

A Thoroughly Competent Operator: Former SA Arthur Thurston (1938-1944)

by *Society Historian Ray Batvinis (1972-1997)*

November 16, 2017 marks the 75th anniversary of the opening of the FBI Legal Attaché Office in wartime London by a 28-year-old Special Agent named Arthur Thurston.

It is an important milestone in the history of the FBI's relationship with British law enforcement and intelligence services — one that undoubtedly will be celebrated on both sides of the Atlantic. There will be smiles all around and good cheer accompanied by lofty speeches, highlighting the importance of this union for both countries and assurances of even closer contact in the decades to come.

What is doubtful will be any discussions of how it all began. For instance, why did J. Edgar Hoover dispatch a man to London in the middle of a world war? The reasons are simple enough. First, because few know the facts and, if they do, the details are too dark and embarrassing to resurrect so many years later in polite company. This then, in part, is that story.

The underlying cause for Hoover's decision was his frustration with William Stephenson. Born in Iceland and raised in Canada from boyhood, Stephenson fought heroically during the First World War, first in the infantry and later as a fighter pilot, shot down over enemy territory, and confined in a prison camp until the end of the war. Later, he went into business becoming a multimillionaire by the time the Second World War broke out in September 1939. His North American connections caught the eye of Stewart Menzies, head of the British Secret Intelligence Service

known as MI6, who dispatched him to the United States in April 1940 to establish a larger MI6 footprint and to do everything possible to bring the isolationist America into the war against the Axis.

Stephenson's first stop was a visit to Washington, DC and a meeting with J. Edgar Hoover. Hoover initially embraced Stephenson's new role by helping him set up his operation known as British Security Coordination

(BSC) at Rockefeller Center in mid-town Manhattan and even transmitting his secret messages between New York and MI6 Headquarters in London. For his part, Stephenson arranged for Hoover's men to visit London, where they spent

months studying all aspects of both British Security Service (MI5) and MI6 procedures. Eighteen months later, as America entered the war, the relationship between the two men, which began on such a high note, had descended into bitter acrimony. Rather than act in the capacity of wartime intelligence liaison partner, Stephenson continued to freelance and at the same time refused to share information, which Hoover felt he was entitled to.

Adding to the discordance was MI6's charter to act as MI5's representative to the FBI — a situation that Hoover soon found untenable. As both MI5 and the FBI had a great deal in common, far more than it

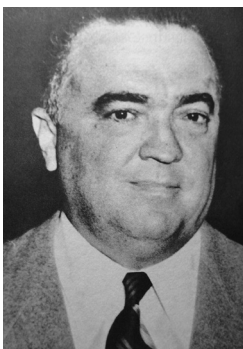
had with MI6, the FBI boss began suspecting Stephenson of holding back significant information useful for Bureau operations.

MI5 first learned of the controversy when Guy Liddell got a first-hand account of FBI frustrations during a visit to Washington, DC in May 1942. A 20-year veteran of the security service, Liddell was then the head of counterespionage and considered by many as Britain's finest counterintelligence officer. Both Hoover and Liddell confirmed that information sent to each other through MI6 channels was not arriving at the other end. As a token of good will, Liddell offered Hoover the opportunity to send Harry Kimball, the Bureau's Espionage Section Chief, to London for detailed briefings on MI5's emerging initiative in the use of human sources for strategic deception. When Kimball returned weeks later, his report confirmed Hoover's growing suspicions that Stephenson was bottlenecking the information flow.

Nathaniel Mayer Victor Rothschild was an affable 38- year-



Thurston official FBI photograph



J. Edgar Hoover (Circa 1945)



William Stephenson
Photo courtesy of <http://www.intrepid-society.org/intrepid04.htm>,
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Victor Rothschild

old aristocrat when he was recruited in 1940 for MI5 by Guy Liddell. As a graduate of the Harrow School in London and with a degree in physiology from Cambridge University, he established MI5's first counter-sabotage unit which he first ran out of a cell at Wormwood Scrubs Prison.

His training as a scientist

required him to be a scrupulous record keeper. So much so that in one instance he disarmed a bomb buried in a box of Spanish onions on a British dock, recording every move into a field telephone in case he was killed in the attempt. For his gallantry, the British Crown awarded him the George Medal, forged in 1940 by King George VI to honor civilian acts of bravery.

