

## **Paddy Costello: What the MI5 File Says**

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### **Introduction**

In April 2017, MI5 released through the UK National Archives its file on ‘Desmond Patrick Costello and Bella Costello, alias Lerner’. The file is in four parts (KV2/4328-4331), each corresponding to a period in Costello’s life, amounting in all to some 350 pages, or serials as MI5 calls them. It is not digitised and thus cannot be read on-line. The New Zealand Security Intelligence Service kindly confirmed that the information in the file was that mentioned previously which could not be released without the originators’ permission (see Appendix A, footnote 9 of the author’s 2012 paper Paddy Costello: What the Papers Say which also appears on this website).

As discussed in more detail below, the primary revelations are that in its words MI5 obtained, first

- ...’what practically amounts to written proof that in December, 1960 Mrs Bella COSTELLO was a K.G.B. agent employed in an illegal support role’; and second
- ‘what amounts to proof that D.P. COSTELLO is also a K.G.B. agent’; in another document MI5 expressed itself as being ‘quite sure that COSTELLO and his wife were acting in some way as agents of the Russian Intelligence Service’.

The file seems to be mostly intact, although a number of pages have been removed, sections of relevant laws being invoked as justification for doing so. There are however a number of identifiable documents and topics missing, thus:

- a letter dated 18 October 1944 to the Foreign Office from Hollis, presumably being a copy of the letter which had gone to the Dominions Office; see section V of the 2012 paper; there is no copy on this file;
- a letter dated 23 July 1945 from Hollis to Bromley in the Foreign Office referring to his previous (October 1944) letter and indicating that Mrs Costello had been granted an exit permit to go to the USSR; see section V of the 2012 paper; there is no copy on this file;
- a letter dated 2 October 1950 from G R Mitchell of MI5 to the Foreign Office noting that Costello was expecting to be appointed to the New Zealand Legation in Paris and suggesting that the British Embassy in Paris be warned ‘about the background of Costello and his wife’; this letter is also discussed in section V of the 2012 paper; it is not on this file;
- given (a) the warning and the action subsequently taken by the UK Embassy in Paris (restricting access by Costello and the New Zealand Legation to certain ‘important’ material); (b) the plausible suggestion by Costello’s son Mick that Costello was being followed in Paris (2012 paper section VIII part (2) note 18); and (c) the likelihood that it was MI6 doing the following, given the denial by the French Security Services that it knew about Costello (2012 paper section VIII part (2) note 13) - the apparent lack of feedback by MI6 to MI5 does not make sense;
- the issuing in Paris of New Zealand passports to the Krogers based on forged documents, about which Costello may have been questioned later in London, and about which there was an inquiry in London (section VIII of the 2012 paper) is mentioned only in passing; the most substantive comment is from the MI6 person in Paris in 1961 (although it did not apparently reach MI5 until 1963), when he said that he found it ‘very odd’ that the Krogers went to Paris ‘with the exclusive

purpose of renewing their passports at the Embassy by which they were issued'; further, 'unless they had some good reason for going to Paris, could it be that they had an accomplice of some sort in the New Zealand Embassy there?'; the British inquiries were presumably undertaken by MI6 as France was foreign territory and thus within the bailiwick of MI6 rather than MI5; but as this was a Commonwealth mission, and MI5 was at that time still responsible for Commonwealth countries, and MI6 would have been well aware of MI5's interest in Costello, the apparent lack of feedback to MI5 is again inexplicable;

- there is confirmation on the file that the KGB defector Anatoli Golitsyn fingered Costello and by the look of it other New Zealanders who had been with him in Moscow (see Appendix B in the 2012 paper); this too is mentioned only in passing on the file, in correspondence between MI5 and its man in Wellington; clearly there must be other papers;
- all this leads to the suspicion either that MI5 had and has another file or even files on Costello, perhaps containing very sensitive material such as MI6 and defector reports; or that its record-keeping practices were inadequate; or both.

What follows is structured along the same lines and the same time periods as the 2012 paper, dealing with Costello's career chronologically and summarising and commenting upon the relevant parts of the MI5 file. It also assumes knowledge of that paper and does not for example repeat the full references made there. Some time periods - for example, VI The Paris Peace Conference - are not mentioned here, as the MI5 file does not add to our knowledge of them.

A further paper examines the possibility that Costello was protected by Roger Hollis in MI5. This is also on this website.

## **II Ireland and Cambridge 1932-1936**

MI5 got on to Costello because in 1934 he sent from Germany to his friend Geoff Maclaurin in Cambridge the sum of £5 for the *Daily Worker*, the Communist Party newspaper. This was then a considerable sum, amounting to £238 today, according to the website <http://www.moneysorter.co.uk> Maclaurin added £1-10-0 of his own and sent a cheque for £6-10-0 with a covering letter to Harry Pollitt the General Secretary of the Communist Party of Great Britain, whose mail was apparently intercepted and opened by MI5, as a copy of Maclaurin's covering letter is on Costello's file. MI5 reported the matter to the New Zealand Police (which was then responsible for security matters) saying that it was not inclined to regard the matter seriously unless the Police had further information. The Police interviewed Costello's mother in Auckland, against whom nothing was known, and she confirmed that her son had recently been in Germany where he was 'very much against' the Nazi movement.

