

Authority NNJ003021
By MBNARA Date 06/05/02

72. Chief, MOB [Critchfield] to Chief, OSO, "Report of Investigation ~~RUSTY~~ with annexes, (excerpts), 17 December 1948

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17 December 1948

Chief, OSO - ~~EXDS ONLY~~

Chief of Station, Karlsruhe

Report of Investigation - RUSTY

REVIEWED: 05 May 99
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REF : []

1. The initial 30 day phase of the RUSTY investigation initiated on 18 November 1948 in accordance with instructions contained in reference cable has been concluded; the attached report was summarized in []
2. The basic report with Annexes A, B, F and G was produced in four copies, one each of which has been retained at Munich and Karlsruhe.
3. Annexes C and D and the inclosures to Tabs 1 and 7 of Annex F and attachments 1 and 2 of inclosure #3 to Tab 6 have been photographed at Karlsruhe.
4. In reviewing the entire report prior to submission we note that RUSTY's present doctrine of operations is stressed in the "Findings", whereas a more accurate picture of present conditions can be had by reading Annex F. The latter is more accurate because it is more detailed; the former deserves equal attention, however, because it shows the direction in which the organization is moving. Had it been possible to reconcile these two points of view in one statement we would have done so, but, frankly, we could find no simple formula with which to describe this operation.

[]
CMOB

Distribution:

- 2 - [] (Copy #2 with Annexes B, F and G only)
 - 1 - Karlsruhe
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Report of Investigation of the Intelligence Activities
of the 7821 Composite Group

17 December 1948

- I. NARRATIVE
- II. FINDINGS
- III. RECOMMENDATIONS
 - Annex A: Basic Instructions on Conduct of the Investigation
 - Annex B: Operational Directive for the 7821 Composite Group
 - Annex C: Staff Study, U.S. Staff RUSTY
 - Annex D: Staff Study, German Staff RUSTY
 - Annex E: Examples of Report Produced by RUSTY
 - Annex F: Compilation of Separate Reports by []
and []
 - Annex G: Personal Statement on Future of Operation by Dr. SCHNEIDER

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The present official designation of the combined US-German organization is the 7821 Composite Group; this term is used throughout this report when referring to the entire project.

The now discarded term RUSTY has been used throughout this report when referring to the entirely German element and its intelligence producing activities as a whole.

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I. NARRATIVE

1. The investigation of RUSTY was initiated by [] on 16 November 1948 after a preliminary conference in the office of the Deputy Director of Intelligence, EUGOM, on 16 November 1948. Present at this initial conference were:

- General Hall, Director of Intelligence, EUGOM;
- Colonel Schow, Deputy Director of Intelligence, EUGOM;
- Colonel Bromley, Office of the Director of Intelligence, Department of the Army;
- Major Stronk, EUGOM intelligence staff officer;
- [] and

The matters discussed at this conference have been previously reported by []. The single item of significance which has had a bearing on the conduct of the investigation was an agreement reached that Colonel Bromley and [] would arrive at the 7821 Composite Group together and that [] would be introduced as Bromley's assistant. In accordance with a plan agreed upon at the conference in Heidelberg on 16 November 1948, [] accompanying Colonel Charles V. Bromley, arrived at the Headquarters of the 7821 Composite Group near Munich, Germany, on the 18th of November. Because of previous contacts with RUSTY personnel, [] used his real name in all contacts with the US and German Staffs. Wallop was introduced as the Assistant to Colonel Bromley from the Intelligence Division in Washington. At the conference in Heidelberg on the 16th of November, a EUGOM Intelligence Division Staff Officer, advised [] that General Walsh had on his last visit to the 7821 Composite Group advised the top US and German Staff personnel that CIA and the Intelligence Division in Washington would, in the near future, be sending representatives to assess the operation. Upon arrival at the 7821 Composite Group, it became immediately apparent that at least the top German Staff members had the character of the investigation accurately established.

2. [] investigation has been conducted in accordance with instructions contained in the following documents (Annex A):

- a. [] 27 Oct 48 - []
- b. [] 2 Nov 48 - []
- c. [] 16 Nov 48 - [] Info: []
- d. [] 2 Nov 48 - []

3. During the course of the Heidelberg conference on 16 November 1948, the Deputy Director of Intelligence, Colonel Robert A. Schow, advised [] of the following:

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a. That there exists no official directive on RUSTY from the Director of Intelligence, Department of the Army General Staff to the Director of Intelligence, European Command.

b. That the instructions from the Intelligence Division, European Command to the 7821 Composite Group were contained in Letter, HQ European Command, Intelligence Division, 13 October 1948, Subject: "Operation Directive for the 7821 Composite Group" and a subsequent letter, HQ European Command, Intelligence Division, 30 November 1948, Subject: "Priorities for Intelligence Collection" (Annex B).

c. That no files on RUSTY not duplicates of those in the files of the 7821 Composite Group were kept in the office of the Director or the Deputy Director of Intelligence, EUCOM.

