
Cautious Beginnings



Kurt F. Jensen

Cautious Beginnings
Canadian Foreign Intelligence,
1939-51



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Abbreviations

Note: A more detailed glossary of terms can be found on p. 180.

ATIP	Access to Information Program
BRUSA	British-USA
BSC	British Security Coordination
CANUSA	Canada-USA
CBNRC	Communications Branch of the National Research Council
CIA	Central Intelligence Agency
CJIC	Canadian Joint Intelligence Committee
COMINT	communications intelligence
DEA	Department of External Affairs
DND	Department of National Defence
FBI	Federal Bureau of Investigation
HUMINT	human intelligence
MEW	Ministry of Economic Warfare
NRC	National Research Council
OIC	Operational Intelligence Centre
OSS	Office of Strategic Services
RCAF	Royal Canadian Air Force
RCMP	Royal Canadian Mounted Police
RCN	Royal Canadian Navy
SIGINT	signals intelligence
SOE	Special Operations Executive
UKUSA	United Kingdom-USA

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Introduction

Among the world's G8 nations, only Canada is without a clandestine foreign intelligence service tasked with recruiting and running agents outside the country. This is not tantamount to a conclusion that Canada does not collect or have access to foreign intelligence. Such an assumption would be wrong. Canada has considerable access to foreign intelligence and, indeed, collects much of this information through Canada's own resources. Much additional foreign intelligence is obtained through agreements and liaison relationships with the intelligence services of other nations.

The debate over whether Canada should establish its own clandestine agent-running intelligence organization, a human intelligence (HUMINT) capability, reflects an argument that has recurred roughly every five to ten years since first being raised in 1951. At that time, shortly after the end of the Second World War but with the Cold War already underway, Canada first made a decision not to establish a covert intelligence service. To fully comprehend why that decision was made in 1951, and periodically afterward, one must understand the antecedents of today's Canadian intelligence community.

During the early Cold War era, the debate over creation of a Canadian clandestine intelligence service was limited to those who were associated with intelligence work in Ottawa. More recently, as awareness and interest in intelligence matters have grown, the discourse has entered the public realm and can be found within the pages of academic journals and sometimes in the popular press. Unfortunately, the discussion has often perpetuated the misconceptions and has sometimes turned the question into one posing a choice of having or not having access to foreign intelligence, rather than focusing on the more pertinent issue of whether covert HUMINT collection is required to augment the foreign intelligence already available to Canada. While the argument over whether to establish a clandestine HUMINT organization has been both real and important, the central focus of the debate should be whether Canada has access to foreign intelligence with which to

permit national policy makers to make decisions in full possession of the necessary information. Some participants in the current debate over the need for a clandestine service have known that Canada enjoys access to considerable foreign intelligence, but were often circumspect in expressing this awareness, something that may have contributed to popular misconceptions. One must recall that general information about Canada's foreign intelligence interests and capabilities was only slowly revealed to the public, beginning in the mid-1970s. However, considerable information was accessible earlier on Canada's security intelligence activities, initially on the security service within the RCMP and, after its creation in 1984, on the Canadian Security Intelligence Service, the civilian security service. Media coverage of Canadian security services goes as far back as the interwar period. Some limited information is also available about the role of military intelligence in the protection of the nation, a role that overlaps with that of foreign intelligence.

Misconceptions over Canadian access to foreign intelligence persist and are characteristic of the very limited scholarship on this facet of Canadian intelligence history. As information on this feature of Canadian foreign policy interests and tools becomes available, any misreading of Canadian involvement in foreign intelligence will diminish.

To place Canadian access to foreign intelligence in context, it is important to understand the different forms of intelligence activities in which Canada and most other nations are engaged.

A study of intelligence requires a clear definition of what constitutes foreign intelligence. Popular perceptions, the media, and the entertainment industry have contributed to definitions of "intelligence" that are at variance with the understanding of the subject within the intelligence community. Similarly, a number of terms within the genre also need to be defined to permit a full understanding of the subject.

Foreign intelligence is information relating to the capabilities, intentions, or activities of foreign states, persons, corporations, or organizations. Among the areas of interest is information of a political, economic, military, security, scientific, or social nature, obtained from overt and covert sources, which may be collected from human sources or through technical means, or through open sources. The security caveats associated with such information relate less to the data collected than the need to protect the methods and sources employed to gain access to the intelligence. Only one of many factors having an impact on political and military decision making, foreign intelligence is neither omniscient nor infallible but, rather, a tool that when used properly enhances the policy-making process.

Military intelligence greatly overlaps with foreign intelligence; the two differ primarily in the fact that the former has a greater tactical focus, while the latter is subject to a more strategic and political orientation. However, information collected as military intelligence will often meet both foreign

and military intelligence objectives. In addition, military intelligence has a greater focus on collating information on hostile or potentially hostile armed forces. Nevertheless, James Eayrs is entirely correct when he “rejects as out-moded and misleading the traditional division of national security policy into two compartments, one called foreign policy, the other defence policy.”¹ The two, Eayrs continues, are “indissolubly combined.” While he makes his comment in the context of writing about policy making, he may as well have been discussing the policy-supporting world of foreign intelligence.

Security intelligence, which is often what the public associates with the concept of “intelligence,” differs from foreign intelligence in the sense of being defensive, and has what one may call a “defence of the realm” mandate. The primary purpose of security intelligence is to protect the nation from internal and external threats. The associated tasks include counter-intelligence (countering the activities of hostile foreign intelligence services), counter-terrorism, countering political violence, and preventing threats to democratic society. A broad grey area exists where security and foreign intelligence overlap. Security intelligence, a substantial study in its own right, is covered only tangentially in this book.

Canada possesses a broad and vibrant intelligence community in which foreign intelligence collection and evaluation are significant and largely effective. Certainly, an important dimension would be added if Canada did possess a clandestine HUMINT organization, if only to place Canada on an equal footing with its key intelligence partners. However, Canada is a risk-averse, cautious, and frugal nation that throughout the passage of the past half century repeatedly made decisions not to embark on this type of collection activity.

In today’s more open societies, an argument can also be made that the role of secret agents has been partly bypassed by history. That statement may come as a surprise, but it is generally agreed in intelligence circles that as much as 80 percent of the contents of today’s intelligence assessments is gathered from open-source material – that is, information that was not obtained through secret or clandestine means. The remaining approximately 20 percent is derived from secret sources, most often through signals intelligence (SIGINT) or other methods euphemistically listed as national technical means, as well as from human sources.

Secret intelligence is not solely limited to clandestine or “black” sources. Human sources may also provide “grey” intelligence or information not normally accessible to the public (i.e., open sources) but not obtained through clandestine means. The classic example is the debriefing of prisoners of war and defectors. However, intelligence organizations also devote considerable resources to interviewing other individuals who may have gained valuable insights through travel, business dealings, academic activity, and so forth. Similarly, one of the most valuable intelligence tools is

the activity of diplomats stationed abroad conducting bilateral relations or involved in more directed information-gathering mandates. A primary role of diplomats is to know and understand the environment in which they operate. Diplomatic activities provide highly valuable intelligence on foreign states, both friends and adversaries.

The intelligence collected by secret agents can be extremely valuable when reflecting access to the thinking and policy making at the apex of a foreign country's leadership. Nothing would surpass the admittance to the thought processes of a foreign leader. However, that sort of insight is rarer in real life than in spy fiction. Much information collected by clandestine agents does not represent direct access to foreign leadership and is more likely to be similar to open source and grey information. In fact, many agents simply pass on information learned from following the media or from working and circulating within a given society. This does not mean that it is without value. Such information can be difficult to obtain from outside the society and can gain value by being filtered through the insights and knowledge of the person making it attainable.

In a new age of increasing threats of terrorism, one might argue that the need for HUMINT is increasing rather than diminishing. This is a valid argument and would be true if it were feasible to develop human sources within terrorist organizations. However, HUMINT from within terrorist organizations is extremely difficult to access, although this situation may improve with time as terrorist organizations grow in membership and the ideological fervour of members of such organizations diminishes and becomes more susceptible to the traditional factors influencing a person to become a HUMINT source.

Today, Canada has a wide range of intelligence materials available that largely meet its national needs. A dependence on allied and liaison relationships exists; therefore, one might argue that Canadian intelligence sovereignty no longer remains. However, given costs and other political realities, it is unlikely that intelligence sovereignty is attainable by any country or, indeed, necessary in an increasingly interdependent world in which no nation can have independent access to all of the foreign intelligence required to act in full confidence and awareness of political factors that can have an impact on foreign policy. The scope for collecting intelligence probably exceeds the resources available to any one nation.

Canada's intelligence community today is complex, relatively large, and very effective, given its limited resources and the lack of a clandestine HUMINT collection service of its own. This is not to say that more could not and should not be done, particularly in terms of diplomatic and grey intelligence collection. Canada's resources in these areas are few and have eroded over the years.

The Canadian intelligence community has its shares of problems and interdepartmental/agency strains. It is a complex community encompassing a wide variety of mandates and interests. Security intelligence falls within the Canadian Security Intelligence Service but also includes national security law enforcement by the RCMP. The RCMP also has separate criminal intelligence responsibilities. Additional organizations have substantial resources directed to customs intelligence issues, border control intelligence, and immigration intelligence. The foregoing all fall under the umbrella of Public Security Canada. Several other departments also maintain small specialized intelligence units directed at securing information on pandemic health issues, food inspection, and so forth. In addition, there are departments and agencies with specific and significant foreign intelligence mandates. These include the Department of Foreign Affairs and International Trade,² parts of the intelligence function of the Department of National Defence (in addition to the overlapping traditional military intelligence function), and SIGINT activities of the Communications Security Establishment, an organization reporting to both the DND and the Privy Council Office. As well, the Privy Council Office exercises a coordinating role for the entire Canadian intelligence community as well as maintaining a centralized assessment service.

Strains within such a complex range of mandates are natural. The strengths and weaknesses that exist today reflect the strains, compromises, and working relationships that constitute the evolutionary development of the Canadian intelligence community.

