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By STP NARA Date 06/08/02

41. [Bossard] to [Galloway], 5 May 1947

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May 5, 1947

Mr. []
Washington

Dear Mr. []

I would appreciate if you would deliver the attached
envelope to []

Sincerely,

[]

(In two envelopes).

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22 July 50
RWS*

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Lt. General Hoyt S. Vandenberg
Washington

Dear General Vandenberg:

In compliance with orders issued to me in I am submitting a report in triplicate of my study of Operation Rusty, with recommendations for its future exploitation by G.I.G. In addition, I am submitting charts III and IV which are described in Section II of the report. Finally, I am submitting the following intelligence reports which will serve as a sample of the current product of the operation:

- | | |
|----------------------|----------------------|
| OR-1784 - 1790 incl. | OR-2083 - 2099 incl. |
| OR-1792 - 1870 incl. | OR-3000 - 3067 incl. |
| OR-1872 - 1938 incl. | OR-3069 - 3076 incl. |
| OR-1940 - 1954 incl. | OR-3078 - 3103 incl. |
| OR-1956 | OR-3105 - 3154 incl. |
| OR-1958 - 2045 incl. | OR-3155 - 3160 incl. |
| OR-2047 - 2081 incl. | |

These reports are to be returned to the officers responsible for Operation Rusty. A further distribution of such reports to G.I.G. depends on an order from Washington.

The recommendations which I submit show clearly that I was not able to conform fully to your basic instruction to recommend those parts of Operation Rusty which are to be picked up by G.I.G. I have recommended

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22 Aug 50
[initials]*

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rather that a representative of C.I.G. be empowered to pick up these parts over a period of time when that representative will preside over liquidation operations. I was not able to conform fully to the basic instruction for the following reasons, many of which are emphasized in the course of the reports:

1. Operation Eusty has developed into a complex and highly integrated organism of great magnitude which has as its chief mission the provision of positive military intelligence about Russia.
2. To disentangle the various lines of connection will require partial liquidation of the organization and a study of the remaining parts in the field over a period of time before all the facts can be collected about those remaining parts which would make sound recommendations possible.
3. Without a full knowledge of present C.I.G. potentialities and operating policy, it is almost impossible to select from the manifold opportunities for operation which present themselves those which could prove feasible.
4. Every aspect of the operation is tied up with present and future Allied policy in Germany. Without a full knowledge of that policy, it is almost impossible to select those elements which would serve the policy.
5. The Records of Operation Eusty are scattered over a wide area in Germany. To accumulate all necessary details for any separate recommendation would require long periods of study at widely separated field stations.

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Section II of the report suggests those parts of Operation Rusty which I consider to be of future value to C.I.G. or should be disposed of by C.I.G. Full details on these parts can be collected and presented by the present officers in charge if my recommendation for an immediate appointment of a C.I.G. representative in a position of full authority is not acceptable.

I wish to express my appreciation of all the courtesies shown to me by officers of G-2, Wagon, WISS, and particularly to Lt. Colonel Dean and Captain Waldman who are in charge of the operation. Any failure to produce the desired results or any instances of poor judgment are entirely my own, for those officers gave me their full cooperation in preparing the study. I should like to point out that I have acquainted Lt. Col. Dean with the contents of this report, and he has expressed his agreement to my conclusions.

Sincerely,

[]
Samuel B. Rossard

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P R E F A C E

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It is assumed in preparing this report that the history of the development of Operation Rusty is already known and appreciated in Washington. During the course of my investigations in Oberursel I have, however, asked Lt. Col. Deane and his assistants, as well as the German chiefs, to supply me with full background material whenever it seemed that the policy, procedures, or contacts of this organization were open to question. It will not be necessary to recapitulate these details if I succeed in conveying my major conclusion that the project as it now exists must be analyzed as a military attempt to design and set in motion a machine to satisfy specific military intelligence requirements which have been described as urgent. The whole pattern of operation is accordingly positive and bold; the factors of control and risk have become secondary considerations and thus yield to the necessity of obtaining information with speed and in quantity.

In order, therefore, to arrive at a fair estimate of the intrinsic worth of the operation I have had to remove from my mind temporarily all prejudices which are derived from a policy which concentrates on providing with a minimum of risk and over a long period of time those means which will be effective in circumstances and against targets which cannot be immediately defined. It has been necessary also to work from the premises on which the operation was established and consequently to readjust my view from peace time practices backward to war time precedents in order to find the proper criteria for any present judgment. In purpose, in scope, and in effect, perhaps the operation as it now exists can be best be appreciated if it is compared with enterprises directed by OSS in collaboration with European resistance groups during the course of the war. Those enterprises were massive in shape, loosely controlled, and were supplied rather than directed by American authorities, because the ultimate objective, clearly defined and mutually agreed upon, was to be accomplished with all possible speed in a state of extreme military urgency.