4. As a result of paragraph 3 above, the only reference material available at the initiation of the investigation was that provided by Washington and Karlsruhe through our own channels; thus, reference material available at the beginning of the investigation was limited to the following:

a. The Report - 1946

b. Ltr dtd 1 Oct 46, AG of S, G-2, EUCOM, to *Vanderberg* Director of CIA, Subject: "Operation RUSTY" *report*

c. RUSTY correspondence file, Chief of Station, Germany

5. The form of the investigation during the first ten days was determined primarily by the initial decision that would appear as an assistant to Colonel Bromley. All requests to the US and German Staffs for briefings, prepared studies and information were made by Colonel Bromley; however, the views and informational needs of Waller were consistently given complete and courteous consideration by Colonel Bromley. In retrospect, the decision to enter into this close collaboration with the Intelligence Division representatives appears to have been highly beneficial to both parties. Also, it was fortunate that this phase of the investigation lasted only ten days since Colonel Bromley's departure left assisted by free to concentrate on the operational aspects examined only superficially during the first ten days.

6. Early in the investigation Colonel Bromley and jointly prepared detailed requests to the US Commander and the German Leader for current and historical information on all aspects of the project. These reports, submitted to us in two copies on 24 November 1948, are:

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- a. Staff study submitted by the Commanding Officer, 7821 Composite Group on 24 November 1948. (Annex C).
- b. Staff study submitted by the German Leader, 24 November 1948. (Annex D).
- c. Examples of Reports submitted by the German Organization, 24 November 1948. (Annex E).

7. The basic operational directive to 7821 Composite Group indicates the contractual character of the US-German relationship in the entire project. The US Element is essentially a small staff which provides the German Organization with logistical support and performs the necessary liaison to all other US agencies called upon to support the operation. The members of US Element appear to exert little influence over the actual collection operations; this is attributable to the fact that the officers assigned to the 7821 Composite Group have, with a few exceptions, had no intelligence training and have only recently been assigned to the project. Because of this situation, the German Staff was the principal source of information throughout the investigation.

8. In accordance with instructions contained in to the effect that the problem of content should be referred to Washington, no effort to make an overall evaluation of the content of HUSTY production was made during the course of the investigation. Investigation with respect to the content of finished reports was limited to spot checks in connection with the examination of the existing procedure for processing raw information into finished intelligence.

9. A list of principal HUSTY finished intelligence reports of the past year were forwarded to Washington as an indication of Reports that had been disseminated as Army JCS Form 17 and given a 2 or 3 number identifying the report as a HUSTY product were so listed to facilitate identification of the reports for evaluation purposes.

10. After the departure of Colonel Bromley on 30 November 1948 the investigation was continued during the course of which operational bases were visited, training facilities inspected and numerous conferences held with members of the US Staff and members of the German Staff and field organizations. Particular emphasis was placed on the following ten items:

- (1) Country by Country Survey of Current Operations and Developmental Projects.
- (2) Order of Battle and Agent Control Files.

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- (3) The RUSKY Emergency Plan
- (4) Procedure for Staff Processing of Reports--Raw Information to Finished Intelligence.
- (5) Cover and Documentation.
- (6) Security Procedures and Techniques Including CB Operations.
- (7) Signal Communications and Signal Intelligence.
- (8) US Air Forces Interest In and Support of RUSKY.
- (9) Training Program.
- (10) Liaison Procedures (with US, German, and other Foreign Agencies).

11. Because of the extremely limited amount of time available in which to become conversant with all aspects of a very complex organization, [] [] each attempted to examine thoroughly separate functional aspects of the organization. [] concentrated on obtaining a comprehensive picture of counter-intelligence activities, security measures, reports procedure, agent files, organizational training programs and several other specific problems. [] considered all problems relating to logistical support, finances, organization and staff procedures, communications, signal intelligence, information collection operations, strategic operations, emergency plans, relationships with US and foreign agencies, cover and documentation and various other matters.

12. Separate reports on each of the items listed in paragraph 10 above were prepared as the investigation progressed. These reports were compiled in Annex F. These reports prepared by [] [] the material submitted in written form by the US and German Staff and the personal observations made by [] [] during the course of the investigation form the basis for the FINDINGS and RECOMMENDATIONS which follow.

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II. FINDINGS AND COMMENTS

A. The U.S. and German (RUSTY) Elements' working relationship within the 7821 Composite Group is based on a contractual agreement defined by the EUSOM ODDI official directive, dated 13 October 1948, to the 7821 Composite Group. (See Tab 1, Annex B).

B. The U.S. Element of the 7821 Composite Group is primarily concerned with providing financial and logistical support, and with dealing with problems of legalization, housing, cover, and transportation on behalf of the German (RUSTY) Element. Its influence on operational matters is primarily exercised through its control of finances and supply, and through its provision of KEI's. (See Annex C).

C. The German (RUSTY) side of the 7821 Composite Group can no longer be accurately described as an intelligence operation; it has, in reality, emerged as a well-rounded German intelligence service, staffed with ex-Abwehr and General Staff Corps officers (See Tab 2, Annex F), supported by U.S. Army Intelligence, and operating exclusively against the Soviet Union, with tactical emphasis on the Soviet Armed Forces in the Eastern Zone of Germany. (See Tabs 1 and 2, Annex D).