There is some irony in the fact that Costello gave money to the *Daily Worker*, as it would be the association with this newspaper by one of his students that brought Costello undone in Exeter in 1940 (see Section III of the 2012 paper).

## **III Exeter 1936-1940**

There the matter rested until 1940 when in February the Chief Constable of Exeter informed MI5 that Costello was living there and was a former member of the Labour Party who had resigned in 1939. MI5 replied that it had little information to add but would be glad to have further details of interest. These were shortly forthcoming, the Chief Constable reporting on 4 June that Costello

has recently become much more active with the Communist Party...he has frequently been holding meetings of members of the Communist Party at his residence, no 9 Longbrook

Terrace, Exeter. These meetings have been attracting some attention and the matter has been the subject of some discussion in the city and information on Costello's activities have [sic] reached the members of the Local War Emergency Committee.

The Chief Constable went on to refer to the Fyrth matter and the fact Costello's associations with the University College of the South West 'have given rise to unfavourable criticism of the University, which culminated in the War Emergency Committee interviewing the Principal (Dr John Murray)'. Further, 'following this interview' a notice appeared in the local press about the suspension of a member of the College staff and on 3 June the University Council called upon Costello to resign, the resignation to come into effect in September 1940. (The matter is dealt with in some detail in Part III of the 2012 paper).

The inescapable conclusion, based on this new information, is that the Committee (on which the Chief Constable would have been a prominent member) heaved Murray into sacking Costello. This is confirmed by documents the Chief Constable sent to MI5 in October 1944, as noted below. It now seems possible that some of the documents discussed in the 2012 paper, with the recipients not shown, were sent by Murray to the Chief Constable.

The MI5 file also contains a report at 26a dated 21 November 1941 including 'the gist of a report recently received from the Indian authorities' which read as follows:

One Costello, described as 'Professor of Economics, Exeter College, Oxford' is now reported to have arrived in Bombay by the 'City of Benares' in February 1937, and to have brought with him £500 from the C.P. [Communist Party] G.B. for the C.P.I. He expected to be treated with suspicion by the Police on arrival.

According to the website <http://www.moneysorter.co.uk> £500 in 1937 would be worth more than £23,000 today.

McNeish at 71-2 provided further details of Costello's visit. During the voyage he struck up a friendship with a young Persian, Mohammed Reza Pahlavi, the future Shah of Iran. Costello persuaded Pahlavi to take the money ashore as part of his baggage. Costello's son Mick remembered his father telling the story.

#### **IV Costello at War 1940-1944**

Apart from inquiring of the British Army whether Costello had joined up, no further action was taken by MI5. The file was closed at one point. The next entries concerned Bella Costello, who was expelled from the Communist Party in December 1941 because of 'political unreliability' but whose appeals against the decision were successful, during which in one of her letters (again, copied by MI5) she noted that she had been a Party member, including in the Young Communist League, for about 10 years (that is, since well before she had met Costello in June 1935). In July 1943 she was re-admitted to the Party and became the Secretary of the Exeter Branch again. She had in 1942 applied for a job in the Ministry of Aircraft Production but MI5 would not give her a security clearance.

Costello came to MI5 notice again in 1944 only when he was granted a British diplomatic passport and his past in the New Zealand Army was discovered, as well as his future with the New Zealand Legation in Moscow. This prompted the correspondence with the Dominions Office which is dealt with section III of the 2012 paper. As dealt with in more detail in the succeeding paper, the letter from the Dominions Office to the UK High Commission in Wellington omitted some vital information about Costello's Communist activities. Apparently at the request of the Dominions

Office, a further inquiry had been made in 1944 to the Chief Constable in Exeter. It yielded copies of two letters in May 1940 from Murray at the University to the then Chief Constable, keeping him closely informed of what was happening with Costello. The Chief Constable added:

From perusal of my files there appears to be little doubt that Costello was dismissed from the University College of the South West, Exeter, because of his Communist activities. His association at the College with Hubert Fyrth, the student who was sentenced.....and the attendant publicity, undoubtedly decided the college authorities to terminate Costello's engagement.

It is known that Fyrth often visited Costello's house and the latter, on occasions, called at Fyrth's lodgings.

This information was copied to the Foreign Office and the Dominions Office, but the last piece was conspicuously not passed to New Zealand. While it did not implicate Costello in the official secrets case, it did demonstrate a close association between Costello and Fyrth.

## **V Moscow 1944-1950**

There was no follow-up by the High Commission, nor by the Dominions Office, nor by MI5 to the approach made to McIntosh in 1944 regarding the MI5 report, when he told the UK High Commissioner that 'he would communicate with me again as soon as he has discussed the matter with the Prime Minister'. The general UK attitude is evident from a letter (serial 73a) dated 6 September 1945 sent by N E Costar (Deputy UK High Commissioner in Wellington) to M E Antrobus in the Commonwealth Relations Office, Costar's predecessor in Wellington. Having recounted how he mentioned to McIntosh that Mrs Costello had been granted an exit permit to join her husband in Moscow, and McIntosh's response, Costar went on to say that 'In the circumstances I think it wise not to pursue the question of Costello with the Department of External Affairs any further' and that this was probably Antrobus' view too.