This book sets out to describe how one portion of Canada's intelligence community was established and to outline its developmental path during the early formative years. Canada's foreign intelligence activities are not of long duration, having only truly begun with the onset of war in 1939. This book will also demonstrate that Canada developed a foreign intelligence architecture that was not perfect but seems to have largely met the requirements of the foreign policy decision-making establishment. As a minor but not insignificant international player, Canada has a demand for foreign intelligence. The foreign intelligence community that was developed during the war, and adapted afterward to the postwar environment, has generally met the needs of the nation while accommodating Canada's cautious approach to matters of intelligence and a general reluctance to spend significant sums on such matters.

Canada entered the Second World War on 10 September 1939, ill-prepared for what would follow. With a weak industrial base, an inadequate military establishment, a very small and insufficient diplomatic service, and a lack of necessary economic resources, Canada did not have the tools with which to wage war.³ Canada was a nation of over 11 million people in 1939, which

grew to 12 million by 1945. The economic improvement that had begun in 1935 as the country slowly emerged from the ravages of the Depression was reflected by a growth in the gross domestic product to just over \$5 billion in 1939 (a figure that had been previously reached in 1927). The GDP more than doubled to nearly \$12 billion by 1945.⁴ Although industrial plants existed, particularly in Ontario and in Quebec, Canada's economy was still driven by primary commodities. This changed with the war, during which \$1.3 billion was invested by the government in industry, the effects of which were felt almost immediately. Between 1939 and 1941, the GDP increased 47 percent as primary commodities production doubled and secondary manufacturing tripled.⁵

When war broke out, Canada's Department of External Affairs (DEA) had a staff of 174 people, 68 in Ottawa and 106 assigned at diplomatic missions abroad. At the time, the diplomatic staff numbered only twenty-nine officers, ten of whom were in Ottawa. Canada also had a High Commission in London and five delegations: Washington, Paris, Tokyo, Brussels, and The Hague. In addition, there was the delegation to the League of Nations.⁶ By 1945, the number of staff had grown to 107 of diplomatic rank and 391 clerical, with 26 missions abroad, figures that by 1950 had increased to over a thousand staff stationed at home and abroad in thirty-three countries.⁷

The need for a foreign intelligence capacity was not obvious to Canadian policy makers as the world approached war in 1939. In fact, as noted above, the country was still building its diplomatic service. Canadian political leaders did not discuss or establish an intelligence capability in the period leading up to war. What information Canada possessed at the time about international events was derived from the reports of a handful of Canadian diplomatic missions abroad and from selected British diplomatic and intelligence reports that were forwarded to Ottawa, sometimes on subjects far removed from Canadian interests. No independent access to foreign intelligence was available to Canada as the country approached war, and the realization of the need for such a resource to meet Canada's national requirements came slowly.

The creation of a Canadian foreign intelligence capacity was the result of a steady, incremental effort by a handful of individuals in positions of importance throughout the Canadian government, who laboured to assemble the rudiments of a foreign intelligence community. A blueprint for the war-time intelligence effort was quickly agreed upon once war began, but it was not until after the Dunkirk evacuation and the fall of France in 1940 that urgency was evident and a more active approach was directed at the problem of intelligence gathering. The clear menace to the supply lines between North America and Europe posed by the North Atlantic German U-boat campaign was among the early catalysts creating the momentum toward the establishment of a foreign intelligence organization.

The innate minimalist approach of the Mackenzie King government and the perennial Canadian caution and penuriousness ensured that Canada's foreign intelligence collection community, even in wartime, remained small. The creation of a foreign intelligence organization was further complicated by the fact that many persons who would have been of great assistance to intelligence work quickly became involved in other wartime ventures; thus, the intelligence organizations often faced challenges in meeting staffing requirements. Wartime intelligence activities also brought to light the lack of coordination between the armed forces intelligence services, the DEA (the earlier name of the Department of Foreign Affairs and International Trade)⁸, and the RCMP, the latter being a member of the wider intelligence community with responsibility for security matters but with little involvement in foreign intelligence issues.

Over the course of about a decade, Canada's foreign intelligence capability grew from a small and limited existence within the prewar bureaucratic confines of the DND to a community comprised of not only the DND but also the Privy Council Office, the DEA, and a host of lesser players, including the RCMP and the National Research Council of Canada. It was some time before progress in the establishment of an intelligence community was apparent.⁹ Once formed, however, the resources of the intelligence community provided Canadian decision makers with a uniquely Canadian information perspective. It was at this same time that the DEA formalized its foreign intelligence activities through the directed activities of individuals who worked at identifying requirements and exploring opportunities for obtaining required intelligence. The collection and processing of SIGINT was also begun in earnest. Soon after, Canada established the Royal Canadian Navy's (RCN) operational intelligence centre to support the battle against U-boats in the North Atlantic, and the DEA created the special intelligence centre within Canada's cryptanalysis organization, the Examination Unit, to exploit the intelligence that became available through signals interception.

When the war ended, the Discrimination Unit (signals collection) and the Examination Unit (signals decryption and evaluation) merged into a single integrated SIGINT service, the Communications Branch of the National Research Council, while several intelligence units, the Canadian Joint Intelligence Committee (CJIC), the Canadian Joint Intelligence Bureau, and the Canadian Joint Intelligence Staff, were established or expanded as the functional units of foreign intelligence activities. Lastly, the Defence Liaison 2 Division, a more formal acknowledgment of intelligence duties, was created within the DEA in the early days of the Cold War. The foreign intelligence activities of the DND's military intelligence divisions were partly reduced after the war and subsumed within traditional military intelligence activities.

As the end of the war approached, Canada had already begun a review of its foreign intelligence elements in preparation for the transition to a

postwar society. This process was launched before the Cold War became entrenched, and it is remarkable how little direct impact the East-West confrontation had on the postwar foundation of Canada's intelligence resources; nowhere in the archival material is a link drawn between the growing East-West confrontation and intelligence reorganization. Rather, intelligence was required primarily as a support tool for Canada's growing international interests. The intelligence review lasted into the late 1940s. At the time, caution and fiscal concerns dominated policy decisions. Disagreement abounded over the extent to which Canada should become involved in the field of foreign intelligence. The organizational structures that emerged at the end of the postwar reorganization defined Canadian engagement in foreign intelligence for many years.

Canada chose a "safe" road for postwar foreign intelligence collection. No covert foreign HUMINT service was established between the end of the war and 1951, the date at which this study concludes. Canadian decision makers were never willing to accept the financial burden or the potential political risks arising from the kind of embarrassing disclosures that can be associated with a clandestine foreign intelligence service. SIGINT, the passive collection of radio signals from the air waves, was continued and expanded in the postwar period. A more structured intelligence analytical capability was also established after the war.

Canada created its foreign intelligence capability in the midst of war and, after the conclusion of hostilities, it restructured much of what had been created under the pressures and constraints of conducting a war effort. In presenting the first comprehensive account, based on primary sources, of the birth and postwar reorganization of Canada's foreign intelligence community, this book focuses on the intelligence services' contribution to the war effort and on the way in which wartime experience was adapted for a postwar mandate.

The bureaucratic relationships between the various intelligence entities, most of which existed within the DND and the DEA, will be explored, and the study records how the DND slowly ceded a greater role over foreign intelligence to the DEA in the postwar period. This book is the administrative history of the makings of a Canadian foreign intelligence capability and how this addressed the perceived needs. The study documents that Canada's foreign intelligence activity in the early postwar period accomplished little more than ensuring membership in the postwar co-operative community of the US, British, Canadian, Australian, and New Zealand intelligence services, an achievement that was to pay untold future dividends for Canada. The findings demonstrate that the restructuring of Canada's postwar intelligence community was afflicted with conflicting bureaucratic responsibilities because no clear department was in overall charge of intelligence.

They also show that the independent intelligence fiefdoms in various departments, which had been a problem during the war, remained largely unchanged. Because the political leadership of Canada clearly yielded to senior civil servants the responsibility for intelligence matters, this may have been the pattern destined to emerge. Nevertheless, in the postwar period External Affairs slowly came to dominate all intelligence committees and organizations in Canada. This did not discourage the other intelligence community partners from expressing firm views during administrative deliberations, but External Affairs assumed a central coordination role for foreign intelligence.

This book is also a case study of how a government responded in the midst of a crisis to the need for an independent means to fill an information vacuum. In the process, the government laid the foundations for the foreign intelligence capability that exists to the present day. The institutions created by Canada during the war to address the lack of information consciously reflected a British approach to intelligence management. The British model represented an unstructured and informal committee format with vaguely defined relationships and reporting lines among the constituent elements. Administratively, this structure functioned quite well as long as Canada's intelligence community was in its infancy, but proved to have many deficiencies when applied to the postwar environment in which the several poorly resourced units seemed excessive for the mandate.

This study also serves a greater purpose. It documents the changes in some aspects of Canada's foreign relations during 1940-50 as the historical ties to Britain slowly loosened while those with the United States, already strong, became more entrenched. This was not a shift in "dependency," with Canada jettisoning the vestiges of colonial ties to Britain in favour of military-industrial links with the United States. Such labelling oversimplifies the complexity of the events that occurred. Canada's drift away from Britain was a progressive twentieth-century occurrence facilitated by the exceptional circumstances of the Second World War.

The transition began in the years immediately after the end of the Second World War. While the intelligence links with Britain remained exceedingly strong, they were no longer exclusive. The strengthening of ties between Canada and the United States may have been affected by the threatening environment of war but was a logical outcome of geographic proximity, cultural affinity, and a commonality of interests. While Canada certainly took the initial steps toward a "partnership" with the United States in the postwar world, it was a partnership that would be mutually advantageous and was embraced by Canada because the international circumstances dictated this as being in the country's best national interest. For the United States, the initiatives toward a partnership were equally welcomed; it was

important to have a northern neighbour whose politics were predictable, whose friendship was assured, and whose landmass was not an undefended invasion route. The partnership, which began in the early postwar period, was not rooted in ideology or a negation of Canadian sovereignty but, rather, premised on mutual respect and self-interest. What emerged was a pragmatic partnership between sovereign states entered into for reasons of national self-interest. The establishment of an autonomous Canadian foreign intelligence capability, modest as it was, provided Canada with one set of tools for exercising sovereignty.