It is obviously not my responsibility to do more than present for the sake of analysis of potentialities the premises on which the operation was established and on which it continues to function. The policy of the operation may be altered. The potentialities will remain stable. I have viewed the potentialities of the operation in the light of the current policy of operation, but I have confined myself to a consideration of potentialities apart from any questions of the validity of present or past policy. The current requirements of U. S. military intelligence and the degree of urgency attached to the satisfaction of those requirements must of course be stated by Washington military authorities. The extent to which this operation satisfies its purpose, in other words, the actual value of the current product, must also be judged by the same competent authorities. The risks involved in the operation which are demonstrated almost daily by encounters between

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agents of the organization and our own security agencies and ~~NY~~ authorities are, under the circumstances, inherent and almost inevitable. They follow a pattern which is consistent with the whole style of the operation and can in general be listed as risks justifiable in the light of military necessity or urgency.

On these grounds it would seem gratuitous to analyze the mass of evidence which could only prove the forgone conclusion that the operation carries with it many and varied elements of insecurity. There is no evidence to show that any section of the operation has suffered penetration, defection, or compromise from a hostile agency, though it can be shown that friendly agencies, our own as well as foreign, have become acquainted with it. I have been unable thus far to discover anything in the records of any of the German operating personnel or in any German section of the operation which for security reasons would eliminate them from consideration for future employment. The long bill of complaints prepared by our own counter-intelligence agencies against the lack of security in this organization in the end serves more as a testimony to the alertness of our counter-intelligence agencies and a criticism of our own higher authorities for not effecting a coordination of interests than a criticism of the present organization and its operating personnel. Therefore, I consider myself justified in recommending to the attention of C.I.G. the full potentialities of this German intelligence machine. *No*

Section I of the report will attempt to define the scope and powers of the German administration and evaluation section as I have viewed them from the Oberursel or Headquarters level. A second section surveys the operative elements and existing networks of the organization and is written as the result of an extensive tour of field establishments. The final section suggests a plan by which the present organization or certain parts of it may be exploited in harmony with what I understand to be the chartered aims and policy of C.I.G., assuming that C.I.G. has uses for the potentialities of this organization as I have discovered them.

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SECTION I

Headquarters

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Operation Rusty is a service of G-2, War Department, supported by G-2 and administered by G-2, EUCOM. Its aim is to make the fullest possible use of German personnel who were trained by the German army and the German I.S. in the procurement of that intelligence about Russia which was considered essential to a successful campaign of the Fremde Heere Ost. Generalmajor Reinhart GEBLEN, formerly Chef der Fremde Heere Ost, and his long time associate, Oberstleutnant Hermann BAUN, formerly Chef der Leitstelle, Fremde Heere Ost, have made available to American authorities not only a great store of documentary information but the skills of their former close collaborators. General GEBLEN offered his services to the Americans as soon as he was able to establish contact with them and his colleagues in the operation have followed his example. GEBLEN now heads the German organization with the assistance of BAUN, who is his chief of operations.

G is responsible to Lt. Col. Deane, who as a representative of G-2, EUCOM, commands an operation enlisting the various skills of some 2500-3000 bodies. Col. Deane is responsible not only for acquainting the German organization leaders with the needs of American intelligence in the Russian field but for the physical maintenance of the operation. He is assisted by Capt. Eric Waldman, who was trained at Camp Ritchie as an intelligence officer and became associated with the operation when some of the leading German figures were evaluating documents of Fremde Heere Ost in Washington under the aegis of the War Department. Three non-commissioned officers and a civilian secretary type, file and dispatch to G-2, EUCOM approximately 200 reports each month. No other American personnel are attached to the operation.

Since the German organization was established primarily to perform the function of front reconnaissance against the Russians, it followed the familiar German pattern of delegating authority and responsibility through the Leitstelle für Frontaufklärung directly responsible to the General staff down to the Meldekopf at the division level. The Frontaufklärungstrupp at army level and the Frontaufklärungskommando at Army group level were the intermediate links in this chain of intelligence command. Under the present framework G considers himself to be fulfilling the duties of a commanding officer of a Frontaufklärungskommando within an Army group. The command is completed above that level by G-2, EUCOM and G-2 of the War Department.

G takes the responsibility as an intelligence officer of transferring to B, his operations officer, the instructions and needs of the American authorities. B in consultation with G presents a plan for obtaining the desired information, and after approval, sends instructions to the appropriate regional chiefs or organization leaders. Regional chiefs at present command the two geographical areas of Middle And Southern Europe

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or more precisely defined, the territories of pre-war Germany and Austria and their former spheres of influence. Each regional chief, consistent with the military pattern described in the previous paragraph, has subordinated to him a system of so-called Main residenturas, residenturas, and field agencies through which his orders are executed and up through which information is returned from the agent to the next higher point of command. Organization leaders are directors of operations or controllers of networks and apply to their regional chiefs for supplies and administrative assistance, but are directed in their intelligence activities more or less by B.

This system which also follows in some ways the field positions and administration of C.I.C. is of course flexible enough to allow for constant changes. However the network now contains a Middle and a Southern European Center and eight organization leaders who control 37 Main residenturas and 86 residenturas. These are at fixed points extending over an area bounded roughly by Kiel, Berlin, Vienna, Loerrach and Freiburg in the French Zone and up through Heidelberg, etc. The intricate courier network depends on a set of reporting stations or rendezvous separate from the fixed points of operation, so that each level and each station is elaborately cut off from the next.