When news reached London of the July 1942 FBI roundup of eight Nazi saboteurs with state-of-the-art explosives, Rothschild was eager to examine the cache. Despite his appeals to Stephenson for clearance to meet with FBI officials, his requests were repeatedly rebuffed with claims that Hoover was not interested in a meeting at that time. When Rothschild learned that Stephenson was lying, he moved quickly to make his way to America, where his friend Harry Kimball welcomed him with open arms. Within days, he was carefully examining and making notes on the Bureau's rich collection of sophisticated German explosives.

Upon learning from Kimball that Hoover never expressed objections to his visit, a now infuriated Rothschild abruptly threw caution to the wind by launching into a vicious personal attack on Stephenson's trustworthiness and motives. As Bureau officials sat in stunned silence, he accused BSC of having a bloated staff with no understanding of intelligence matters and little to do. As for Stephenson and his leadership cadre in New York and Washington, he charged them with

harboring "extremely poor feelings ... toward the Bureau." Rothschild then heaped even greater scorn on Menzies, describing him as a "weak leader" with strong political connections which he uses to offset his "absence of ability."

What Stephenson didn't know was that Hoover had an ace in the hole in the form of an informant practically inside the British Security Coordination. Wyndham Bruce was an Assistant Commissioner with the Royal Canadian Mounted Police assigned to the Canadian embassy in Washington. A grizzled veteran of policing the Northwest Territories, Bruce had for decades worked closely with FBI Agents along a shared 3,000-mile border. In his new liaison role, Bruce routinely met with Charles Ellis, an Australian and senior BSC official, who fought with the British during the First World War and later joined MI6, working for two decades in Europe collecting intelligence for London. **(Note: In the late 1940s Ellis fell under MI5 suspicion of being a Soviet agent. Under interrogation, he denied the charge but did acknowledge having been a source of the Abwehr (German military intelligence). He then admitted playing a key role in the so-called Venlo Incident when two British intelligence officers were lured into a trap that led to their imprisonment throughout the Second World War.)** As BSC's primary point of contact with FBI officials, Ellis's mistrust of Hoover and refusal to share intelligence with the FBI was a frequent topic of discussion over lunches with Bruce. What Ellis didn't know was that Bruce was keeping his Bureau colleagues routinely abreast of these meetings.

By November 1942, Hoover had heard enough. In a letter to Ellis giving nothing away regarding his sources or motives, the FBI Director bluntly informed him that he was no longer welcome at FBI Headquarters and that he had instructed his staff to have no further dealings with him. A stunned Ellis denied making any disparaging remarks regarding the Bureau and asked Hoover to reconsider his decision. When the appeal failed, Ellis bucked matters up to Stephenson, who tried in vain to intercede on his behalf.

Arthur McCaslin Thurston was born in Colorado on March 13, 1914 and raised from infancy on the family farm in Shelbyville, IN 60 miles south of Indianapolis. The family made its living in the farming and banking business. When not in school or doing chores, Art could generally be found fishing and hunting in the woods that bordered the town.

Following high school, it was off to the University of Indiana at Bloomington, where he received his degree in business administration. He then went into the bond business briefly in Indianapolis in anticipation of returning to Shelbyville and the family business. **(Note: His daughter, Amy, told me that he gave up a scholarship to Harvard University Business School to join the FBI in April 1938.)** After New Agents training, he was off to Charlotte, where he did criminal work. His next office was San Francisco, where he was assigned to a road trip to Medford, OR. He also was tabbed by the SAC as Hoover's



The FBI's legal attaché office in London was in the U.S. Embassy building at 1 Grosvenor Square



Photo of Thurston probably taken during FBI New Agents training

driver while he was in town. Decades later, Art still recalled those days as the director's wheel man, which included regular visits to performances by the stripper Sally Rand and her famous "Nude Ranch" review.

It was in San Francisco that he got his first taste of counterespionage. One night while on office telephone duty, he received a call from a hotel clerk complaining that a German official was propositioning soldiers from the Presidio and taking them to a hotel for trysts in the hope of extorting military secrets. Thurston's investigation identified the suspect as German Consul General Rudolph Huebner and eventually led to a series of court-martials and Huebner's diplomatic expulsion from the United States.

