of adapting to a rapidly changing world. For completely different reasons, the US established the FBI and the UK set up MI5. Both organizations were born into extremely uncertain environments where success in their respective missions was anything but guaranteed. It would have been impossible to predict in 1908 and 1909 that each would rise to the level of global prestige and domestic importance that they were soon to obtain.

The following section will present this formative chapter in the FBI's history, which will immediately be followed by a treatment of MI5's founding. The cases will then be analyzed together in order to illustrate a few similarities but many more differences in their early years and in the needs of their governments at this time. Although both organizations experienced successes and failures early on, the focus here will not be on the severity of these errors but rather on the nature of these mistakes for the sake of revealing crucial qualitative distinctions. In the end, one of these organizations was prepared for the First World War and the other was not.

### *Federal Law Enforcement for the United States*

The history of federal law enforcement and federal investigation in the US did not begin with the Bureau's founding in 1908, but should rather be traced back to the actions of the newly established Department of Justice (DOJ) in 1870.<sup>13</sup> In the wake of the devastating American Civil War (1861-1865), Congress enacted several laws to protect the newly-granted civil liberties

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<sup>13</sup> Theoharis, Athan G. *The FBI & American Democracy: A Brief Critical History*. Lawrence: University Press of Kansas, 2004. 15.

of former slaves.<sup>14</sup><sup>15</sup> These federal laws, however, required federal investigation to guarantee that they were upheld. The US military found itself overwhelmed in its own post-war duties and requested assistance in combating racist crimes committed by white hate groups such as the Klu Klux Klan (KKK).<sup>16</sup> The DOJ had no permanent investigative service, so it resorted to borrowing Secret Service agents or hiring private detectives to counter this threat.<sup>17</sup>

The DOJ was remarkably successful in this endeavor. This federal agency had its agents employ significant intelligence and espionage techniques such as penetrating groups by feigning sympathy, gaining information after gaining a target's confidence, allowing targets to run free for the sake of obtaining greater strategic insight, employing a diverse array of agents (such as African Americans), and offering amnesty to induce confessions.<sup>18</sup> It is apparent that these methods were extremely effective by early 1972.<sup>19</sup> Unfortunately, the DOJ's newly-acquired skills were destined to languish after the southern states successfully cast such federal actions as tyrannical and the northern states, weary of division, pushed for national reconciliation.<sup>20</sup>

As suggested by the discussion so far, crime was not the purview of the federal government at this time – it was a state or local affair.<sup>21</sup> Indeed, by the beginning of the 1900s, the federal government's primary functions were only to negotiate territorial acquisitions, increase trade, grow the economy, and defend states from external threats.<sup>22</sup> By 1908, however, there were numerous domestic reasons to favor the strengthening of federal power. First of all,

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<sup>14</sup> Mcpherson, James. "A Brief Overview of the American Civil War: A Defining Time in Our Nation's History." Civil War Trust. <http://www.civilwar.org/education/history/civil-war-overview/overview.html> (accessed March 26, 2014).

<sup>15</sup> Theoharis, 15.

<sup>16</sup> Jeffreys-Jones, 3.

<sup>17</sup> Theoharis, 15.

<sup>18</sup> Jeffreys-Jones, 17-28.

<sup>19</sup> *Ibid.*, 31.

<sup>20</sup> *Ibid.*, 31-32, 34.

<sup>21</sup> Kessler, Ronald. *The Bureau: The Secret History of the FBI*. New York: St. Martin's Press, 2002. 9.

<sup>22</sup> Theoharis, 14.

along with the development of US cities, crime grew in new and dangerous ways by drawing in more and more people into concentrated centers beyond the total control of local police.<sup>23</sup> Second, technological improvements, while wonderful in themselves, provided for greater mobility and wider organization of criminal groups.<sup>24</sup> This meant that it was easier for criminals to evade arrest once the authorities identified them, but it also meant that criminals could hop state lines at will, throwing off the jurisdiction of state and local police.<sup>25</sup> Third, political corruption had become far too commonplace in politics and business monopolies.<sup>26</sup> Fourth, the increasing connectivity of the US and the recognition of the first three developments led many to identify with the Progressive Movement, which demanded reforms that would make the federal government more responsive to and involved with justice in American society.<sup>27</sup>

President Theodore Roosevelt and Attorney General Charles Bonaparte were two such “progressives,” and in 1908 they were given the opportunity to reshape US law enforcement.<sup>28</sup> In 1892, Congress had forbidden the DOJ from hiring private detectives in response to concerns that such a situation led to conflicts of interest.<sup>29</sup> In mid-1908, Congress ruled out the DOJ’s other practice of borrowing Secret Service Agents because of a case in which the Navy Department had used such agents to spy on an employee’s personal life and because the DOJ had used Secret Service agents to investigate members of Congress for land fraud.<sup>30</sup> In regard to this latter revelation, Congress accused President Roosevelt of using the Secret Service for political

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<sup>23</sup> FBI. "The FBI: A Centennial History, 1908-2008." FBI. 1. <http://www.fbi.gov/about-us/history/a-centennial-history/the-fbi-a-centennial-history-1908-2008> (accessed March 26, 2014).

<sup>24</sup> Theoharis, 14.

<sup>25</sup> FBI, "Centennial History," 2.

<sup>26</sup> Ibid., 1.

<sup>27</sup> FBI, "Short History," 1.

<sup>28</sup> Ibid.

<sup>29</sup> Theoharis, 16.

<sup>30</sup> Ibid.

ends.<sup>31</sup> Left with no alternative for the DOJ to investigate violations of federal law, Bonaparte maneuvered around Congress by independently establishing a permanent investigative organization under the DOJ on July 26, 1908 while Congress was adjourned.<sup>32</sup><sup>33</sup> In testimony before Congress several months later, Bonaparte successfully argued for the continuation of his new organization, managing to dodge a legislative limit the scope of the FBI and while assuaging some fears that the FBI would become a secret police or “spy system.”<sup>34</sup> All along, President Roosevelt supported the FBI through the challenges to its founding.<sup>35</sup>

At first uncertain about its future, the FBI restricted itself to investigating violations of land fraud, national banking, bankruptcy, antitrust, and naturalization laws.<sup>36</sup> However, in June of 1910 the FBI was given an opportunity to expand its powers by the passage of the Mann Act, which prohibited the “the transportation therein for immoral purposes of women and girls, and for other purposes.”<sup>37</sup> This allowed the FBI to pursue criminals who had broken countless state and local laws but who had never clearly violated federal law previously.<sup>38</sup> This was an invaluable asset to the ability of the FBI to combat crime. It is regrettable that it was not used even-handedly. In 1912, the FBI arrested the famous prize fighter, Jack Johnson, under the Mann Act (for having transported a woman over state lines for illicit purposes).<sup>39</sup> The problem with this case was not that Johnson was being charged for anything he had not done, but the fact that he was a prominent and famous black man and he had indulged in prostitution with a white

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<sup>31</sup> Ibid.; FBI, “Centennial History,” 4.

<sup>32</sup> Theoharis, 16-17.

<sup>33</sup> The Bureau was originally called the “Bureau of Investigation” and it was not until 1935 that its title officially became the “FBI.” For the sake of simplicity, I have chosen to refer to it only as the FBI in this chapter and in the period before 1935. FBI. “How the FBI Got Its Name.” FBI.

[http://www.fbi.gov/news/stories/2006/march/fbiname\\_022406](http://www.fbi.gov/news/stories/2006/march/fbiname_022406) (accessed April 5, 2014).

<sup>34</sup> Kessler, 10; Theoharis, 16.

<sup>35</sup> Jeffreys-Jones, 41-56.

<sup>36</sup> FBI, “Short History,” 2.

<sup>37</sup> Ibid.; “The Mann Act.” The University of Hawaii System.

[http://www.hawaii.edu/hivandaids/The%20Mann%20Act%20\(1910\).pdf](http://www.hawaii.edu/hivandaids/The%20Mann%20Act%20(1910).pdf) (accessed March 26, 2014).

<sup>38</sup> FBI, “Short History,” 2-3.

<sup>39</sup> Jeffreys-Jones, 57.

woman. Many have claimed that this was the reason that the FBI targeted him, specifically.<sup>40</sup> In this instance, the FBI appears to have acted according to the overarching feeling of white Americans who wanted to see Johnson taken down a notch for his womanizing and success against white boxers.<sup>41</sup>

On this matter, the FBI appears not to have acted exceptionally racist but merely to have reflected the racial prejudices of the time. Nonetheless, Rhodri Jeffreys-Jones argues that this case marked the beginning of the FBI's "loss of mission," especially in light of the DOJ's noble operations in defense of African Americans after the Civil War.<sup>42</sup> In general, it is not clear to me that the issue of race should occupy the dominating characteristic of such large swaths of FBI history that Jeffreys-Jones claims. However, it is clear that very soon after the FBI's rather politicized founding, the Bureau was paying very close attention to the political mood swings of American society and acting accordingly. This is evidenced by the first FBI head, Stanley W. Finch, playing upon popular fears of "white slavery" to increase the FBI budget and expand the Bureau's influence.<sup>43</sup> Unfortunately, a return to counter-terrorism and counterintelligence practices in the South against anti-black groups would not have been a popular move, as Jeffreys-Jones points out.<sup>44</sup>

At the advent of World War I, the FBI had very little knowledge of counter-espionage and counterintelligence tradecraft.<sup>45</sup> Indeed, there was a distinct lack of knowledge in the Bureau regarding international affairs and foreign events.<sup>46</sup> This should hardly be surprising given the primarily domestic focus of the FBI in its early years and its founding mandate to hunt

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<sup>40</sup> Ibid., 58.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid., 57-80.

<sup>43</sup> Ibid., 60-61.

<sup>44</sup> Ibid., 59-60.

<sup>45</sup> Andrew, Christopher M. *For the President's Eyes Only: Secret Intelligence and the American Presidency from Washington to Bush*. New York: Harper Collins Publishers, 1995. 30-31.

<sup>46</sup> Ibid., 53.

domestic criminals, not the pervasive agents of foreign powers. It makes no sense to fault the FBI for this inexperience in countering foreign espionage because the Bureau had not yet been directed to perform counterintelligence duties. However, the Bureau had already adopted an “arrest culture” that would prove to be antithetical to the craft of counter-espionage that dictates allowing foreign agents free to operate under surveillance with the hope of discovering more and more details of the enemy’s intelligence requirements, networks, and intentions.<sup>47</sup>

In summary, the early FBI was *not* an organization capable of solid counterintelligence practice, even though the history of DOJ federal law enforcement included instances of strong counterintelligence operations against domestic terrorist organizations in Reconstruction Era (especially against the KKK). The political atmosphere into which the formal Bureau was born shaped it into a politically conscious organization that allowed itself to be used an instrument of public fears and prejudices.<sup>48</sup> This entrenchment in politics ensured that the early FBI would be internally focused and relatively ignorant of the external threats soon to challenge the US. Much would change, however, over the course of two world wars.

### *Counterintelligence for the United Kingdom*

The early 1900s were a time of great international competition in Europe. The UK had started to realize that the gap of power between its expansive empire and the Continental powers was narrowing.<sup>49</sup> This was especially the case with Germany, which was firmly pursuing the development of a navy that could challenge that of the UK.<sup>50</sup> Before it was apparent to the UK that there was imminent conflict in Europe, however, the South African War (also called the

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<sup>47</sup> Jeffreys-Jones, 66.

<sup>48</sup> *Ibid.*, 69.

<sup>49</sup> Jeffery, Keith. *The Secret History of MI6: 1909-1949*. New York: Penguin Press, 2010. 3-4.

<sup>50</sup> *Ibid.*



Second Boer War) of 1899 – 1902 had had a significant impact on how the UK perceived its security and intelligence capabilities.<sup>51</sup>

The South African War was fought by the British Empire against two Boer (South African) Republics and eventually ended in a British victory.<sup>52</sup> This victory, however, came at great cost: it had taken 450,000 men and three years for the mighty British Empire to subdue groups of unruly farmers.<sup>53</sup> The war had required almost all of the British Army to be deployed away from home at a time when the UK's relations with its closer neighbors were anything but cozy.<sup>54</sup> This led the island nation to greatly fear foreign invasion during and after the conflict, feeding into serious apprehensions of Germany's push for a world-class navy.<sup>55</sup> In addition to these general strategic concerns, the South African War also revealed the poor state of British intelligence at the turn of the century.<sup>56</sup> Indeed, it is likely that France, Russia, and Germany all had significantly better intelligence organization and capabilities at this time.<sup>57</sup> This is surprising given the territorial scope of the British Empire, its peerless navy, and its solid economic power at the time.

Germany had even clandestinely supported the Boers and educated them in intelligence tradecraft, giving the Germans significant experience in compromising British operations.<sup>58</sup> Even on the UK homeland, it was easy to observe that Germany was running espionage operations under the leadership of Gustav Steinhauer, known as the "Kaiser's Master Spy."<sup>59</sup>

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<sup>51</sup> Pretorius, Fransjohan. "The Boer Wars." BBC News.

[http://www.bbc.co.uk/history/british/victorians/boer\\_wars\\_01.shtml](http://www.bbc.co.uk/history/british/victorians/boer_wars_01.shtml) (accessed March 26, 2014).

<sup>52</sup> Ibid.; Andrew, Christopher M. *Her Majesty's Secret Service: The Making of the British Intelligence Community*. New York, N.Y., USA.: Viking, 1986. 34.

<sup>53</sup> Andrew, *Her Majesty's*, 34.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid., 33.

<sup>56</sup> Deacon, Richard. *British Secret Service*. Rev. ed. London: Grafton, 1991. 139.

<sup>57</sup> Ibid., 138.

<sup>58</sup> Ibid., 143.

<sup>59</sup> Ibid., 146.

His success was due less to exceptional German espionage practice, but more to relatively relaxed British security.<sup>60</sup> Even those politicians who were knowledgeable of his true purpose appealed to the lack of British laws that would enable the government to counter his operations.<sup>61</sup> It seems apparent that there was serious concern over German military developments and the threat of foreign invasion while at the same time there were many who refused to compromise German-British relations by taking up a strong counter-espionage stance.

It was in the anxious atmosphere after the South African War that the UK established the Committee of Imperial Defence in 1902.<sup>62</sup> Fortunately for the future of UK security, this body recognized the intelligence implications of the South African War and that war on a larger scale was likely inevitable on the European continent.<sup>63</sup> However, it was not until 1909 that the Committee set up a sub-committee to investigate the “nature and extent of foreign espionage that is as present taking place within this country and the danger to which it may expose us.”<sup>64</sup> It concluded that there was an “extensive system of German espionage” at work in the UK and that the British Government had no adequate organization to penetrate it.<sup>65</sup> Acting on this recommendation, MI5 and MI6 were founded as one organization in October 1909, which was called the Secret Service Bureau.<sup>66</sup> A year later, the Secret Service Bureau was permanently split between home (MI5) and foreign (MI6) sections.<sup>67</sup>

Initially, MI5 and MI6 were military organizations (hence the names “Military Intelligence” 5/6 that have remained even though both eventually became civilian organizations)

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<sup>60</sup> Ibid., 146-147.

<sup>61</sup> Ibid., 147.

<sup>62</sup> Ibid.

<sup>63</sup> Ibid.

<sup>64</sup> Andrew, Christopher M. *Defend the Realm: The Authorized History of MI5*. New York: Alfred A. Knopf, 2009. 3.

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

<sup>67</sup> Ibid., 28.

that reported to the War Office.<sup>68</sup> As the two parts of the Secret Service Bureau, their collective mission was to protect the military from foreign espionage, serve as a conduit between the military and British spies abroad, and manage counter-espionage.<sup>69</sup> This new organization of intelligence priorities represented a huge improvement over the uncoordinated efforts for foreign intelligence undertaken by the military previously.<sup>70</sup> The British military services had (unsurprisingly) focused exclusively on military intelligence such as force capabilities, weapons development, technical intelligence, and the organization of an early warning system in case of German aggression.<sup>71</sup> Therefore, the creation of the Secret Service Bureau, even though it was a military organization, represented a significant reordering of British intelligence to meet the new threat of organized foreign espionage as opposed to mere conventional power.