McIntosh was in London in April 1949 and saw Hollis (serial 80a). He told Hollis that Costello would shortly become Charge d'Affaires in Moscow and Hollis asked him 'if he was satisfied about COSTELLO's reliability'. He replied that he and the Prime Minister (still Peter Fraser) had discussed the matter 'in great detail and had decided that he [Costello] was trustworthy, and that his wife was no longer a Communist'. The conversation is analysed in more detail in the next paper.

## **V11 New Zealand 1950**

McIntosh wrote to Hollis on 4 December 1950 (serial 87a) saying that he hoped to be in London the following month and would like to see Hollis, 'one particular problem' being Costello, to whom most of the remainder of the two page letter was devoted. McIntosh referred to the drunken episode in Auckland and the involvement of the police who 'feel that they have it as their duty to take the matter further with M.I.5'. The matter is discussed in more detail in the succeeding paper.

## **VIII Paris 1950-55**

As noted above, the passports affair is scarcely mentioned in the MI5 file.

Also missing from the file, again as noted, is the warning MI5 issued to the UK Embassy in Paris about Costello which resulted in 'very special precautions' being taken 'to ensure that Costello does not have access to important British information', as the Foreign Office described it (minute 102).

These precautions were put in place without informing New Zealand, a state of affairs which continued until November 1951.

On 29 September 1951, MI5 concluded a security assessment of Costello (serial 101b). As it dominated MI5's attitude to Costello thereafter, it is dealt with at some length in Attachment A to this paper.

Sid Holland became the Prime Minister of New Zealand in 1949, and McIntosh continued as the head of his department; what he told Holland about Costello, if anything, is not known, at least at this stage. Holland was certainly aware late in 1951 of MI5's views on Costello, as the then Director General of MI5, Sir Percy Sillitoe, was in New Zealand in October and November 1951 and saw both Holland and McIntosh. The officer accompanying Sillitoe, Michael Serpell, reported as follows to Hollis:

We did not make much progress on the case of Costello. His name was mentioned almost as soon as we landed, and there were perpetual references to him from different quarters and in different tones of voice.

They seem first to have called on McIntosh on 23 October, 'in order to raise officially the case of Desmond Patrick COSTELLO and the security sanctions which the British Embassy had felt bound to introduce against this man in Paris'. McIntosh asked for time to consider the question. They called again, at McIntosh's request, and evidently after a visit to Australia, on 7 November. McIntosh said that he had not yet discussed the matter with his Minister or the Prime Minister. He repeated his personal view that Costello was not a security risk but would tell his Minister that he was prepared to bow to other opinion. Further, his advice would be to leave Costello where he was until a book he was writing had been published, as this would provide a suitable time for Costello to leave the Department and return to a university career (serial 112a).

As to the Prime Minister, he asked Sillitoe about Costello at one of their earliest interviews and Sillitoe told him of the security precautions being taken in Paris and of his own view that Costello was a security risk. Holland 'showed every intention of adopting the same view' but agreed that the question ought to be brought to his attention by McIntosh' (this seems to have been excessively formal). The Police Commissioner was also against Costello's continued employment (serial 113a).

Holland was in London in January 1952 and Sillitoe asked him if McIntosh had spoken to him about Costello. Holland said he had, and that while he did not consider it appropriate to take any action while in London, he 'proposed to remove COSTELLO as soon as possible as a potential menace to security.' As to the restrictions on Costello in Paris, Holland said that 'in any case he did not see why his Paris office should received top secret papers'. Drawing on his brief, Sillitoe 'named McIntosh as one of the two "high Government officials" whose views on security were "unsound"' (serial 116b).

This advice did not prevent Holland being accompanied by Costello on his official visits to Belgium and Holland. A proposed visit to Germany was apparently cancelled following the King's death on 6 February, but not before both MI5 and MI6 had become alarmed at the possibility of Costello becoming aware of secret matters there (minutes 119 and 120). In 1953 Holland was again in London, attending the Coronation with his wife (there is no record on the MI5 file that he was in contact with it at this time), and afterwards Costello drove them around Europe for the whole of July, travelling from The Hague to Rome (McNeish 242-4).

Sillitoe retired from MI5 in August 1953 and was succeeded by White, who had been Sillitoe's Deputy, and Hollis became White's Deputy. This change may or may not account for the lack of action by MI5 with regard to Costello. There are few entries on the file between the 1952

discussions with Holland and McIntosh, and the 1963 investigation discussed below. One is a note of a discussion between White and McIntosh in May 1954 (serial 142a), when McIntosh was again in London. He said that when his Minister was last in the UK he had been told by an Oxford friend that 'an appointment on the Russian language staff of the University would almost certainly be available to COSTELLO', and the Minister had therefore decided not to 'force the pace' on the issue of Costello's departure. The offer had not materialised and McIntosh was

now anxious to speed COSTELLO's departure because it is an embarrassment to have him in the Department on the present basis of distrust. He implied that he personally continued to consider COSTELLO perfectly reliable but, recognising that the U.K. government distrusted him and that his own security authorities also considered him suspect, he felt that there was no other course but to let him go.

White might reasonably have asked - but did not - how these same factors which been reported to the New Zealand authorities in 1951 did not at that time persuade McIntosh.

