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By CBNARA Date 06/05/02

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89. [Critchfield] to Chief, FBM, "[Gehlen Organization] Current Situation," 18 April 1949

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VIA: AIR ~~TO GERMANY ONLY~~ NO. []

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CLASSIFICATION

TO : Chief, FBM [] DATE: 18 April 1949
ATTN: []
FROM : COS, Karlsruhe []
SUBJECT: GENERAL - []
SPECIFIC - [] Current Situation

1. On 7 April 1949, for the first time in more than ten days, I had conversations with Colonel Philp and several members of his staff; later I also talked with Dr. Schneider and Herdahl.

2. I had little to take up with Philp and our conversation, which lasted approximately 45 minutes, consisted primarily of a lengthy denunciation by Philp of the German attitude in general and Dr. Schneider's in particular. This development first became apparent on my previous visit late in March when Philp informed me that he had found it necessary, on the previous day, to inform Schneider in the bluntest terms, that it had become evident that the German Element was becoming increasingly uncooperative and that he no longer felt that Dr. Schneider exercised adequate control. Philp's specific accusations:

a. The German side strongly resists every effort to improve the standard of housekeeping (vehicle maintenance, accountability of funds and supplies, etc.).

b. The discipline with the sub-organizations is unsatisfactory, particularly with respect to the use of operational vehicles for personal purposes, the maintenance of vehicles and black market activities.

c. Dr. Schneider points out the need for more money while concurrently employing new people, especially if they happen to be close friends or relatives of top [S.O.] personalities.

d. US Element field representatives are intentionally kept uninformed of numerous operational and administrative developments at the sub-organizations. (Lt. Richardson is to produce evidence that this attitude on the part of subordinates is in accordance with written instructions from the Chief of ICO.)

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e. The German Element resists the good efforts of US officers working with subordinate elements of the German Organization. The Motor Pool at Pullach and the DFing station at Bremen are cited as examples.

f. Dr. Schneider utilizes operational necessity as the basis for justifying property requisitions and the furnishing of utilities and some supplies to individuals not connected with the operation and not visibly contributive.

3. My opinion is that the present difficulties stem primarily from divergent interpretation of paras. 1. a, b, c, and d of the basic Eucom directive. (See Tab B of Basic ~~IS-7~~ Report, 18 Dec 48). There is no question but that the control exercised by the US Element over the methods and manner in which the German Element utilized funds and transportation prior to the arrival of Col. Philp left a great deal to be desired. However, the basic concept had been that complete responsibility for the performance of the German Element rested with Dr. Schneider and direct action to rectify specific conditions within the German Element that were unacceptable to the US Commander was to be done only through the US Commander-German Leader channel and not by direct intervention of members of the US Staff at subordinate points within the German structure. Shortly after his arrival Col. Philp systematically set about to improve the general standard of administration. This effort, which produced marked results, too frequently took the form of energetic action on the part of members of Col. Philp's staff dealing directly with some of Schneider's subordinates without regard for the command and staff relationship spelled out in the basic Eucom directive. Schneider has stubbornly held his ground on a number of minor issues in which this basic relationship and direct US intervention at subordinate levels of the German Organization have been involved. Philips, in turn, has interpreted these as a growing disinclination on the part of the Germans to cooperate. The net result is that atmosphere at Pullach is now characterized by a certain tenseness that was not evident when I first arrived there. Possibly balancing this is the fact that the US Element now has a much clearer picture of the administrative activities. At any rate an individual with a clear, unemotional and objective view of the situation at Odeum these days is a rare specimen.

4. The basic requirements to ensure the maintenance of the US-German Relationship on a workable basis appear to be the following:

a. Basic agreement between the US Commander and the German Leader on the interpretation of the contractual agreement.

b. A clear conception on the part of US and German staff members of the working procedures under this agreement.

