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By STP NARA Date 06/03/02

~~TOP SECRET~~

44. Memorandum for [unspecified], "Operation RUSTY," with attachment, [undated]

~~SECRET/RELEASE TO GERMANY ONLY~~ Proposed MEMO FOR NIA

MEMORANDUM FOR

SUBJECT: Operation RUSTY

1. The attached memorandum is furnished to the members of the NIA in connection with the proposal of G-2 EUCOM that Central Intelligence take over Operation RUSTY.
2. It is recommended that a meeting of the NIA be called at an early date to decide on this matter.
3. Certain specialists of Central Intelligence will be available to furnish detailed information if it should be required.

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44. (Continued)

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MEMORANDUM FOR

SUBJECT: Operation RUSTY

A. Background and History

Operation RUSTY has existed as a military intelligence service of G-2 War Department since January 1946. The operation is headed by Major General Reinhart von Gehlen, former chief of the division Foreign Armies East of the German Army. Second in command is Lt. Colonel Hermann Baum who served now, as he did during the war, as Gehlen's Chief of Operations. After his surrender to American forces in the early summer of 1945, Gehlen was brought to Washington with several of his close associates as prisoners of war where they made their knowledge directly available to G-2 War Department. During this same period, Baum and his staff were similarly exploited in Germany by G-2 USFEI.

After the return of Gehlen and his staff from the United States in the summer of 1946, he assumed his present position ahead of an evaluation group in order to direct Baum serving as head of an information group in the fulfillment of the missions assigned by G-2 USFEI. Baum has remained the Chief of Operations but the product is evaluated, collated, and translated by Gehlen's group who delivers it in finished form to representatives of G-2 HUCOM. At this stage, this organization is considered by G-2 HUCOM to be its most dependable and prolific source of information on Russian military intentions and strength.

On October 1 1946, G-2 USFEI presented a staff study of Operation RUSTY to the Director GIG, with the recommendation that GIG take over the operation and conduct it from the United States. GIG agreed to conduct its own investigation of the operation with the purpose of outlining the advantages and disadvantages of participation.

B. Conclusions of GIG Investigation

1. 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.
2. 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.
3. 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.

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

5. The operation has become known to the and possibly to the Russian and

6. 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.

7. 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.

C. Advantages

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

D. 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.

E. Possible Lines of Action

1. G-2 EUCOM to liquidate Operation RUSTY.
2. The HIA, in view of the disadvantages listed, to determine if any part is to be retained.

F. Recommendation

It is recommended that the action listed as E.1 above be taken.

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