White did however record his adverse view of McIntosh. While noting that McIntosh had had some bad experiences with security

His general view is that, New Zealand being a small country, the Russians are unlikely to interest themselves in their affairs. He thinks that Wellington is too small a place for spying to be practical. I think it is an indication of his lack of balance and judgment on security matters that, after the initial revelations in the PETROV case, which applied to an even smaller capital city, he can still hold this opinion and remain convinced that his personal knowledge of COSTELLO, ZOHRAB, LAKE and COLLINS, outweighs the paper evidence against them. (1)

This exchange illustrates the extent of the British distrust of McIntosh and his dilatory approach to getting rid of Costello.

In 1953 and 1954 there are three extracts from various reports, each of value in understanding approaches to Costello. An MI6 letter (142a) noted that it was 'a little difficult to understand' why the New Zealand authorities should 'be content' to retain two individuals such as Costello and Zohrab in 'a small, but highly important mission'. The Commonwealth Relations Office recorded at 143a that 'we have been in touch with the New Zealand Government [about Costello] since the latter years of the war, and have sought gradually to lead them to a decision to terminate COSTELLO's services.' It expressed hope that 'something will be done without undue delay'.

The most depressing is a report (146a) from the Security Liaison Officer in Canberra, who at that time was presumably also responsible for New Zealand. He had been in discussion with Foss Shanahan, McIntosh's deputy, and said that

However, they had come to the conclusion that their New Zealand post in Paris, as at present staffed, was more or less useless, as on security grounds its members had not the confidence of their U.K. colleagues. Shanahan pointed out that, since the case of Costello had come to a head, the New Zealand Government had only on one occasion passed some classified information to Paris - i.e. when the Quai D'Orsay specifically asked some questions about M.E.D.O.

Shanahan went on to say that it was proposed to withdraw all the staff in Paris early in 1954 and 'replace them with an entirely new cast'. He also said that it was difficult to find other employment for Costello and Zohrab. Costello did not leave Paris until August 1955. He was succeeded as First Secretary by Zohrab.

There can have been few more shameful episodes in New Zealand diplomatic history: a post was rendered 'more or less useless' by the irrational determination to keep there one individual about

whom the most senior people in the government and the department had been repeatedly warned, and with whom the local U K Embassy would not cooperate.

## **IX Manchester 1955-64**

MI5 was informed by the Manchester Police in 1957 that two known KGB officers had on their arrival there telephoned Costello's home. The following day they were seen in the company of Costello's son, Michael (himself a member of the Communist Party), who 'appeared to be giving the Russians a conducted tour of the Manchester dock area'. Why MI5 took no further action at that point - as it was to do in 1963 - is a puzzle. It may be relevant to note that Hollis had become Director General of MI5 in 1956.

Costello was finally undone in 1963 - perhaps fittingly - by his wife. During 1960/61 MI5 discovered that 'KGB agents were obtaining from Somerset House birth and death certificates of dead children, whose identities were under consideration by the [Russian Intelligence Service] for illegal cover purposes'. Arrangements were accordingly made to scrutinise all applications for such certificates received at Somerset House other than by post (arrangements for which, curiously, were said to be 'impossible to arrange'). As a result, MI5 learned that genuine applications for children's death certificates going back many years were 'very rare'. Further, applications made by the Russian Intelligence Service were sometimes made two at a time and false names and addresses were also employed. (2)

Suspicious were accordingly aroused by the receipt in late 1960 of two applications for death certificates signed 'B. Green 9 Longbrook Terrace Exeter'. While no record could be found of B. Green, early in 1963 the address - at which the Costellos had lived from 1936 until 1944 - was recognised, apparently by chance. A 'strong similarity' was also noted between the handwriting of Bella Costello and B. Green. MI5 concluded that:

We therefore now have what practically amounts to written proof that in December, 1960 Mrs Bella COSTELLO was a K.G.B. agent employed in an illegal support role. Experience suggests that she was probably already a trusted agent of some years standing to have qualified for such employment. (2)

On the basis of this report, MI5 resolved the following day to investigate both Costellos, noting that while the evidence about Bella Costello did not implicate her husband 'his record provides every reason for supposing that he is equally involved with his wife and that he is the more important agent of the two'. Arrangements were made to have their telephone in Manchester tapped and their mail intercepted to the extent of senders and recipients being recorded but without the contents being copied. The most valuable product of the telephone tap - irrelevant transcripts remain on the file, without apparent point - was indications of when Costello was to visit London. He did so on two occasions - 1 June and 29/30 November 1963 - when he was watched by MI5 officers.

On the first occasion, the Whitsun holiday, Costello arrived at St Pancras Station from Manchester and took the tube to Ealing Broadway. On arrival he took what the MI5 officers following him considered to be 'anti-surveillance measures' before meeting, in a street, V S Ermakov, 'an identified K.G.B. officer'. Another person, thought to be V F Groshev, evidently also known to MI5, appeared to be 'covering' the meeting. Costello and Ermakov then took a taxi to an hotel near Perivale Station, where they were seen having lunch together - for which Ermakov paid. 'They were in constant conversation' the watchers reported, and Costello produced a diary and appeared to be trying to arrange a further meeting of the two. (The watchers were 'two girls' - a shrewd selection: how many people, then or now, would suspect two girls of being MI5 officers?)