The system is successfully designed to gather intelligence from a wide field of operation with speed. The clearly marked channels of command and communication make it possible to answer a brief from Oberursel within a period of two weeks. The non-productive administrative staff is reduced to a minimum. Although the individual agent must face constant and high risks of exposure, there is reason to believe that the operation remains internally secure and satisfactorily protected from serious intrusion and penetration. On the other hand, the operation offers in the nature of its personnel an unusual problem in security for the leading personalities have been, since the beginning of World War II, important counter-intelligence targets for the Allies. Their past careers and methods are common-place knowledge to allied specialists in the German Intelligence service. Against the possibility that their current activities might be deduced from past records, there is little protection.

Shortly after the network began to produce, it became evident that the evaluation of the product and the direction of operations would to a large extent also become a function of the German group. While the American authorities dictated the general policy, it was agreed that the Germans might undertake the responsibility of assessing the performance of their agents and initiating further instructions and briefs for agents in line with the general intelligence direction from G-2, Frankfurt. Partially because of a lack of sufficiently trained American personnel to assume these responsibilities, partially from a desire to protect the operation by admitting no more American staff than was absolutely necessary, and partially out of recognition for the high qualifications of the German technicians, the German evaluation and operation sections developed a type of autonomy singular for networks under foreign control. There is, however,

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no proof at this date that this unusual show of confidence was misplaced, and at present the purposes and needs of G-2 intelligence are so well comprehended, that the operation can be said to "conduct itself" to the satisfaction of G-2, Frankfurt with a minimum of direct operational guidance from that headquarters.

B, as operational chief, maintains a staff of 18-20 technicians who receive raw reports, evaluate the sources, describe targets, and develop long range operational plans. Additional to this staff is a small personnel and finance section, a supply section, and a group of W/T experts who are now experimenting with monitoring and agents sets. The so-called "Sichtungsgruppe" reads the raw material, compares the newly received material with previous information on the subject and any previous submissions from the same source mainly with the purpose of directing the information on through the proper channels for complete evaluation and assessing the agents' performance. This group divides the labor under categories of Military, Political, Economic intelligence, and Counter-Intelligence. Beside the "Sichtungsgruppe, there is placed an operational section which on the basis of information received or new requests for information assists B in analyzing intelligence reports, and in the planning, direction, and mounting of operations. B's staff which is located apart from G's staff is the real heart and nerve center of the operation.

B's staff is coordinated with G's staff not only through conferences between the two chiefs, but by a liaison officer who is especially assigned to keep G informed of every phase of activity within B's sphere of responsibility. G, as head of the entire German organization, has under his immediate supervision the work of fifteen technicians who receive the reports from B's group for purposes of higher level study and evaluation and presentation to the American authorities. At this level, the work is again divided into the four categories of Military, Political, Economic, and Counter-Intelligence. Here reports are edited, collated, elaborated, cross referred and background information and comment may be added before they are passed to the German translators who turn them into English for presentation to the American authorities. It is the aim of this section to transform raw information into intelligence reports. Therefore, in order to keep this staff oriented in world affairs and to make the fullest use of overt sources of information, an additional section is in the process of development which will specialize in newspaper evaluation. It is at this point that the broader intelligence trends are observed and reported and the higher policy and strategy of the German organization is shaped to conform with American thought.

The following figures collected at the Oberursel level will indicate both the extent of U. S. and German responsibility for this intelligence operation and the scope of the operation itself.

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Expenditures over a Nine Month Period in 1946:

<u>Agents</u>	-	1,438,416	German Marks
		140,000	Austrian Shillings
		\$44,150	
<u>Organization</u>	-	719,208	German Marks
		60,000	Austrian Shillings
		\$22,075	
<u>Staff</u>	-	773,091	German Marks
		\$180	
<u>Couriers</u>	-	17,441	German Marks
		200	Austrian Shillings
		\$76	
TOTALS		2,948,156	German Marks
		200,200	Austrian Shillings
		\$66,481	

Sum of above totals converted at the rate of 10 shillings or marks to the \$:

\$381,305.60

Average monthly expenditure in dollars over a nine month period in 1946:

\$ 42,367.29

Expenditure in commodities is additional. The cost of commodities in the form of army rations for the Oberursel headquarters, gasoline for the 80 automobiles employed by the organization, food stuffs, cigarettes, matches, coffee, fats, etc. used operationally can only be estimated since many of these items are provided through Quartermaster services. It is estimated that in this form the U. S. government contributes an additional \$5,000 a month to the expenses of the operation. Consequently, one can arrive at the figure of \$47,367.29 as the average monthly cost of maintaining the operation. Since as an average some 3,000 people compose the network, the per capita monthly expenditure is in the neighborhood of \$15.

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SECTION II

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My purpose in visiting the field establishments of Operation Rusty was to gain first hand knowledge of the operating personnel, the chief lines of operation, and the effectiveness of the system. The Southern European Center and the Middle European Center were focal points because they represent headquarters establishments immediately subordinated to Oberursel. From these centers I proceeded to visit organization leaders at their field establishments or Residentura when it was impracticable for them to meet me at the central points. I have, therefore, had conversations not only with the heads of the Middle and Southern European Centers but with two organization leaders either at the Central establishments or at Oberursel. Before my arrival in the field, it was known that I was surveying the operation in order to report to higher American authorities. The various leaders had been told that I was to have access to all facts connected with their present or prospective operations and that they might speak frankly to me about themselves, their motives, and intentions.