MI5 was extremely fortunate to have very experienced leaders in its early years even if its resources and personnel levels were rather lacking. Vernon Kell, the first head of MI5, ran a one-man operation for the first months of his tenure.<sup>72</sup> Kell was extremely worldly – he had grown up with foreign nationals from the European continent and grew up learning Polish, French, German, and Italian.<sup>73</sup> While serving in the army, Kell picked up Russian and Chinese as well.<sup>74</sup> He had even gained experience working in the War Office German section and the Committee of Imperial Defense secretariat – both of these positions assured that Kell was acutely aware of the threat from Germany and was always looking abroad for threats to the UK.<sup>75</sup> William Melville was another important figure in MI5's first years, and he brought significant

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<sup>68</sup> Richelson, Jeffrey. *Foreign Intelligence Organizations*. Cambridge, Mass.: Ballinger Pub. Co., 1988. 11., and MI5. "What's in a name?." MI5. <https://www.mi5.gov.uk/home/about-us/who-we-are/whats-in-a-name.html> (accessed March 26, 2014).

<sup>69</sup> Richelson, 11.

<sup>70</sup> Jeffery, 5.

<sup>71</sup> Ibid.

<sup>72</sup> Deacon, 148.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

<sup>75</sup> Ibid., 149.

investigative and counter-espionage tradecraft to Security Service.<sup>76</sup> Both of these men were extremely serious about counter-espionage work and had time to focus on little else.<sup>77</sup>

Another person who was absolutely essential to the early development of MI5 was Winston Churchill, who served as Home Secretary from 1910 to 1911.<sup>78</sup> First, Churchill gave Kell's organization an introduction to all of the chief constables in England, Wales, and Scotland, greatly expanding MI5's network of information and cooperation with law enforcement.<sup>79</sup> Second, Churchill greatly facilitated the process of acquiring warrants for MI5 to intercept and open suspicious mail, which was to become Kell's most effective weapon against foreign espionage.<sup>80</sup> It is important to remember that MI5 has always lacked police powers, which meant that cooperation with the police was essential to catching spies from the start. Fortunately, this fact was appreciated from the beginning by Kell – his legendary pre-World War I secret index of foreign nationals in the UK was established with the help of local police after Churchill had facilitated MI5's connections with police services.<sup>81</sup> The close cooperation between the military MI5 and the civilian police forces throughout the UK proved to be a formidable asset for the UK in the war.<sup>82</sup>

In the first two years of MI5's operation, however, the intelligence reports it received were of little value and the counter-espionage organization unearthed few actual German spies.<sup>83</sup> However, by 1912 MI5 was proficiently countering real espionage attempts by Germany.<sup>84</sup> The biggest mistake that MI5 made was to persistently hold on to the belief that the German

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<sup>76</sup> Andrew, *Defend*, 5-7, 25.

<sup>77</sup> *Ibid.*, 34-35.

<sup>78</sup> *Ibid.*, 29.

<sup>79</sup> *Ibid.*, 29-30.

<sup>80</sup> *Ibid.*, 36-37.

<sup>81</sup> *Ibid.*, 30.

<sup>82</sup> Deacon, 148.

<sup>83</sup> Andrew, *Defend*, 52.

<sup>84</sup> The cases of Max Schultz and Armgaard Karl Graves are particularly illustrative of MI5's engagement of German espionage before the war. *Ibid.*, 38-41.

espionage attempts uncovered by MI5 were indicative of German plans to invade the UK.<sup>85</sup> In reality, Germany was most interested in conducting naval intelligence so that its navy could compete with the UK's navy in the event of war and not the kind of intelligence that would prepare a battlefield.<sup>86</sup> In the end, however, when it came to the First World War, MI5 was substantially prepared.<sup>87</sup> On August 4, 1914, the UK declared war on Germany.<sup>88</sup> Kell immediately organized the arrest of twenty-two enemy agents and, in the first major counterintelligence success of MI5, crippled the German spy network for the rest of the war.<sup>89</sup> Kell's staff of seventeen had accomplished this feat through coordination with local police throughout the UK.<sup>90</sup> Steinhauer himself acknowledged the early war initiative by MI5 as a "wholesale round-up" that infuriated the Kaiser.<sup>91</sup> Christopher Andrew has recognized, however, that Kell did exaggerate the scope of MI5 success in the first month of World War I, and it should be noted that Andrew refers to German espionage as "third-rate."<sup>92</sup> Nevertheless, it was completely decimated by a 17-man counter-espionage unit that had only been operating for five years.

In summary, MI5 assured that the UK was a hard target for espionage before the nation embarked on the Great War. Indeed, MI5 and its founders acted as if they were on a war footing from 1909 onward. Beyond MI5, the overall British government knew that it needed to seriously apply language skills and foreign area expertise in order to protect the UK. The Secret Service Bureau certainly got off to a slow start with only two members (Kell and Mansfield Cumming, the future head of MI6) but it absolutely filled a gap in UK security functions – that of

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<sup>85</sup> Ibid., 30, 34.

<sup>86</sup> Andrew, *Defend*, 34, 52.

<sup>87</sup> Deacon, 171.

<sup>88</sup> Andrew, *Defend*, 53.

<sup>89</sup> Ibid., 51-52.

<sup>90</sup> Ibid., 50.

<sup>91</sup> Ibid., 51.

<sup>92</sup> Andrew, *Her Majesty's*, 73.

specifically protecting the nation from enemy spies. The UK had thus learned from the strategic failures of the Boer War. While MI5 failed to grasp the true nature of German espionage before the war and it took many months before it even found solid evidence of real German espionage, MI5 had already started to hone its counter-espionage strategies and tactics. The high level of experience that its early leaders brought to MI5 also made sure that it began with high awareness of espionage and would quickly learn from future successes and failures.

### *Comparative Analysis*

It is clear that the origins of the FBI and MI5 are very different. Nonetheless, they would both be called upon to perform the same kind of mission in the near and distant future. In the beginning, however, each was created to fill a different kind of gap: the FBI to fill a gap in American investigative law enforcement and MI5 to fill a gap in the UK's defense against foreign espionage. These gaps reflected the different security concerns of both countries. Each organization's initial requirements and early actions to meet those requirements stemmed from the nature of the respective weaknesses that they were intended to counteract. The early mistakes that the FBI and MI5 made are also illustrative of their roles in US and British government and society. Finally, the early years of the FBI and MI5 already display distinct cultural aspects of law enforcement missions as opposed to those of intelligence.

As mentioned, the FBI filled a gap in US law enforcement and MI5 filled a gap in counterintelligence. The FBI solved a domestic problem, and MI5 solved a foreign policy problem. Necessarily, then, the FBI focused on internal legal violations at a time when MI5 was looking for espionage threats from abroad. Both countries had expanded their global reach in the years leading up to 1908 and 1909: the Spanish-American War had allowed the US to take

control of the Guam, the Philippines, and Puerto Rico while the UK had (at great cost) subdued the two Boer Republics.<sup>93</sup> The US success in the Spanish-American War meant that it was less concerned with foreign policy issues, having pushed yet another European power out of the Western Hemisphere. For the British, however, the South African War exposed the relative paucity of their intelligence capabilities and gave them a sense of “imperial frailty.”<sup>94</sup> It is therefore unsurprising that the US had turned inward while the UK feared external influence and danger. Geography also played a significant role in shaping the foreign policies of both nations – the US was more or less left in peace in the Western Hemisphere while the UK was just off the coast of a European Continent hurtling toward great power war.

Apart from their encompassing governments’ specific concerns at the time of inception, the traditions that the organizations were born out of and the experience of their early leaders helped to establish and confirm the truly internally oriented character of the FBI and an externally oriented nature of MI5. The founding of the FBI was, as had been shown above, much more political in nature than the decision to formally establish MI5. Progressivism dictated that the federal government should be more, not less, involved in steering American society. Congress had restricted the DOJ from acting for, undoubtedly, a mixture of political and practical reasons, which forced Attorney General Bonaparte to act while Congress was not in session.<sup>95</sup> These developments were certainly driven in large part by politics. MI5, on the other hand, was discretely set up without significant political influence.<sup>96</sup> These different experiences meant that MI5 could focus more on tradecraft and less on politics while the FBI, to a certain extent, needed to justify its existence by remaining responsive to the political whims of the day.

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<sup>93</sup> "The World of 1898: The Spanish-American War: Introduction." Library of Congress. <http://www.loc.gov/rr/hispanic/1898/intro.html> (accessed March 25, 2014); Andrew, *Her Majesty's*, 34.

<sup>94</sup> Andrew, *Her Majesty*, 34.

<sup>95</sup> Theoharis, 16-17.

<sup>96</sup> Andrew, *Defend*, 17-21.

The case of the FBI's targeting of Jack Johnson illustrates the FBI's attentiveness to two sentiments popular in American white society at the time: prejudice against Johnson's success because he was black and the more general fears of "white slavery."<sup>97</sup> The FBI had, therefore, allowed politics to trump its honorable mandate to evenhandedly enforce the law. Unfortunately, it made political sense at the time, but it also heralded an unfortunate reputation of intolerance for the Bureau. MI5's early successes and failures were professional, not political. MI5 deserves much of the credit for preparing the UK for World War I, but also the blame for misunderstanding the intent of German espionage. However, all of MI5's early actions, successes and failures alike, contributed to its experience with counter-espionage because it acted almost entirely in the professional, not political, realm. MI5's role in British domestic society was practically non-existent in its pre-World War I years mostly owing to its small size and low visibility.<sup>98</sup>

Invisibility and secrecy are attributes desired by any intelligence organization, both counterintelligence and those attempting to penetrate targets abroad. Even within home territory, if an enemy cannot track the movements of a counterintelligence organization, that organization has a significant advantage. MI5 has a rich history of secrecy and attempted secrecy – from the beginning, the British government acknowledged the existence of MI5 but refrained from publicizing it.<sup>99</sup> Its small staff and cooperation with uniformed police also helped MI5 to maintain its relative anonymity. The FBI, on the other hand, had a high profile in the government (given the events surrounding its foundation) and society especially after the passage of the Mann Act in 1910. As mentioned above, MI5 only had 17 employees at a time when the

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<sup>97</sup> Jeffreys-Jones, 60-61.

<sup>98</sup> Andrew, *Defend*, 21-52.

<sup>99</sup> *Ibid.*, 28.



FBI had expanded to over a hundred agents in 1914, support personnel aside.<sup>100</sup> From the beginning, then, the FBI was extremely visible and MI5 significantly less so, according to the scope and intent of their different initial requirements.

The vast majority of law enforcement involves reaction, not the prevention of specific illegal acts. An individual or group must break the law or definitively show that they are about to break the law (probably a rare occurrence) in order for a law enforcement agency to have grounds to act.<sup>101</sup> Counterintelligence organizations cannot wait for its targets to reach their goals – their whole purpose revolves around preventing foreign espionage from gaining ground in the first place. The makings of these respective cultures were found in MI5 and the FBI early on, as evidenced by Kell’s preemptive cataloging of foreign nationals in anticipation of a world event (World War I) and the FBI’s expansion of power under the Mann Act, which significantly broadened the pool of criminals it had previously lack the jurisdiction to investigate. This divergence of preemptive and reactive cultures will become more explicit in the next two chapters.

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<sup>100</sup> Jeffreys-Jones, 62.

<sup>101</sup> This is hardly meant to belittle the practice of general law enforcement, but rather to distinguish it from the work of intelligence. Catching criminals is, arguably, more fundamental to a stable society than protecting it from spies, but the point to be made here is that these are mutually exclusive disciplines.

### **Chapter 3: Two World Wars, the Interwar Years, and the Early Cold War**

Much like the wider world, MI5 and the FBI would undergo significant changes in the period of 1914-1950. Both were called upon to defend their countries from new foreign and domestic threats, requiring them to adapt quickly to the rapidly changing governmental perception of threats to national security. Both the FBI and MI5 rose to the occasions in creative and diverse ways that both confirmed existing qualities (discussed in the previous chapter) and pioneered new areas of operation that would become standard throughout the rest of their histories. These organizations were primarily shaped by the shifting requirements of their encompassing governments and political leaders but secondarily shaped according to public perception of their contributions to national security and society.

Ultimately, the FBI changed much more than MI5 during this time – the new wartime and interwar responsibilities of MI5 were, for the most part, extensions of its existing counterintelligence mandate. The FBI, on the other hand, was called to fulfill essentially the same tasks while retaining a bureaucratic predisposition toward domestic law enforcement. Other prominent continuing themes from chapter 1 are the relative visibility and political involvement of the FBI compared to MI5, qualities that would eventually pose different various challenges for each organization. The massive timeframe of 1914 through the late 1940s will be subdivided into four small sections for each organization: World War I, the interwar period, World War II, and the early post-war period. By the end of this chapter, we should have a solid picture of how these organizations have and would continue to approach the task of counterintelligence for the majority of the twentieth century.

*The FBI in World War I: Testing the Waters of Counterintelligence*

As mentioned above in chapter 2, the FBI was not prepared for protecting US interests and security from threats that would follow the 1914 outbreak of World War I in Europe. Indeed, after the war had begun, US Attorney General Thomas W. Gregory argued that he did not even have jurisdiction to monitor or arrest the German agents who were freely operating throughout the country.<sup>102</sup> While this attitude betrayed the primary interest of DOJ officials in enforcing US law instead of preventing foreign influence, the Attorney General had a point: US law was not adequate to ensure the protection from espionage, sabotage, and subversion.<sup>103</sup> Unfortunately, it would take a high profile disaster to shock US leaders into realizing that its counterintelligence capabilities were woefully deficient.

On July 30, 1916, German agents detonated two million tons of munitions at the Black Tom train yard, killing four and sending shrapnel and shock waves flying over near-by New York City.<sup>104</sup> The German sabotage operation was executed to prevent the war materials from being sent to the embattled U.K.<sup>105</sup> The FBI, lacking jurisdiction, took up role supporting the Secret Service and New York Police Department investigations. It later became apparent that German Captain Franz von Rintelen had masterminded the plot.<sup>106</sup> The incident had the effect of convincing many US citizens that their nation's counterintelligence system needed reworking.<sup>107</sup> In the wake of Black Tom and several other events that heightened fears of internal threats, Congress passed the Espionage Act in 1917, and the Selective Service Act, Sedition Act, and Immigration Act all in 1918.<sup>108</sup> These legislative initiatives collectively gave the FBI the

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<sup>102</sup> Jeffreys-Jones, 66.

<sup>103</sup> FBI, "Centennial History," 8.

<sup>104</sup> Ibid., 10.

<sup>105</sup> Ibid.

<sup>106</sup> Jeffreys-Jones, 69.

<sup>107</sup> Ibid.

<sup>108</sup> Theoharis, 21-22.

counterintelligence and counter-subversion mandate that would manifest in its monitoring of enemy foreign nationals following the criminalization of spreading opinions that opposed or undermined the US government's wartime policies.<sup>109</sup>

Armed with this new jurisdiction to protect the US against foreign and foreign-influenced threats, the FBI promptly focused on the domestic side of the equation. While it is true that German sabotage operations like Black Tom were not replicated following this expansion of FBI powers, the FBI overwhelmingly targeted individuals and groups with controversial opinions as opposed to groups and agents who were being controlled by foreign forces.<sup>110</sup> In the heat of World War I, it is unsurprising that the FBI had difficulty telling the difference between the intent to subvert the government and opinions contrary to those of the government. The latter was easy to locate and intimidate, the former was much more elusive and required intelligence tradecraft. The targeting of political opinions inevitably further entrenched the political nature of the FBI and raised its visibility in US society, neither of which is desirable from an un-biased intelligence standpoint.

The FBI did, however, take the first steps in establishing a trend that would continue through its history – the ability to apply exceptional intelligence tradecraft in isolated instances. In 1917, after the US had formally entered the war, the FBI received intelligence that the German embassy had hidden sensitive documents in the Swiss Consulate, which was located in New York City.<sup>111</sup> The NYC Special Agent in Charge then tasked a small unit to acquire the documents. The unit set up an office nearby for surveillance, quickly determined where the documents were being hidden, obtained access regularly, and covered their tracks effectively.<sup>112</sup>

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<sup>109</sup> Ibid.