MI5 promptly informed its man in New Zealand that 'we now have what amounts to proof that D.P. COSTELLO is also a K.G.B. agent. He was seen during the Whitsun holiday in contact with an identified K.G.B. officer and the manner of their meeting made it certain that this was a clandestine r.v. [rendevous]'. The MI5 man in Wellington then informed Brigadier William Gilbert, the first Director of what was then called the New Zealand Security Service, established in 1956, which became in 1969 the New Zealand Security Intelligence Service. Gilbert felt that 'he must keep the Prime Minister [Keith Holyoake] full informed' lest 'the case should suddenly break in England'; but the Director General of MI5 in London was adamant that he should not do so, as MI5 'would ensure that [Gilbert] was informed before any action was taken'.

The MI5 man in Wellington also wrote about Costello at this time (June 1963) directly to the newly-appointed Director of D Branch (counter-espionage), Colonel Malcolm Cumming, who was an old MI5 hand. He had been recruited before the Second World War, having been educated at Eton and Sandhurst, and as Andrews noted, his recreations were riding, hunting, and point-to-point racing. (Andrews 508 and 135). The Wellington man said that

This case is likely to be a sensation in New Zealand when it is made public ... will come as a severe shock to members of the [Department of External Affairs] ... will undoubtedly affect political thinking about security in general in New Zealand and about security within the Department of External Affairs in particular.

Following a request from Gilbert, the Wellington man also asked for 'any representations which our service may have made to the New Zealand authorities (and in particular to McIntosh) at the time of COSTELLO's appointment to Moscow in 1944 or during his subsequent tenure of office there and in Paris', noting that his file contained only three documents. These were the warning to Prime Minister Fraser and McIntosh in 1944 about Costello (presumably the letter from the High Commissioner in Wellington); a copy of the security assessment dated 29 September 1951, but with no indication 'as to whom this information and advice was passed'; and an extract from a letter dated 29 January 1952 - see above - which records a conversation between Sillitoe and Prime Minister Holland about Costello (serial 271a of 21 June 1963).

Cumming noted on the letter 'I think we should also let the DG know' - the D G by then being Hollis.

This request did not get a response until September (serial 301a) and the document which contained it is very curious. It is dealt with in more detail in the succeeding paper.

Costello went to London again on 29 November 1963, this time to stay the night - with Martha McCulloch, a friend to whose Bloomsbury flat he had a key. (4) He evaded the MI5 watchers at the London railway stations on that day but they picked him up when he emerged from the flat at 10 a.m. the next day. From there he went to St Pancras Station and then Euston Road where he again undertook what appeared to be anti-surveillance measures (joining one bus queue, moving to another queue over the road etc) before catching a bus to Dalston. There he again met Ermakov in a street. How long there were together is not known (the surveillance report records that after they were observed meeting 'they were allowed to proceed'). Costello was picked up again at St Pancras Station over three hours later where he boarded a train to Manchester, carrying with him 'a light brown document case' which had been in the possession of Ermakov when they met. Two suspected Russians seen in the Dalston area turned out on further checking not to have been the individuals concerned.

Costello died less than three months after this meeting, apparently not having gone to London again, and the MI5 file contains little more of interest, the last five serials having been removed. There is a note for file of 10 December 1963 recording a meeting between two MI5 officers and two



officers from the Security Department of the Foreign Office (which appears to have been quite distinct from MI6). The MI5 men said that while they were 'quite sure that both COSTELLO and his wife were acting in some way as agents of the Russian Intelligence Service', they 'did not know whether he was passing information or what precisely he was doing to assist the R.I.S.'. So far as the Foreign Office people were aware, Costello had no current contacts there. There was some discussion about the part Costello may have played in the selection of students and others to visit the USSR under the Anglo-Soviet Cultural Agreement, his possible involvement having been mentioned in the telephone intercepts. The Foreign Office was left to make further inquiries.

Arguably, MI5 had hold of the wrong end of the stick. It was not Costello wanting to see the KGB to pass on whatever information he may have had, which could not have been of much importance after his years away from government service; it was the KGB who wanted to see him. They wanted to warn him about the defection of Anatoli Golitsyn to the CIA in December 1961 (he came to the UK in December 1962, and his presence there became public in 1963), and the possibility that he might name Costello, particularly given his knowledge of the KGB's activities in Paris (see Appendix B in the 2012 paper). Confirmation that Golitsyn did name Costello (and others) is contained in the MI5 file at serial 270a, a memorandum about Costello from MI5's man in Wellington to head office, dated 21 June 1963, which includes the following:

In view of KAGO's revelations [KAGO was Golitsyn's code name - see Andrew 503], the N.Z.S.S. have recently started to make what were planned to be exhaustive inquiries about the various members of the New Zealand Diplomatic Service who were in Moscow at the same time as COSTELLO.

A final note: Appendix C of the 2012 paper suggested that Costello and the Yugoslav partisan Vladimir Dedijer may have known each other. One of the intercepted conversations on Costello's home telephone confirmed that this was so, and indeed suggested a degree of familiarity (serial 246b). On 27 May 1963 Mrs Costello sent the following cable by telephone to Vlado Dedijer at Harvard University: 'Everything is all right. Do not worry. Letter follows. Signed Bil, Paddy, Vera'.