Charts III and IV which are attached to this report were drawn at my request by B's section at Oberursel. I wanted a diagram of the actual as well as potential sources of information available to the organization. The charts were delivered to me with all positive assurances that they presented a strictly factual picture. Nothing of a hypothetical nature is indicated although some sources marked by starred circles still remain dormant. From these charts is omitted the entire pattern of front reconnaissance operations. The lines on Chart III show the potentialities of the organization in what is termed "Reconnaissance in Depth", long range possibilities which show promise of successful exploitation over a long period of time. While Chart III shows these connections grouped around the leaders in Germany, Chart IV is a picture of the situation as it would exist if the organization were allowed to go completely under cover and take strategic positions for long term action. "Z" on Chart IV places B in Lisbon as chief of operational forces whose major strength would be planted in Soviet territories or territories under strong Soviet influence.

The colors on the chart separate the various networks from each other. Red lines on Chart IV generally signify the "Sonderverbindungen" of B, projects which are under his own personal direction and control. Within the circles which indicate centers of operations, the colors, red, yellow, and green show possibilities in the field of military, political, and economic intelligence respectively. Numbers of course conceal the identities of operators and networks.

In this case where qualitative and intangible values are of first importance, the schematic and abstract quality of these as well as any other charts can of course be misleading. The concentration of lines suggests bewildering confusion rather than the true picture of a meticulously planned and integrated operation. Furthermore, the charts give an impression of static rather than fluent conditions, fixed points or quantities, rather

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than mobility and flexibility. The manifold details which exist in files and indices distributed through various Residentura can only be suggested in graphic form. Therefore the picture appears nebulous rather than exact. Unless the reader has become intimately acquainted with the operation, he should not try to derive more from these charts than material impressions of the potential strength of the organization and the geographic extent of its operations.

In order to avoid repetition, certain facts about the operational purpose, planning, means and use of personnel can at this point be listed and generalized as applicable to all Residentura:

The whole purpose of Operation Rusty is to deliver to American authorities information on Russian military, political, and economic strength in that order of priority.

To accomplish that purpose the organization leader has in general resurrected those connections with Germans and non-Germans which he developed during his previous experience with the Abwehr, and those connections exist and are exploited on a highly personal basis.

Organization leaders themselves are almost without exception former German Army officers, and former co-workers or subordinates of B who received their practical training with the Abwehr under Fremde Heere Ost.

B has selected them individually as leaders in Operation Rusty, and they accept him as their master and chief.

These leaders state that they have joined forces once again with B from the conviction that they will contribute something toward checking the further Communist domination of German territory by informing American authorities, whom they consider to be their most reliable protectors.

The problem is attacked geographically only from the standpoint of over all strategy or for reasons of administration in the field, but the chief operators are allowed a freedom of movement in the conduct of their operations consistent with a successful exploitation of their personnel. If operations are confined to a certain area it is largely because the network under the organization leader's command functions most effectively in that area.

The prevailing policy is to establish agents in Soviet or Soviet controlled territory who, dependent only on courier service, can maintain their fixed positions over a long period of time. In other words, there is a growing tendency toward "Reconnaissance in Depth" and with it an increasing emphasis on the procurement of political and economic information.

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Front reconnaissance has in most instances become an almost automatic function. Accordingly, organization leaders are gradually shifting that responsibility to subordinates in order to free themselves for the more specialized and delicate long range operations.

The operational records of the organization are kept by chiefs of operation at the Residentura level. Agent records are filed by number and give personal, statistical information about previous employment and special qualifications which can be used in the intelligence field. Agents are indexed generally by number and the identity of the agent is recorded in files kept in separate buildings. In most instances there is a strict accounting of agent payments in goods or in money and the schedule of payment is measured by the agent's productivity.

In the paragraphs that follow, therefore, I have restricted myself to the most significant or distinguishing features of individual field establishments, my impressions of organization leaders, and those outstanding projects in their separate areas which, considering their possible value to C.I.G. in the future, seem worthy of attention and further study.

I have purposely referred to individuals and institutions in a way that is meant to conceal their identity. Full details of each can be made immediately available from field records.

The Southern European Center confines its interest roughly to the area of the Danubian Basin, the sphere of interest of the Austro-Hungarian Empire. The center exploits directly or indirectly pro-German reactionary connections which reach into the official circles of the states in this area.

The chief of the center directs operations from two establishments in Western Austria. He is at present chiefly concerned with creating a plausible cover which will serve to protect and supply his network as U. S. military strength in Austria is withdrawn. An Austrian businessman, formerly successful in shipping and in the export-import trade has promised the network suitable economic camouflage if he can be permitted to revive his pre-war enterprises in Trieste. It is understood that our assistance in the matter would only speed his plans which will come into effect sooner or latter. The business firm would give the network freedom of movement and economic camouflage in the northern Adriatic area and along the course of the Danube, and would allow the organization leader to direct operations from some point in Italy.

If this project is approved, a channel of information will also be opened through monasteries and other church institutions in the Aegean area. The focal point will be the monastery at Mt. Athos.