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c. An adequate number of US staff members present at all echelons of the German organization, particularly in the field, with complete access to all information and instructions to observe, assist and offer guidance but not to issue orders directly to their German opposites numbers. These US representatives must be capable of keeping the US Commander completely informed on all aspects of operational and administrative developments in the lower echelons of the German organization. His having to rely almost entirely on the German Element for information leaves the US Commander in an untenable position.

d. Guidance must be passed to the German Leader, in writing, by the US Commander on a continuing basis; such guidance to be based on instructions from above and information received from his US staff representatives in the field. This guidance must be firm and above all must be based on accurate and timely information received from US observers in the organization and through an active liaison with other US agencies in Europe which are in a position to report upon the activities of [G.O.] as well as on matters of common interest.

e. A friendly but constructive, observant and objective attitude on the part of the US Element.

5. Certainly one of the major causes of agitation is the present difficulty over the financial status. In this matter I feel that it is necessary that we immediately indulge in some advance planning. [G.O.] is still receiving its [] monthly. The difficulties growing out of the rising value of the DM have been reported in [] [G.O.] has thus far reduced its commitment by approximately 15%; this process of cutting down continues. I have received the impression, however, that Schneider has an unfounded hope that the turnover to us will simultaneously mean the end of his financial troubles and an increase over the present []. I have made every effort to eliminate this view. On the other hand, eliminating operational commitments is, as we know, a difficult and sometimes expensive procedure which cannot be accomplished in a matter of days. Thus, I feel that we should assess the operation from our available information and attempt to formulate without further delay a planning basis which can be passed to Odeum at the time that we take over. This should include an indication of which operations should be cut, which built-up, and which eliminated. Also, some indication of the anticipated financial arrangement (channel for handling funds, availability, etc) would be helpful for planning purposes. If we do not provide Schneider with this guidance his only alternative will lie in utilizing his own judgment since Eucom is reluctant at this stage of the game to make any decisions that will have far reaching effects. That pressure which is exerted by Eucom tends to prolong the life of collection efforts which have a particular and largely tactical interest to the Army. The deeper operations and particularly the program to build up radio communications to existing sources in the satellites is consequently suffering.

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Schneider's requests to General Hall that guidance be given as to where cuts should be made if additional funds are not available have been met with the general attitude "We can't decide anything now because we are all expecting a decision in the near future".

6. [S.O.] operation can, I believe, be divided into three general categories. The first would include the large number of operations that are run into the Soviet Zone of Germany. The second would include all operations based in Germany or [] and extending into any of the satellites. The third category, including mainly operations which are now in the planning or developmental stage, would be limited to the strategic field. Our initial efforts should be concentrated on a detailed examination, operation by operation, of those falling in the second and third categories. For this reason I again go back to a slightly modified version of my original recommendation that we establish a fixed budget for [S.O.] overhead, operations in the Soviet Zone of Germany and such specific projects as the Signal Intelligence program, and; that all operations in the satellites, as well as all strategic operations, be on a project basis. Operations into the satellite countries should be subject to the approval only of our [S.O.] Representative who would be guided by general policy and budgetary allocations from Washington. Any arrangement which required these projects being submitted in detailed form to Karlsruhe or Washington would be prohibitive in terms of time and personnel both here and in Washington. At the same time, requiring them to be submitted to our staff with [S.O.] will give us a degree of control and an insight into their operations which has been non-existent in the past.

7. Strategic operations, particularly those which involve lines and activities through friendly or neutral areas, should be submitted to Washington in a degree of detail comparable to those operations of a similar type being developed by the Munich Operational Base.

8. In considering the cost involved in taking over [S.O.] I believe that we must put the entire project on a sufficiently sound financial basis to eliminate much of the individual black-marketeering that is now being done by the members of [S.O.] sub-organizations, in an attempt to keep operations and installations at a level which their present funds will not support. These individual instances of blackmarketeering are the cause of constant incidents with the German police and continually threaten the general security of the operation.

9. Several weeks ago Eucom ODI requested a budget estimate for the next year. The budget submitted was formulated on the basis of complete legality (including the purchase of all DMs from the US Finance Officer at the 30% rate) and the development of operations to meet all requirements which have been given to [S.O.] by Eucom. The budget estimate resulting amounted to 12 million dollars. Needless to say, it was not submitted with the expectation that it would be approved.