### **Summing Up**

Perhaps the first point to note is that the MI5 file not only confirms that Costello was or had been a spy - innocent people do not have clandestine meetings with KGB officers - but it also confirms some other spying allegations which had been made about him (see Appendix B in the 2012 paper). Thus the statement in Chapman Pincher's 1981 book, *Their Trade is Treachery*, that Costello was observed meeting with a Soviet agent shortly before his death is accurate, as is the claim in John Costello's book *Mask of Treachery* that Golitsyn had fingered Costello. The allegation that Blunt also fingered Costello did not emerge until after Costello's death.

It is still hard to swallow that Costello was dismissed from External Affairs mainly because of the Exeter incident, as the MI5 file seems to suggest. As noted in Part VIII section (2) in the previous paper, McIntosh told Michael King that this was not the reason for Costello's dismissal; rather, 'the alleged suspicious activities continued' in Paris and he was finally persuaded to resign. As we have seen, the MI5 file is on the whole silent about any investigation or surveillance which MI6 may have conducted in Paris. MI6 files are not released, so it may be that we will never know with certainty the reason for Costello's dismissal.

Of the two major characters in New Zealand, neither Holland nor McIntosh shows up well.

Costello accompanied Holland on his visits to Europe in 1952 and 1953, the first being an official visit. Although the July 1953 visit was more in the nature of a tourist trip, it still beggars belief that Holland could have Costello with him on both visits, knowing his background. It likewise beggars

belief that Holland, despite his repeated assurances to Sir Percy Sillitoe, could have let Costello continue to serve in Paris until August 1955, nearly four years after he was first made aware that MI5 regarded Costello as a security risk. Others were also responsible, notably McIntosh, but the buck stopped with Holland. The cost to his country and her allies will never be known, but on the account of Andrew and Mitrokhin it must have been considerable (he was in the top ten KGB agents in Paris - see Appendix B of the 2012 paper). Little wonder that McIntosh described Holland privately as 'that ass'. (3)

McIntosh himself also comes out very badly. As he later admitted to Michael King, the initial fault was that Costello was not sufficiently vetted before he went to Moscow. He also failed to get checked Costello's lies and distortions in response to the questions about the Exeter incident, He then defended Costello for years, against the advice of MI5 and later in the knowledge that Costello's presence in Paris was seriously hampering the work of the Legation. No doubt he also played a large part in deferring Costello's removal from the Department of External Affairs. McNeish at 246 has McIntosh on 'a campaign of passive resistance, inventing schemes to keep Costello on the payroll as long as possible'. While this is plausible, no sources or examples are given. As noted in part 2 of section VIII of the 2012 paper, one is handicapped by the absence of McIntosh's letters to Costello at this time. McNeish's claim at 244, however, that in June 1953 McIntosh informed Costello that the British authorities had made it known 'that they were not prepared to have any more dealings with Costello in his Paris post' is not borne out by the MI5 file. No such decision is recorded, and as late as May 1954 (Costello submitted his letter of resignation two months later) McIntosh told White, the Director General of MI5, as noted, that he was '*now* anxious to speed COSTELLO's departure' as 'he felt that there was no other course open to him but to let him go' (emphasis added).

McIntosh paid the price for his protection of Costello. Appendix B of the previous paper recorded an allegation in Pincher's 1984 book *Too Secret Too Long* that

Costello died in 1964 but one of his New Zealand friends was still an active secret communist and MI5 was able to prevent his appointment to a very important position where he could have wielded damaging influence. (p 387)

Footnote 3 speculated that this may have been McIntosh, the very important position being Commonwealth Secretary-General, and the material on the MI5 makes this more likely. While there is no evidence that he was a Communist, McIntosh was clearly seen as being suspect because of his support for Costello (and others) and because his views on security were considered to be 'unsound'. It is a nice question whether MI5 felt it necessary to warn the UK Embassy in Rome when McIntosh became the New Zealand Ambassador to Italy in 1966.

Section IX of the 2012 paper suggested that a contributing factor to Costello's early death was the stress caused by among other developments Golitsin's defection and his subsequent visit to Britain in 1963. The MI5 file gives support to this suggestion, particularly if the reason for the Costello-KGB meetings was to warn him about the defection and Golitsin's knowledge of KGB activities in Paris - as is proposed above.

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Following the release of the MI5 file, I inquired of the New Zealand SIS whether its file on Costello could now be released. It confirmed that it would be released to Archives NZ but was unable to say when this might occur.

## **Attachment A: the Security Assessment**

The document headed Desmond Patrick Costello dated 29 September 1951 (serial 101b) is very odd. It was apparently prepared by B2, part of the Protective Security Branch then headed by Roger Hollis. What prompted it is not clear, although a minute written days later, no 102 dated 3 October 1951, recorded a Foreign Office view that 'Costello's case ought to be re-assessed and that by present standards he would, if he were a Foreign Office employee, be regarded as a very bad security risk'.

