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By STP NARA Date 06/03/02 #R

42. . Bossard to DCI, "Operation Rusty," 29 May 1947

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29 May 1947

MEMORANDUM FOR THE DIRECTOR, CENTRAL INTELLIGENCE GROUP

SUBJECT: Operation Rusty

I. BACKGROUND AND HISTORY

Operation Rusty has existed as a military intelligence service of G-2, War Department, since January 1946. The Operation developed as the result of a decision taken late in 1944 by Major General Reinhart von Gehlen and his close associates "to take all steps to hand over the entire personnel and material of the division Foreign Armies East to the United States Army" in case of the surrender of the German Army. As Commanding Officer of this German intelligence unit, Gehlen contrived to move his forces and material into Southern Swabia and Bavaria, and effected his plan for surrender toward the end of May 1945. Lieutenant Colonel Hermann Baun, Gehlen's Chief of Operations, having been separated from the remainder of Gehlen's forces, made separate contact with American authorities in July 1945.

Since Gehlen had succeeded in preserving the secret files of Foreign Armies East for the information of American authorities, and had surrounded himself with a group of senior staff officers highly trained in the procurement and evaluation of military intelligence in the Russian sphere, the entire group was transferred to the vicinity of Washington, where as prisoners of war they exploited their files and made their knowledge directly available to G-2, War Department. During the same period, Baun and his group were similarly exploited in Germany by G-2, USFET, until it was decided that Baun should be given permission to collect his former operating staff in an effort to mount with American support a military intelligence operation against Russia.

After the return of Gehlen and his staff from the United States in the summer of 1946, he assumed his present position as head of an evaluation group in order to direct Baun serving as head of an information group in the fulfillment of the missions assigned by G-2, USFET. Baun has remained the Chief

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7 Mar 61

42. (Continued)

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of Operations but the product is evaluated, collated, and translated by Gehlen's group who deliver it in finished form to representatives of G-2, EUCOM. At this stage, this organization is considered by G-2 EUCOM, to be its most dependable and prolific source of information on Russian military intentions and strength.

It should be pointed out that it was suggested to OSS, before its liquidation, that it was the organization best equipped to direct the proposed Operation. OSS at that stage was unwilling to undertake the responsibility, not only because of the uncertainty of its own future, but because of the obvious risk of political compromise involved in operating a declared enemy intelligence unit against a declared allied nation. On October 1, 1946, General Burress presented from G-2, USFET, a staff study of Operation Rusty to General Vandenberg with the recommendation that CIG take over the Operation and conduct it from the United States. The study did not convince CIG that the Operation, as it was then presented, was valuable enough to justify the political risk and the expenditure of personnel and money, but it was later agreed that CIG would conduct its own investigation with the purpose of outlining the advantages and disadvantages of participation in the Operation.

## II. CONCLUSIONS OF CIG INVESTIGATION

The CIG investigation has produced the following conclusions:

1. The chief personnel of Operation Rusty offer as their motivation the desire to protect Germany from further Russian encroachment or Communist penetration.
2. They believe that they can best fulfill their purpose by making their talents as intelligence officers and their experience on Russia available to the United States, whom they consider their most effective champion.
3. The chief personnel of Operation RUSTY have, during the period of their organization, recruited some 3000 bodies from anti-Soviet factions in Central Europe who during the course of the war gave their support to Germany.
4. Operation RUSTY has become less a clandestine intelligence operation directed by American authorities than a potential resistance group supported and fed by the U. S. Government.

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42. (Continued)

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5. It can be stated with certainty that the lines of connection extend presently over an area lying between Stockholm and Rome, Prague and Paris, with the possibility that they can be further extended through the Middle East to the Far East and into the United States and South America.

6. There now exist plans for camouflage which can provide the personnel with an opportunity to continue their operations independently of American support.

7. The operation has become known to the [ ] and possibly to the Russian and [ ] [ ] [ ]

8. The operation has been productive not only because of the strength and nature of the German personnel employed, but chiefly because American authorities have granted them wide scope for their operations and relative freedom in their planning and actions.

9. Upon withdrawal of American support, this group could constitute a source of political embarrassment to the U.S. Government and a security menace to American overt as well as covert activities in Germany.

### III. ADVANTAGES

The advantage of this operation is that it has furnished Army Forces in Europe with certain high grade tactical intelligence.

### IV. DISADVANTAGES

1. The present complement of Operation RUSTY includes a cryptanalytic section, with equipment, presently engaged in breaking Russian and possibly other European codes.

2. It is both a potential resistance group and as an organization could become the intelligence nucleus of a future German government.

### V. RECOMMENDATION

In view of the conclusions in II above and the disadvantages listed in IV it is recommended that prior to any participation by CIG in Operation RUSTY, with the concurrence of the War Department, the National Intelligence Authority be requested to decide as to the extent of such participation.

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