Little or no counter-intelligence investigation is at present conducted from this station.

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This organization leader served as a field operator and handled Russian agents for Fremde Heere Ost under B's direction during the war. When he was recruited for Operation Rusty he was already enjoying a responsible position as an electrical engineer and in fact is still carried on the payroll of his firm. He has won the respect of officers of G-2, MG and CIG with whom his routine duties have required him to make contact.

Of the two centers, the Middle European Center forms the larger and more complex group. From Munich the pre-war territory of Germany is covered and eastern lines of operation extend not only into Russian-occupied territories, but into Russia itself. The depth of the deployment of agents has been possible for this group because of their large use of non-Germans.

There are extensive links with the Ukrainians, chiefly those groups which can be classified as the more conservative in their political ambitions. Members of the Bandera group are not employed as agents although information is extracted from Bandera sympathizers by means of informers. Reports are being submitted through these channels via the Ukraine which allegedly have their ultimate source in the Politbureau. These links are dominated, directed, and exploited by a former German officer who under Fremde Heere Ost worked exclusively with Ukrainians and White Russian partisans behind the Russian lines. The connections exist primarily on a personal foundation and the collaborating groups realize that they can expect no political concessions for their efforts, but must be content to find their reward in the opportunity to fight Communism.

A former Sudeten German trained by Fremde Heere Ost, has extended special lines of operation into Czechoslovakia and north eastern German territories. He is in a position to cultivate the services of a highly-placed informer in Czechoslovakian government and military circles, and through connections at the University of Prague is able to keep in touch with Czechoslovakian scientific developments and cultural trends. The network also extends into the Soviet-controlled sections of Berlin and former Prussia. From Berlin a German writer who moves freely as a Communist propagandist hopes soon to report on party strategy in that area. A group of Balkan students at the University of Berlin now actively preparing Russian OB reports, will in the near future complete their courses of study and return to the Balkans, after which they promise to continue their intelligence work from their home territories.

A special project within this network is being created to maintain active watch over developments in mathematics and physics and to report on the activities and location of European scholars in this field. The project will be headed by a physicist who is now employed as a scientific journalist. At the invitation of colleagues of long standing in Eastern Germany, France, and Switzerland, he is prepared to attend meetings of learned societies and report his observations.

This network is also in a position to establish indirect contact with such former pro-German factions as the Rumanian Iron Guard and the followers of Horthy in Hungary.

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Plans for establishing agent networks in the Baltic states from which there has been scanty information are now in the hands of a former Abwehr officer of Baltic descent, and the network is already productive. The scene of operations will gradually extend over Finland and toward Sweden.

A network of approximately 200 Germans is being directed by a former Abwehr officer who at the same time holds an important position in the plastics industry. The activities of this group are directed against Communist interference in German government and industry, but operations are conducted at a slow pace since most of the connections exist in the C I Zone. This group can, if allowed, gain access to the intelligence reports of the Bavarian catholic clergy. The chief of the operation can be characterized by the fact that he has already contributed 200,000 marks from his own purse for operational expenses.

Formerly subordinate to the Middle European Center but recently given independent status is a network of approximately 700 agents culled from Georgian, Ukrainian, Polish, and White Russian groups. This network produces the major part of all OB information reported by the operation. At present, it has succeeded in planting approximately a third of its forces in Soviet territories. For the most part these agents were briefed in the American Zone and have now been returned to their original places of residence. A mass of military, economic, and political information is being collected by agents of this network who have the special mission of debriefing German prisoners of war as they are returned from Russia. Since a German University is seeking funds to establish an Ost Europa Institut to conduct a series of ethnological, geographical, and philological studies covering territories of Eastern Europe, openly exploiting prisoners of war from the East for their purpose, an arrangement has already been made by which the operation can, if allowed, use the Institut to its advantage. The chief of this network is an Austrian, born in Trieste, who during the course of the war was employed as a Liaison officer with the Wlassow forces.

Directly responsible to B but operating under the administrative jurisdiction of the Middle European Center is a network of 800 White Russians, the largest and least productive group of agents in the operation. Their performance is at present under close scrutiny and orders for gradual liquidation have been issued. Liquidation will proceed to that point where the operation runs the risk of a loss of valuable sources. B also directs in the same way the development of a personal contact with the chief of anti-Soviet Armenian resistance forces in Germany who has the support of similarly minded Armenian groups in America. Similarly he has by personal contact produced a direct lead to the Swedish Ministry of War and the Rumanian Oil Ministry.

Also associated with the Middle European Center, but directly under B, is a group of German scholars, scientists, and technicians who are acknowledged specialists in Eastern European matters, economics, history, politics, agriculture, etc. At present they prepare technical reports and evaluations which are meant only to assist and guide the staff at Oberursel.