The document begins by stating that 'The evidence of Costello's past Communist allegiances is not in question' and goes on to mention the *Daily Worker* donation, taking funds to the Indian Communist Party, his dismissal from Exeter and his wife's Party activities. It then says:

The issue now under consideration is what interpretation should be placed on this evidence in relation to COSTELLO's latest employment by the New Zealand Department of External Affairs, bearing in mind that no reliable evidence of Communist affiliations has come to light since he entered Government service, and that his colleagues speak well of him.

The issue of the 'interpretation' is in fact left hanging and not referred to again.

The next two paragraphs refer to Costello's time at Cambridge and the fact that he had not come to notice as a Communist since 1944.

Costello was at Cambridge during a period when the Communist doctrine, under the guise of anti-Fascism, was being widely spread among under-graduates. He was a contemporary of both

Guy BURGESS and Donald MACLEAN, the two British diplomats whose recent disappearance is still unexplained. Many others of his contemporaries are known to have retained the Communist views they acquired there - some openly, some secretly. Such (? illegible) an early Communist record therefore - far from being dismissed as no more than youthful anti-Fascist enthusiasm - would now be regarded by the British Security Service as a serious matter. Moreover, in COSTELLO's case, it is clear that his Communist views survived the strain of the 1939 German-Soviet Pact. COSTELLO's views must therefore have been strongly held, making it the more unlikely that he has since discarded them.

It has been held in COSTELLO's favour that, although his views have been openly to the left, he has not come to notice as a Communist since 1944. It should be emphasised that this is a dangerous argument. Clearly from the moment of joining Government service it would have been in his own interests as well as those of the Communist Party for him to take pains to conceal any Communist associations he may still have held, and therefore the absence of any adverse trace since 1944 is not necessarily relevant.

These observations could apply equally to many of Costello's contemporaries at Cambridge. One of them was Francis Cumming-Bruce, noted in the 2012 paper as having been a member of the Communist Party at Cambridge and who had been, ironically, a referee for Costello with both McIntosh and the Dominions Office (its letter of 25 October 1944 to the UK High Commissioner in Wellington, serial 51a). His obituary in the *Daily Telegraph* on 25 March 2013 noted that he had been 'briefly' a Party member '[a]lthough in the early 1930s this was hardly even thought to be eccentric.' This 'undergraduate episode had no serious effect on his career at a time when former Cambridge communists were highly suspect in Whitehall', although it did rule him out as Principal Private Secretary to the Prime Minister, a position for which he was considered in 1955. It did not however prevent him from rising through the ranks of the Dominions, later Commonwealth Relations, Office to become successively High Commissioner in New Zealand and Nigeria, retiring in 1972 as Lord Thurlow.

Clearly Cumming-Bruce's early Communist record was hardly regarded as 'a serious matter' by MI5, and the absence of any adverse trace since the 1930s was not held to be 'not necessarily relevant'.

The penultimate paragraph of the document reads:

In 1950, while under the influence of alcohol, COSTELLO is reported to have led a police sergeant, who arrested him, to believe that he held Communist views. While admitting that no great reliance can be placed on this evidence, it should perhaps be pointed out that if, since joining Government service, COSTELLO has been consciously concealing his Communist allegiance, the (illegible) strain of doing so may have caused him to break down under alcohol.

This matter was rather differently treated by the Director General Sir Percy Sillitoe during his visit to New Zealand later that year. While telling both Prime Minister Holland and McIntosh that he considered Costello to be a security risk, Sir Percy's verdict on Costello's 'gaudy night', (as the MI5 record had it), having gone through all the evidence with the Commissioner of Police, was that 'by Security Service standards there was nothing which could be fairly related to Communism or to COSTELLO's Communist past'. (serial 113a)

The final paragraph of the document said that

This is a particularly difficult case to assess but, in similar circumstances, the British Security Service would advise the U.K. authorities that a considerable risk existed and would recommend that the subject should be excluded from access to secret matters.

In summary, nothing follows from the first two paragraphs where Costello's Communist activities pre-1944 are listed; the third paragraph about his time at Cambridge invokes rules inconsistently applied; the fourth paragraph notes that the absence of any evidence of Communist activities since 1944 is not necessarily relevant; and the fifth concedes that no great reliance can be placed on the evidence, which the Director General subsequently decides is irrelevant to the case.

A glaring omission from the argument is the action taken by the UK Embassy in Paris following the MI5 warning in October 1950 about Costello: special precautions were taken to ensure that Costello and the New Zealand Legation did not have access to important British information.

All in all, a thin case, to use Hollis' description in 1944 (see the succeeding paper); and perhaps also a classic case of reaching the right conclusion for the wrong or insufficient reasons. It may be that MI5 had other information - for example from MI6 in Paris - which it felt it could not overtly rely on.

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## Notes

(1) Douglas Zohrab (1917-2008) was from 1944 to 1974 a New Zealand diplomat, having been recruited by McIntosh. He was in Moscow and later Paris at the same time as Costello. McIntosh told Michael King in 1978 that 'Paddy of course was a terrific personality and he influenced the whole of the staff [in Moscow] except Patrick'; King later told Dan Davin that nearly all the staff [in Moscow] 'seemed to fall under his spell' and 'all were later investigated for allegedly subversive activities in the 1950s' (see 2012 paper Appendix A Part 1). Costello's MI5 file records at serial 272a that in 1963 (after Costello's first meeting in London with the KGB officer) Brigadier Gilbert the Director of the New Zealand Security Service suggested that 'in view of ZOHRAB's unsatisfactory security record and of his close relationship with Costello' he be placed under surveillance 'for a period covering COSTELLO's arrest or interrogation'. Zohrab was at that time the New Zealand Consul General and Permanent Representative to the United Nations in Geneva. As noted, he and the others with Costello in Moscow evidently also came under suspicion as a result of Golitsin's information. Whatever doubts the Security Service had about Zohrab did not prevent him from continuing his diplomatic career as High Commissioner in Malaysia (1967-69) and Ambassador to Germany (1969-74). It may or may not be relevant to note that he retired in 1974 at the relatively young age of 57.