Canada's involvement in foreign intelligence, while neither significant nor adequately resourced, reflected a maturing of the nation in its international engagements. More precisely, this study addresses particular questions. Did a concerted Canadian interdepartmental vision exist for creating a foreign intelligence capability? Was there a clear political commitment to the creation of foreign intelligence bodies, and, following the experience of the Second World War, did Canadian policy makers possess a clear vision of the foreign intelligence capacity they wanted to retain for the postwar world? Was the elected government actively engaged in the drafting of Canada's wartime intelligence structures and the revision of the foreign intelligence assets during the early postwar period?

Only limited analysis of why various directions were pursued at different moments in the evolution of Canadian foreign intelligence is included in this book. In published material on intelligence matters, the introduction of analysis of why things happened is often a mask for lack of clarity in the limited available resources. In the case of Canada, the accessible archives are far from complete. Past studies have reflected the paucity of material. Analyses in earlier studies have been proven wrong when additional archival material was released.¹⁰ Intelligence literature has often had a short shelf life because inferences are drawn and conclusions reached based on limited information. Subsequent scholarship points out the weaknesses of drawing too many inferences when the primary sources are not entirely accessible. In the interest of providing insight into Canadian foreign intelligence that is sufficiently robust to accommodate future archival revelations, this study is cautious about advancing analysis based on speculation or drawing conclusions from limited archival material.

The story begins with a description in Chapter 1 of Canada's foreign intelligence capability on the eve of war and during the dramatic early days of the conflict. The most significant intelligence development in Canada was the creation of SIGINT expertise, the early evolution of which, as the following chapter illustrates, was accompanied by confusion as both the DND and the DEA launched separate SIGINT initiatives that were not complementary. The third chapter records the early efforts in building intelligence

alliances between three principal partners: the United Kingdom, the United States, and Canada. The partnership began before the United States became belligerent, and was cemented after the Americans joined the common battle.

The initial and modest Canadian engagement in HUMINT is presented in the fourth chapter. While Canada did not send covert operatives abroad during the war, considerable valuable HUMINT was obtained through censorship activities and debriefing POWs and others. A blending of HUMINT and SIGINT efforts is illustrated in the following chapter by an early and largely unique operation within the United States during which Canadian representatives collected raw communications products for SIGINT exploitation. Chapter 6 describes how the intelligence entities coordinated their activities to have an impact on the conduct of the war in its middle and later stages.

A discussion of the intelligence planning for postwar SIGINT, which was well underway long before hostilities were concluded, is outlined in Chapter 7. In Chapter 8 we find the story of the creation of postwar intelligence structures, dealing primarily with collating and evaluating foreign intelligence. This subject proved critical in defining the future shape of Canadian foreign intelligence as policy makers vacillated over whether or not to continue foreign intelligence collecting activities. The chapter provides an overview of decisions made during the postwar period to establish the foreign intelligence machinery, and outlines the manner in which many pieces of the wartime intelligence establishment were restructured. A critical decision made in 1951 to not establish a Canadian clandestine intelligence service forms the conclusion to the chapter. The final chapter looks at postwar SIGINT collection and discusses Canada's participation in a five-power alliance with the United States, the United Kingdom, Australia, and New Zealand that provided communications intelligence coverage of most of the world.

Few academic studies of Canadian foreign intelligence have been published. Much of the existing literature on intelligence in Canada has been anecdotal in nature and has often focused on security intelligence.¹¹ A country with little public knowledge or culture of foreign intelligence, Canada has not highlighted this side of its history.

Some Canadian literature on intelligence suffers the same weaknesses as sometimes occurs in the intelligence literature of other nations. Particularly in non-academic writings (but not limited to such) there is occasionally an analysis of events that reflects assumptions and fills gaps in the available archival material. Although many egregious examples of this phenomenon exist, the evolving interpretation of the unique achievements of British SIGINT at Bletchley Park in breaking the Enigma code illustrates the problem. Until recently, books on the breaking of Enigma ignored the role of the Polish and French. The Polish built an Enigma machine in the 1930s (when

the British failed), and the French obtained vital information from an agent on how the ciphering worked. An early British writer on the subject, F.W. Winterbotham, first introduced the world to Ultra (decrypted intelligence) in his book *The Ultra Secret*. However, basing his information on what he had heard from intelligence colleagues who also were not fully informed, he had only limited knowledge of how the achievement had been reached. Some of his conclusions were conjecture. Parts of the true story eventually emerged but not all of it. A subsequent writer, Anthony Cave Brown, took some of the story revealed by Winterbotham and added details for his book, *Bodyguard of Lies*, that have not stood the test of time. A third book was William Stevenson's *A Man Called Intrepid*, which further changed the details in Cave Brown's book and improved upon them, again with little basis in fact.¹²

Although the three writers were not writing for academic audiences, some of their mistakes have crept into academic studies. All of this is simply to say that analysis of limited resource material can be dangerous and can misdirect historians. Therefore, the present study has been cautious about interpreting material unless it was known to be correct. This makes for a book drier than some but hopefully with fewer errors, which will allow it to stand as a resource for much needed work on Canadian foreign intelligence.

The first book to treat the question of Canadian foreign intelligence in depth, and the only previously published study that attempts to present a detailed picture of one important element of Canada's wartime foreign intelligence community, is John Bryden's *Best Kept Secret: Canadian Secret Intelligence in the Second World War*, published in 1993.¹³ This study has a clear focus on wartime SIGINT collection.

Prior to Bryden's book, there had been little published in Canada on the nation's foreign intelligence activities. Some specialty studies, such as *Scarlet to Green: A History of Intelligence in the Canadian Army, 1903-1963* by Major S.R. Elliot, which contributed insight into the military intelligence of that period, presented extensive details about certain elements of Canada's intelligence community. Similarly, David Stafford's *Camp X: Canada's School for Secret Agents 1941-45* provides very useful details on the relationship between Canadian foreign intelligence activities and British Security Coordination (BSC) in the United States.¹⁴ Stafford makes a significant contribution to an understanding of Canada's wartime foreign intelligence activities through his study of a British Special Operations training facility located in Canada. Although that facility, Camp X, was a British site during its early period, its establishment and operation was conducted with the clear cooperation of Canada. Camp X was used by both countries until, toward the end of the war, it was turned over for the exclusive use of Canada. The Camp X story focuses on a narrow segment of Canada's foreign intelligence experience but does it well.

J.L. Granatstein and David Stafford's *Spy Wars: Espionage and Canada from Gouzenko to Glasnost* is an excellent primer on intelligence issues relating to Canada.¹⁵ Reflecting first-rate scholarship, given the sources that were available at the time, it captures the essence of the story. The book makes little distinction between security intelligence and foreign intelligence, and much of the book is focused on the former.

Quite revealing is BSC's own "lost" history, *British Security Coordination: The Secret History of British Intelligence in the Americas, 1940-1945*.¹⁶ Written in 1945 by an associate of William Stephenson, who is incorrectly identified as "Intrepid" by some authors,¹⁷ the book was not published at the time. It was prepared at Stephenson's behest and for the purpose of lauding his operation in North America. When the book was completed, the files and archives of BSC were destroyed.¹⁸ The book was not written for an academic or popular audience but as a record of how an intelligence organization could be used to influence a foreign government, in this case that of the United States. As such, the book provides examples of how BSC achieved its objectives rather than recording historical events in detail. In addition, the original draft, prepared in the closing months of the Second World War, is concerned with maintaining security of information and is often vague or cryptic when describing people and places.¹⁹ Nevertheless, the book appears factually correct; in instances where references in the book can be tested against information held at Library and Archives Canada, it has proven accurate.²⁰ The book was accessible for many years only to select British authors on intelligence matters, but was made available to the public in 1998. The copy of the original unpublished study given to the Canadian government in 1945 appears to have been lost.

Canadian studies on intelligence face a particular challenge. The wealth of archival material that exists for British and American intelligence studies will never be available for Canada. Material is lost or otherwise irretrievable (seemingly including many early intelligence assessments), and Canada operated on a much smaller scale with much less material committed to paper and far fewer persons in the know. In the meantime, what information is available on Canadian foreign intelligence warrants being made accessible to the general public.

Much of the serious scholarship on Canada's foreign intelligence activities, however, has been in the form of academic articles. These began to appear by the mid-1980s and became progressively more revealing as new material was unearthed in Canada's National Archives.²¹

A number of books and articles written from British, American, and Australian perspectives have discussed the intelligence relationship between the United States, the United Kingdom, Canada, Australia, and New Zealand, which developed during their wartime alliance and became entrenched in a series of early postwar treaties.

The most important of the studies that look at the overall Anglo-Saxon intelligence relationship is Richelson and Ball's *The Ties That Bind: Intelligence Cooperation Between the UKUSA Countries*.²² Probably the premier study of the postwar US-Commonwealth intelligence relationship, this book achieves a high degree of accuracy and depth of detail. Numerous other studies make reference to Canadian participation in the five-power intelligence-sharing club, but few reflect as clear an understanding of the subject or provide as many details as Richelson and Ball. While the Anglo-Saxon intelligence partners increasingly reveal details of their intelligence relationships, none of the countries in the UKUSA alliance has acknowledged full particulars of the treaties governing their intelligence-sharing co-operation.