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The Middle European headquarters employs two chiefs for counter-intelligence operations. These operations, under the leadership of a former Abwehr officer on the Western front, have lines extending into the [] and [] Zones and into [] [] The activities of the [] [] [] and the tactics of Communism in the [] [] Zone of occupation are the primary targets. One of the chief informers is a former Abwehr officer now employed by the [] [] The brother of this counter-intelligence chief, also a former Abwehr officer, happens to be similarly employed by the [] [] This network is gradually tracing down Communist lines of connection which exist between the American and [] [] Zones of occupation and the central control of these lines of connection in [] []

A former member of the German Criminal Police who was trained in counter-intelligence work by Fremde Heere Ost is developing a series of operations which will investigate the possibility of Communist control or penetration of German government offices and agencies. For his purpose he relies chiefly on old connections with the German police and hopes with our assistance to be able to place more former colleagues in those services. He also will seek to clarify the extent to which charitable enterprises are suffering Communist exploitation.

The head of the Middle European Central Establishment is a young German, a former Abwehr officer, trained by B as an operator under Fremde Heere Ost. His civilian profession was architecture. He now specializes in document procurement and fabrication. His personal intelligence connections extend through Southern German aristocratic circles into [] [] although these connections are not being exploited at the moment. In spite of his youth, this man has shown himself to be an energetic and highly responsible chief. Like his colleague in [] [] he has so far enjoyed the best reputation with G-2, ME and GIG authorities with whom he frequently comes into contact.

It was abundantly evident before my visit to field stations was arranged that Operation Rusty was producing information which according to the competent authorities at Frankfurt was of great value to American Military intelligence. There was no evidence to prove that the unusual confidence that had been placed by American authorities in the German operators had been abused. I still wanted to find answers to the following questions:

1. For what reasons can the German operators be trusted?
2. To what extent are they to be trusted, and under what circumstances?
3. Apart from their ability to fulfill the military mission of front reconnaissance, what qualifications do they possess which will assist GIG in the fulfillment of its specific tasks and ambitions?
4. What conditions of employment would GIG for its own protection have to impose on the group if the operation were to be continued?
5. What would be the effect of a change in American policy upon the group if that policy took the form of liquidation?

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It seemed advantageous, therefore, to conduct conversations on the broader lines of plans and purposes as they were now being formulated and to neglect, when necessary, inquiries into the mechanics of current operations. I wanted to hear personal reactions to a variety of problems related to intelligence work conducted by Germans against Russians for Americans.

No matter how such problems were introduced during conversations, whether they developed out of the discussions of intelligence projects, operational techniques, or difficulties, or whether it was the overall question of Germany's problems as related to America and Russia or a specific discussion of the individual's problems, I was confronted with a type of enthusiasm or idealism rooted in an absolute fear of Communist domination of Germany. With few exceptions, the Germans feel that they may be contributing something toward the salvation of Germany from Russian domination by their collaboration with the American Intelligence Services.

It should be taken into consideration that the Germans as a whole, whether it is still a heritage of Nazi anti-Communist indoctrination or otherwise, fear and hate the Soviet State while they have little more to offer against the Western Powers than criticism of their present policies. It stands to reason then that the strongest advocates of close collaboration with the Western Powers can be found among the most reactionary and nationalistic Germans who find their only hope for a future Germany in at least a temporary merger of German interests with Western Allied interests. Of the Western Allies, America is of course favored because of her strength.

An important factor in determining the psychology of this particular German group must not be overlooked. Their motivation and intentions should be weighed against the background of their experience in Hitler's army on the Eastern front. They have first hand experience of both modern Germany and Russia. They are quick to point out the horrors and abuses of Hitler's authoritarian rule and to base their opposition to Russia on the observation that the Soviet government has already achieved in the way of Russian dictatorship those things which remained ambitions of Hitler. Proof of their intentions is offered by the example of G, who claims some complicity in the July 20th attempt on Hitler's life and later refused to obey orders to destroy all military files in his custody as the German armies withdrew. These files, by careful calculation, were safeguarded and then transported into American custody. The present group, drawn together with the approval of G and B, is presented as a group of G's earliest sympathizers and collaborators in the scheme. Although it would be naive to neglect the fact that by this action, these staff officers guaranteed themselves favorable treatment by the Americans, Americans did in return receive valuable information about Russia.

The attitude of the lower ranks toward the leadership of G and B should focus to some extent the problems which American authorities face in placing just the right degree of confidence in the operation for the most effective results and the least possibility of embarrassment. Clearly G and B

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have the respect and devotion of their subordinates and together they exert a military discipline which permeates all phases and sections of the operation. B has presumably made a special effort to control the younger minds, for the unattached men in their twenties and thirties with some prospect of professional careers as well as training in intelligence work offer the most promising talents for the future. Such young men, as heads of the Middle and Southern European Centers, are infatuated with the fanatical anti-Soviet hatred of B and what they consider to be his genius as an intelligence operator. He has among them the reputation of being an indisputable authority in designing intelligence operations against Russia because of his successes during the war and what he claims to be his two decades of experience in this field with the German Foreign Office. Undoubtedly B has an impressive knowledge of Russia and a brilliantly cunning intelligence mind. He also possesses that emotional and physical energy and complete devotion to the principles and ideals of his work that catches the fancy of young Germans seeking leadership. It is noticeable that the older group of operators, men in their forties and early fifties, show a greater independence and individuality in their thinking and in their operations. Without being fired by B's fanaticism or subscribing to the theory of his genius, they accept him as a highly qualified chief.