Douglas Lake (1919-1995) was a journalist in the New Zealand Army on General Freyberg's staff and 'possibly on Costello's recommendation' (Templeton p 18) was recruited as a general factotum for the Moscow Legation, being promoted to Third Secretary in 1946, as was his future wife, Ruth Macky, also in Moscow; they married in the same year. According to the sometimes reliable James McNeish (263) they were allegedly indoctrinated by Costello. After they returned to New Zealand, Lake went to meetings of the Vegetable Club, a weekly gathering of 'a left-leaning social group in Wellington whose membership included two diplomats' (Lake and Richard Collins, for whom see below (Yska, 1)) held in the offices of a legal firm. Some members were known Communists. It attracted the interest of the Special Branch which carried out some physical and telephone surveillance on Lake and Collins and also had one or more informants in the

group. Lake's wife in 1950 published a pro-Soviet pamphlet, despite McIntosh's attempts to dissuade her. Apparently as a result of his wife's and the Special Branch's activities, Lake was transferred in External Affairs to the aid section (known as 'the grocery trade') where he would have had little access to classified information. He resigned in 1954. Later he and his family went to China. (McNeish 375). Lake and his wife would also have been caught up in the 1960s by Golitsin's allegations.

Richard Collins (1921-2007) was a law graduate recruited by McIntosh to External Affairs after the war. When he was a member of the Vegetable Club the Special Branch formed a suspicion that he had been an undercover member of the Communist Party in 1948 (he had been a member of the Victoria University College Socialist Club). The Club informants reported Collins as expressing anti-American, anti-Catholic and anti-Police views (Yska 4-5) and when McIntosh told him in 1953 that he had no future in External Affairs, he resigned and went back to the law. Years later he was being considered for a judicial appointment but his past was resurrected at a Cabinet meeting and the appointment was not made (McNeish 373). He became a pillar of the Wellington legal establishment and went on to hold Government appointments such as Chairman of the War Pensions Board; he was appointed CBE in 1987. It seems unlikely that Collins was known to MI5 only because of his membership of the Vegetable Club and the views he expressed there.

For Zohrab, see <http://www.stuff.co.nz/dominion-post/news/obituaries/505611/Balfour-Douglas-Zohrab>

For the Vegetable Club, see Redmer Yska;

[http://www.victoria.ac.nz/\\_data/assets/pdf\\_file/0006/810726/2016-2-Redmer-Vegetable-Club.pdf](http://www.victoria.ac.nz/_data/assets/pdf_file/0006/810726/2016-2-Redmer-Vegetable-Club.pdf)

For Richard Collins, see <https://www.lawsociety.org.nz/news-and-communications/people-in-the-law/obituaries/obituaries-list/richard-gray-collins-cbe,-1921-2007>

(2) The KGB found New Zealand to be a soft touch when it came to obtaining documents such as birth certificates for dead people. The Mitrokhin Archive at pages 171-2 of the section dealing with 'Britain, Ireland, Australia and New Zealand' records that 'New Zealand was useful in supplying documents for illegal agents' to such an extent that 'a bureau for producing documents for agents was established'. It also gave an example of the use to which a birth certificate in the name of a dead person can be put: in 1964 a New Zealand passport was received in the name of Patrick James Cosgrove, born 1935, died young, whose parents were also dead.

Mitrokhin Archive: MITN 1/7 Britain, Ireland, Australia, New Zealand [Box 33], Churchill Archives Centre, Churchill College, University of Cambridge; translation by Oksana Yurchshyn-Smith of Cambridge.

(3) Ian McGibbon. 'McIntosh, Alister Donald Miles', from the *Dictionary of New Zealand Biography*. Te Ara - the Encyclopedia of New Zealand, <http://www.TeAra.govt.nz/en/biographies/5m13/mcintosh-alister-donald-miles> (accessed 28 May 2017)

(4) As noted in the 2012 paper, Costello's best friend was Dan Davin. They had been together on General Freyberg's staff during the war. According to his biographer, Martha McCulloch was Davin's mistress and her homes

became his London base, where for the next twenty-five years or so [after they first met in 1948], he usually stayed when he was in London. These addresses also became familiar to a generation of New Zealand writers and academics, to whom Dan introduced her, and for whom she performed countless deeds of hospitality over the years.

(Keith Ovenden: *A Fighting Withdrawal: The Life of Dan Davin, Writer, Soldier, Publisher*, Oxford, OUP, 1966, 238-41)

‘Through Dan, Paddy also got to know Martha McCulloch...’ Ovenden records at 264. He had been staying with her since at least 1955 (McNeish 266).

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