His success led to a transfer to Washington, where he was assigned to the newly-created National Defense Division as the liaison with the Army and Navy. At this point, it is important to digress for a moment and touch on Duško Popov, a British double agent turned over by the British to the FBI in the summer of 1941 and one of the most controversial matters in the Bureau's wartime history. In August 1941, Popov had received a secret ten-page Abwehr list of instructions, which included a section containing a request for details about the defenses at Pearl Harbor. For decades, critics accused Hoover of responsibility for the Pearl Harbor disaster by failing to provide the questionnaire to the Office of Naval Intelligence. The controversy was later put to rest when the public release of the FBI's Popov file revealed that Thurston had informed the Navy about Popov's orders on September 25, 1941.

By January 1942, Thurston had transferred to New York as part of the Bureau's newly-created Special Intelligence Service. For the next ten months, he recruited U.S. business firms to provide cover for FBI Agents conducting espionage in Latin America.

Thurston's London assignment came as a shock. He was simply told one day to wrap up his domestic affairs and prepare to leave for England. When asked, he explained that he didn't have a passport. Twenty-four hours later, he had one in hand.

Thurston departed by Pan Am, flying from Glen Cove, Long Island in November 1942. Bermuda was the first stop before the treacherous eastern leg across the Atlantic for the Azores. The next stop was Lisbon. From there, the plane took a wide western swing out over the Atlantic avoiding German fighters at wave top level toward the western Irish village of Foynes on the mouth of the Shannon River. From there, it was another flight — this time to Prestwick, Scotland where he boarded a train that carried him through the blacked-out British countryside and into an equally dark and gloomy London. Waiting at Victoria Station was Robert Coe, a Second Secretary, who drove him through the inky blackness of bomb-scarred London to 10 Grovesnor Square, the home of the American embassy.

Early the next morning, he met John Winant, the American ambassador, who had no idea that he was coming to London. Thurston explained that Hoover had come to his wits end with the British Security Coordination, believing that they were failing to share information that was being sent to him from MI5. He had been sent as Hoover's permanent representative with a writ to establish direct relations with Sir David Petrie, the Director General (DG) of the Security Service and Sir Stewart Menzies. As Thurston arrived with only a suitcase and the clothes on his back, Winant assigned him office space with Coe and told him that, for the moment, he should consider Coe as his immediate supervisor. He offered Thurston free reign to contact anyone he thought of value with the only requirement to keep the ambassador informed as necessary through Coe. The ambassador then prepared two letters of introduction over his own signature — one to Petrie and the other to Menzies, introducing Thurston and asking them to extend any courtesies to him.

MI5 officials were shocked when they learned that Thurston was in town. They had not asked for his assignment to London, nor had they been warned that he was coming. While they were secretly pleased for his presence, the situation was a ticklish one because liaison with the FBI had been in the hands of BSC up to this point. They feared that any direct ongoing MI5 contact with Hoover's new representative would create a terrible stir with MI6. On the other hand, a greater worry was the irreparable international damage that would ensue with Hoover if they refused to deal with Thurston and ordered him sent home.

Applying a direct approach, Liddell and his colleagues greeted Thurston warmly and immediately took him into their confidence.



Duško Popov. Photo courtesy of National Archives and Record Administration

Within a short time, he was a regular presence at MI5 headquarters. After introductions all around, Hoover's new London man briefed everyone on his background, his mission and the workings of the FBI. In return, he was introduced to cases that may be of interest to the FBI and supplied with a desk, where he could examine raw files as necessary. What was particularly helpful was Ambassador Winant's letter to Petrie, which became a source of great pride for the DG. He soon took a personal interest in Thurston, meeting with him on a frequent basis, and offering insights on his service's most sensitive operations including the details of the now famous Double-Cross System of strategic deception campaign against the Germans. In a highly unusual and unprecedented move designed to impress Hoover, Petrie personally escorted Thurston to a secret trial of a German spy, then underway at central London's Old Bailey Court. Later, he told Thurston that a copy of the trial transcript would be sent to Hoover for his information.