<sup>110</sup> Ibid., 22.

<sup>111</sup> FBI, "Centennial History," 11.

<sup>112</sup> Ibid.

Quietly, they would send their haul off to the DOJ for exploitation without leaving a paper trail of the transit.<sup>113</sup> The payoff was thousands of pages of secret German documents concerning intelligence methodology, logs of activities inside the US, and information on Von Rintelen's espionage and sabotage network.<sup>114</sup> This highly successful operation challenges the notion that the FBI was incapable of performing strong counterintelligence tradecraft, but such a case represents the exception, not the rule.

### *The Interwar Period for the FBI: Politics, Fame, and Preeminence*

If the FBI's wartime experience had forced it to at least consider foreign threats more seriously, the return to peacetime meant that the FBI retreated to its primary mandate of investigating violations of federal law without fostering the counterintelligence lessons of the First World War.<sup>115</sup> Two events in the early 1920s show that the FBI was significantly overreaching in internal US politics without even attempting to countering foreign threats. First, Attorney General A. Mitchell Palmer launched an infamous set of raids against suspected anarchists that violated the civil liberties of thousands of people.<sup>116</sup> The Bureau's involvement in the "Palmer Raids" earned it significant public ire. Second, in 1923 the FBI cooperated with a request from President Warren G. Harding's administration to monitor Congress members who opposed the President's policies in what became known as the Teapot Dome Scandal.<sup>117</sup> These events marked a significant breach of trust between the US public and the Bureau. Indeed, after the Teapot Dome Scandal had become public knowledge, it was suggested that the FBI be

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<sup>113</sup> Ibid.

<sup>114</sup> Ibid.

<sup>115</sup> FBI, "Short History," 3.

<sup>116</sup> FBI, "Centennial History," 12.

<sup>117</sup> Ibid., 16-17.

subordinated to the Secret Service.<sup>118</sup> However, there was no formal campaign or attempt to abolish the Bureau, demonstrating how fundamental the FBI had become to the US government.<sup>119</sup>

It fell to J. Edgar Hoover to revitalize the FBI, repair its reputation, increase its efficiency, and retrieve it from political scandal. Indeed, Hoover ushered in dramatic FBI success against gangsters in the later 1920s and cultivated a highly positive reputation for the Bureau for the remainder of the interwar period.<sup>120</sup> Public perception factored heavily into Hoover's recipe for success. His 1925 remarks to the Attorney General encapsulate his thinking on the matter: "the real problem of law enforcement is in trying to obtain the cooperation and sympathy of the public and... they [special agents] cannot hope to get such cooperation until they themselves merit the respect of the public."<sup>121</sup> This line of thinking culminated in two of Hoover's most ingenious innovations – a public list of "Ten Most Wanted Fugitives" and the identification of a "Public Enemy Number One."<sup>122</sup> Through these programs, the FBI published identifying information about prominent criminals in the hope that the public could assist in his location and arrest. It was widely successful and had the added effect of uniting the public in nationalistic sentiment.<sup>123</sup> Hoover's impact on the Bureau brought it new life and new status in American society. However, since all of his key initiatives and reforms were focused specifically on domestic law enforcement, the FBI staunchly retrenched itself in its internal focus at the expense of maintaining the capability to defend against foreign threats.

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<sup>118</sup> Kessler, 16-17.

<sup>119</sup> Theoharis, 32.

<sup>120</sup> Kessler, 32-40.

<sup>121</sup> For quote: FBI, "Short History," 4.

<sup>122</sup> Kessler, 41-42; Jeffreys-Jones, 90-91.

<sup>123</sup> Ibid.

The Great Depression had resounding effects on US society in the 1930s and brought about an environment of desperation and uncertainty that provided a fertile breeding ground for subversive, radical, and anti-government organizations.<sup>124</sup> Worried about the increasing number of such groups, President Franklin D. Roosevelt secretly and unilaterally authorized the FBI to investigate such groups.<sup>125</sup> This was the first of several presidential directives by which President Roosevelt expanded the FBI's powers before and during World War II. Eventually, the president elevated the FBI to the undisputed lead position in the US to meet the challenges of subversion, espionage, and sabotage.<sup>126</sup> The FBI had thus achieved the formal status of primary US counterintelligence organization before the advent of the Second World War, which made sure that the US was much more prepared now than before entering World War I from a counterintelligence standpoint. This expansion of FBI power did not come politically free, however. Political activities of the FBI under Hoover had not entirely disappeared and many still remembered its involvement in the Palmer Raids and the Teapot Dome Scandal. The problem was that, in the public eye, more counterintelligence power for the FBI had the potential to translate into more political surveillance and overreach.<sup>127</sup>

The FBI did have one counterintelligence success before the war that had particularly moved President Roosevelt to increase the FBI's intelligence mandate mentioned above.<sup>128</sup> This demonstrated that the FBI had significantly improved upon its rather modest intelligence tradecraft in World War I regardless of its political dealings. The success was the disruption of the Rumrich spy ring, a German military intelligence operation in New York City.<sup>129</sup> While the

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<sup>124</sup> FBI, "Short History," 5; FBI, "Centennial History," 34.

<sup>125</sup> Theoharis, 44-46.

<sup>126</sup> Theoharis, 48-49, 58-64.

<sup>127</sup> Jeffreys-Jones, 103.

<sup>128</sup> Theoharis, 49-50.

<sup>129</sup> Jeffreys-Jones, 101-102.

FBI investigation revealed many spies and obtained a great deal of valuable information on German intelligence, failure to coordinate and too much publicity led to the escape of all but four of the spies.<sup>130</sup> While the Bureau should be faulted for failing to maximize US gains on the plot's exposure, it is important to note that the FBI successfully disrupted a professional foreign intelligence operation. The part of the story that makes this case less impressive, however, is the fact that MI5 had done most of the work in identifying the ring in the first place.<sup>131</sup> This case will be analyzed further in the comparative analysis section of this chapter below.

### *The FBI in World War II: Strides in Organization and Action*

FBI activities during the Second World War could fill many books, but here I will only examine counterintelligence highlights and organizational changes that are germane to the current inquiry. The most important structural change that came for the FBI in the arena of counterintelligence was the creation of its Special Intelligence Service (SIS) in 1940 in the face of increasing Axis influence in South America.<sup>132</sup> Its mission was to gather intelligence on Axis power activities in South America, protect South American allies of the US from Axis political intrigue, and expose Axis networks.<sup>133</sup> By the end of the war, SIS had 369 agents spread across Central and South America.<sup>134</sup> According to the FBI, SIS had revealed "887 Axis spies, 281 propaganda agents, 222 agents smuggling strategic war materials, 30 saboteurs, and 97 other agents" in addition to providing a wealth of useful intelligence.<sup>135</sup>

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<sup>130</sup> Ibid., 102; Theoharis, 50.

<sup>131</sup> Jeffreys-Jones, 100-101.

<sup>132</sup> FBI, "Short History," 9.

<sup>133</sup> Ibid; FBI, "Centennial History," 35.

<sup>134</sup> Jeffreys-Jones, 117.

<sup>135</sup> FBI, "Centennial History," 35.



The FBI's SIS was an active and externally focused counterintelligence initiative that pioneered new territory for the Bureau. In a very short time span, the internally oriented FBI rose to the international occasion of the Second World War to develop US counterintelligence efforts in foreign territory. In order to have achieved such success outside of the US homeland, it can be concluded that the FBI demonstrated a slightly more cosmopolitan outlook than it ever had before. It is important to note, however, that the US had considered South America to be its sphere of influence for decades by the Second World War, and it had taken military measures to make sure that the European and Pacific theaters did not spread to the Western Hemisphere.<sup>136</sup> Thus, while SIS represented a significant step toward active counterintelligence practice apart from the FBI's primary law enforcement mission, this is tempered by the fact that US power had made South America a hard target for Axis espionage and a relatively easy assignment for the FBI. The cultural and linguistic differences between the US and South America are also, arguably, less dramatic than those between the US and some of the European combatants. It is likely that it would have been far more difficult for FBI agents to achieve a measure of counterintelligence success in, say, liberated Western Europe or conquered Japanese territory.

There are two FBI counterintelligence cases from the Second World War that the Bureau holds as great successes and that illustrate the nature of FBI counterintelligence.<sup>137</sup> The first case (which actually ended the month that the US entered the war) is that of William Sebold. Sebold was a naturalized US citizen who had emigrated from Germany and who had been approached by German intelligence officers during a visit to his homeland in 1939.<sup>138</sup> Sebold worked in US

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<sup>136</sup> Conn, Stetson, and Byron Fairchild. "United States Army in World War II: The Western Hemisphere: The Framework of Hemispheric Defense." US Army Center of Military History. [http://www.history.army.mil/html/books/004/4-1/CMH\\_Pub\\_4-1.pdf](http://www.history.army.mil/html/books/004/4-1/CMH_Pub_4-1.pdf) (accessed March 27, 2014).

<sup>137</sup> FBI, "Centennial History," 44; FBI, "Short History," 8.

<sup>138</sup> FBI, "Centennial History," 44.

industrial plants, and was an ideal candidate for espionage and sabotage.<sup>139</sup> While still in Germany, Sebold accepted the offer to spy but then immediately offered his services to the FBI.<sup>140</sup> Upon returning to his home in New York City, the FBI ran him as a double agent for sixteen months.<sup>141</sup> The FBI proved quite adept at handling his exploits and certainly capitalized on the intelligence that he provided.

The fruits of this operation were many, including lists of German intelligence requirements and specific instructions to the Fritz Duquesne spy ring that the Bureau had penetrated through Sebold.<sup>142</sup> The Bureau only ceased the operation when it had positively identified all 33 members of the ring.<sup>143</sup> On June 29, 1941, the FBI successfully arrested them all, not letting a single spy escape as it had in the Rumrich case.<sup>144</sup> 19 of those arrested pled guilty, while the other 14 were convicted in December of that year in a resounding counterintelligence (and law enforcement) success.<sup>145</sup> In terms of neutralizing the Duquesne network, this case represents an absolute victory.

The vigilant counterintelligence expert might be tempted to ask: was there more that the FBI could have gotten from the Sebold operation? Could it have turned any of those 33 spies into double-agents, leading toward a greater misinformation campaign to completely confuse the central German intelligence system? Such questions are not meant to belittle the success of this operation, but rather to suggest that the FBI, very eager to present a solid victory to the public, may have closed the case before realizing its full intelligence potential. The Duquesne ring was one outfit in a larger intelligence war. Perhaps the FBI could have learned more, but sixteen

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<sup>139</sup> Ibid.

<sup>140</sup> Ibid.

<sup>141</sup> Jeffreys-Jones, 105.

<sup>142</sup> Ibid.

<sup>143</sup> Theoharis, 51.

<sup>144</sup> Jeffreys-Jones, 105.

<sup>145</sup> Theoharis, 51.

months is certainly a long time and this demonstrates a step toward the patience required for long-term and big picture counterintelligence strategy. One final note on this case: Sebold was a walk-in and the FBI, while it proved proficient at handling him, had not set out to recruit him in the first place.

The second case is that of George Dasch. In mid-1942, two German submarines carrying eight sabotage agents (including Dasch) dropped them off on Long Island.<sup>146</sup> Some accounts claim that Dasch decided to defect after the haphazard landing; he claims in his book that he had planned to defect all along.<sup>147</sup> Either way, Dasch turned himself into the authorities and assisted the FBI in rounding up the other seven saboteurs before any sabotage could be accomplished. J. Edgar Hoover conveniently omitted the fact that Dasch had turned himself in when he informed the president of the success.<sup>148</sup> It also does not reflect particularly well on the FBI that Dasch's first attempts at defection did not garner more attention – he was initially shrugged off as a fake.<sup>149</sup> This detail and the fact that Dasch was a walk-in aside, the FBI did learn from this experience to the point where, when two more German agents were similarly dropped off in 1944 in Maine, the Bureau arrested them quite promptly.<sup>150</sup>

The fact that Dasch and Sebold were walk-ins should not diminish their value as agents to the US – some of the greatest spies of the twentieth century were walk-ins.<sup>151</sup> This does not change the fact, however, that it takes a greater counterintelligence capability and effort to locate and turn agents into double agents than it does to recognize their potential and run them once they have defected. On the whole, the FBI was very effective in protecting the US from the

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<sup>146</sup> FBI, "Short History," 8.

<sup>147</sup> FBI, "Centennial History," 38; Dasch, George John. *Eight Spies Against America*. New York: R.M. McBride Co., 1959. 77, 83, 90.

<sup>148</sup> Kessler, 67.

<sup>149</sup> *Ibid.*, 66.

<sup>150</sup> *Ibid.*, 69.

<sup>151</sup> For example, Oleg Penkovsky, Adolf Tolkachev, and Aldrich Ames were all walk-ins.

foreign threats of subversion, sabotage, and espionage in World War II. The successful Japanese surprise attack on Pearl Harbor in December 1941 obviously marked a low point in US intelligence history, but the FBI had effectively played no part in the failure to read the intelligence signs pointing toward that event. The Bureau had overcome its predisposition toward wholly domestic work when called upon to lead counterintelligence in South America through SIS. Indeed, it appears to have excelled in this area of operation. At the end of the war, the FBI had made significant strides toward greater counterintelligence responsibility, but politics and perception of FBI excess would primarily shape the early post-war future of the Bureau.

*The FBI After the War: Domestic Backlash, Loss of Empire, and Rejection of Intelligence*

As mentioned above, Hoover's FBI had a leading counterintelligence role in the US when the world was plunged into war. Despite SIS success, however, the US entry into war and the creation of the Office of Strategic Services (OSS) in 1942 had the effect of restricting FBI intelligence work to the Western Hemisphere and generally removing it from central planning of US intelligence in the war.<sup>152</sup> Nonetheless, after President Roosevelt's death, President Truman duly abolished the OSS after the war's end and lent credence to Hoover's belief that the FBI was positioned to become a "world-wide intelligence service."<sup>153</sup>

The stumbling block for this vision of the FBI's future proved to be chiefly political, not based on the FBI's moderately strong counterintelligence record. In the mid-1920s, Attorney General Harlan Fiske Stone had appointed Hoover to be the Bureau director partially to pull the

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<sup>152</sup> Jeffrey-Jones, 111.

<sup>153</sup> Ibid., 118-119; for quote: Ibid., 118.

FBI out of US politics.<sup>154</sup> While Hoover certainly brought the Bureau increased fame and public support, he had definitely not kept the Bureau out of politics through the rest of the 1920s and 1930s.<sup>155</sup> The arrival of President Roosevelt's presidency and the national security concerns of the US leading up to World War II ushered in an unprecedented increase in the FBI's political dealings.<sup>156</sup> Hoover led the political espionage campaign of President Roosevelt against his opponents, especially those politicians who opposed the Lend-Lease Act and the US entry into the war.<sup>157</sup> Politicians were hardly the only ones who experienced the FBI's overreach into US society – many individuals were targeted for their political views who were not directly involved in the US political process.<sup>158</sup>

The end of the war and the disappearance of publicly perceived worldwide threats meant that all of the FBI's more murky dealings would be brought to light in public discourse. This was especially the case as the US public became aware of the extreme authoritarianism of the Nazi regime in Germany, especially the atrocities of the Gestapo, the Nazi Secret Police.<sup>159</sup> The comparison of the politically involved FBI to the murderous Gestapo was hardly a reasonable one, but it did not help that Hoover had become a highly visible and feared personality in Washington.<sup>160</sup> Very conscious of these public perceptions of the FBI, President Truman realized that expanding the Bureau's powers as a peacetime intelligence agency was untenable.<sup>161</sup> To meet the growing military and espionage threat of the Soviet Union, therefore,

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<sup>154</sup> Ibid., 84.

<sup>155</sup> Ibid., 121-123.

<sup>156</sup> Kessler, 55-57; Theoharis, 44-64.

<sup>157</sup> Jeffreys-Jones, 127-129.

<sup>158</sup> Ibid., 130-136.

<sup>159</sup> Ibid., 137-138.

<sup>160</sup> Ibid., 10-11.