There is relatively little credible information in the public domain that throws light on the technicalities and manner of collecting and decrypting SIGINT in the postwar period. Because of the incremental way in which new information becomes available, books on postwar SIGINT activities have not always aged well. Most of the literature on this facet of intelligence is focused on the United States, which has intelligence organizations so vast that diligent journalists and academics regularly uncover important new details. One of the prime authors on the subject, and likely the premier student of the architecture of the American intelligence community, is Jeffrey T. Richelson, whose *The U.S. Intelligence Community* is an exceptional resource, particularly on electronic intelligence gathering.²³

Among the better material paralleling the coverage of Richelson's book are Richard Aldrich's *The Hidden Hand: Britain, America and Cold War Secret Intelligence* and "British Intelligence and the Anglo-American 'Special Relationship' during the Cold War."²⁴ The article summarizes the thesis of Aldrich's book; both are excellent studies of British intelligence and the relationship with America. Christopher Andrew's article "The Making of the Anglo-American SIGINT Alliance" covers the birth of the SIGINT relationship and is laudatory of the value of this tool in deciding the outcome of various facets of the Second World War.²⁵

Much of the documentary evidence recording the development of foreign intelligence activities by Canada was inaccessible to scholars and the public until very recently. This book is the first to bridge the wartime and postwar periods, drawing clear links between the two, correcting and expanding on the existing literature. In addition to providing new details on previously known aspects of the Canadian intelligence story, this study also makes available for the first time information on previously unknown Canadian intelligence activities, including the Mousetrap collection activities in the United States, HUMINT collection from POWs and returning Canadians from enemy-held areas, details of a SIGINT project conducted by Canadians in Australia toward the end of the war, and others. Many of the

earlier historical studies have suffered from a limited access to archival material or have a very narrow focus. Corrections to egregious errors in earlier studies are contained in the text where making such corrections is important. Nevertheless, this study does not devote extensive space to correcting earlier errors in interpretations where such are likely to be apparent to scholars.

Spurred on in part by the terrorist attacks of September 11, a growing number of students and academics are beginning to study subjects relating to intelligence. The focus remains on security and terrorism issues, particularly among those scholars from a political science discipline. However, responding to the ever-growing body of archival material, a small number of historians are looking at facets of Canada's foreign intelligence history, though much remains to be researched and published.

A great deal of the archival material in Canada pertaining to intelligence subjects is interspersed with other documentation and is not always easily retrieved. This is changing daily as Canadian documents relating to foreign intelligence become available to the public. A great deal of intelligence-related archival material has also reached the US National Archives and Records Administration, where a significant number of files concern Canadian wartime intelligence efforts. Some material can also be gleaned from the British public records. The situation will be eased when Canadian government departments that have been engaged in intelligence matters decide to release their records to Library and Archives Canada. That has not yet happened and is probably hampered by the sheer cost of vetting the files, a necessary prelude to their release for public examination.

A number of in-house histories of Canada's SIGINT organization have been released under the Access to Information Program (ATIP) and have contributed to this study. While Library and Archives Canada holdings of material relating to intelligence are constantly expanding, much of the material has not been processed or, if processed, remains closed and only available through ATIP challenges. However, ATIP is not always an option. The glacial pace of the ATIP process is a growing concern. At the present time, it often takes twelve months or more to have material reviewed under ATIP. If consultations on the contents are then required, it can take two and a half years or longer to receive access to documents. A contributing factor is the intelligence agreements between Canada and the United States, the United Kingdom, Australia, New Zealand, and, for some material, other nations. Material that does or could contain information from an allied intelligence organization must be vetted by any possible contributing organization before being released. This can be a protracted process.

Considerable historical material is also available at DND's Directorate of History and Heritage, which is open to scholars and students. This reservoir

of archival material contains a great deal of data relating to intelligence matters that is not available at Library and Archives Canada. A large volume of classified documents has also been individually released by Canadian government departments under ATIP. Much of this information is readily available to researchers. This is especially true in the case of the Communications Security Establishment, a key entity within Canada's foreign intelligence community, whose various internal histories have all become available with little more than technical information apparently having been excised.²⁶ The Communications Security Establishment has stated that all its file material up to the end of the Second World War has now been released to Library and Archives Canada.²⁷

It is difficult to assess what significant archival gaps remain in the story of Canadian foreign intelligence. Relatively little material has been released by the Privy Council Office and the Department of Foreign Affairs and International Trade, although the unreleased material would probably serve only to round out an understanding of the issues rather than reveal much information requiring a reinterpretation of the story. Many of the documents relating to the special intelligence section of the Examination Unit, the Canadian Joint Intelligence Bureau, and to a lesser extent the CJIC remain unavailable, particularly the intelligence assessments, virtually all of which are absent from Library and Archives Canada. Some file material explains what has likely happened. A significant number of files relating to intelligence assessments contain only the file covers, some of which carry a notation indicating that the file contents were transferred to files that remain active.²⁸ Whether the file material is indeed active or whether this is a ploy to prevent release of the information to the public cannot be determined.

Access to individual intelligence assessments would have proven beneficial to this study. Very few are available. Most of the assessments may well have been destroyed over the years. While they would have contributed to an understanding of the areas of interest and possible sources of information, the intelligence assessments are not likely to have provided direct insight into the formulation of foreign policy. The nature of intelligence assessments is such that they inform policy but do not formulate policy. Hence, those persons who prepare policy options for the prime minister or foreign affairs minister will have had access to intelligence material and hopefully will have reflected its value in the policy proposals sent forward to decision makers. Based on the author's own experience, it is difficult to imagine a memorandum to the prime minister or foreign affairs minister including a line that stated that based on certain foreign intelligence, a specific course of action was recommended. Rather, the intelligence would be reflected in the advice provided without explicitly confirming a tie to intelligence. This is not for reasons of secrecy but simply because policy decisions are based on a host of factors, some of which are intelligence related in origin.

A foundation for further studies exploring the relationships and structures that define Canadian foreign intelligence can be established only by understanding the dynamics contributing to the creation of a Canadian foreign intelligence infrastructure during the Second World War, and the critical intelligence developments that followed during the early postwar years. This study looks at the administrative evolution of the Canadian foreign intelligence segments from the beginning of the war until 1951. That year was crucial and marked the emerging of a new era. While Canada formed its intelligence structures during the Second World War and reorganized these for peacetime activities from the end of the war until roughly 1950-51, a number of events heralded changing international realities. The Russians had made great strides in consolidating their hold on eastern Europe and had demonstrated their nuclear prowess. The Korean War had begun in 1950. The McCarthy era of treasonous allegations and flaunting civil liberties was creating an environment of fear that influenced American domestic and international policies.

The changing political climate, a Cold War in full flux, brought new realities and pressures to bear on Canada's intelligence community. The architecture that was in place by that time would govern Canadian intelligence activities until the present day. This book describes the creation of that intelligence architecture. The manner in which this story unfolded continues to influence the shape of Canada's foreign intelligence community today.

1

Foreign Intelligence at the Beginning of the War

The coming of war in 1939 did not surprise Prime Minister King or his close advisors. O.D. Skelton, the under-secretary of state for External Affairs and a staunch nationalist, was frustrated by the loss of Canadian independent control of its destiny as it was drawn into the coming conflagration in Europe by “policies and diplomatic actions initiated months ago without our knowledge or expectation.”¹ At the time of the Munich Crisis, Lester B. Pearson of the DEA wrote to Skelton from London, “It seems necessary to draw the conclusion that in the present state of Canadian opinion no Canadian Government is likely to be able to keep Canada out of a great war in which the United Kingdom is engaged.” He continued, “Canadian self-government obviously is incomplete so long as the most vital decision which can arise in the life of a nation is not taken in fact as well as in form by the leaders of the Canadian people.”²

Mackenzie King was asleep at his beloved Moorside at Kingsmere in the Gatineau Hills near Ottawa when the German armies rolled into Poland on 1 September. Arnold Heeney, principal secretary to the prime minister, was finishing breakfast at 6:30 a.m. when he heard the news on the radio.³ He immediately telephoned Mackenzie King to inform him of the events. After quickly conferring with Norman Robertson of External Affairs and following directions from Mackenzie King, Heeney raced to the East Block on Parliament Hill to arrange for a 9:00 a.m. meeting of Cabinet to discuss the events in Europe.

Following the Cabinet meeting, Mackenzie King issued an announcement he had prepared in anticipation of the outbreak of war, stating that Parliament would meet six days hence and, in the event of the United Kingdom becoming engaged in war, the prime minister would seek the agreement of his fellow parliamentarians to stand by Britain’s side. When Parliament met on 9 September in a special war session, Mackenzie King secured the widest possible approval for Canada’s entry into the war. War, for Canada, began the following day, a Sunday. The date was 10 September 1939.

Throughout the final crisis in the countdown to war, Britain had kept Canada informed of developments, but it had never consulted Canada. As a result, Canada was uncomfortable with elements of British foreign policy. No Canadian interpretation of events was asked for by London, and none was offered by Canada.

Canada and its civil servants may have been concerned by the country's slow path toward embroilment in the coming European war, but Mackenzie King was a political realist. There was never a moment when he doubted that Canada would have to stand shoulder to shoulder with Britain if ever the British Isles and the imperial homeland were threatened. Although attempting to follow a policy of isolation, and despairing of Great Power politics, Canada was grudgingly drawn toward inevitable war in Europe in the shadow of the United Kingdom.

While the coming danger of war was acknowledged, little was done by Canada's political leadership to provide the country with an independent source of information to corroborate and complement the sparse diplomatic reports of the DEA and various (not always reliable) news sources. Canada had long been receiving British diplomatic and intelligence reports to supplement its own meagre resources. Sometimes voluminous and generally informative, the British reports were selected to meet a British interest as well as to address a Canadian information need, and were often late in arriving. However, they were not unwelcomed by the Mackenzie King government, which had little hard diplomatic intelligence on which to base a firm stance on issues.⁴ Pearson had acknowledged the dilemma in early 1939 when he wrote Skelton that "the Foreign Office, in certain telegrams which they send to the dominions, are more interested in making a case than in providing information. I do not mean that they are attempting to expound in their telegrams, but that by careful selection and emphasis they can create an impression which may not always be strictly justified by the information on which the telegram is based."⁵

No Canadian diplomatic network existed beyond a small number of representatives at core centres of power. No independent sources of information were available to test and corroborate information made available through diplomatic sources. Canada did not have a foreign intelligence service to ferret out the shards of information that could confirm or deny reports that became available through other means. Nor did Canada have an intelligence resource to provide contextual knowledge to information already obtained through more accessible means. Although Canada's reliance on Britain's Secret Intelligence Service (more popularly known as MI6) and the Government Code and Cipher School (Britain's SIGINT service) proved valuable, these were not a substitute for an independent Canadian source of information.