While G is the titular head of the operation, it is not certain that he controls it as strongly or deeply as B. Operators in the field are not aware of his personality, though the evaluation group at Oberursel, composed mostly of his former junior staff officers, give him undivided allegiance. G lost his control while he was in America when B was given full charge, and only now is taking positive steps to assure his complete authority over B as well as the entire operation. G is in every way the Prussian Staff officer. He claims to distrust B's anti-Soviet fanaticism as the basic motivation for the operation, and promises to convert it into a strict alliance of German with American interests. It is his suggestion for the future that enough American personnel be assigned to the operation to supervise and guide it at every point. He states that he sees in the operation one opportunity to restore American faith in Germans and Germany, and offers his word of honor that any responsibility placed in him will not be betrayed.

There were already symptoms of unrest within the organization as a result of the possible conflict between G and B. It is most likely, however, that G's theories and principles will prevail and B's authority in operational direction and policy will be severely curbed without splitting the organization into factions.

At least American authorities can be assured of effective German discipline within the organization. It will be directed entirely according to the dictates of the dominant power. The problem resolves itself fundamentally then into placing full confidence in the organization only by way of that leader whom Americans can most successfully manipulate. Allowing for obvious possibilities of deception no matter how the key figures express their views, since G shows himself in closer accord with American thought and temperament, he would be the more convenient and amenable medium of American control.

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At the field level, the operation can be viewed not only as an intelligence machine but as a German post-war underground movement. Since organization leaders have it within their power to resurrect former pro-German collaborators throughout Central Europe and long term agents have already been planted in Soviet occupied territory, the organization could turn into a partisan band. If any such thought is now in the minds of the Germans, they have already been rewarded for their services to the Americans by the privilege of reestablishing their old connections and organizing themselves.

Americans could at this point withdraw their authority and supplies, but they could not so easily break up the organization. That is the strongest and potentially the most menacing German asset. Chart IV shows the amount of thought that B has put upon the future activities of his operators. Furthermore, his lieutenants in the field know what will be expected of them individually if B with American assistance is able to make his plans for each of them materialize. B has calculated that approximately \$150,000. would disperse the concentration of forces in Germany as shown in Chart III to the strategic positions for long term operations in Chart IV. However, it is evident that our assistance would only expedite the development of cover schemes, economic camouflage, and open up more rapidly wider territories of operation, but in the course of time the Germans will be able to do essentially the same thing independently unless we directly interfere.

The driving force in this operation is the determination to protect Germany from Russia. A withdrawal of American support, even if we would not recognize previous commitments to protect the leading figures and their dependents, would produce severe disillusionment, but it is not likely that we would be embarrassed politically by important defections or revelations as long as it was still recognized that in our foreign policy we were opposed to further Russian encroachment. Nor is it likely that we would break the determination of the organization to fulfill its mission. Our money and supplies so far have been appreciated as a means in this organization and not a reward for services. If the group should be forced to find its own means, and become independent of American financial aid as B intends, we would have set in motion a powerful machine over whose course and driver we relinquish control.

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The recommendations which follow come as the result of the five major conclusions of my investigation:

1. Operation Rusty has shown itself to be thus far a reliable and productive intelligence machine.
2. The German organization is bound together over a large area by a single determined purpose.
3. To operate it or to liquidate it will require a further American investment of time, money and personnel.
4. Given close American supervision and control, the organization can be operated in accordance with American purposes without risk of serious compromise.
5. It can offer to G.I.G. over a period of time:
 - a. Valuable channels of information about Russian strength and intentions.
 - b. An intelligence service for all of Germany.
 - c. A strong core of resistance to Russian aggression.

RECOMMENDATIONS

(Whenever it has seemed necessary, I have for the sake of clarity enlarged on the reasons and purposes for my recommendations.)

1. That G.I.G. assume future responsibility for Operation Rusty according to the policy and needs of the American Intelligence Services.

In an attempt to fulfill the basic mission of G-2, War Department, to collect Russian OB information, the operation has extended its field of activity, enlarged its purpose, and increased its personnel to such an extent that it is in a position either to compete, interfere with or to supplement the operations of G.I.G. G.I.G. is of all existing intelligence agencies at this stage best equipped to exploit or over a period of time, to liquidate the organization.

2. That G.I.G. assign immediately a representative to Oberursel headquarters who will be in full authority to convert the organization into an instrument of G.I.G.

If it is demonstrated that the OB information which is now

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being supplied to the War Department is essential for War Department needs for such information, the military style of the operation with emphasis on positive military intelligence can only be slightly modified until American military authorities agree that the source is no longer necessary. As a corollary to the above recommendation, I recommend further that during the period of conversion the present officers employed by G-2, War Department, assist the C.I.G. representative by assuming responsibility for front reconnaissance until that phase of the operation, in accordance with the stated needs of G-2, War Department, can be terminated. By a coordination of interests, the C.I.G. representative should by that time have segregated to his own separate control those elements of the operation which are to be retained for long term exploitation.

3. That C.I.G. through its representative, take immediate steps, consistent with the best interests of the operation, to eliminate from the organization all Germans or non-Germans who because of past records, previous connections, or actions constitute potential sources of political embarrassment or are actual threats to our security.