London was a city of "gentlemen's clubs," where the elites could quietly gather for an after-hours drink or two, read the latest newspapers, have a meal and mingle with other like-minded movers and shakers. Through the embassy, Art joined the Royal Automobile Club, one of London's most exclusive men's clubs. In a country struggling under wartime rationing, Thurston could now experience fine dining, a library with thousands of selections along with squash courts, a swimming pool, a rifle range and, of course, a well-stocked bar. His new friends at London's Metropolitan Police Department introduced him to their private basement pub and the game of squash, which he took up with gusto. One of his regular squash partners was Fred Chadburn, a Special Branch officer, who would become a life-long friend. Art was soon a regular at the Chadburn home, sharing meals with the family and graciously accepting offers from Fred's wife,



Anthony Blunt

Barbara, to darn his socks — English wool was a Black Market item in wartime Britain. In 1943, the Chadburns bestowed a unique honor on Art, when they announced the birth of their son, Ian, and their wish to have their new American friend serve

as the child's godfather.

At Menzies' invitation, Thurston met the MI6 boss at his 54 Broadway office on the evening of December 7, 1942. After some light banter, Menzies began putting out "feelers" about Hoover's attitude toward BSC and Stephenson. Wasting no time, Thurston launched into a review of his transgressions along with a catalogue of Hoover's complaints that finally led to the decision for a direct liaison with MI5. This behavior, Menzies learned, had fostered an "exceedingly poor impression," causing Stephenson to damage "himself

irreparably" and never enjoying "the Bureau's confidence again." Thurston next turned to a topic that probably stopped Menzies' heart for a moment. The Bureau was aware that the British had broken German codes and were reading Abwehr messages. Mincing no words, the new Legal Attaché insisted that any future Bureau cooperation with MI6 hinged on FBI access to these messages, as they affected espionage in the Western Hemisphere.



Kim Philby

NOTE: Decades later when this author interviewed Art at his farm in Shelbyville I asked him who his principal liaison contacts were during his time in London. As his face curled up in a wry smile, he identified the notorious traitors Kim Philby as his contact man at MI6 and Anthony Blunt with MI5. Both were members of the infamous Cambridge Spy Ring. Blunt, who was later knighted by Queen Elizabeth for his work as her art purveyor, was publicly revealed as a Soviet agent shortly before his death in 1983 at the age of seventy-five. As for Philby, seven years after his 1961 defection to the Soviet Union, he penned a tell-all memoir under KGB direction entitled *My Silent War*. In it he confirms Thurston's claim, characterizing the young FBI Agent as a "thoroughly competent operator with whom it was a pleasure to work. I had every reason to cultivate him," he wrote, "and he happily reciprocated the bootleg intelligence I passed him."

It took less than a month for Menzies to see the light. For on January 3, 1943, Thurston found himself at Glenalmond, the country manor home of Walter Grimston, the Fourth Earl of Verulam, nestled near St. Albans, an ancient village situated about 20 miles north of London. At the start of the war, MI6 had taken over the estate as the headquarters for its counterespionage activities known as Section V. From this bucolic setting, Menzies controlled distribution of intelligence produced by his "most secret source" to a select group of senior British military and government officials. The source was, in fact, top-secret decryptions by British code-breakers of Enigma, the supposedly impenetrable messaging cipher system relied on by the German armed forces and government departments as well as Hitler's private communications.

The British simply called their brilliant accomplishment, Ultra. Thurston called it Ostrich. Within weeks of his initial briefing, Hoover's man had become a fixture at Glenalmond, mining the precious messages for details of German intelligence operations in the Western Hemisphere, which he then sent to Washington for investigation. Section V's already large and growing volume of valuable data soon overwhelmed Thurston, forcing him to request help from Washington. Just four months after Hoover sent Thurston to

London, a legal attaché office in its infancy suddenly doubled in size with the arrival of Special Agent John Cimperman, who took over Ostrich duties at Glenalmond on a full-time basis. One historian has written that these priceless messages “carried great weight” for FBI operations until the end of the war. So vital were they, in fact, that Hoover later acknowledged Ostrich as one of the most critical sources in the Bureau’s wartime success.

His name was Hellmuth Goldschmidt, codename Peasant, and in 1943 he unwittingly became the centerpiece of the first joint counterespionage operation in the history of the FBI’s relationship with the British Security Service. Born in Holland to a Dutch Jewish couple in 1895, he went to live as a child with an uncle in Weisbaden, Germany following his parents’ divorce. After a brief stint at Oxford University, he returned to Holland in 1913, where he earned a law degree at Leiden University. Off and on over the next 20 years, he traveled the world working an assortment of jobs. In the Dutch East Indies he was an oil rig roustabout, a clerk for the Royal Dutch Shell Oil Company at Tulsa, OK and an office worker for an international trading company at The Hague in Holland and Colombia, South America. By the start of the Second World War, he was living in Holland, where he was first mobilized into a Dutch air regiment and later at the headquarters of the 4th Hussars regiment in Ede, Holland. He was in Ede until his desertion from the army and disappearance in the wake of the German invasion of his country in May 1940.