Canada's lack of a secret intelligence service must be viewed in the context of the times. The DEA had only been in existence for about thirty years

and was grossly understaffed, having only a handful of diplomatic missions around the world. The United Kingdom still played a large role in formulating Canada's view of the world. That Canada did not create a foreign intelligence service before the Second World War is understandable; the limited resources available to the country could more effectively be directed at expanding Canada's diplomatic eyes and ears to obtain openly available information. However, as the world was drawn toward war, little was done by Canada to expand its diplomatic resources.

With few Canadian diplomatic missions in existence, access to independent sources of information was limited. No Canadian diplomatic mission was present in Berlin, although there was an important presence in Tokyo. Nevertheless, Canada was well served by its small diplomatic service, which sought to collect and collate information of benefit to Canadian decision makers.

Rather late, as events turned out, Canada came to understand the need for a foreign intelligence capability. None existed within the sphere of foreign policy making. Some rudimentary intelligence gathering was already available within the Canadian armed forces, although much less than required and not always under direct Canadian control. Each of the armed services had a unique approach to intelligence gathering. With few exceptions, there was little effort among the services to coordinate intelligence activities, and intelligence gathering within the services was conducted with limited effectiveness until shortly before the war. The lack of effectiveness reflected limited resources, deficiencies in leadership, complacency, and an absence of co-operation between the services.

The intelligence efforts of the Canadian Army, a small service with an uncertain focus as to where future danger might lie, were inconsequential. What foreign intelligence Canada collected, or received from the United Kingdom, had little applicability to Canada's limited areas of foreign policy interests. Nearly all intelligence relating to matters beyond the shores of North America seems to have come from the British War Office or the Dominions Office. During this period, Canadian military intelligence, an area greatly overlapping with foreign intelligence in methods, sources, and focus, was little more than a library receiving and filing British reports, which were often unread.

The root cause of the poor quality of Canadian military intelligence was the paucity of resources. With very limited staff dedicated to intelligence matters, it was all they could do to keep their heads above water. No structured intelligence collection or analysis of received information was possible with the few people available to carry out the task. Since available information was often of tangential interest only, it was impossible to establish a readership of the material among decision makers whose immediate priorities often lay elsewhere.

In the decade following the First World War, the military conducted only one training course on intelligence. In January 1929, shortly after becoming Chief of the General Staff, General A.G.L. McNaughton wrote his minister, seeking guidance. He noted, "Most of the incoming [intelligence] information stops in the Department [of National Defence] and ... I do not think that we as a country are getting all the benefits out of it that we should."⁶ McNaughton wanted to make the intelligence available to the DEA and the Department of Trade and Commerce.

After discussing his proposal with Skelton of External Affairs, an intelligence exchange was begun. The DND forwarded to the DEA what information was available to it, while the latter provided copies of the foreign intelligence documents the British Dominions Office sent to the governor general to inform the Canadian government. As it applied to areas outside Canada, foreign intelligence and military intelligence were interchangeable and of interest to all departments with a foreign policy mandate. The foreign intelligence documents included such series as the "Special Monthly Secret Intelligence Summary," "Confidential Intelligence Summary" (monthly), "Weekly Secret Intelligence Summary" from India, and various intermittent reports from elsewhere in the Empire, as well as copies of British diplomatic reports. A review of some of the intelligence reports that reached Canada at the time makes one wonder as to the applicability of such minutiae to Canada's circumspect foreign or defence policies. While the benefits of McNaughton's intelligence-sharing initiative may well have been limited at a time when there was neither appreciation of the need for intelligence gathering nor much of a Canadian-directed intelligence collection program with which to balance the flow of British material, his effort probably constituted the first step in forming the entity that became the Canadian foreign intelligence community.

The thrust of Canadian military intelligence efforts in the latter part of the interwar period was directed toward support for fighting forces. Intelligence training and preparation were limited to teaching officers the rudiments of field reconnaissance. Much of what limited intelligence collection was carried out by the Canadian military focused exclusively on the United States. The Directorate of Military Operations and Intelligence, the then military intelligence unit, controlled intelligence funds, which in 1927 amounted to a mere \$1,500. In 1932, only \$750 was expended on the purchase of 2,625 maps of New York, Pennsylvania, Illinois, Indiana, Michigan, and Wisconsin.⁷ During the fiscal year of 1933-34, the five military districts in Canada received a total of \$250 (the lowest allocation was \$30, while the highest was \$70) for "intelligence services," which seem to have consisted of subscriptions to local and US newspapers, and the purchase of maps, reports, and League of Nations Armaments Year Books.⁸ As late as

1938, the funding for intelligence-related activities in the military districts (of which there was now a greater number) remained roughly the same.⁹

The preoccupation of Canadian military intelligence with the United States during much of the interwar period reflects an ill-conceived effort to return to perceived normalcy following the end of the First World War. Preparation to meet a possible invasion of Canada by the United States was, rightly or wrongly, considered a valid requirement. During the early 1920s, the prime preoccupation of military intelligence and planning was Defence Scheme No. 1, the Canadian response to an attack by the United States.¹⁰ It is questionable how seriously this scheme was taken by Canadian decision makers at the time. Nevertheless, supporting activity continued well into the 1930s and reflects the limited resources devoted to military intelligence and its entrenched mindset that favoured support for the status quo. By way of balancing the foregoing, Defence Scheme No. 3, preparing for Canadian engagement in war beyond the North American continent, was launched in 1927.¹¹ Very little planning had been carried out for this scheme before Canada found itself involved in a European war.

While symptomatic of the lack of support given to intelligence matters during the period leading up to the Second World War, these allotments reflect only the resources made available to military districts, which had no substantive intelligence collecting role at the time. More funding was clearly made available at the national level.

The near lack of involvement of Canada's army in intelligence matters had a number of causes: the army was small in peacetime with insufficient resources to do everything that was necessary; the absence of a credible military threat for much of the interwar period contributed to a disinterest in the mundane tasks that governed much of daily intelligence work; and the popular articulation of Canadian nationalism that identified Canada as part of North America, increasingly divorced from European affairs, influenced the thinking of many people involved in policy making. Mackenzie King, who had returned to government in 1935, was intent on minimizing international commitments and maximizing international trade as a way of escaping the impact of the economic depression.¹²

While the Canadian Army hardly rated an acknowledgment of having had a viable foreign or military intelligence program during most of the interwar period, the situation was different for Canada's small navy. The evolution of engagement in intelligence matters in the RCN had come about differently. The Royal Navy was the premier force within the British armed services, and close links had long existed with the naval resources of the dominions in effort to control the communications lines between parts of the Empire. The RCN's more significant imperial role in the early part of the twentieth century ensured a more effective engagement in all facets of naval duties, including intelligence. Consequently, the interwar intelligence

role of Canada's navy was more determining but still must be viewed in the context of limited resources and a mission that remained largely one of support for imperial objectives. Efforts by the RCN to define an intelligence role for itself had begun in October 1910, four years before the beginning of the First World War, when G.J. Desbarats, Canadian deputy minister of the Department of Naval Services, wrote to the assistant secretary to the Admiralty in London, advising that the Canadian Naval Service was "desirous of establishing a Naval Intelligence Branch and would be glad to receive the advice of the Admiralty as to its proper organization."¹³ Desbarats went on to seek guidance on establishing arrangements for an interchange of intelligence material between the imperial and Canadian navies, especially concerning the United States, Central and South American powers, and China and Japan in the Far East.

The following December, an imperious reply from the Admiralty advised, "The Canadian Naval forces have not yet reached such a development that it was necessary to establish a separate Naval Intelligence Department on the lines of the Naval Intelligence Department of the Admiralty."¹⁴ The Admiralty then proposed to send to the Department of Naval Services "such intelligence as [the Admiralty] consider[s] will be of use to the Canadian Naval forces."¹⁵ In exchange, the RCN was asked to report to the Admiralty the intelligence it had collected. In what may have been symptomatic of friction in the United Kingdom over control of intelligence matters, the Admiralty proposed that the Department of Naval Services arrange with the Canadian Militia Department that the monthly intelligence diary, which the latter prepared and forwarded to the War Office in London, go to the RCN for collation with its own material before everything was sent directly to the Admiralty.

The proposal was taken to heart. From the vantage point of today, the arrangement appears as a constraint on Canadian sovereignty. At the time, however, the British proposal was accepted as reasonable and an appropriate means of gaining access to such intelligence material as the Admiralty deemed appropriate to Canadian needs. The Canadian offering was likely modest (no copies of Canadian reports have been located) and was viewed by Canadian officers, most of whom were British-trained, as a proper contribution to a collective imperial undertaking. There is no indication that political sanction for the inter-services arrangement was sought in Canada.

With the outbreak of the First World War, the RCN was placed at the disposal of the Royal Navy. Canada's minuscule naval intelligence organization became an element of British naval intelligence. At the end of the war, the RCN sought to establish a permanent Canadian naval intelligence organization. This was driven, in part, by a Royal Navy plan to relocate the existing regional headquarters of the West Indies and North America (Intelligence) Station from Halifax to Bermuda.¹⁶ The proposal was rejected and

Canada got its naval intelligence organization, but the earlier ties to Admiralty intelligence remained intact.

The early post-First World War Canadian naval intelligence organization amounted to little more than a few officers (three in 1921), a couple of "lady clerks," cramped quarters, and a large number of shipping and marine journals as well as newspapers.¹⁷ The Canadian naval intelligence service did little more than study the naval affairs of nations in its area of interest.