It would obviously be a matter of serious concern if groups of non-Germans or groups of German outlaws should by the weight of their numbers or influence find themselves in a position to dominate the operation. On the other hand, each case will have to be weighed separately with full consideration of existing laws and procedures, the particular merits of the individual, and operational needs and purposes. For example, there would be no apparent loss to American Intelligence in the liquidation of present White Russian contacts to the point where it can be shown that White Russians are indispensable or irreplaceable factors in an operation. Furthermore, every instance of employment of a former member of the Nazi party or the SS should be made a separate case for consideration and the employment of individuals in this category should be restricted to the agent level as far as possible. Not only is such a policy a necessary safeguard of the best American interests but it will preserve the unity and idealism of those individuals who have clean political records, high professional qualifications, and the same motives.

4. That C.I.G. through its representatives take immediate steps, with full respect for previous commitments and the welfare of productive personnel, to withdraw support and protection from non-productive or extraneous elements of the organization.

Although it is understood that principal personnel have been promised protection for themselves and dependents, no such general commitments have been made. It is obvious,

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in spite of the hardships of present-day life in Germany and the distraction caused by concern about dependents, that protection and support can only be given when the exigencies of the operation demand it. Otherwise the operation will be perverted from its intelligence mission to German welfare.

In every way, young unattached individuals with some independent means of livelihood should be encouraged to continue as operators, while the older individuals with dependents should be employed only when special operational circumstances demand it.

Advisory staffs, such as the group of Eastern European scholars, can be considered extraneous. However valuable their knowledge may be, unless they are in a position to conduct operations or to operate, their researches have no place in a field mission. Similarly the staff of radio technicians, cryptographers or cryptoanalysts, who are now attempting to monitor and decode Russian traffic should be eliminated from the organization or absorbed by an agency fully qualified to supervise their activities.

5. That the C.I.G. representative submit directly for the approval of the appropriate authorities in Washington both projects for liquidation and for operation, as they present themselves, regardless of whether they are of immediate or future concern.

The period of conversion should be used as a period of deliberation and study both by Washington authorities and the field representative. This will entail systematic analysis of each aspect of the operation which can or does conform to existing C.I.G. patterns of operation in scope, depth, and extent. This should result in a gradual disentangling of the complex lines of the whole network, in order that they may be eliminated as redundant, or otherwise undesirable or that, whenever practicable, they may be reweaved into the fabric of C.I.G.

6. That the C.I.G. representative be empowered directly from Washington to enlist the existing field services of C.I.G. stations in order to implement Washington instructions for liquidation, mounting, or integration of operation.

In liquidation proceedings it will be essential to inform C.I.G. stations of possible repercussions in their areas or within their own or tangent operations. Stations in the area affected should be given full access to the pertinent facts and be alerted to report on possible compromises, disaffections, and defections.

In the mounting and maintenance of operations, the greatest use should be made of C.I.G. facilities in order to avoid unnecessary duplication of communication, transportation, and supply services. In the event that direct contact is undesirable, a system of cut-outs to our services should be established.

In order to complete the process of integration, single

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operations should be excised from the Rusty complex and placed under the complete jurisdiction of the appropriate C.I.G. station or stations whenever such action is proved feasible.

- 7. That C.I.G. take as its fundamental policy the effective use of German operatives to fulfill the mission of American intelligence and effective elimination from the organization any feature which could in any way exert a German influence on American policy.

Such a measure will in the long run most severely affect the headquarters staff at Oberursel which not only evaluates information but issues briefs for its collection. The need for these services should diminish with the G-2, War Department, need for OB information, but if the services of this group cannot be dispensed with immediately or American personnel cannot be supplied to sit with them, it would be advisable to exert the strongest possible American control over their leaders. In line with this plan, every effort should be made on the part of the American authorities to allow G to dominate the organization at the expense of B. G is more the statesman, and can become a spokesman for American interests while B, the professional intelligence man, should be reduced to the status of a high level operator with little, if any, executive power. This maneuver will require both diplomacy and strong authority on the part of the C.I.G. representative. It may even require the removal of B to America temporarily.

- 8. That C.I.G. make known the basic facts of the operation to any agency of the U. S. Government which might be concerned and to the Chief of the at a time in the future which is considered appropriate.

Since it is impossible to foresee the consequences of liquidation or future operation, it may be necessary to enlist the assistance of agencies of the government affiliated with C.I.G. in facing them. Therefore, they should at this time be given a picture of the situation in order that C.I.G. will not suffer the effects of past policy, and C.I.G. can be assured of full government support in its actions. It is possible that certain bodies now connected with the operation will have to be removed from Germany or be allowed to travel.

Since the are fully aware of the existence of the operation, although American authorities have never admitted it officially, I can see that no useful purpose is being served by a pretence of secrecy toward the This will lead only to a continuation of prying with possible embarrassing results unless an official statement is made. Furthermore, Rusty operators are at

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present seriously curtailed in their activities because of additional hazards from the services in operating through or in the Zone. A clear policy on this matter should be developed by a discussion with authorities on the highest level.

Since the army officers have made themselves personally responsible to the army for equipment and property issued for use in the operation, a serious problem arises immediately for it would be impracticable at this point to call in from the field all the property issued. A method should be approved by which the operation will not be halted and yet the responsibility for property transferred to other authorities.

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