By late 1941, the Abwehr had caught up with him and began the process of recruiting him into espionage. As it turned out, Goldschmidt was ideally suited for spying. He was well educated, a factor that could lead to interesting employment possibilities. Throughout his nomadic years, he had gained fluency in useful languages such as German, English, French and Spanish. His familiarization with the American lifestyle also made him an attractive candidate for a U.S. assignment. For Goldschmidt, however, the deciding factor for his cooperation with the Abwehr was the increasingly cruel treatment of Dutch Jews that he was witnessing at the hands of the Nazis. Refusal to work with the Abwehr was not an option for him but, in fact, perhaps his one and only chance to escape life in a concentration camp or worse.

After making his way over the Pyrenees Mountains and free from German control, the new Nazi spy traveled across Spain and on to Portugal, where he surrendered to British authorities in the summer of 1943. As he disgorged details of his spy mission, MI5 was alerting Thurston that he was on his way to London.

When he learned of Goldschmidt’s orders, Thurston quickly concocted a scheme for sending him to the U.S. as a double agent under the guise of a Dutch government in-exile official. At the same time he would also be useful in identifying an unknown Abwehr paymaster, whom he had learned about during his espionage training.

It wasn’t long, however, before Thurston found himself backtracking on the ambitious plan he had proposed to his bosses in Washington. The reasons were clear. First, there was the Dutchman’s sudden and unreasonable demand for money accompanied by his romance with a woman working at the American embassy for the “U.S. Army Paymaster.” Then came his forced removal from an MI5 safe-house after propositioning a chambermaid — and most egregious — his arrest by London police for having sex with a woman in a public park. In a cable to Hoover, a now chastened Thurston offered a new and more sobering assessment of the Bureau’s new source. He was a “greedy character” with an overweening “desire for self-aggrandizement” mixed liberally with an “appetite for women that is both excessive and catholic.” Adding “worthless and irresponsible” to the list of charges, he warned Washington that Goldschmidt’s only motive for helping the FBI was to get to the U.S., where he could pursue “other adventures.”

Nevertheless, Thurston remained undeterred. Why not invent a more novel plan? Why not convince the Abwehr that he had successfully arrived in America and was ready to start working for the Fatherland? Until the last day of the war in Europe, FBI radio specialists operating from a site at Clinton, MD and one posing as a disgruntled amateur German ham radio operator recruited by Goldschmidt (Now a national Shell Oil Company official in Washington), transmitted to Hamburg a mixture of accurate and false but plausible data about ballooning U.S. oil production and ever-increasing shipments of fuel to Allied battlefronts around the world. It was information that the Nazi leadership undoubtedly found dispiriting as the growing shortages of crude oil were rapidly



Photo of Thurston probably taken in Japan

becoming the “Achilles heel” for their increasingly disheartened armed forces. As for Goldschmidt, he remained quarantined in London for the remainder of the war under watchful British eyes, unaware of his important contribution to the Allied intelligence war against the Axis.

By all measurements, Thurston had performed brilliantly as Hoover’s first ambassador in London. After opening a wartime office on a shoestring (he had no office, stationery or office supplies) he still managed to double the size of the Bureau’s London presence in just four months. By carefully applying a forceful hand with

Menzies, he opened up Ostrich’s secrets which FBI Agents in the United States and Latin America had started unraveling by the summer of 1943. And perhaps most importantly, it was his easygoing personality and honest and straightforward manner that quickly earned him and the FBI the confidence of MI5 officials; and in the process laying a rock solid foundation for a working partnership that has only deepened over the next 75 years.

Despite these successes and his continued importance to the Bureau, Art found himself growing anxious to don a military uniform and get into the war before it ended. In January 1944, after reluctantly resigning from the Bureau, he accepted a commission as a Navy lieutenant and joined the Office of Strategic Services (OSS). It was a decision that deeply affected MI5. After learning of his imminent departure, Liddell confided his feelings and those of his colleagues about Thurston’s character and his contributions to a private diary that he kept throughout the war. “He (Thurston) feels he is a young man and ought to be shouldering a rifle for which I very much admire him,” Liddell wrote. “He will be a great loss to us here.”