<sup>161</sup> Ibid., 137-138.

Truman signed the National Security Act of 1947 that created the Central Intelligence Agency (CIA).<sup>162</sup>

The most important outcome of the act for the present inquiry was that the CIA was given the mandate of foreign intelligence while the FBI was restricted to domestic operation.<sup>163</sup> The most immediate consequence of this rearrangement of the USIC was that the FBI was forced to abandon its South American SIS operations and hand over such operations and attendant facilities to the CIA.<sup>164</sup> Needless to say, Hoover was furious, and his ensuing bitterness unfortunately played a significant role in shaping the mutual mistrust between the Agency and the Bureau.<sup>165</sup> Even more unfortunate for the emerging US Cold War intelligence posture was Hoover's conscious rejection of the FBI's reduced but still important mission of counterintelligence. He unilaterally hampered USIC establishment and early coordination by refusing to attend the Intelligence Advisory Committee (that was chaired by the Director of Central Intelligence), pulling the FBI out of the Interdepartmental Committee on International Communism, and abandoning the task of vetting potential CIA personnel in the critical early months of its operation.<sup>166</sup>

Clearly, the early Cold War years witnessed a USIC that was in a state of flux. This did not mean, however, that US authorities failed to appreciate the threat from the Soviet Union. Before the CIA had been formed and the intelligence waters muddied by internal politics, the FBI was aware that the Soviet Union had engaged a concerted espionage effort throughout the US. This was thanks to the timely defections of Igor Gouzenko in Canada and Elizabeth Bentley

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<sup>162</sup> Ibid.

<sup>163</sup> Ibid., 137.

<sup>164</sup> Ibid., 142.

<sup>165</sup> Ibid., 142-148. Hoover is not the sole reason for the cultural mistrust between the two organizations. It is likely that bureaucratic rivalry would have developed between the two organizations without Hoover's open hostility solely on account of taking responsibilities from one (the FBI) and giving them to another (the CIA).

<sup>166</sup> Ibid., 143-145.

in New York City in 1945.<sup>167</sup> In some ways, however, this makes Hoover's anti-intelligence posturing post-1947 all the more inexcusable because he and the Bureau could not feign ignorance of the real threat of foreign espionage. Also, since both Bentley and Gouzenko had been walk-ins, this knowledge had been more a result of fortuitousness than inevitability brought about by solid counterintelligence tradecraft, which should have alerted policy makers to the Bureau's resurfacing reluctance toward intelligence work.<sup>168</sup>

In summary, the FBI's history of intelligence practice in this period of 1914 through the late 1940s is one of expansion and contraction, moving through threats *du jour*, political involvement, and exceptional breakthroughs. Overall, however, its progress lacked the requisite institutionalization to give the FBI's intelligence-related mandates significant staying power. The FBI dabbled in counterintelligence in the First World War but then, like the rest of American society, retreated back into isolation from the wider world. In the interwar period, the Bureau focused primarily on domestic law enforcement and only revitalized its counterintelligence capabilities when US leaders perceived the growth of external threats in the later 1930s. The culmination of Bureau's the best counterintelligence practice was to be found during World War II, when the FBI handled sophisticated double-agent operations and managed a foreign based counterintelligence apparatus (SIS) to great effect. Unfortunately, for political reasons, the Bureau was never given a chance to improve upon the lessons it had learned in the Second World War after its end. If Hoover's FBI had steered clear of political involvement and political squabbles (as Attorney General Stone had hoped), the US might have had a very different intelligence community today.

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<sup>167</sup> FBI, "Centennial History," 41.

<sup>168</sup> Theoharis, 70.

### *MI5 in World War I: Great Success but Low Visibility*

As mentioned in the last chapter, MI5's registry and pre-war activity had made the UK a hard target for espionage before the UK had even entered the fray of the First World War. In terms of combating German espionage, MI5's actions in World War I were a resounding success. According to German archives, MI5 apprehended more than half of the spies that Germany sent to the UK throughout the war and there is little evidence that those spies not apprehended were able to provide any significant intelligence.<sup>169</sup> With the backing of key government leaders, MI5's authority to clandestinely open the mail of suspected spies was further expanded and contributed to this long-term counter-espionage success.<sup>170</sup>

Proficiency at identifying and catching spies was not the only skill that Kell's MI5 developed in wartime – it also charted new counterintelligence territory by using apprehended foreign agents to spread disinformation and confuse enemy intelligence organizations. Aided by mail-opening procedures and a fortunate tip, MI5 had Karl Müller arrested in 1915.<sup>171</sup> Showing the poor state of German intelligence in the UK by the second year of the war, German intelligence was not aware that Müller had been arrested.<sup>172</sup> Knowing his communication methods with his handlers, MI5 officers were able to impersonate him, fooling German intelligence into relying on their fake reports and sending them requested funds.<sup>173</sup> This charade lasted several months after his arrest, largely thanks to government prevention of media coverage

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<sup>169</sup> Andrew, Christopher. "MI5 in World War I." MI5. <https://www.mi5.gov.uk/home/mi5-history/mi5s-early-years/mi5-in-world-war-i.html> (accessed March 27, 2014).

<sup>170</sup> Andrew, *Defend*, 63-64.

<sup>171</sup> *Ibid.*, 67.

<sup>172</sup> *Ibid.*, 68.

<sup>173</sup> *Ibid.*, 68-69.



following Müller's arrest.<sup>174</sup> The Service only gave it up after Müller's German handlers, probably suspicious, attempted to recall him.<sup>175</sup>

The war also required MI5 to step into missions outside the strictly counter-spy business. MI5 was called upon to implement government policy on foreign nationals, assist in securing industrial areas, and lead the coordination of counterintelligence throughout the British Commonwealth.<sup>176</sup> As MI5's efforts rendered the German espionage threat to the mainland less and less severe, the Service focused on countering subversion within the Empire but outside of the mainland.<sup>177</sup> Germany specifically targeted Irish and Indian restlessness under continued British rule.<sup>178</sup> To counter these efforts, MI5 swiftly worked to cement informational ties throughout the Empire.<sup>179</sup> These expansions of MI5 operation granted the organization a particularly worldly quality and increasingly forced it to stay active and externally oriented in its practice of counterintelligence.

Two factors, however, proved to be a double-edged sword for the future of the Service. The first is that MI5's very success against German espionage meant that the UK government was less concerned with the direct threat from Germany by the second half of the war.<sup>180</sup> Thus, MI5's primary mission of counterintelligence started to play second fiddle to concerns about domestic subversion, an area where Basil Thomson's Metropolitan Police Special Branch (MPSB) had increasingly taken the lead in 1914-1915.<sup>181</sup> The second factor complicating domestic appreciation of MI5's work stemmed from a quality that was essential to MI5's

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<sup>174</sup> Ibid.

<sup>175</sup> Ibid.

<sup>176</sup> Northcott, Chris. "The Role, Organization, And Methods Of MI5." *International Journal of Intelligence and Counterintelligence* 20, no. 3 (2007): 453-479. <http://www.tandfonline.com/doi/pdf/10.1080/08850600701249758> (accessed March 26, 2014). 454.

<sup>177</sup> Andrew, *Defend*, 85-86.

<sup>178</sup> Ibid., 86-93.

<sup>179</sup> Ibid., 93.

<sup>180</sup> Ibid., 83.

<sup>181</sup> Ibid., 81-83.

success: secrecy. The Service actively attempted to maintain a low profile in British society and completely relied on the UK's various police agencies to carry out arrests that MI5 had worked to bring about.<sup>182</sup> Unfortunately, this meant that MI5 could not take credit for the arrests, leaving Thomson and the MPSB as the visible face of UK counter-espionage success.<sup>183</sup> Indeed, even before the war had ended, Thomson had used his influence in the wider UK government to secure his organization's leading role in intelligence, effectively sidelining MI5.<sup>184</sup> Proof of Thomson's rapidly increasing status in UK policy circles can be found in the fact that, once the Russian Revolution began, UK leaders turned to Thomson and the MPSB, not Kell's MI5.<sup>185</sup> Had the Service been led by a politically savvy and solicitous leader at this time, it might have been spared the heated bureaucratic rivalry and the chaos of its early post-war years. Vernon Kell, unfortunately, did not exude those qualities.<sup>186</sup>

### *MI5 Between the Wars: Fighting for Survival and Regaining Prestige*

Once the war was over, MI5's rivals and various top-level government officials sensed weakness in the Service, which led to challenges to MI5's very survival as an independent service.<sup>187</sup> In 1919 MI5's budget was slashed down to a third of its wartime level and its staff, totaling 844 by the end of the war, was cut to 151 by 1920.<sup>188</sup> Further cuts left MI5 with only 35 personnel and its capabilities had, consequently, seriously atrophied.<sup>189</sup> National security policy makers had even debated merging MI5 and MI6 after the war, citing a failure of coordination

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<sup>182</sup> West, Nigel. *MI5: British Security Service Operations, 1909-1945*. New York: Stein and Day, 1981., 40.

<sup>183</sup> Andrew, *Defend*, 82.

<sup>184</sup> *Ibid.*, 82-83.

<sup>185</sup> *Ibid.*, 98.

<sup>186</sup> *Ibid.*, 82-83.

<sup>187</sup> *Ibid.*, 115-116.

<sup>188</sup> *Ibid.*, 117.

<sup>189</sup> *Ibid.*, 122.

(this suggestion did not sit well with either organization).<sup>190</sup> Basil Thomson had managed to steal the leading counter-subversion mandate from the Service in a dramatic if short-lived UKIC reorganization, but the MPSB still kept this role after the other organizational changes collapsed.<sup>191</sup> Hugh Sinclair, Mansfield Cumming's successor as MI6 Chief, attempted to absorb MI5 outright in 1923 claiming that there was insufficient difference between their missions to justify having separate organizations.<sup>192</sup>

Until this period of the mid-1920s, MI5's secrecy, low profile, and lack of political influence had kept the Service on the political straight and narrow. In 1924, however, MI5 was involved in what would later be considered a first and major case of politicization of intelligence in the UK.<sup>193</sup> In the fall of 1924, the UKIC intercepted (among much real traffic) one critical forgery of a letter ostensibly sent from the Comintern Executive Committee that implicated the Communist Party of Great Britain (CPGB) and the Labour Party in a plot to foment a communist-inspired revolution.<sup>194</sup> The Zinoviev Letter (named after the Comintern president, Grigori Zinoviev) was apparently forged by anti-Bolshevik exiles but was accepted uncritically by UKIC leaders, including Kell.<sup>195</sup> Public revelation of the letter consequently proved to be politically catastrophic for the sitting Labour government of Ramsay MacDonald.<sup>196</sup> MI5's part in the distribution of the forgery extended to circulation in the military, but further willful involvement in its propagation by the Service is unclear.<sup>197</sup> Christopher Andrew, with

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<sup>190</sup> Ibid., 115-116.

<sup>191</sup> Andrew, Christopher. "The Inter-War Years." MI5. <https://www.mi5.gov.uk/home/mi5-history/mi5-between-the-wars/the-inter-war-years.html> (accessed March 27, 2014).

<sup>192</sup> Ibid.

<sup>193</sup> Bar-Joseph, Uri. "The Politicization of Intelligence: A Comparative Study." *International Journal of Intelligence and Counterintelligence* 26, no. 2 (2013): 347-369.

<http://www.tandfonline.com/doi/pdf/10.1080/08850607.2013.758000> (accessed March 27, 2014). 353-354.

<sup>194</sup> Andrew, *Defend*, 148-149.

<sup>195</sup> Ibid., 149; West, 51-52.

<sup>196</sup> West, 50-51.

<sup>197</sup> Andrew, *Defend*, 149-150.

unprecedented access to MI5's archives, concludes that the dissemination of the letter certainly reflected interests of certain UKIC leaders (Kell not included) to remove a government that was, in their view, too conciliatory to the communist threat.<sup>198</sup> Regardless of the seemingly limited extent of the Service's involvement in this episode of UK politics, future Labour ministers would remain suspicious of supposed political machinations of MI5 long after the letter's impact on the MacDonald government.<sup>199</sup>

An attentive observer, however, would have realized that the Security Service was not a leading force in the UKIC at this time and that its responsibility for the Zinoviev Letter was shared across other, more powerful organizations. Recall that MI5 had been restricted to countering subversion only within the military as a result of Basil Thomson's politically connected MPSB. In 1929, however, the Service exposed two Soviet agents within the MPSB, significantly boosting MI5's prestige in the UK government.<sup>200</sup> Consequently, the UK's intelligence-governing Secret Service Committee decided in 1931 to return the mandate for *all* counter-subversion to the Service and formally transferred it to an independent and fully civilian status, in which it no longer reported to the War Office.<sup>201</sup>

This timely boost to MI5's responsibilities and mission assured that the Service could make great progress in the critical years preceding the Second World War. Through the 1920s and early 1930s MI5 focused primarily on the threat of Communism, particularly manifested in the Communist Part of Great Britain.<sup>202</sup> Indeed, between 1933 and 1937, the rise of Nazi Germany went from very low to the very top of MI5's priorities.<sup>203</sup> Unfortunately for the

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<sup>198</sup> Ibid., 150.

<sup>199</sup> Ibid., 321.

<sup>200</sup> Andrew, "Inter-War Years."

<sup>201</sup> Andrew, *Defend*, 129-130.

<sup>202</sup> Ibid., 139-185.

<sup>203</sup> Andrew, *Defend*, 188, 195.

Service, the greater prestige it had gained through the UKIC reorganization in 1931 did not translate into more staff until the later 1930s, very close to the outbreak of war.<sup>204</sup> This lack of personnel was one factor that contributed to the difficulties that MI5 faced as it attempted to counter German espionage in the war.<sup>205</sup>

MI5's pre-war political intelligence on the Nazi regime in Germany proved to more valuable than its efforts to protect the UK from espionage. Its best source in the mid-1930s was a German diplomat posted to the German embassy in the UK, Wolfgang zu Putlitz.<sup>206</sup> As an agent who found the Nazi regime utterly repugnant, Putlitz was happy to provide copious amounts of intelligence to inform UK foreign policy handling the increasingly belligerent Hitler.<sup>207</sup> Putlitz's intelligence persuaded Kell and his officers to be more and more skeptical of the prospects for negotiation.<sup>208</sup> Accordingly, MI5 was possibly the first organ of the British government to warn against appeasement of Hitler (warnings that went unheeded all the way to Munich and back again).<sup>209</sup>

The Security Service, therefore, may have been the British organization that was most mentally prepared for a war with Germany. Logistically, however, MI5 was very much unprepared. The problem of limited personnel was compounded in 1938 when the Service was charged with the monuments task of screening Continental refugees from Nazi aggression – at the time the UK government failed to realize the damage this would do to MI5 efficiency without a proportional increase in staff.<sup>210</sup> Kell wanted very much to replicate his pre-World War I success against Germany espionage, but his lack of a substantial workforce and the waves of

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<sup>204</sup> Deacon, 261.

<sup>205</sup> Northcott, 455.

<sup>206</sup> Andrew, *Defend*, 195.

<sup>207</sup> *Ibid.*, 196.

<sup>208</sup> Another asset to MI5's calculations was the General Baron Geyr von Schweppenburg, Germany's military attaché at the London embassy. *Ibid.*, 201.

<sup>209</sup> *Ibid.*, 198-205.

<sup>210</sup> Deacon, 262

refugees fleeing Continental Europe made this goal practically infeasible.<sup>211</sup> In addition to logistical constraints, the extent of MI5's operational understanding of Nazi intelligence was poor compared to its grasp of Hitler's political intentions.<sup>212</sup>

### *MI5 in World War II: Strategic Deception and New Heights of Counterintelligence*

The explosion of pre-war and early war responsibilities for MI5 (specifically regarding foreign aliens) without a proportional increase in staff meant that the Service's counter-espionage mission suffered greatly in the first two years of the Second World War.<sup>213</sup> Indeed, by a senior MI5 officer's own admission, the Service had fallen into a "chaotic" state.<sup>214</sup> The blame for this general confusion within the Service was placed on Kell.<sup>215</sup> This situation and various other incidents led to his dismissal from MI5 in 1940.<sup>216</sup> After the brief and uncomfortable tenure of Jasper Harker, David Petrie became MI5 director in 1941.<sup>217</sup> MI5 took to Petrie extremely quickly as he promptly engaged in organizational and personnel reforms to subordinate the various missions of MI5 to the primary task of counterintelligence and counter-espionage.<sup>218</sup> Armed with a strong leader who was bent on revitalizing the counter-spy work of the Service, MI5 had the organizational and leadership backing to achieve unprecedented success in the remainder of the war.