By 1920, a wartime arrangement for Admiralty naval intelligence coverage of the coastal and ocean areas contiguous to North America was reorganized and became the Ottawa (Naval) Intelligence Area, which absorbed responsibilities hitherto allotted independently to the naval stations in Halifax and Esquimalt.¹⁸ The intent was to extend the Canadian naval intelligence coverage, still under the auspices and direction of the British Admiralty, as far as the coasts of Central America, with control centralized in Ottawa. During the 1920s and 1930s, the Ottawa (Naval) Intelligence Area sent Canadian naval intelligence officers, on behalf of Admiralty intelligence, to conduct annual tours of each of the American coasts, and to meet with British Consular Reporting Officers residing in British consulates in coastal cities. The collected information consisted largely of details of US naval fleet movements, visiting warships, shore facilities (dry docks and other infrastructure), coastal defences, and communications capabilities. Given the single annual visit of only one coast, the collected information must have been terribly outdated by the time it was collated. No urgency was associated with this activity and one can surmise that much of the information was pro forma and destined for a filing cabinet without being assessed. Most of the information was clipped from newspapers with news of US naval movements often ceasing whenever the United States undertook even the most rudimentary forms of concealment. The consuls were willing and anxious to assist, even though not all were British subjects, but they complained about the difficulty of obtaining naval news.¹⁹

The management of naval intelligence in much of the western hemisphere by Canada's navy on behalf of the British Admiralty was not always smooth. One minor incident marred the operation in 1921 when the British naval attaché in Washington, DC, was curtly told by his superiors to cease interfering with British consuls in the United States who were reporting on naval matters to the Canadian naval intelligence organization.²⁰ The British naval attaché was to restrict himself to the official intelligence exchange with the United States, for which he was accredited. This implies that the contacts the Ottawa (Naval) Intelligence Area had with the British consulates in the United States may have constituted a form of covert intelligence gathering unknown to the United States. If such was the case, the intelligence gathering was quite benign.

The Ottawa (Naval) Intelligence Area continued its activities in the United States after the outbreak of the Second World War. There is some evidence that the Canadian naval officers may have gathered intelligence from Americans supporting Allied aims. This activity may not have been clandestine in nature, but more likely simply represented information provided openly and freely by friendly and helpful Americans unaware that it might constitute intelligence activity.²¹ By 1942, collection of naval information had been transferred to a new British unit in the United States, the amorphously named Consular Shipping Advisers, who continued reporting Canadian naval intelligence, but now in co-operation with US authorities.

In addition to maintaining the Ottawa (Naval) Intelligence Area as an adjunct to British Admiralty intelligence throughout the interwar period, in 1925 the Admiralty also asked the RCN to establish a wireless and direction-finding station at Esquimalt on Vancouver Island. The station, which was a link in a growing British effort to maintain global surveillance of radio communications, would work in tandem with a similar station in Singapore. The Royal Navy trained the SIGINT collection staff at Esquimalt, and may have supplied their own intelligence staff. Details are sketchy but it seems possible that the RCN was not aware at the time of all of the intelligence-gathering activities carried out by the British at Esquimalt. All intercepts and direction-finding data were forwarded to the Admiralty for processing.²²

While the RCN co-operated closely with the British Admiralty on SIGINT matters, other small SIGINT activities had been quietly launched during the interwar period elsewhere in the Canadian government. A signals communications subcommittee had been established by the DND as early as June 1921 to collect information on existing systems of signals communication and on technical equipment.²³ By 1930, the committee had been made a subcommittee of the Joint Staff Committee. The subcommittee, which included representation from the RCMP but not from the DEA, was directed to collect and study existing systems of signals communication and to examine all facets of operation, maintenance, and technical resources. The goal of the subcommittee was not to establish a Canadian intelligence collection program but, rather, to prepare for a potential capability in a vague and distant future. Few resources were available and existing efforts appear to have been directed toward identifying the assistance that Canadian telegraph and telephone companies could provide for the army in time of crisis.²⁴

Apparently unrelated to the cautious Canadian initiatives outlined above, a meeting took place in London on 28 July 1937 to establish co-operation in wireless interception. No details of the actual meeting are available but the Dominions Office wrote to Dominion high commissioners on 30 August 1937, asking them to name a national authority for wireless interception. Canada nominated a representative of the Department of Transport.

Some unclear link with Canadian naval authorities, whose intercept station at Esquimalt “had done work on American and later Japanese traffic,” was maintained under this initiative.²⁵ Very little is known of this, which at face value appears separate from other ongoing wireless intelligence initiatives primarily with Canada’s navy. Some contact, presumably by the British SIGINT service, was maintained until after the beginning of the war. In early 1939, a program of work was assigned to each dominion; Canada was responsible for intercepting Japanese commercial radio stations linking North and South America with Japanese merchant shipping in the North Pacific. Newfoundland, a separate dominion, was responsible for German stations directed at the United States, and German shipping in the North Atlantic. However, such activity amounted to little more than listening stations feeding collected information into the British SIGINT effort.²⁶

The army’s Royal Canadian Corps of Signals was not part of the foregoing arrangement. Already beginning in 1924, the Corps of Signals operated the commercial stations of the North-West Territories and Yukon Radio system as well as maintained wireless beacons and other radio stations in support of the Trans-Canada Air Route. These stations were gradually taken over by the newly formed Department of Transport during the 1930s. They had no intelligence-related purpose when first established but would later become vital cogs in the wartime SIGINT machine.²⁷

The first Canadian-directed effort in modern foreign intelligence collection occurred on 5 April 1938, when Major W.H.S. Macklin, a member of the general staff at army headquarters in Ottawa, made a proposal for wireless intelligence collection. This proposal went to Colonel H.D.G. Crerar, director of military operations and intelligence, soon to become Chief of the General Staff and leader of the First Canadian Army during the Second World War.²⁸ Taking advantage of Mackenzie King’s 1937 rearmament initiative, which included a decision to prepare coastal defences, Macklin set out, under the rubric of the coastal study, to make a case for establishing a comprehensive system for wireless intelligence gathering in Canada. At the time, wireless intelligence was restricted to the derivation of information from the nature of the signals intercepted, or to the deduction of information from the number, nature, activity, and frequency of stations heard. No cryptographic analysis – code breaking – was involved. Macklin also suggested that intelligence could be gathered through position-finding methods – that is, determining from triangulation the location from which a signal originated, a strategy that would later prove critical during the North Atlantic U-boat war.

Macklin underscored the complexity of the task. The necessary equipment had to be capable of handling weak and fading signals on all frequencies as well as those transmitted at high speed, sometimes in a foreign language or

in code. There had to be sufficient stations to permit the triangulation of signals in order to determine their geographic origins. More was needed than just the ability to intercept signals. Familiarity with foreign signalling procedures and knowledge of the type of equipment being used by other countries was necessary. In addition, operators had to be able to understand foreign language signals practices and Morse code for symbols not found in the English alphabet or in Latin script. A support structure had to be in place to handle foreign language messages. Staff had to be identified and trained to collate, study, and interpret the information collected. All this had to be carried out under rules of exceptional secrecy.

Macklin bolstered his proposal by citing examples from the First World War of the effectiveness of wireless intelligence. In fact, in making reference to the success of wireless intelligence in Canada during the earlier war, he asserted that "the use of the method did not cease with the armistice," but he did not amplify by explaining that what was actually done was very limited in scope. He saw his scheme as potentially vital not only to the army but also to the RCN and the air force, but Macklin acknowledged that he did not know "what stations, if any, of this nature are operated secretly by the Naval Service." The proposed scheme would "be indispensable from the very outset of the war, and indeed probably even more so during a time of strained relations."²⁹ He urged that the stations be equipped with modern receivers and be supported by properly trained, skilled operators. Macklin had made a revolutionary proposal. If one acknowledged the value of such intelligence gathering, it followed that all three armed services stood to benefit. Since the militia had the trained men, Macklin proposed that it operate the wireless intelligence gathering on behalf of all three services and make the findings available to all.

The Canadian Army's director of signals, Colonel Earnshaw, was already in the United Kingdom learning about British successes with interception of wireless signals at the time that Macklin's proposal was being circulated.³⁰ Earnshaw's assistant, Major H.A. Young, immediately grasped the importance of the proposal and quickly volunteered a small number of trained operators. He also recommended the appointment of Major R.A.H. Galbraith, an experienced officer who had done direction-finding work during the First World War, to the position of Officer Commanding the Fortress Signals Establishment (the proposed name for the unit charged with wireless intelligence collection).³¹

Both the chief of the naval staff and the senior air officer informed the Chief of the General Staff of their strong support for the proposal. The RCN admitted that its own small efforts had suffered from insufficient resources.³² Later, under pressure from the British Admiralty, the navy abandoned its support on the basis of "over-riding considerations."³³ This was an obvious effort by the Admiralty to maintain the covert wireless intelligence

station that had existed at Esquimalt since 1925. The difference between the Admiralty effort at Esquimalt and what was contained in Macklin's proposal was that the material collected at Esquimalt did not remain in Canada but was sent by surface mail to Britain, where it was processed by the British SIGINT agency. Canada benefited from this program only indirectly through whatever information Britain chose to send as decrypted and assessed material. From the available files, it is unclear whether British Admiralty intelligence was concerned with ensuring the continued smooth functioning of its existing SIGINT efforts, which included Esquimalt, unhampered by Canadian interference, or simply did not want Canada to have access to an autonomous source of intelligence.

In an obvious attempt to build on the initiative begun with the Macklin proposal, on 19 March 1938 Crerar proposed to the three service chiefs that a joint service intelligence section be formed as a subcommittee of the Joint Staff Committee.³⁴ His goal was to eliminate duplication of effort and make the best use of the very limited Canadian resources dedicated to intelligence work. By April a subcommittee of the Joint Staff Committee had been formed to consider and report on the feasibility of inaugurating a joint service intelligence section.

