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Authority **NN1003024** <sup>cret</sup>  
By **MBNARA** Date **05/05/02** <sup>GER</sup>

93. [Critchfield] to Chief, FBM, "Basic Agreement with [Gehlen Organization]," 13 June 1949

**OFFICIAL DISPATCH**

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VIA: Air  
SPECIFY AIR OR SEA ROUTE

DISPATCH NO.: [ ] [ ]

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DATE: 13 June 1949

TO : Chief, Foreign Branch M  
FROM : Chief of Station, Karlsruhe  
SUBJECT: General - [ ]  
          Specific - Basic Agreement with [ ]  
REF :

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CENTRAL INTELLIGENCE AGENCY  
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Cancelled  
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Date [ ]

1. As has been previously reported, the relationship of the US Army with [Gehlen] has from the first been based on a contractual agreement originally reached between Dr. Schneider and General Sibert. This agreement was referred to in the basic EUCOM Directive of 13 October 1948 (see Annex B - [ ]). Prior to that time the substance of the agreement had not been reduced to writing.

2. It is quite clear that we must renegotiate with Dr. Schneider the basic agreement which will govern our immediate as well as our long range relationship. Preliminary discussions between Dr. Schneider and [ ] have taken place. A tentative draft by [ ] was utilized as the point of departure for such discussions, with the full understanding by Schneider that the points covered originated with [ ] and that discussions at this time are completely exploratory.

3. Schneider concurs without reservations with the agreement as far as it goes, and suggested that two other basic points be included to cover matters of interest to him personally and as the responsible leader of the German organization. These two points in substance are:

(a) That at such time as a financial expert from the American organization is placed with his staff and an exact accounting procedure is adopted, he, as the senior member of the German organization, will retain the prerogative to expend a nominal monthly fee, [ ] for example, as payments to or in defrayment of expenses of

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93. (Continued)

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-2- ~~SECRET/RELEASE  
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certain individuals with whom he may be in contact on a personal and confidential basis. These expenses would in each case be covered by a voucher signed by him, indicating that the funds had been spent in furtherance of the organizational interests;

(b) That the US Element agree that from funds allotted to the organization, payments consistent with individual needs and the cost of living will be paid on a monthly basis to the dependents of agents who have been killed or captured in the execution of missions assigned by this project.

4. On (a) above, I assured Dr. Schneider that if it develops in the future that an exact accounting procedure should be instituted to cover the expenditure of funds originating with the American side, I felt sure that any reasonable expenditures to which he would individually certify would be completely acceptable to us; and, that the compensation payments appear to be quite consistent with our own policy in such matters.

5. While there is no urgency to the conclusion of such an agreement, a clear understanding of these points must be reached to insure not only a smooth working relationship between our own [G.O.] staff and the German staff, but also to provide the basis for Washington's direction of our own staff with [G.O.]

6. The draft covering the points I have discussed with Schneider is attached. If it appears to play rather heavily on the ideological motivation of this project, it is only because this aspect is in fact a most vital factor in our relationship with the Germans as well as in their own future relationship with the German Government. I will delay further discussions of this subject until Washington views have been received.

[ ]

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2 - FBM w/attachment  
1 - COS w/attachment  
1 - POB w/attachment

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*Handwritten signature*

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93. (Continued)

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BASIC AGREEMENT  
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1. The basis for US-German cooperation in this project lies in the mutual conviction of the respective parties that increasing cooperation between a free and democratic Germany and the United States within the framework of the Western European Union and the Atlantic Community is indispensable for the successful execution of a policy of opposition and containment of Communist Russia.
2. The development of a long range and effective intelligence organization directed solely against Communist Russia and her satellite governments is the broader purpose of US-German cooperation in the establishment of this project.
3. It is clearly recognized that members of the German staff of this project are acting first and foremost as German nationals working in the interest of the German people in combatting Communism by contributing their efforts and accumulated experience in the field of intelligence against Communist Russia.
4. To protect this basic premise, it is agreed that under no circumstances will any German member of this project be expected or permitted to conduct intelligence activities against, or report on, German activities in other than Soviet occupied areas of Germany. The exception to this will be with respect to operations against German nationals acting in the interest of a communist power in affairs which threaten the security of this project.
5. The eventual acceptance and support of this project by the German government is recognized as a prerequisite to the continuation of this project beyond the time when US Occupational Forces terminate an active role in local German governmental affairs. Thus it is clearly recognized that the senior US representative and the German Director, each acting in close coordination with the other, will have to make a positive effort through channels available to him, to ensure that the acceptance and support of this project by the German Government is obtained.
6. It is recognized that as the German Government is strengthened and assumes a more independent role in internal German affairs and as Germany assumes her position as a sovereign state with reestablished normal diplomatic and trade relations abroad, the working relationship of the US and German representations in this project will have to be periodically re-examined

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93. (Continued)

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-2- ~~SECRET/RELEASE~~  
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and modified to conform to the situation. Until such time the following specific relationship will be the basis of the working relationship between the US and German elements of the project:

- a. The missions given the project shall be consistent with this agreement and shall originate with the US representative.
- b. All direction emanating from the US side shall be passed directly from the senior US representative to the German Director; information reaching the German organization at subordinate levels through US staff members will not constitute the basis for authority for any action not specifically authorized by the German Director.
- c. The responsibility for control, direction and discipline within the German organization will rest completely on the German Director.
- d. US personnel working with the German Organization will be in an advisory and liaison capacity.
- e. All activities of this project in friendly or neutral countries will be reported to the US staff in detail and under complete US control.
- f. All connection with the Intelligence Services of friendly or neutral countries will receive prior clearance and be under US control.
- g. Complete details of operational activities will be available to the US staff.
- h. The US staff will, through its connections in the intelligence field, render maximum operational and technical assistance to the German staff.
- i. In financial matters the closest cooperation will be required. Detailed financial records will be maintained on the disposition of all funds provided by the US for the support of the project. These records shall be available to the US senior representative or his designated financial specialist.
- j. Overhead expenses will, as soon as practicable, be reduced to a detailed semi-annual or annual budgetary basis with budgetary estimates submitted not less than three months in advance.

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-3-

k. All operations outside of Germany will, as soon as practicable, be reduced to a project basis with funds provided for each project as approved and on the basis of continuing review of operational details and production.

7. Both parties realize the success of this project must be based on an attitude of complete trust and cooperation and adherence in spirit as well as in word to the terms of this agreement. Therefore, each party will continually review the terms of this agreement with a view toward immediately initiating discussions pointing toward the modification of the terms of this agreement should new factors and changing situations so dictate.

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