Before Petrie had taken over as MI5 director, however, MI5 officers had already begun to efficiently counter the Nazi espionage threat. In the early fall of 1940, the Nazi intelligence

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<sup>211</sup> Ibid., 269.

<sup>212</sup> Andrew, *Defend*, 210.

<sup>213</sup> Ibid., 220-222; Andrew, Christopher. "World War II." MI5. <https://www.mi5.gov.uk/home/mi5-history/world-war-ii.html> (accessed March 27, 2014).

<sup>214</sup> For quote: Andrew, *Defend*, 227.

<sup>215</sup> Ibid.

<sup>216</sup> Ibid.; Deacon, 270; West, 152-153.

<sup>217</sup> West, 156.

<sup>218</sup> Andrew, *Defend*, 237; Andrew, "World War II."

service, Abwehr, had launched an espionage campaign whereby it would parachute its agents into the UK.<sup>219</sup> Two agents, eventually codenamed TATE and SUMMER by MI5, were caught in succession soon after landing, thanks to a bit of luck and watchful British citizens.<sup>220</sup> SUMMER had been deployed and apprehended first, and MI5 quickly decided that he was a devoted Nazi ideologue.<sup>221</sup> However, the Service very quickly was able to persuade him to become a double agent in return for a promise to spare the life of TATE, his fellow spy who would be dropped into the UK two weeks later.<sup>222</sup> Having injured himself upon landing, TATE was very easy to identify and capture.<sup>223</sup> MI5 interrogators used information that SUMMER had willingly offered them to support a lie to TATE that his friend, SUMMER, had actually betrayed him.<sup>224</sup> Furious at this perceived abandonment, TATE abruptly and fully began to cooperate with the Service, eventually becoming one of the most long-term and successful of MI5's double agents in the war.<sup>225</sup> While the Service had certainly been lucky to catch these two agents in the first place, MI5 showed remarkable counter-espionage ability because it had effectively turned two enemy spies into double agents *who had not intended to spy for the UK previously*. This case should be distinguished from the situation in which a spy will offer his services initially and then solid counterintelligence tradecraft would consist in vetting and running the "walk-in" agent.

TATE and SUMMER were only two of a hundred-plus double agent network, known as the Double-Cross System.<sup>226</sup> This network easily represents MI5's greatest World War II achievement and, arguably, one of the greatest cases of strategic deception of all time. Initially,

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<sup>219</sup> Andrew, *Defend*, 251.

<sup>220</sup> Ibid.

<sup>221</sup> Ibid.

<sup>222</sup> Ibid.

<sup>223</sup> Ibid.

<sup>224</sup> Ibid., 252.

<sup>225</sup> Ibid.

<sup>226</sup> Ibid., 252-253.

the double agents that the Security Service collected were used primarily to frustrate enemy espionage and learn all there was to know about it. By 1942, however, the network had become thoroughly institutionalized in the Twenty Committee, which was composed of members from across the UKIC and governing bodies but was led by MI5.<sup>227</sup> This highly coordinated initiative was brought together for the sake of totally deceiving the enemy central command, not just Abwehr intelligence leaders or tactical decision-makers.<sup>228</sup> Therefore, this was a purely active and centrally planned counterintelligence mission.<sup>229</sup> Signals intelligence (SIGINT) proved to be invaluable to this effort because the deceiver needs to know that the target has effectively been fooled after a deception is planted.<sup>230</sup> The fruits of the Double-Cross system are easily demonstrable. The initial hope of the Allied powers was that the Double-Cross deception leading up to the famous D-Day landing would divert Axis forces for the Normandy location for a minimum of ten days.<sup>231</sup> The deception was so complete that the German forces in question were still waiting for a non-existent Allied offensive in the wrong location several weeks after the Allies had made their historic landing on June 6, 1944.<sup>232</sup> Additionally, a German map had been obtained later that same year showing that Nazi leaders had thoroughly been deceived in terms of the location of Allied forces stationed in the UK before the Normandy landing.<sup>233</sup>

A somewhat less known and more defensive case of MI5's successful deception operations in the Second World War was the Service's role in countering the German bombing of London. Shortly after the D-Day landing, German forces began bombarding the city with

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<sup>227</sup> Ibid., 255.

<sup>228</sup> Ibid., 281.

<sup>229</sup> West, 170.

<sup>230</sup> Andrew, *Defend*, 299, 308-309.

<sup>231</sup> Ibid., 308.

<sup>232</sup> Ibid., 309.

<sup>233</sup> Ibid., 305-306.



small pilotless flying bombs (V-1s and V-2s).<sup>234</sup> The campaign targeted central London for the sake of maximizing damage and casualties.<sup>235</sup> MI5 was duly tasked with redirecting the bombs by feeding the Germans false intelligence to throw off their targeting.<sup>236</sup> However, UK strategic planners knew that they could not redirect the bombers too far from the center of the city, or else they would incur German suspicion.<sup>237</sup> The choice was, therefore, between allowing further massive casualties in the heart of London or redirecting the damage to less populated areas that were not likely to have been threatened otherwise.<sup>238</sup> The Service put a highly successful double agent on this mission, Eddie Chapman, and successfully brought about the redirection of the bombing.<sup>239</sup> In the end, while this strategy meant that many would be injured and die who might otherwise have survived, the UK government found that this effort had reduced British casualties overall.<sup>240</sup>

The Security Service achieved remarkable success in the areas of counter-espionage itself and counter-espionage for the sake of building a strategic deception in World War II. While MI5 had entered the war at a distinct disadvantage, it had certainly risen to the occasion and resoundingly defeated German espionage.<sup>241</sup> While MI5's small staff had certainly posed a problem for its operation in the first two years of the war, the Services' low visibility and continued secrecy had served as a protective shield around its more offensive operations like running of the Double-Cross System. After the war, the Service acquired a German intelligence publication that had managed to craft a strong evaluation of the UK's SIS, but the authors noted

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<sup>234</sup> Thomas, Gordon. *Inside British Intelligence: 100 Years of MI5 and MI6*. London: JR, 2009. 102; Andrew, *Defend*, 311.

<sup>235</sup> *Ibid.*

<sup>236</sup> Gordon, 102-103.

<sup>237</sup> *Ibid.*, 103.

<sup>238</sup> *Ibid.*

<sup>239</sup> *Ibid.*, 104.

<sup>240</sup> Andrew, *Defend*, 316.

<sup>241</sup> Deacon, 271.

extreme difficulty in learning about MI5.<sup>242</sup> It would not be unreasonable to suggest that MI5's unique secrecy in the UKIC, therefore, had played a critical role in the Service's success in the war against the Axis powers. The one flaw in MI5's operation during the Second World War, however, was its failure to look beyond Nazi Germany to the much more pervasive and longer term intelligence threat from the Soviet Union.<sup>243</sup>

### *MI5 After the War: New Threats and Slow Adaptation*

Unlike the early post-World War I years for the Security Service, the years closely following the Second World War saw no substantive attempts to abolish, subordinate, or take over MI5.<sup>244</sup> This stemmed from the fact that most other security organizations had witnessed first-hand the Service's significant strides in deception and counterintelligence surrounding the Double-Cross System.<sup>245</sup> Thus, MI5's continued low visibility after the war did not tempt its colleagues in national security to attempt power grabs, but its general secrecy (and the secrecy of the Double-Cross operations) meant that the Service was still open to political scrutiny. The numerous Labour ministers who were elected the year the war ended still remembered the Zinoviev Letter and were uninformed of MI5's wartime successes.<sup>246</sup> Acting on this political perception, the new Prime Minister Clement Attlee appointed the Chief Constable of Kent, Sir Percy Sillitoe, to be the new Director General (DG) of the service.<sup>247</sup> Making a career policeman the head of an intelligence organization, however, ruffled more than a few feathers at MI5 and his tenure as DG was marked more by discomfort on both sides than for any particular

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<sup>242</sup> West, 106.

<sup>243</sup> Andrew, 273, 318, 341.

<sup>244</sup> Ibid., 321-323.

<sup>245</sup> Ibid., 321.

<sup>246</sup> Ibid.

<sup>247</sup> Ibid.

innovation or change to the Service's operation.<sup>248</sup> This was the last time that the UK government would appoint an MI5 DG with a police background, which had grated against MI5's intelligence and somewhat intellectual culture.<sup>249</sup>

The first major espionage case in the post-war period was that of Igor Gouzenko, a Russian cipher operator posted to the Soviet embassy in Ottawa, Canada.<sup>250</sup> In the fall of 1945, Gouzenko defected to Canadian authorities, taking numerous classified documents with him.<sup>251</sup> Subsequently, Gouzenko provided the first real evidence of strong Russian espionage networks festering within the Canadian, US, and UK governments (most importantly relating to British and American atomic weapons programs).<sup>252</sup> Gouzenko had thus exposed the great extent of Russian penetration of its former wartime allies, giving the Western powers a first look into the spy wars soon to be waged against Moscow throughout the Cold War. Particularly relevant to the present inquiry, however, was Gouzenko's explicit revelation that MI5 had been penetrated in the early 1940s and might still be compromised.<sup>253</sup> It would take many years after Gouzenko's defection and his attempted warning before MI5 realized the full extent of Soviet penetration in the shape of the Cambridge Five spies, who had successfully compromised the UK Foreign Office, Treasury, and MI6 in addition to the Security Service.<sup>254</sup> Regardless, at the time it had become clear to MI5 that the espionage theater of the Cold War had begun, and the

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<sup>248</sup> Ibid., 321-324.

<sup>249</sup> Ibid., 322. For the backgrounds of later DGs, see: MI5. "Former Directors General." MI5. <https://www.mi5.gov.uk/home/about-us/who-we-are/staff-and-management/former-dgs.html> (accessed March 27, 2014).

<sup>250</sup> Deacon, 376.

<sup>251</sup> Andrew, 341.

<sup>252</sup> Deacon, 377.

<sup>253</sup> Ibid.

<sup>254</sup> Andrew, 341, 438-441.

Service seemed to be starting a disadvantage given its lack of any useful agents in the Soviet Union that could have shed further light on Gouzenko's revelations.<sup>255</sup>

While the threat of the Soviet Union would quickly color the entire post-war period, the immediate threat to the UK was from Middle Eastern terrorism.<sup>256</sup> Zionist groups, such as the Stern Gang and the Irgun Zvai Leumi, applied terrorist tactics against the UK and its administration in the Palestine mandate that it had acquired in 1922.<sup>257</sup> The most serious terrorist attack occurred in July 1946 when Irgun detonated a bomb in the King David Hotel, targeting the section that encompassed the central British administration authorities.<sup>258</sup> At the time, MI5 lacked a specialized counter-terrorist unit, but the service quickly moved to counter the threat by gathering intelligence throughout Palestine and by reaching out to more moderate Zionist organizations that did not share the Irgun and Stern Gang's preference for violence.<sup>259</sup> These militant groups failed to pull off a significant attack on the UK mainland, though not for lack of trying – on April 15, 1947 the only thing that prevented a bomb from destroying the Colonial Office in central London was a faulty timer.<sup>260</sup> Blind luck, not MI5 counter-terrorism, had prevented this catastrophe. Although the Service's record in countering Zionist terrorism is not entirely positive, MI5 had gained significant experience countering sub-national terrorist groups embedded in a culture that was significantly different from its own. After the end of the Cold War, such counter-terrorism experience would become invaluable.

In summary, the history of MI5 from 1914 to the late 1940s is characterized chiefly by more counterintelligence successes than failure, expansion and contraction brought on by low

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<sup>255</sup> Ibid., 341.

<sup>256</sup> Andrew, Christopher. "The British Empire and Commonwealth." MI5. <https://www.mi5.gov.uk/home/mi5-history/the-cold-war/the-british-empire-and-commonwealth.html> (accessed March 27, 2014).

<sup>257</sup> Ibid. Andrew, *Defend*, 352.

<sup>258</sup> Ibid., 353.

<sup>259</sup> Ibid., 356.

<sup>260</sup> Ibid., 361, 357.

visibility, challenges to its very existence and autonomy, little political involvement, and a high capacity to cooperate with other UKIC members in large-scale counterintelligence missions (such as the D-Day deception). When the Service did distinguish itself, it was never chiefly via political channels, as witnessed by the general ignorance of MI5's greatest successes after the Second World War. Instead, the Service survived by the success of its counterintelligence and counter-espionage actions, especially the 1929 exposure of MPSB's penetration by Soviet agents, and by the external political support of Winston Churchill. The nature of counterintelligence, however, is such that resting on one's laurels is almost always a recipe for a hidden enemy's success. MI5 and the UK government had felt confident that the success of the Double-Cross could be replicated against the Soviet Union.<sup>261</sup> As we had seen, there was little reason for such optimism by the early Cold War years.

### *Comparative Analysis*

There are many important similarities and differences between the FBI and MI5 experience during World War I. First of all, the Service had prepared for the war, resulting in great success (as discussed in chapter 1) and the Bureau, following the rest of American society, had to react to it, which meant that there were hard lessons to be learned before the US was adequately protected from espionage, subversion, and sabotage (such as the explosion at Black Tom). Second, both organizations were charged with counter-subversion and counter-espionage, but MI5 only focused on counter-subversion after it had effectively neutered German espionage, while the FBI promptly focused on the domestic side while neglecting the foreign side of this equation. Third, stemming from the second point is the fact that the war increased MI5's attention to external threats to the UK while the Bureau, late to the counterintelligence game,

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<sup>261</sup> Ibid., 318.

attended primarily to the internal manifestations of foreign threats without attempting to compromise enemy intelligence from within. Fourth, the Bureau's highly visible operation and political connections meant that it was able to take credit for its successes and stave off political rivalries, while the exact opposite was true of MI5 (as evidenced by Basil Thomson's successful sidelining of the Service even before the war was even over). Fifth and finally, the Bureau and the Service both proved themselves capable of sound counterintelligence tradecraft though in different ways. The FBI demonstrated patience and stealth in its clandestine intelligence collection operation against Germany in the Swiss Embassy. MI5 displayed the ability to catch spies but also the capacity to take advantage of an apprehended agent for the purpose of tactically misleading an enemy organization via calculated disinformation. At the end of the First World War, the Bureau was primed for continued political success and could have maintained its anti-spy capabilities. The Service was prepared to continue successful operation in the counterintelligence arena but was sure to be challenged by its lack of public and political visibility.

The dawn of the interwar period saw dramatic losses for MI5's mandate and capabilities, which meant that its capability to stay externally focused and abreast of foreign threats was degraded. The Bureau also turned further inward during this period, but it did so according to its preference for domestic law enforcement, not for logistical reasons. Both organizations withdrew from the world to a certain degree. The Service, because of its low visibility, had to fight for its survival for several years after the war unlike the FBI, which faced no real challenges to its existence even after the Teapot Dome Scandal and the Palmer Raids. The Service's brush with political scandal with the Zinoviev Letter was nothing compared to the level of the FBI's complicity in the Palmer Raids and Teapot Dome Scandal, yet MI5 still faced serious

ramifications later on (in the shape of Labour party mistrust in the post-war period). MI5 busied itself with targeting the CPGB, which allowed it to continue its somewhat external outlook since the CPGB was certainly taking its orders from Moscow.<sup>262</sup> The FBI, on the other hand, engaged in major rebranding and publicity under Hoover, achieved striking success against mobsters in the 1920s, and only in the later 1930s returned to take up the counterintelligence mantle in the face of increasing foreign threats. The Service and the Bureau, therefore, further cultivated their primary missions and predispositions – MI5 in the business of foreign-based threats and the FBI in the purely domestic arena.