For the next two years, Lieutenant Thurston served in Kunming, China supporting the air forces under the command of General Claire Chennault. His next assignment was an appointment as director of counterintelligence for

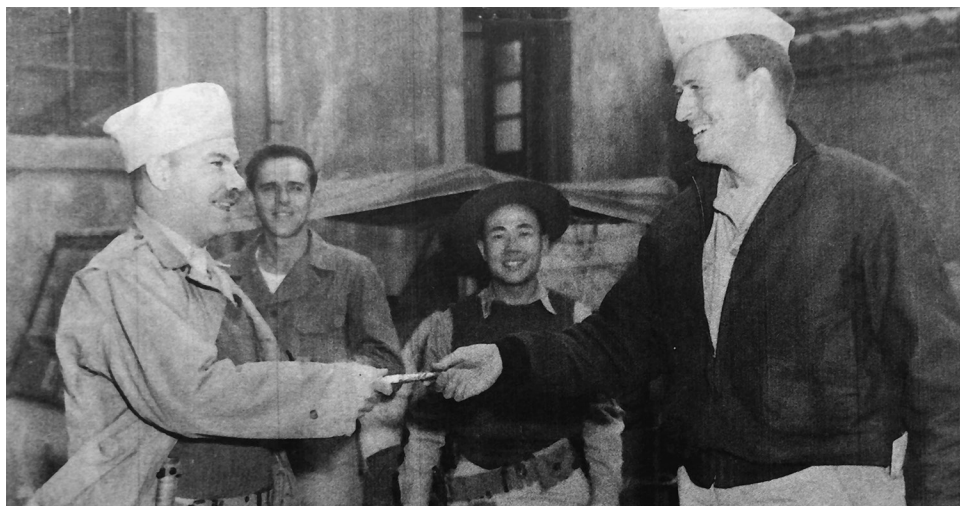


Photo of Navy lieutenant and OSS officer Arthur Thurston (circa 1944) probably taken in Cun Ming, China

accepted a reassignment to Tokyo, where he served on General Douglas MacArthur’s extended staff, modernizing and reforming the Japanese police forces.

In 1949, after leaving government service, he returned to Shelbyville and married Suzanne DePrez. It was a union that lasted until her death in 1991 and produced four children and seven grandchildren.

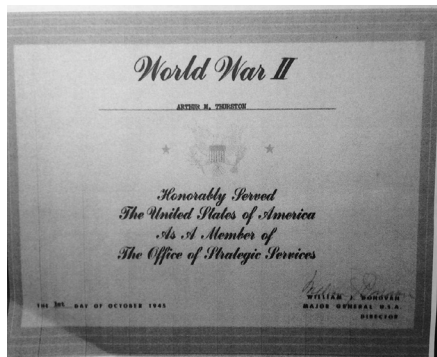
Before entering the family farming and banking business, however, Indiana Governor Henry Schricker asked him to undertake one more public service assignment. For the next four years, Art served as Superintendent of the Indiana State Police. Returning to Shelbyville for the second time in 1953, he moved into the vice presidency of Farmers National Bank. Later, he became president, chairman and director until his retirement and a return to full-time farming in 1993. Over the years, he had also served on many other boards including director of the Indianapolis Stockyards and its realty affiliate Kenmar Corporation and chairman of the Indiana Economic Development Authority.

Art never quite lost his sense of wanderlust and commitment of service to his country. For years, the Agency for International Development, relying on his expertise, sent him around the world teaching courses to foreign police services on U.S. law and law enforcement practices.

Art, a decades-long Society member, died at his Shelbyville farm on December 29, 2003. He was eighty-nine years old.

(Author expresses his appreciation to Lauren Baker, Curator of the Indianapolis State Police Museum and Amy Berthoeux for generously providing photos of her father and other assistance in producing this article.)

Society Historian Ray Batvinis is the author of *Hoover’s Secret War Against Axis Spies*, 2014.



OSS Scroll

the Counter-Intelligence-Corp which took over many of OSS’s duties after it was disbanded in October 1945. Rather than join the Central Intelligence Agency, he