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10. The problem cited in para. 8 of [] becomes more vexing daily and must be given our immediate attention upon take over. If we are going into economic cover in Germany the present is obviously the time to buy when small businesses, originally capitalized on the cheap DM, are now collapsing in the face of inability to repay loans with the increasing value of the DM. Schneider believes that much of [G.O.] can be put into commercial cover without great outlay of cash and is now pushing a program of developing possibilities in this program. This appears particularly desirable from a security point of view since the present establishment at Pullach is becoming increasingly blown. This is a matter which will also receive the attention of our staff with [G.O.] at earliest opportunity.

11. With respect to the strength of our staff with [G.O.] [] indicates that four staff officers is the maximum we can expect in the immediate future. This would be sufficient if we could assume that the status quo with respect to the form and substance of [G.O.] could be retained for a period of six to eight months while three case officers explore the details of [G.O.] operations and the head of our representation to [G.O.] consolidates their findings and his own observations into recommendations as to future disposition of the entire project. In light of current developments I do not feel that we can necessarily afford to follow this leisurely pace. The uncertainty that has characterized the guidance of project during the past six months has been damaging. The present widespread usage of MG designations for [G.O.] field bases is daily becoming a thinner and less realistic cover arrangement. Continued maintenance of the entire [G.O.] show in the large and very overt compound at Pullach is inviting publicity which is certain to be realized in the near future. Finally and most important in the long range view, the establishment of [G.O.] vis-a-vis the Western German State and the German economy, in a position which will ensure its future is a matter which must immediately receive our attention. Not unrelated to this matter, is the appearance within [] of certain manifestations of a future [] The development of an unsympathetic [] would be a calamity to the numerous [G.O.] operations dependent on lines through [] This is on our agenda for future discussion with [] None of these problems can be ignored much longer and all of them will require the attention of our staff with [G.O.]

12. It will be recalled that [G.O.] is an organization designed to collect information exclusively outside of Western Germany. Notwithstanding this, Dr. Schneider has a wide range of sources which submit him reports on the developments within Germany which will effect the future of his organization. These reports are not turned over to the American Element and are not disseminated. I have reached an agreement with Schneider that these reports will be

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made available to me to assist us in developing our course of action to integrate his organization into the political and economic framework of Western Germany. He understands that my agreement that these reports shall not be "disseminated" does not preclude them being made available to higher officials of the AIS. This will, I believe, prove a valuable byproduct of the [G-0] project.

13. Our relationship with Philp and his staff will be a matter which will have to be carefully considered. In a few very superficial discussions with Philp on this matter I have stressed the point that we will not expect to take over any of the existing duties of members of his staff and that our main effort will be in the operational field. Tentatively, I plan that certain aspects of our work will remain strictly in our own circles and that other matters will have to be open to Philp and his staff. All of our organizational traffic should be kept in our office and any of our material I make available to him will not be in its original form. Reports prepared by our representatives in the field will deal separately with administrative and operational matters and the matter of passing these to Col. Philp and his staff will be determined by the content of the report in each case.

14. While I am convinced a staff of four will be inadequate to staff [G-0] beyond the first few months, I am not prepared to make a specific recommendation either as to the minimum number of personnel that will be needed nor as to the specific jobs in which I can visualize we will require our representatives. Because of my very strong conviction that the success we will make of this project will depend largely on the staff that we can make available, I will continue to give closest attention to the problem of developing an adequate staff.

15. Periodically I shall attempt to summarize the developments that are evident from my contacts with the US and German Elements of [G-0]. By and large these will be informative in character and will furnish a background against which future specific recommendations will be made. The exception to the informative character of the material in this particular letter is, obviously, my request that we give immediate consideration to the question of the manner and extent in which we contemplate financing the entire project. Your views on this subject at the earliest opportunity will be appreciated.

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