In some ways, the Bureau was more prepared to defend the US from foreign threats before the Second World War than the Service was prepared to protect the UK, but this estimation involves many factors such as MI5's limited staff, increased responsibilities, and the UK's proximity to Germany. MI5's general external orientation, however, lent it a deep understanding of the political intentions of the UK's future enemies, which contributed to its understanding of foreign threats before they materialized. The Bureau had no such worldly insight, which probably limited its options when running pre-war counterintelligence operations such as in the Rumrich case. The Service's secretive nature might also have enabled it to handle the case better than the Bureau had it occurred on British soil.

The Bureau and the Service both performed admirably in the Second World War, certainly at the height of both of their respective counterintelligence trajectories and externally oriented operations. The FBI's SIS institutionalized Bureau counterintelligence in foreign countries throughout the Western Hemisphere and achieved remarkable success in the area of catching spies and preventing subversion. This would have been impossible without numerous FBI special agents seriously attempting to grasp the nature of such external situations and the

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<sup>262</sup> Ibid., 135.

external threats posed to them. SIS was largely defensive, however, not yielding much in the way of strategic deception or the running of double agents. This contrasts with the MI5's building and operation of the Double-Cross System which required the long-term running of agents, each coordinated with one another to deceive the enemy at the strategic level.

Similarly, while the FBI's running of Sebold as a double agent and the successful rounding up of the eight Long Island saboteurs demonstrates solid counterintelligence tradecraft, it must be noted that both Sebold and Dasch were walk-ins. Without their defections, the hypothetical results of either operation are open to debate. In support of the Double-Cross System, MI5 actively turned enemy agents into double agents without the agents' prior intent to defect in the case of SUMMER and TATE. To be sure, MI5 (along with every other intelligence organization in the world) has benefited from walk-ins, but transforming enemy agents into double agents showcases counterintelligence capabilities that were on an entirely different level compared to those of the FBI. Overall, the entrenched internal focus of the FBI did not prevent it from counterintelligence success in the Second World War – just from the lofty heights of strategic deception and the manipulation of the enemy accomplished by MI5.

Soon after the end of the Second World War, the Bureau and the Service faced varying degrees of political backlash. MI5 faced no professional problems (such as take-over attempts by rival UKIC agencies as it had after the First World War) but still encountered mild political backlash for its role in distributing the Zinoviev Letter two decades earlier. The Bureau's highly visible and well-known political machinations under the leadership J. Edgar Hoover leant the FBI to inflated comparisons with the extremely repressive German Gestapo. Here, MI5's secrecy and aversion to politics protected it from similar accusations.<sup>263</sup> These differing public perceptions in the US and UK helped to shape the subsequent actions of their governmental

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<sup>263</sup> West, 17.



leaders. In the US, Truman knew that it was untenable to further institutionalize the FBI's overseas power in SIS, so he forced the Bureau to relinquish control to the CIA. Conversely, MI5 was called upon to increase the reach of its mission to protect UK citizens in semi-foreign areas as in the Palestine mandate. This ensured that MI5's culture of external threat perception would continue throughout the Cold War, while Hoover's bitterness over the loss of SIS poisoned the atmosphere of US intelligence at the same time.

Once again, the FBI returned to its domestic focus at the expense of counterintelligence, forsaking the truly impressive strides it had made during the war. This unfortunate turn of events in the US was chiefly a result of the overly politically sensitive Hoover. MI5's major challenge at the start of the Cold War was the fact that it had been penetrated by Soviet Intelligence at the critical time of the early 1940s and the UKIC continued to be compromised in striking ways after the dawn of the Cold War.<sup>264</sup> Therefore, both the US and the UK entered the Cold War at a disadvantage vis-à-vis Soviet Intelligence – the UK because MI5 and other government offices had been compromised and the US because the long-serving FBI director willfully rejected anything mission related to intelligence after the National Security Act of 1947.

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<sup>264</sup> Andrew, *Defend*, 245, 341.

## **Chapter 4: The Shift to Countering Terrorism**

Throughout the Cold War, MI5 and the FBI acted according to their established predispositions – the FBI focused on law enforcement and MI5 on counter-espionage. Because the Cold War never threw the world into the kind of sustained turmoil that had existed during the World Wars, the Bureau was relatively free to focus on fighting domestic crime while the CIA acted as the primary adversary of the Russian KGB in the international arena.<sup>265</sup> MI5, however, was one of the key players in those Cold War espionage battles. In this period, the Service had experienced many successes and failures in the realm of intelligence. The Service failed to detect the Cambridge Five before it was too late, which resulted in massive damage to the Service’s credibility, particularly on account of the conspiracy theorists that followed in the wake of this revelation.<sup>266</sup> On the other hand, Operation FOOT was an extremely successful operation, in which the mass expulsion of suspected Russian agents crippled Russian intelligence in the UK for the rest of the Cold War.<sup>267</sup> The most notable intelligence-related development for the FBI came as a result of the highly critical Church Committee in 1975 and the subsequent enactment of the Foreign Intelligence Surveillance Act (FISA) in 1978, both of which rightfully sought to put stronger protections on civil liberties, although they also unintentionally steered the Bureau further away from intelligence work in general.<sup>268</sup>

The Cold War experiences of the Service and the Bureau were extremely different, but similar in the sense that each confirmed itself in law enforcement or counterintelligence respectively. For the present inquiry, it does not make sense to cover this period in detail, since there were no great challenges or changes to either organization’s manner or primary target of

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<sup>265</sup> The Bureau returned to targeting domestic communist groups, the KKK, the mafia, and white collar crime among other threats. FBI, “Centennial History,” 50-54, 57-61, 64-66, 68-71.

<sup>266</sup> Andrew, *Defend*, for Cambridge Five: 420-441, for conspiracy theories: 503-521.

<sup>267</sup> *Ibid.*, 565-575.

<sup>268</sup> FBI, “Centennial History,” 70.

operation. The next great challenge to rear its head was the threat from domestic and international terrorism, which provides us with the final topic of comparison. This chapter should not be seen as a departure from the counterintelligence focus of the previous two. Instead, it should be considered a test of every quality of the Bureau and the Service that have been established so far. Barring a few key distinctions, counter-terrorism and counterintelligence rely on very similar principles, a fact which provides a measure of continuity between the previous two chapters and this one.<sup>269</sup> We should expect the organization with a firmer grasp on counterintelligence to have adapted sooner to the challenge posed by terrorism. The following sections will outline the structural changes and efforts that MI5 and the FBI have undertaken to meet this new threat, obstacles they have encountered, and the fruits of their labor.

### *The FBI and Counter-Terrorism: Overcoming Predisposition*

The story of the Bureau's rise to the counter-terrorism mission is characterized primarily (though not entirely) by reactions to successful terrorist actions against the US. Following the 1983 terrorist attacks in Lebanon against the US embassy and Marine Corps barracks, the FBI set up a section dedicated to counter-terrorism under its Criminal Investigative Division.<sup>270</sup> In response to two high-profile terrorist attacks that occurred on American soil – the 1993 World Trade Center Bombing and the 1995 Oklahoma City bombing – the Bureau created a new Counterterrorism Center and transferred its existing counter-terrorism section to its National Security Division.<sup>271</sup> After additional terrorist attacks on the US Kenyan and Tanzanian

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<sup>269</sup> Masse, Todd, and William Krouse. "The FBI: Past, Present, and Future." Congressional Research Service. 23. <http://www.fas.org/irp/crs/RL32095.pdf> (accessed March 27, 2014).

<sup>270</sup> Ibid., 20.

<sup>271</sup> Ibid., 20-21.

embassies in 1998, the FBI elevated that section to the Counterterrorism Division.<sup>272</sup> Finally, in the wake of the September 11, 2001 attacks, the FBI Director Robert Mueller III (who had taken office just days before the attacks) set out to fundamentally change how the Bureau approached counterintelligence and counter-terrorism.<sup>273</sup> Mueller primarily wanted the FBI to focus more on preventing attacks and, consequently, to turn more seriously toward the work of intelligence. Indeed, he fundamentally reoriented Bureau priorities by putting terrorism prevention at the top of the list, which was immediately followed by the mission of counterintelligence (which appeared to be a great departure from the FBI's long-standing preference for law enforcement).<sup>274</sup>

To be sure, the FBI had been successful in disrupting and preventing many terrorist attacks that are frequently forgotten among the more negative cases.<sup>275</sup> And, as has been examined in the above chapter, the Bureau had proven itself capable of performing sound counterintelligence tradecraft before. It should be stressed, therefore, that the Bureau was certainly *not* building its counter-terrorism capabilities from scratch by the time the dust had settled after 9/11. Nonetheless, Director Mueller recognized that serious changes were required if the Bureau was to be capable of systematically preventing terrorist attacks.<sup>276</sup> On some levels, this required a cultural shift, not merely organizational changes and bureaucratic initiatives.<sup>277</sup>

Few would argue that, before the post-9/11 reforms, FBI culture was primarily geared toward anything but law enforcement.<sup>278</sup> The above analysis and preceding chapters support this assertion. However, this statement is considerably vague – the term “culture” should be

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<sup>272</sup> Ibid., 20.

<sup>273</sup> FBI, “Centennial History,” 98-104.

<sup>274</sup> Ibid., 100.

<sup>275</sup> Ibid., 85.

<sup>276</sup> Ibid., 100.

<sup>277</sup> Feldstein, Martin S. "Designing Institutions to Deal with Terrorism in the United States." National Bureau of Economic Research. 6. [http://www.nber.org/papers/w13729.pdf?new\\_window=1](http://www.nber.org/papers/w13729.pdf?new_window=1) (accessed March 26, 2014).

<sup>278</sup> Masse and Krouse, 14.

grounded in specific qualities. First, “investigations” and “discrete cases” have made up the bread and butter of FBI crime-fighting.<sup>279</sup> This case-by-case approach has discouraged the development of long-term analysis in the Bureau for the sake of countering sustained and non-isolated threats like terrorism, which Director Mueller has recognized.<sup>280</sup> Second, the promotion of FBI special agents had traditionally been determined by strictly law enforcement standards such as the number of arrests, indictments, or prosecutions that an FBI agent had accomplished.<sup>281</sup> As a consequence, counter-terrorism and counterintelligence had not been seen as particularly beneficial to career advancement because these endeavors necessarily focused on more general intelligence products and assessments, not immediate arrests or prosecutions.<sup>282</sup>

Third, as a consequence of the mid-1970s reforms to Bureau operation, there had effectively been a “wall” between intelligence and criminal investigations, which led to little information sharing across this divide.<sup>283</sup> Fourth, further displaying a penchant for law enforcement over other missions, the FBI field offices had diverted counter-terrorism personnel from that mission to law enforcement support roles in the years preceding the 9/11 attacks.<sup>284</sup> This showed that, even when FBI headquarters had attempted to push for more of a counter-terrorism focus, there had been significant resistance from the lower levels of the bureaucracy. This was doubly troubling because, before 9/11, FBI field offices had significant autonomy in counter-terrorism initiatives and were free to make this decision without significant oversight.<sup>285</sup>

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<sup>279</sup> Ibid., 15; Bjelopera, Jerome P. "The Federal Bureau of Investigation and Terrorism Investigations." Congressional Research Service. 11. <http://www.fas.org/sgp/crs/terror/R41780.pdf> (accessed March 27, 2014).

<sup>280</sup> FBI, “Centennial History,” 100.

<sup>281</sup> National Commission on Terrorist Attacks Upon the United States. "Law Enforcement, Counterterrorism, and Intelligence Collection in the United States Prior to 9/11." National Commission on Terrorist Attacks Upon the United States . 3. [http://govinfo.library.unt.edu/911/staff\\_statements/staff\\_statement\\_9.pdf](http://govinfo.library.unt.edu/911/staff_statements/staff_statement_9.pdf) (accessed March 27, 2014).

<sup>282</sup> Masse and Krouse, 18.

<sup>283</sup> Bjelopera 1; FBI, “Centennial History,” 104.

<sup>284</sup> National Commission on Terrorist Attacks Upon the United States, “Law Enforcement,” 4.

<sup>285</sup> Ibid., 3.

These were the operational challenges (by now at least key parts of FBI culture) that Mueller faced in the early post-9/11 period. It is worth noting that these qualities prevented wholehearted FBI engagement not just in countering the threat *du jour* of terrorism, but also the more permanent but less immediate threat posed by foreign intelligence agencies.

To address these problems and the cultural challenge they posed to the FBI, Director Mueller enacted a series of reforms within the Bureau. First, to address the center-local problem hindering the counter-terrorism mission, the director centralized the coordination of FBI counter-terrorism in FBI headquarters by merging all previous counter-terrorism initiatives into the National Security Branch (NSB) in 2005.<sup>286</sup> Second, the director moved to develop a capable analytical force within the new NSB Directorate of Intelligence for the sake of unifying Bureau analysis of threats.<sup>287</sup> By 2011, FBI analysts numbered over 3,000.<sup>288</sup> Third, realizing that terrorism represented a fundamentally decentralized threat, Mueller established Field Intelligence Groups (FIG)s in every FBI field office throughout the country in the hope that this would build robust FBI counter-terrorism, counterintelligence, and investigative missions by assigning linguists, analysts, and other specialists to all of these operations.<sup>289</sup> At the field level, then, the FIGs were intended to push FBI operations into a more preventative posture.<sup>290</sup>

Fourth, operational guidelines for FBI investigation were loosened to allow agents to pursue cases without worrying about probable cause or the likelihood that a crime had been or was about to be committed.<sup>291</sup> Fifth, Attorney General Michael B. Mukasey assisted altered FBI operation from the ground up by publishing guidelines for the Bureau that charged its analysts

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<sup>286</sup> FBI, “Centennial History,” 102.

<sup>287</sup> Ibid.; Bjelopera, 2.

<sup>288</sup> Bjelopera, 2.

<sup>289</sup> Ibid., 15.

<sup>290</sup> Ibid.

<sup>291</sup> Ibid., 1, 11.

with producing “assessments” that could be divorced from particular investigative cases.<sup>292</sup> The benefit here was that it allowed FBI analysts to work on products that addressed less bounded and less certain threats that could materialize over a longer period of time. These assessments appear to have been successfully ingrained into FBI activities.<sup>293</sup> Sixth, according to Mueller, the widely controversial PATRIOT Act had directly resulted in many post-9/11 FBI counter-terrorism successes, while some have argued that the Bureau has used the act more for domestic law enforcement cases instead of terrorist investigations.<sup>294</sup> Seventh, to correct for a primarily internally oriented operational culture (a problem for both counterintelligence and counter-terrorism), the FBI has drawn upon its Legal Attachés and other international liaison efforts for the sake of countering terrorism in a proactive and not reactive manner that strives to understand the international context of the threat.<sup>295</sup>

The Bureau has had a mixed record of counter-terrorism in the years following these reform efforts. In November 2009, US Army Major Nidal Malik Hasan killed 13 and wounded 23 at Fort Hood, TX.<sup>296</sup> The FBI was roundly criticized for failing to investigate Major Hasan in 2008 when emails between Hasan and Anwar al-Awlaki, a Yemeni terrorist, surfaced and revealed Hasan’s radical and violent qualities.<sup>297</sup> In a bipartisan 2011 report from the Senate Committee on Homeland Security and Governmental Affairs, FBI progress toward integrating intelligence into its investigations was lauded, but the report concluded that this episode certainly raised questions about the extent to which the Bureau had successfully adopted intelligence

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<sup>292</sup> Ibid., 11.

<sup>293</sup> Ibid., 12.

<sup>294</sup> Ibid., 9; Theoharis, 162-163.

<sup>295</sup> Masse and K rouse, 17; FBI, “Centennial History,” 85-86.

<sup>296</sup> Baldor, Lolita C, and Eileen Sullivan. "Fort Hood Shooting: FBI Ignored Evidence Against Nidal Hasan For Political Correctness, Report Says." The Huffington Post. [http://www.huffingtonpost.com/2012/07/19/fort-hood-shooting-fbi-nidal-hasan-political-correctness\\_n\\_1685653.html](http://www.huffingtonpost.com/2012/07/19/fort-hood-shooting-fbi-nidal-hasan-political-correctness_n_1685653.html) (accessed March 27, 2014).

