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MOST SECRET

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HHW/ET  
24 March, 1943

MEMORANDUM FOR THE PRIME MINISTER:

C249208

The Examination Unit has decyphered a report so interesting and disturbing that I feel I must bring it to your attention. It is a telegram from the Japanese Minister in Lisbon to the Japanese Foreign Minister in Tokyo which repeats apparently verbatim a telegram from the Portuguese Ambassador in London to the Portuguese Foreign Minister. We know that there is a leak from the Portuguese Foreign Office to the Japanese Legation by which the Japanese receive the exact text of telegrams from Portuguese representatives abroad.

I enclose the decypher of this telegram and also the commentary on it of the Examination Unit. Would you return these to me when you have read them, as they are our only copies. You will notice that Oliver Stanley, the Secretary of State for the Colonies, spoke to the Portuguese Ambassador in a manner so indiscreet and outrageous as to justify his dismissal from the Cabinet if the Ambassador's report is even only half true. Perhaps the most serious aspect is that this same telegram has in all probability been decyphered in the United States since we received the cyphered text from American sources. If it is taken there at anything like its face value, it could do a great deal of mischief in Anglo-American relations.

We are only brokers in this matter, as it does not concern us directly. Obviously, however, Mr. Eden should know about it before he leaves Washington. I have therefore sent it by bag to Mr. Pearson, with instructions to show both the enclosed documents to Strang or Harvey for Mr. Eden's information. There is not better than a hundred to one chance that the telegram might be an elaborate Japanese plant. We have a good deal of supporting indications that it is entirely genuine.

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