Crerar's initiative was really only the expansion of something already largely in existence. The army and air force intelligence sections had been amalgamated six years earlier (at a time when the air force was at minimum numbers). By extending army-air force intelligence co-operation to include the navy, it was hoped that a force multiplier would be achieved through better use of existing resources. The joint service intelligence section would collate and correlate all sources at one central agency: more information would be more easily available for exchange among the services, a duplication of effort would be reduced, savings from pooled newspapers, periodicals, and other public sources would permit an increase in subscriptions, and, most importantly, inter-service co-operation would be enhanced to extend coordination of intelligence interpretation, and all the parties would share a common perception of events.³⁵

The navy was initially cryptic in its response to Crerar's proposal. At the beginning of May 1938, it recommended "a closer co-operation between the intelligence sections of the three services as at present constituted. This must be largely a personal matter."³⁶ None of the other parties to the discussions seem to have understood the response from the navy. However, it quickly became clear that the navy was opposed to the idea of inter-service intelligence co-operation beyond very limited coordination. The navy thought its own intelligence efforts more focused than those of the other services and claimed that "the creation of a war room in which operational movements and Intelligence obtained from the separate sections may be coordinated requires further thinking." This response was seen as the stalling

tactic it clearly was and the navy was pressed for an unambiguous position. The answer was negative: the "Canadian Naval Intelligence and Plans Division is part of the world-wide British Naval Intelligence Organization and is responsible, through the Chief of the Naval Staff, to [the British] Admiralty for the collection of intelligence in the North American area."³⁷

At the same time the navy was rejecting the proposal for a joint service intelligence section, on 3 May 1938 the Minister of National Defence appended his approval of a memorandum that outlined the Macklin proposal for wireless intelligence collection as being of great value to Canada's defence in the event of war. The memorandum to the minister underscored that Canada had to rely on its own intelligence resources in the event of war with Japan, and that the wireless system could not be hastily improvised in the midst of an emergency.³⁸ In case of hostilities, Canada could expect to receive less assistance from the Royal Navy in defence of Canada's Pacific coast than would be available in the Atlantic. The necessity for great secrecy was stressed; the stations were to be provided security covers as the signals system of fortresses and port defences. The minister agreed to the initial establishment of two or three wireless intelligence stations along the Pacific coast with attendant administrative and technical support.

Within days of receiving the ministerial approval, Colonel Crerar had established a subcommittee of the DND's Joint Staff Committee. The first meeting was held with representatives of the three service intelligence units on 18 May 1938; no representation was accorded to civilian organizations, including the DEA.³⁹ The RCN, while supporting the effort launched by Crerar, was not prepared to assist in a practical sense: "The commitments for Naval Signal personnel make it impractical for the Naval Service to provide any personnel for this service [i.e., the project prepared by Macklin] now or in the near future."⁴⁰ The navy was totally committed to its own limited direction-finding signals efforts, conducted at the behest of the British Admiralty. The navy's attitude did change later as a result of influence from the Admiralty, which eventually saw the benefits of a more holistic approach to wide interception of radio signals.

Although preparations for establishing wireless intercept stations were begun in 1938, there were no stations in place and operational when the Second World War began. The first army wireless intercept station became operational in the fall of 1939, some time after hostilities had commenced.⁴¹ The breakdown in co-operation between the army and navy in allotting resources to the project was just one of many setbacks experienced during the early SIGINT efforts. Nevertheless, had preparations for SIGINT gathering not begun until after September 1939, the implications for the North Atlantic U-boat war would have been greater. Major Macklin and Colonel Crerar were exceptional for their time in having the foresight to argue persuasively for the establishment of a Canadian SIGINT facility in the face of

great competition for limited military funding and insufficient understanding of the importance of the future wireless war.

While the Macklin initiative for an integrated tri-service approach to Canadian SIGINT collection had been defeated by naval intransigence, the RCN continued its own SIGINT efforts in co-operation with the British Admiralty. A new Canadian director of naval intelligence, Commander E.S. (Eric) Brand of the British Royal Navy, was appointed in June 1939 with primary responsibility for overseeing what was expected to be a vital convoy link between Canada and Britain. At the time of his appointment, Canadian naval intelligence was expected to continue as an adjunct of Admiralty intelligence. Before proceeding to Canada, Brand met with the British SIGINT service, where he learned of the existence of the RCN's SIGINT station at Esquimalt. The British SIGINT service made it clear that the Admiralty would continue to provide tasks and direction to the Esquimalt facility. The Canadian contribution was solely to pass on the collected data without efforts at assessing or interpreting the information.⁴² The Admiralty also asked Brand to establish a direction-finding intercept station in the vicinity of Halifax as a link in the chain of the stations the Admiralty thought necessary to protect its trans-Atlantic supply lines.⁴³

When Brand assumed his duties in Ottawa on 28 July 1939 at the Naval Service Headquarters on Queen Street, between Metcalfe and Elgin, he found that only four reserve officers had been mobilized as intelligence officers at the outbreak of war. All had been commanded in March 1939 to be available at a moment's notice in the event of war. One of the four officers was Lieutenant Commander John (Jock) Barbe-Pougnet de Marbois of the Royal Navy Reserve. De Marbois was already fifty-one years old when war began and previously a language teacher at Upper Canada College. He had been born on an island in the Indian Ocean near Mauritius, had run away to sea at age twelve, sailed around the world twice, survived shipwrecks and a bloody mutiny, became a British liaison officer on a Russian cruiser during the First World War, and escaped from the Bolshevik revolution with his Russian countess fiancée. After stopping briefly in Nigeria, de Marbois settled in Canada.⁴⁴

Brand selected de Marbois to build the RCN's knowledge of SIGINT. By this time, Brand was no longer satisfied with having all SIGINT direction come from the British Admiralty, and must have been given some Admiralty latitude for building the Canadian organization. De Marbois was placed in charge of a small unit named the foreign intelligence section, with the responsibility of passing Canadian naval SIGINT to the Admiralty as well as of instituting a system for collecting "Y" discrimination data (the triangulation of radio signals) and plotting the locations of enemy vessels.⁴⁵

De Marbois would later recall arriving in Ottawa to find a naval SIGINT organization that was little more than a post office forwarding collected material to the Admiralty for processing. De Marbois viewed the arrival

on “virgin ground” as an opportunity to build a Canadian direction-finding organization that was “more progressive and modern in every point of view than the Admiralty.”⁴⁶ Although hardly modest, de Marbois was probably correct in his recollection. By the middle of the war, his collection of geophysicists and other scientists recruited from the National Research Board had sharpened the collection of direction-finding bearings to take into account earth magnetism, meteorology, and auroral activities to provide more precise pinpointing for intercepting radio signals. De Marbois’ scientific approach would later be copied by the Admiralty and the other Allied SIGINT services.⁴⁷

One of the reasons for de Marbois’ success was his rapid assembly of a Canadian naval “Y” organization, using triangulation to identify the origin of signals. Among the first to whom he sent a call for help was C.H. (Herbie) Little, a teacher at Upper Canada College who had been one of de Marbois’ German-language students there. Little, a naval reservist, arrived on 13 October 1939 to assume charge of all documents and books and to assist de Marbois with translations.⁴⁸ Little and others quickly formed the nucleus of an intelligence unit that came to have an impact on winning the U-boat war in the North Atlantic.

De Marbois did in fact receive a great deal of assistance from many of the individuals who ran the British Admiralty’s own direction-finding operations. This assistance came in the form of personal letters from Captain H.R. Sandwith, who ran the Admiralty’s direction-finding operation, and Admiral Clayton, a senior officer in Admiralty intelligence. The British had their own interests in establishing a credible Canadian SIGINT unit. The Royal Navy urgently required stations in Canada to assist in plotting direction-finding bearings to help locate the enemy in the Atlantic. At this stage of the war, no one knew whether Britain itself would be invaded, forcing any remnants of Admiralty intelligence units to flee to Canada. Also, perilously close to the centre of the war, the Admiralty’s SIGINT stations could be disabled through aerial bombardment.

Because of the unavailability of navy radio receivers, de Marbois set about procuring assistance from the Department of Transport. This was not as novel as it might seem, since the department had been providing the Admiralty with wireless traffic for years.⁴⁹ Brand had already been in contact with Commander C.P. Edwards, the head of the Radio Division of Transport, and a former radio intercept officer during the First World War.⁵⁰ During a 5 September call from de Marbois to Edwards, the latter agreed to full co-operation.⁵¹ It is important to note the date of this meeting. Britain had declared war two days before, but it would be another five days before Canada formally went to war. It is also interesting to note that de Marbois, a reservist to be called up in the event of war, had reported for duty before Canada’s declaration of war.

Before long, Edwards agreed to use Transport funds to build a direction-finding signals station at Hartlen Point, near Halifax. The station was placed on a strip of land at the eastern gateway to Halifax harbour with a clear view of the sea in all directions. The station was controlled by Department of Transport staff, and did not become operational until late 1941 or early 1942. After that, however, Hartlen Point became a vital link in direction-finding SIGINT, and was critical in locating and attacking German submarines operating in the North Atlantic.⁵² Before long, the station at Hartlen Point, in co-operation with other stations in Bermuda and Jamaica, could use triangulation to pinpoint the location of German submarines in the North Atlantic.

The first Department of Transport radio station to be pressed into service for the RCN on "Y" efforts was in Strathburn, Ontario, assigned on 8 December 1939 to watch for German naval ciphers sent from German commercial stations.⁵³ The station suffered from lack of proper equipment (not even a clock to record the time of transmissions) and it was some time before it functioned properly. Other Department of Transport radio facilities the RCN pressed into service when war began included stations in St. Hubert in Quebec, Shediac in New Brunswick, St. Louisbourg in Nova Scotia, Forrest in Manitoba, and Botwood in Newfoundland. Use of Botwood, which had been operated by the Department of Transport on behalf of the Air Ministry, required the approval of Britain, since Newfoundland was now under direct British control.

As the Canadian naval SIGINT operation grew, there came with it a natural inclination toward greater autonomy. In early 1941, the British Admiralty sought to reassert its control over Canadian operations by having the Canadian stations become subordinate to the British admiral in Bermuda, and the collected data passed through British naval headquarters in Bermuda before reaching the Admiralty Operations Centre in London. De Marbois, by this time promoted to commander, made a visit to Bermuda in an attempt to resolve the matter, but was not successful. The problem was solved only when the Canadian chief of naval staff informed the British naval headquarters in Bermuda that the unique situation in Canada, involving many stations, some of which were manned and operated by the Department of Transport, necessitated that Canada deal directly with London for the sake of efficiency.⁵⁴

While Canada's navy approached the coming war with the rudiments of an intelligence base because of its collecting ties to the British Admiralty, the Canadian Army started with an even weaker foundation. Canada's first army SIGINT station, which was inaugurated in October 1939, was located at army headquarters at Rockcliffe Airport in Ottawa. The station had the designation VER, the international radio call letters assigned to Canadian

army headquarters. Located in the basement of one of the airport buildings (formerly a garage), the station initially consisted of three operators, two of whom were brothers, under the command of Major W.J. McGill of the Directorate of Signals.⁵⁵ By November 1939, responsibility for the Rockcliffe station had passed to Captain H.D.W. Wethey as commanding officer of the Royal Canadian Signals Experimental Section. Captain E.M. Drake was second in command. The early mandate of the Rockcliffe station is unclear, but the very limited resources available to the station suggest that little of consequence could have been accomplished.