<sup>297</sup> Ibid.

methods in its overall approach to counter-terrorism.<sup>298</sup> In a more recent case, the Bureau was accused of an “intelligence failure” when it was publicly revealed that the FBI had previously interviewed one of the terrorists who perpetrated the Boston Marathon Bombings in April 2013.<sup>299</sup> The FBI had approached Tamerlan Tsarnaev on a tip from Russian intelligence but had found no evidence that he planned to engage in terrorist activity.<sup>300</sup> More institutionalized intelligence practices may have driven and enabled FBI agents to pursue these two cases more aggressively before the terrorist acts had occurred, though it is impossible to conclude this definitively without knowing all the details (which the public is not currently privy to).

There have also been strong cases of FBI success in preventing terrorism. After the US became militarily involved in Libya in 2011, the Bureau interviewed some 800 Libyans across the US to assess the potential for Libyan terrorism in retaliation.<sup>301</sup> This extensive domestic intelligence operation had thus pre-empted a potential terrorist threat that might have been brought upon the US because of its foreign policy choices. This operation represents the kind of forward-thinking and proactive shift in FBI investigations that Mueller had sought at the outset of his reforms. In a second, slightly less recent case, the Bureau successfully disrupted a plot by Lebanese terrorists to bomb the New York City subway system.<sup>302</sup> Crucial to the current assessment of FBI post-9/11 intelligence capabilities, this plot was apparently disrupted in the early planning stages before the plotters had even entered the US, which indicates that

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<sup>298</sup> Bjelopera, 16-17.

<sup>299</sup> Masters, Johnathan. "Domestic Intelligence and the Boston Bombings." Council on Foreign Relations. <http://www.cfr.org/counterterrorism/domestic-intelligence-boston-bombings/p30557> (accessed March 27, 2014).

<sup>300</sup> Waterman, Shaun. "Boston Bombing Investigation Reveals Intelligence Failures." Washington Times. <http://www.washingtontimes.com/news/2013/apr/23/boston-bombing-investigation-reveals-intelligence-/?page=all> (accessed March 27, 2014).

<sup>301</sup> Bjelopera, 18.

<sup>302</sup> O'Neil, John. "New York Tunnel Plot Is Uncovered in Early Stage." New York Times. [http://www.nytimes.com/2006/07/07/nyregion/07tunnel.html?\\_r=0](http://www.nytimes.com/2006/07/07/nyregion/07tunnel.html?_r=0) (accessed March 27, 2014).



intelligence and foreign liaison had played a key role in the operation.<sup>303</sup> These two cases indicate that the Bureau has become (at least in some instances) more cosmopolitan and externally oriented in its fight against terrorist threats.

Most observers and participants in this new shift in FBI focus toward counter-terrorism acknowledge that these efforts are currently ongoing and by no means complete.<sup>304</sup> The mixture of successes and failures following these post-9/11 changes do not definitively support or diminish the notion that the Bureau can be morphed into a primarily intelligence-driven, counter-terrorist organization. More time is needed to say for certain. One thing is clear, however: the FBI transition into preemptive and proactive counter-terrorism has not been easy and this is in part because the Bureau had never fully embraced active counterintelligence practices for a sustained period of its history. Law enforcement had always taken precedence over intelligence practices, as was apparent to Director Mueller as he attempted to shift the Bureau into its twenty-first century counter-terrorism posture.

### *MI5 and Counter-Terrorism: Drawing Upon An Existing Framework*

The Security Service had had substantially more experience fighting terrorist threats than the FBI by the rise of global Islamist terror at the end of the twentieth century. As discussed in chapter 2, the first MI5 encounter with sustained terrorism was from Zionist extremists in the later 1940s. In the 1960s, Palestinian and Irish terrorism threatened UK interests at home and abroad.<sup>305</sup> In the 1980s, the main terrorist threat was from Muammar Gaddafi's Libya.<sup>306</sup> In the

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<sup>303</sup> Ibid.

<sup>304</sup> Mudd, Philip. *Takedown: Inside the Hunt for Al Qaeda*. Philadelphia: University of Pennsylvania Press, 2013. 186; Bjelopera, 16-17.

<sup>305</sup> Northcott, 457; Andrew, *Defend*, 600.

<sup>306</sup> Andrew, Christopher. "The Terrorist Threat in the 1980s." MI5. <https://www.mi5.gov.uk/home/mi5-history/mi5-today/the-terrorist-threat-in-the-1980s.html> (accessed March 27, 2014).

1990s, the Provisional Irish Republican Army (PIRA) threatened the UK in an unprecedented manner.<sup>307</sup> This resurgence of Irish terrorism coincided with the end of the Cold War, which meant that the Service would need to focus less on countering espionage and much more on combating terrorism.<sup>308</sup> Therefore, by the rise of international terrorism in the post-Cold War world, the UK was more prepared than most countries in terms of knowing what to expect and how to react.

While MI5 was charged with defending the UK from international terrorism since 1972, it did not establish an independent counter-terrorism branch until 1984.<sup>309</sup> This development was prompted by an upsurge of terrorist acts, especially the PIRA bombing of the Grand Hotel that killed five politicians and injured many more in an attempt to kill Prime Minister Margret Thatcher.<sup>310</sup> Until that time, the Service had not viewed terrorism as a unique threat, preferring to treat it as a “violent” form of subversion.<sup>311</sup> MI5 had been slow to adapt to countering this new threat not only because of its historical preference for counter-espionage and counter-subversion (much like the FBI’s pre-counter-terrorism predilection for law enforcement) but also because counter-terrorism responsibilities were very confused across UK security organizations. The MPSB had been founded in 1883 *specifically* to counter Irish dissent, so it had retained the lead role against Irish terrorism against the British mainland.<sup>312</sup> In Northern Ireland, the counter-terrorism mission belonged to the Special Branch of the Royal Ulster Constabulary.<sup>313</sup> MI5, as mentioned above, was only charged with preventing international terrorism, but this included

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<sup>307</sup> Andrew, *Defend*, 771.

<sup>308</sup> *Ibid.*

<sup>309</sup> *Ibid.*, 600.

<sup>310</sup> *Ibid.*, 705.

<sup>311</sup> *Ibid.*, 600.

<sup>312</sup> *Ibid.*, 5.

<sup>313</sup> *Ibid.*, 600.

PIRA attempts to acquire arms and munitions abroad.<sup>314</sup> A 1991 PIRA mortar attack on the British cabinet that almost killed many cabinet members forced the UK government to reconsider this confused arrangement.<sup>315</sup> Incidentally, the fact that MI5 had reinforced the targeted building with laminated glass probably contributed to the lack of casualties.<sup>316</sup> Thus, in 1992, MI5 was granted the leading role against Irish terrorism internationally and domestically, in part because of its success against the PIRA abroad.<sup>317</sup> Finally, in 2007, MI5 was charged with the last piece of the counter-terrorism mission found in the leading national security role in Northern Ireland.<sup>318</sup>

The obstacles that the Service had faced were primarily bureaucratic – it was hindered by its own historical preference for purely counter-espionage and counter-subversion work but more importantly by the confused and overlapping organizational responsibilities with regard to terrorism across the UKIC. One problem that MI5 did not have, however, was a crisis of tradecraft or culture.<sup>319</sup> MI5's greatest successes have involved human intelligence, or HUMINT, as evidenced chiefly by the Double-Cross System. MI5's HUMINT had also always been supported by dedication to the practice of rigorous physical and electronic surveillance.<sup>320</sup> These skills made up the backbone of MI5 intelligence tradecraft. When MI5 switched to countering Irish terrorism, it employed the same agent-recruitment and surveillance methods as it

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<sup>314</sup> *Ibid.*, 622.

<sup>315</sup> *Ibid.*, 771-772; Chalk, Peter, and William Rosenau. "Confronting the "Enemy Within:" Security Intelligence, the Police, and Counterterrorism in Four Democracies." RAND Corporation. 9. [http://www.rand.org/content/dam/rand/pubs/monographs/2004/RAND\\_MG100.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2004/RAND_MG100.pdf) (accessed March 26, 2014).

<sup>316</sup> Andrew, *Defend*, 772.

<sup>317</sup> Andrew, Christopher. "Since the Cold War." MI5. <https://www.mi5.gov.uk/home/mi5-history/mi5-today/since-the-cold-war.html> (accessed March 27, 2014).

<sup>318</sup> Andrew, Christopher. "The Rise of the Islamist Terrorist Threat." MI5. <https://www.mi5.gov.uk/home/mi5-history/mi5-today/the-rise-of-the-islamist-terrorist-threat.html> (accessed March 27, 2014).

<sup>319</sup> Feldstein, 3-4.

<sup>320</sup> *Ibid.*, 3.

had throughout its counterintelligence history.<sup>321</sup> When the Service switched from combating Irish terror to focusing on Islamist terrorism, the transition was a smooth one owing to the fact that the nature of the change was merely a shift in targets, not one of tradecraft or operational culture.<sup>322</sup> It is important to note, however, that because MI5 lacks independent law enforcement powers, any success in the field of counter-terrorism belongs not just the Service but also to the UK's various police organizations, especially their Special Branches. Success in the counterintelligence mission, therefore, has been strongly predicated on strong ties with British law enforcement organizations.<sup>323</sup> This point will be discussed at length in the concluding chapter.

Despite the relative ease of its transition to counter-terrorism from counterintelligence, the Security Service has not had a perfect record of prevention.<sup>324</sup> In December 2001, Richard Reid, the so-called "shoe bomber," attempted to set off a bomb concealed in his shoes on an American Airlines flight.<sup>325</sup> Fortunately, the other passengers were able to subdue Reid before he could detonate his device.<sup>326</sup> In the previous year, MI5 had monitored phone calls between an Al Qaeda terrorist suspect and Reid but did not follow up on the connection.<sup>327</sup> MI5 was criticized for this failure, which certainly could have ended in disaster had it not been for observant and willful airline passengers. MI5 was also greatly faulted for failing to prevent the

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<sup>321</sup> Chalk and Rosenau, 9; Northcott, 459.

<sup>322</sup> Feldstein, 4, 7.

<sup>323</sup> Northcott, 471, 473.

<sup>324</sup> Center for Democracy and Technology. "Domestic Intelligence Agencies: The Mixed Record of the UK's MI5." Center for Democracy and Technology. <https://www.cdt.org/security/usapatriot/030127mi5.pdf> (accessed March 27, 2014).

<sup>325</sup> CNN. "Shoe Bomber: Tale of Another Failed Terrorist Attack." CNN.

<http://www.cnn.com/2009/CRIME/12/25/richard.reid.shoe.bomber/> (accessed March 27, 2014).

<sup>326</sup> Ibid.

<sup>327</sup> Chalk and Rosenau, 49; Walsh, Nick Palton, Kamal Ahmed, and Paul Harris. "MI5 Bunders Over Bomber." *The Guardian: The Observer*. <http://www.theguardian.com/world/2001/dec/30/terrorism.september11> (accessed March 27, 2014).

London subway suicide bombings on July 7, 2005 that left 52 dead.<sup>328</sup> This was the first successful Islamist terrorist attack to occur within the UK.<sup>329</sup> The Service quickly traced the responsibility for the attack to a Pakistan-based al Qaeda-linked terrorist, but it had been completely blindsided by the attack and shared blame with police services for the failure.<sup>330</sup>

The Security Service also had its share of successes against the Islamist terror threat in the early post-9/11 years.<sup>331</sup> In 2004, the al Qaeda 9/11 architect, Khalid Sheikh Mohammed, had trained a British citizen, Dhiren Barot, to prepare a terrorist attack in the UK that would convert three limousines into car bombs for deployment across London.<sup>332</sup> MI5 and the British police launched Operation RHYME to monitor him closely, hoping to gather enough evidence to convict him before even moving to make an arrest.<sup>333</sup> Concern that he was getting too close to successfully enacting his plot led to his arrest earlier than some may have wanted, but post-arrest evidence gathering was so thorough that it compelled Barot to plead guilty to the charges brought against him.<sup>334</sup> In the case of Operation OVERT, MI5 disrupted a plot that it had estimated to be potentially more damaging in terms of lives than even the 9/11 attacks against the US.<sup>335</sup> The plotters in this case had developed sophisticated ways of smuggling explosives onto airplanes, which they intended to detonate in mid-flight hoping that the planes would then crash

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<sup>328</sup> Norton-Taylor, Richard. "MI5 and Police Failures Under Spotlight in London Bomb Inquests." *The Guardian*. <http://www.theguardian.com/uk/2010/may/21/mi5-police-failures-london-bomb> (accessed March 27, 2014).

<sup>329</sup> Andrew, *Defend*, 821.

<sup>330</sup> *Ibid.*, 822-823; Norton-Taylor, "MI5 and Police Failures."

<sup>331</sup> Andrew, *Defend*, 828.

<sup>332</sup> *Ibid.*, 819.

<sup>333</sup> *Ibid.*, 820.

<sup>334</sup> *Ibid.*

<sup>335</sup> Gardham, Duncan and Gordon Rayner. "Airliner Bomb Trial: How MI5 Uncovered the Terror Plot." *The Telegraph*. <http://www.telegraph.co.uk/news/uknews/2709379/Airliner-bomb-trial-How-MI5-uncovered-the-terror-plot.html> (accessed March 27, 2014).

into US cities.<sup>336</sup> MI5 electronic and physical surveillance was absolutely crucial to uncovering this plot, which was foiled by the arrest of the conspirators in August of 2006.<sup>337</sup>

It should be noted that public accounts of these two examples of MI5 successes credit Security Service surveillance but say nothing of HUMINT, the intelligence practice that, as has been argued in this paper, constitutes the primary operational difference between MI5 and the FBI. Unfortunately for those outside the secret world of spies and counter-espionage, HUMINT sources and operatives also happen to be the most closely guarded secrets of any intelligence service. The espionage accounts addressed in the previous two chapters were taken from the World Wars and the Cold War – both concluded conflicts whose espionage stories need not be kept completely secret any longer. International terrorism, on the other hand, is a current threat that is still extremely sensitive to intelligence and law enforcement organizations. Therefore, it is highly unlikely that MI5 or the UK government would reveal a human intelligence source that contributed to the above cases in the post-9/11 era. We cannot say with certainty, then, whether or not MI5's human-led counterintelligence capability has uniquely and directly contributed to its counter-terrorism successes (or failures). However, it is still clear that the Security Service has had significant success against terrorist threats and that its general counterintelligence experience facilitated the shift to counter-terrorism in the 1990s.

### *Comparative Analysis*

The US and the UK were both forced by successful terrorist attacks to recognize the new, post-Cold War threat of international terrorism – neither the US nor the UK governments were able to preempt this threat without experiencing loss first. The 9/11 attacks altered how both

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<sup>336</sup> Ibid.

<sup>337</sup> Ibid.; Andrew, *Defend*, 826.

countries approached counter-terrorism significantly, but the UK had taken steps to elevate the counter-terrorism focus of MI5 in the early 1990s after almost losing half of its cabinet to a PIRA terrorist attack. At the turn of the century, MI5 was far more prepared than the FBI to counter Islamist terrorism in the next decade.

As argued in this chapter, the FBI and MI5 faced significantly different challenges when each of them was called upon to lead a counter-terrorism effort. First, the Security Service's consistent history of counterintelligence practice had prepared it to counter threats in a general preventive manner, which meant that MI5 did not need to significantly restructure its organization, reorient its mission focus, or reform its cultural preferences. The FBI, as Director Mueller and the FBI official Centennial History confirm, faced a fundamental challenge to the core of FBI operation over its entire history.<sup>338</sup> Second, the nature of the terrorist challenge to both organizations was different not only from an operational standpoint, but also a bureaucratic one. The Bureau had had the lead counter-terrorism role in the US since the early 1980s, whereas MI5 received new counter-terrorism mandates successively through the 1990s and into the 2000s. The Service's counter-terrorism practice, therefore, depended more on the UK government's efforts to clarify competing domestic mandates in that mission while the Bureau's practice depended more on the internal decision to alter its own law enforcement preferences.