In November 1940, the Canadian Army sent Drake on a mission to Washington to seek assistance and advice from the United States on the establishment of a cryptographic bureau in Canada. Ostensibly, the reason for the visit to the United States was for Drake to obtain technical information on certain radio equipment manufactured by American firms, to assess their performance, and to determine if appropriate equipment could be purchased by Canada.⁵⁶

It was while preparations for Drake's visit were still underway that planning assumed a new direction. Lieutenant Colonel H.E. Taber, the Canadian Army's acting director of signals, informed Drake that his mission now had an additional fourfold purpose.⁵⁷ Drake's primary objective became to assess the feasibility of organizing a Canadian cryptographic section within the Canadian Army's Signal Corps, essentially an expansion of the work Drake was already conducting. Canada knew that the United States was carrying out cryptographic work, although there does not seem to have been any understanding of the details. Drake's second objective was to assess whether there was scope for wireless monitoring co-operation with US services. He was also to learn of any US experience using radio amateurs for monitoring duties and to seek access to a US monitoring station to study its organization. Nothing sinister needs to be read into the changes to Drake's purpose in visiting the United States. Almost certainly, this was merely an effort to make use of his presence in the United States to speak with American officials about Canadian plans for a cryptographic bureau and to benefit from US knowledge on the subject.

The Canadian Army's decision to send Drake to Washington instead of London is inexplicable. Nothing in the files suggest any motivation, nor do available documents allude to any consideration being given to visiting London. While close co-operation existed between Canada and Britain in all defence matters, exchanges often involved administrative issues rather than innovative initiatives. The decision in favour of visiting Washington may have resulted from as mundane a reason as less expensive travel costs, or may have been tied to the original purpose of the visit, which was to secure equipment. More likely, it reflected an assumption that the United States would be

more receptive than Britain to a request for assistance in creating an autonomous radio intercept facility. However, it must be remembered that at the time of the visit, Canada was at war while the United States was neutral.

The Canadian military attaché in Washington arranged for Drake to meet with Major General Joseph O. Mauborgne, chief signal officer of the US Army. Drake's meeting with Mauborgne on 19 November lasted two and a half hours, an indication of their mutual interest and importance given to the talks. Mauborgne was surprised that Canada did not have a cryptographic bureau and made it clear that he thought it vital for a nation at war to have access to the type of information that might be derived from SIGINT. Although forthcoming and helpful, Mauborgne explained that the United States was not at war and that, as such, details of the activities and locations of US Army monitoring stations could not be discussed. He was clearly surprised that the Canadians even knew the stations existed. He did admit that much of the US SIGINT collection effort was carried out in co-operation with the US Federal Communications Commission.⁵⁸

Much of the meeting centred on a discussion about breaking enemy codes and ciphers. It was Mauborgne's opinion that Canada should not become involved in cryptographic work with less than a staff of about 200 people. To assist the Canadians, Mauborgne would arrange for them to receive various US cryptographic training manuals. For his part, Drake informed the Americans of signals and call letters originating in the United States from stations the Americans had not known existed, and which the Canadians had been intercepting. Drake also gave Mauborgne the details of several German stations and frequencies that Canada had recorded.

In response to the question of closer and ongoing co-operation that was raised during the discussions, Drake was informed that there were already talks underway between the Federal Communications Commission, Canada's Department of Transport, and the armed services of the United States, Canada, and Britain.⁵⁹ Mauborgne cautioned the Canadians that because of the US status as a non-belligerent, the US Army Signal Corps would want to keep its activities hidden from the public. The Canadian military attaché accompanying Drake responded that the question of formal and ongoing co-operation would be a matter that could be referred to the Canada-US Permanent Joint Board on Defence, the bilateral defence forum that permitted a measure of Canadian-American military co-operation notwithstanding US neutrality. Mauborgne was supportive of the Canadian suggestion but the US record of the meeting also states, "Nothing was said about existing proposals along this line."⁶⁰

Mauborgne suggested that the Canadians discuss their proposal with the British, and recommended that Canada ask the British for copies of available German, Italian, Russian, and Japanese codes or cipher systems as the first step in launching a cryptographic effort. It must have become apparent

to him during the meeting with the Canadians that such codes and cipher systems had not been provided to Canada. The US Army Signal Corps was encouraging and willing to assist the Canadians but also cautious of the American political position; the American notes of the meeting record a willingness to assist once the Signal Corps had been provided with the policy direction to do so.⁶¹

As a result of Drake's visit, a recommendation was forwarded to the Canadian Chiefs of Staff Committee, proposing the establishment of a cryptographic bureau of approximately 200 people, including cryptographic specialists, translators, and clerks. Because so many staff members were required, it was recommended that a conference be held among the three Canadian armed services to arrive at a decision on creating a joint operation. Perhaps recalling the earlier failure of the 1938 Macklin initiative, the drafters of the recommendation stated that if the navy and air force did not want to participate, the army should begin organizing its own cryptographic section with whatever resources could be made available.⁶²

On 11 December 1940, the Chiefs of Staff Committee turned down the proposal for a Canadian military SIGINT bureau because the cost was too great. The decision by the Chiefs of Staff Committee must be seen in the context of the times. Canada was newly at war and resources were at a premium. There was no guarantee at the time that the cryptographic effort would be effective. The navy was opposed to the idea, stating that such a bureau duplicated existing facilities in London and Washington.⁶³ It is not entirely clear whether the RCN understood that cryptographic activity was not the same as "Y" work, the direction-finding activity that was so vital to the navy in the North Atlantic U-boat war and that was the only SIGINT activity with which the RCN was engaged. Furthermore, there is no evidence that US cryptographic-derived intelligence had been made accessible to Canada up to this time.

No information has been unearthed on what foreign intelligence activities may have been initiated during the period up to 1940 by the DEA. Most likely there was little explicit intelligence-related work being done. The department was in the midst of a great expansion of its diplomatic activities during the early part of the war; in 1940 there were still only forty-four officers and 328 other staff in the DEA.⁶⁴ However, there was obviously ongoing intelligence liaison work with the British, as had been the case for many years. Contacts existed between the Canadian High Commission in London and the British Secret Intelligence Service. This was a one-way relationship, providing Canada with intelligence that had been interpreted through the eyes of Britain. Prior to the outbreak of war, the flow of intelligence was of little direct benefit to Canadian decision makers, who maintained very narrow foreign policy interests. The flow of information did not alter in quantity or quality until the war, when the

volume increased so significantly that it caused Winston Churchill in December 1940 to decry the scattering of "so much deadly and secret information over this large circle."⁶⁵

By the end of 1940, Canada had been at war for more than a year. France had fallen to the German onslaught; Scandinavia and the Low Countries had earlier succumbed. Though far from disinterested, the United States remained neutral. Britain was not quite alone. Beside her stood Canada, already thought of as a refuge for the British government and the Royal Navy should the home isles be successfully invaded by Hitler. In addition, the remainder of the British Empire, primarily Australia, New Zealand, South Africa, and India, became important players.

Between the outbreak of war and the end of 1940, the DND budget rose from \$112 million in fiscal year 1939-40 to \$647 million in the next. The number of Canadian men under arms doubled to 124,800 by 1940, in addition to some women in auxiliary roles.⁶⁶ That Canada did not do more to harness the various and disjointed efforts to engage in foreign intelligence activities at this juncture in the war is understandable. Foreign intelligence was viewed as important but not vital, given the scarcity of resources. Some intelligence initiatives were launched and proved successful at this stage, as was the case with the navy's operational centre. In other cases, as with Drake's unsuccessful effort to establish a cryptographic unit within the DND, there was failure, perhaps because the impact on the overall struggle was less immediate and less discernible.

For the first year and a half of war, establishing a Canadian foreign intelligence program was not a Canadian policy priority; it was an issue on which the government was not actively engaged. There were many reasons for this. Not only was there no substantial experience with or understanding of the concept of foreign intelligence, but also Canada's overtaxed and limited resources, coupled with the more immediate need of creating an army of substance and building an industrial base for war, relegated foreign intelligence to secondary importance. And there was virtually no existing intelligence infrastructure on which to build.

Notwithstanding the competition for resources, some steps had been taken by 1940 in the direction of intelligence collection. Canada's rudimentary interwar intelligence efforts within the DND provided little foundation on which to establish wartime intelligence needs. Perhaps because the navy was so close to British Admiralty intelligence, it had a clearer understanding of its priorities and was more active than the other services in intelligence matters. Co-operation with the other Canadian services in intelligence matters was not among the navy's priorities, but protecting the North Atlantic convoy route was. By the end of 1940, the RCN had a respectable SIGINT operation covering high frequency, direction finding, and "Y" activities using stations at Hartlen Point, St. Hubert, Botwood, Esquimalt,

Ottawa (Rockcliffe), Strathburn, Forrest, and Vancouver. A staff of more than 110, using more than forty receivers and other equipment, collected and processed the signals.⁶⁷ By early 1941, there was even talk of establishing an intercept station at Julianehaab, Greenland, to extend the range of signals that could be collected.⁶⁸

Not until 1941 did Canada establish foreign intelligence priorities and create the supporting infrastructure, and success was not immediate. Failures and lack of clear direction marred the journey, but before the end of the following year, Canada had elaborated most of the instruments of foreign intelligence collection that remained in place for the duration of the war.

The first challenge was for Canada to establish SIGINT capability. Captain E.M. Drake's visit to the United States in November 1940 had been a disappointment since the Chiefs of Staff Committee turned down the proposal for a cryptographic bureau. The story might have ended there but for the foresight and determination of a handful of individuals set on providing Canada with a sovereign source of intelligence. The creation of a Canadian SIGINT agency called the Examination Unit was the first step.