Third, the Bureau had to *create new capabilities* in the shape of a professional analytical corps under its new NSB. MI5 did not need to make such wide-reaching structural adjustments. Fourth, international terrorism necessarily required externally oriented organizations if prevention of such threats was to be possible. As has been demonstrated, MI5, though a domestic intelligence and counterintelligence service, had always maintained an externally oriented posture in meeting its goals since its inception. Thus, there was no required change on

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<sup>338</sup> FBI, "Centennial History," 100.

this front for the Service compared to the Bureau that had consistently focused on domestic law enforcement.

The final point of divergence is on the matter of politics. The PATRIOT Act, briefly mentioned above, expanded the investigative and intelligence powers of the FBI, especially by breaking down the “wall” between its intelligence and law enforcement investigations. For those who have been skeptical of the FBI’s political machinations throughout its history, however, the PATRIOT Act was equated with an unpredicted invitation for the Bureau to disregard civil liberties in its quest for perfect security.<sup>339</sup> It is possible, though, that the passage and continued force of the PATRIOT Act would have caused a stir among civil liberty and privacy advocates in the US regardless of the FBI’s history of political involvement. It is undeniable, however, that such historical precedence gave ammunition to those who would oppose such measures, allowing for a more robust political debate to develop. This fact also served to divert attention away from cool-headed analysis of capabilities and requirements ostensibly needed to combat terrorism. MI5 did not need to wade through similar political battles in order to rise to the nation’s call to counter-terrorism.<sup>340</sup> However, the debate over the PATRIOT Act has cooled significantly and the FBI’s counter-terrorism successes and failures have chiefly been evaluated apart from politics (more akin to the criticism and praise that the Security Service receives in the UK). This trend has the potential to reveal an FBI in the near future that is perceived as less politically active, at least in the fields of counterintelligence and counter-terrorism.

In conclusion, MI5’s consistent counterintelligence practice and focus had prepared it for an easier transition into counter-terrorism compared to the FBI, which faced many obstacles in pursuit of this change. It should be noted, however, that the Bureau has been required by the US

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<sup>339</sup> Theoharis, 162-163, 172.

<sup>340</sup> Andrew, *Defend*, 734-735, 771-773; Andrew, “Islamist Terrorist Threat.”



to assume both a law enforcement mission and counterintelligence mission since its earliest days (though its focus on counterintelligence has been shown to be inconsistent). MI5 has only ever had the long-standing counterintelligence and later counter-terrorism missions that do not conflict with one another to the degree that law enforcement and intelligence differ. The Service has, therefore, always had a simpler mandate and a less contradictory mission than that of the Bureau. Additionally, this meant that the Service had always been required to maintain solid and institutionalized connections with UK police organizations for the sake of apprehending spies or terrorists.

Philip Mudd, who served as the CIA's Counterterrorist Center Deputy Director before becoming the FBI's National Security Branch Deputy Director, holds that it is precisely because of this dual mission that the FBI will *never* be entirely driven by intelligence.<sup>341</sup> As a law enforcement agency first and an intelligence organization second, the first question the Bureau must ask when taking up an investigation is whether or not that avenue will violate civil liberties.<sup>342</sup> MI5, as a purely counterintelligence and counter-terrorist organization, has never needed to temper its investigations by this standard in the same systematic manner. As demonstrated in this paper, this distinction is *not* sufficient to account for the difference in the counterintelligence operation of the FBI and MI5. Many other factors contributed to the Service's preference for intelligence and the Bureau's penchant for law enforcement, as will be summarized in the concluding chapter. In this chapter, I have made no prediction concerning either organization's potential for preventing terrorism in the future. It has been argued, however, that MI5 was prepared to perform preventative counter-terrorism by its history, while the FBI's history up until this point was primarily shaped by after-the-fact law enforcement.

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<sup>341</sup> Mudd, 176.

<sup>342</sup> Ibid.

## **Chapter 5: Summary and Conclusion**

In the second chapter, the founding and early operation of the FBI and MI5 were examined for the sake of answering the first part of the overarching question (why were they established and maintained?) and to lay the groundwork for answering the second part (what are the counterintelligence benefits and detriments of each trajectory?). The treatment of the Service and Bureau through the two World Wars in the third chapter served to test the initial tendencies and early conclusions at the end of the second chapter in the early years of their operation. The issue of counter-terrorism in the fourth chapter speaks directly to the secondary question of this thesis: whether or not one counterintelligence system should be considered superior to the other.

Chapter 2 demonstrated that the respective initial constructions of MI5 and the FBI could not have been more dissimilar. The US was concerned with domestic law enforcement while the UK worried about potential conflict on an unprecedented international scale. The establishment of the FBI and MI5, therefore, filled different gaps in US and UK security: the FBI a gap in law enforcement and MI5 a gap in intelligence. Their founding mandates reflected these concerns, which in turn shaped their early requirements and actions to meet those requirements. The FBI promptly sought to increase its domestic jurisdiction to improve US law enforcement while MI5 busied itself detecting foreign spies. Necessarily, then, the Bureau cultivated its internal orientation (lacking an external mandate at the time) and MI5 focused on the international arena of espionage. While MI5 was prepared for the second war and the Bureau was not, this fact stems mostly from their original intended purpose, not their operational activities alone (though MI5's pre-war round-up of spies was certainly impressive).

Chapter 3, at length, showed the already-established preferences of each organization in action and outlined how each chosen path had costs and benefits. The FBI entered World War I

as a political powerhouse without significant counterintelligence experience. The US did not need to rely on the Bureau to the extent that the UK needed MI5 to protect it from spies, which allowed the Bureau to slip back into solely domestic work after the war's end. MI5, on the other hand, had had tremendous success against German espionage in the First World War, but its penchant for secrecy (an undisputable asset for counterintelligence) had allowed others to take credit for its successes. This ushered in an extremely uncertain period for the Service after the war while the Bureau faced no serious bureaucratic challenges even after blatantly interfering in US politics in the Teapot Dome Scandal and violating civil rights in the Palmer Raids. FBI visibility had protected it from MI5's obscurity while contributing nothing to the Bureau's ability to catch spies. Additionally, MI5 continued to monitor foreign threats in the interwar period while the Bureau retreated inward.

At the onset of World War II, the Bureau was logistically prepared, but operationally unprepared, to protect the US from espionage. Under President Roosevelt, the FBI never lacked for resources and its visibility and political connectedness only increased, but this only served to confirm its preference for operating in the domestic sphere without an eye to foreign threats. MI5 was operationally prepared, but it was significantly undercut by poor logistics in terms of budget and manpower. Therefore, the Service's counterintelligence success in the Second World War should be all the more impressive. The wartime experience of the Service also demonstrates that MI5, while distracted by many tasks apart from counter-espionage, had already developed solid counterintelligence tradecraft and only needed a strong leader (David Petrie) to succeed. The Bureau also achieved great success in the war catching spies and pushing itself to become more externally oriented, especially in the case of its SIS in South America. The FBI,

however, might have been able to perform even better if it had not neglected counterintelligence in the interwar period, which made significant reorientation inevitable once the war began.

After the war's end, the Bureau experienced political backlash on account of its extensive political dealings and interference in domestic affairs. Its political involvement, which had generally served it well thus far, reached a breaking point for the American people and US politicians. Such discontent led to the decision to force the Bureau to relinquish its SIS operations to the newly-created CIA. The bitterness in the aftermath of this chastisement poisoned the atmosphere in the new USIC in a highly visible manner, severely hampering US counterintelligence and nascent foreign intelligence. MI5, facing a new Labour government that was largely ignorant of the Service's wartime feats, also faced some domestic backlash though mostly in the public and not the operational sphere (no other UK security organization threatened to absorb the Service, which had proven itself to those civil and political leaders who had been aware of the Double-Cross System). Thus, MI5 largely stayed the counterintelligence course even though it was headed for rough waters in the wake of the revelations that it had been penetrated by Soviet intelligence. The Bureau reversed course away from counterintelligence and back toward domestic law enforcement.

Up until this point (and for most of the twentieth century), MI5 and the FBI had stayed true to their initial preferences. MI5 was never tasked with law enforcement or any other substantial distraction from its central mission of counterintelligence, so it continued to hone its abilities in that area. The Bureau, when the US became concerned over foreign threats in the First and Second World Wars, was charged with a task that it never had preferred or held equal to law enforcement. Regardless, the FBI did succeed in several instances while displaying strong counterintelligence tradecraft as had been shown above. Also mentioned above, however, is that

throughout the FBI's history, these instances and wartime initiatives were the exception and not the rule.

Neither the UK nor the US was really prepared for the onset of terrorism in the 1990s and early 2000s. Each had to experience loss (or near loss in the case of the UK cabinet) firsthand before charging MI5 and the FBI with the task of preventing terrorism above all other missions. The fourth chapter, however, answered the question of which system for counterintelligence has been shown to be superior by testing both the Service and the Bureau with the modern day task of counter-terrorism. Counterintelligence and counter-terrorism tradecraft have been recognized as cut from the same cloth by both US and UK leaders and by the choices they have made to elevate these tasks. It is clear that MI5, which had never significantly strayed from its counterintelligence mission, was far more prepared to adapt to this new threat compared to the FBI, which has experienced something of a crisis of culture in the post-9/11 world. The Bureau and FBI Director Mueller have openly acknowledged this. Because counter-terrorism *must be preventative*, MI5 has been better positioned for this task and to continue its counterintelligence mandate on account of its bountiful historical experience working to prevent espionage and damage to the UK through deception and misdirection.

### *Conclusion*

What can this analysis tell us and the FBI about the practice of counterintelligence? Apart from the general conclusion that counterintelligence must be maintained in war and peace in order to be maximally effective, there are three key qualities that have been revealed above. The first is, not surprisingly, secrecy. MI5's secretive founding, early operations, and wartime operations were all accomplished with the utmost secrecy and it is unlikely that the Service

would have been capable of any lofty successes without it. Imagine, for instance, a single leak of the pre-World War I round-up of German spies or the Double-Cross system to German intelligence. Even a small piece of this UK intelligence picture lost to Germany might have foiled the plots altogether. To be sure, MI5's secrecy exposed it to political problems, but its secrecy was always an asset to its mission. The FBI had, from its foundation, been a highly visible and politically charged organization. This hindered its expansion into counterintelligence by causing political fears that such a mandate might be abused. In the end, the politically high profile of the FBI has done wonders for its rise to law enforcement prominence, but it has largely held it back from intelligence success. High visibility is not a desirable trait when trying to beat secretive individuals and groups at their own game.

The second quality that should be part of the culture of every counterintelligence organization is external orientation. Domestic law enforcement organizations are primed to identify purely domestic threats, but counterintelligence functions must look abroad for the next threats to a country's security. This is especially the case when foreign intelligence organizations adopt offensive postures (as the Chinese intelligence services have recently) and when international terrorism is a prominent threat. In today's globalized environment, it is all the more pressing to cover every foreign base in threat perception and prevention. MI5 has always maintained a strong external orientation throughout its history, having fixed all of its resources at one time or another on German espionage, Russian espionage, and international terrorism. The focus of the FBI has been consistently internal. This is evidenced by its preference for law enforcement over intelligence practices for most of its history.

The third quality essential to counterintelligence operation is a preventive disposition. As Christopher Andrew has noted, a counterintelligence organization may be better evaluated by

preventing spies from gaining any foothold than by the number of spies caught.<sup>343</sup> MI5 has always aimed to prevent threats from materializing. This is most evident in the Service's penchant for running double agents in general and in the Double Cross System in specific. Having double agents in place within target organizations can prevent any success on the part of that organization and the strategic deception on D-Day obviated the bulk of Nazi forces and prevented countless allied casualties. The FBI's most notable cases of preventive counterintelligence or counter-terrorism operation are more recent, particularly after Director Mueller's concerted drive to push the Bureau in this direction.<sup>344</sup> The Bureau's rise to the challenge posed by terrorism will absolutely require it to become more preventive because the FBI cannot wait for terrorists to be successful before they apprehend them.

In conclusion, the US and the UK adopted and maintained different counterintelligence systems because they wanted very different things from each organization at the outset. The Bureau and the Service then took on lives of their own, more and less political, more and less visible, and more and less preventive in their work. A mixture of these organizational preferences and external considerations allowed both to prioritize their chosen mission – the Bureau with law enforcement and MI5 with counterintelligence. This situation in each country remained constant until the challenge of terrorism forced each organization and each country to change their existing arrangements by the end of the twentieth century and the beginning of the twenty-first. In terms of counterintelligence alone, the UK's choice of MI5 has always been superior to the US reliance on the FBI. However, this superiority was not predestined from the beginning of the UKIC. MI5 relies on other organizations (especially police organizations) to a far greater extent than the FBI. It is clear that tensions between MI5 and those other British

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<sup>343</sup> Andrew, "MI5 in World War I."

<sup>344</sup> In addition to the examples of the aborted Libyan and Lebanese terrorism above, see FBI, "Centennial History," 114-115.

organizations have challenged the Service's very existence and independence at one time or another, but these bureaucratic battles could have been even worse on account of potential rivalry between intelligence and police functions. The combining of these functions in the FBI has presented different challenges, some that the Bureau still struggles with today. In short, MI5's success has always depended on external assistance and cooperation. When other UK organizations do cooperate, this system has proved extremely efficient. More important than having a dedicated counterintelligence service, then, might be ensuring that such a service (even a subordinate part of the FBI such as the NSB) communicates well with its partners in national security.

### *Looking Forward*

Can the FBI perform the mission of counterintelligence at the standard of MI5? The answer is that Bureau absolutely has done so in isolated instances and that, if it had not been for political problems, FBI counterintelligence may have started to resemble MI5 counterintelligence in the aftermath of World War II. Sound counterintelligence practices, however, have never been institutionalized in the Bureau. The greatest and most concentrated push to do so has been the US post-9/11 FBI counter-terrorism campaign. The question then becomes: can the Bureau morph itself into a successful counterintelligence organization despite its historical preferences? Given that this development is so recent, it is certainly difficult to say.

Looking at the qualities identified above, however, allows some measure of optimism on this matter. The Bureau certainly cannot become less visible in its entirety, but perhaps its counterintelligence offices or its National Security Branch could. A law enforcement organization must be visible to deter crime and make the public feel safe, but that does not mean



that all of its functions need to be open to public view. The FBI could also become more externally focused and it has made significant progress in this area as evidenced by its counter-terrorism successes mentioned in chapter 4. As long as special agents who prefer domestic law enforcement are not given too much control over the Bureau's national security functions, there does not seem to be any significant institutional blockage for progress in this area. Finally, and most crucially, the Bureau must become more preventive and proactive in contrast to its established preference for reactive law enforcement.<sup>345</sup> This quality is at the heart of counterintelligence and counter-terrorism and will absolutely be the most difficult change for the Bureau. If the FBI can make this cultural shift, it will be able to prevent and counter intelligence and terrorist threats just as well as any other organization, including MI5.

A final note on intelligence and law enforcement organization is in order. The FBI has always had a more complicated mission than MI5 – it is charged with the sometimes contradictory missions of law enforcement, counterintelligence, and counter-terrorism while MI5 is free to focus on counterintelligence and counter-terrorism. As mentioned above, this means that the Security Service must coordinate extremely closely with the UK's police organizations, while this gap theoretically does not exist in the Bureau since it houses all three missions. This arrangement certainly has its benefits, as evidenced by the sometimes hostile and rivalry-ridden situations that have arisen between MI5 and police organizations. This indicates, perhaps, that the US system is better positioned to quickly apprehend and disrupt terrorist networks as compared to the British system. The immediacy of terrorist threats might also lend itself to the Bureau's established style of seeking to make arrests quickly instead of waiting to see what happens. However, no organization can prevent terrorist activities if it does not first identify and

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<sup>345</sup> By reactive, I only mean taking action after a crime has been committed. I am not belittling the necessity of this police function, but rather arguing that both are necessary for national security through law enforcement and intelligence.

penetrate them, practices more concretely cemented in the Security Service. In short, there are certainly benefits to each system in countering the modern threat of terrorism even if the UK counterintelligence system has always been superior otherwise. Each organization should take lessons from the history of the other, though it is certainly more pressing for the Bureau to attend to the precedents set by the Security Service in the realm of counterintelligence.

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