D. The German (RUSTY) Element as now organized by Dr. SCHNEIDER includes sections for the collection, evaluation, collation and production of reports (see Tabs 3 and 4, Annex D, and Tabs 1 and 4, Annex F), communications, tactical signal intelligence and cryptanalysis (see Tab 7, Annex D, and Tab 7, Annex F), cover and documentation (see Tab 5, Annex F), operational and internal security (see Tab 6, Annex F), and supply, financial, and personnel administration (see Tabs 5, 6 and 8, Annex D). Because of this operational inter-dependence of the various sections of the German (RUSTY) Element, it appears impracticable at this time to divide RUSTY into parts which can be individually liquidated or continued in operation by various U.S. agencies.

E. There is no evidence that the operations of the German (RUSTY) Element have been directed to meet any intelligence requirements not laid down by the U.S. Element, and it appears, in fact, that sincere attempts have been made not only to treat KEI's from the U.S. Element as basic intelligence objectives, but also as an indirect statement as to the authorized scope of RUSTY operations. (See Tab 9, Annex D). It must be noted in this connection that, since the Army both at the Washington and EUSOM levels has been reluctant to give policy direction to operations, except for the broad picture which could be drawn from these KEI's, Dr. SCHNEIDER has been forced to rely chiefly on fragmentary and desultory instructions obtained in conversations with EUSOM and Washington Intelligence Division officers visiting the organization.

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F. The conviction that the time of extreme nationalism is past and that the future lies in Western European and Atlantic Union concepts appears to be the sincere motivation of Dr. SCHNEIDER who makes ideological indoctrination a vital element of training of his organization. (See Tab 10, Annex D, and Annex G). Insofar as is compatible with this concept, RUSTY can otherwise be said to subscribe to the traditional position of the General Staff Corps and of the Abwehr. It therefore appears to remain aloof from political activity, although subscribing to the federalist concept for the Western German state.

G. Dr. SCHNEIDER is the most impressive member of the RUSTY staff, and in our opinion dominates the organization. His outstanding personnel problem approximately one year ago was to remove Mr. BRAUER as head of the collection effort, and to neutralize his direct influence and control of information collecting activities and personnel. This problem appears to have been solved, while still salvaging Mr. BRAUER's services and thirty years of intelligence experience in operations directed at the USSR, by assigning him to strategic planning for the Middle East area. BRAUER himself is now expected to leave shortly for Teheran.

H. Dr. SCHNEIDER admits that Army pressure in 1946 and 1947 for immediate production in widely diverse fields and geographical locations stimulated unplanned and uncontrolled growth, and necessitated violating most sound operational rules. Operational procedures and techniques now being stressed, however, adhere generally to well established principles for sound intelligence operations. (See Tabs X, 6 and 9, Annex F).

I. RUSTY's information collecting activities have been essentially tactical (see Annex E, paragraph 2), with the main effort being in Eastern Germany, and with lines into Poland, Czechoslovakia, the western USSR and the Balkans. While it now has Eastern Germany adequately covered with approximately 500 agents, its present aim, based on the assumption that the present RUSTY area priorities and level of support will continue, is to raise the level of its penetration of all facets of Soviet and Communist activities in the Soviet Zone, while trimming the size of its operations there. At the same time, present operations into Poland and Czechoslovakia will be continued, with an additional attempt being made to establish coverage of strategically critical points with radio communication; collection activities in the Balkans are, however, being reduced, although provisions are being made to retain such agents and support facilities, especially in Rumania, as will be required for extension of operations into the USSR. In addition, RUSTY also has well-developed possibilities for strategic operations against the USSR through the Baltic and the Middle East. Work in this field has progressed to point of reactivating Abwehr sources,

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examining resistance group potential and placing some new deep cover personnel in approach areas to USSR. (See Tab 1, Annex F). RUGOM's emphasis on the procurement of tactical intelligence, limited funds, and the lack of channels to coordinate strategic operations in any way with other US and Western European intelligence activities in these areas have, however, confined RUSTY's activities in the strategic field to the developmental phase.

J. USAFE's greatest interest in RUSTY is in the results of RUSTY monitoring, DF-ing, and cryptanalysis of Soviet Air Force radio traffic. This at present is the only source available to USAFE of timely information on Soviet tactical air activity in Central Europe. In the strategic field RUSTY is doing valuable work in the preparation of target folders for Air Force which has also suggested (via Colonel Bromley) that RUSTY look into the possibilities of developing air crew evacuation and escape routes out of the USSR. (See Tab 8, Annex F).

K. An analysis of RUSTY operations and production indicates that at least 50% of it is on tactical military intelligence, 20-30% on strategic intelligence of interest to the Armed Forces, and the remainder is on political and economic intelligence. (See Tabs 3 and 4, Annex D, and report samples, Annex F).

L. As provision against the event of war, RUSTY has completed detailed emergency plan which has been integrated with that made by RUGOM. This plan involves the possible evacuation of the RUSTY headquarters to [] and then to []. The plan has already been coordinated at an unofficial level with the [] and [] (See Tabs 9 and 10, Annex F).

M. The cover and legalization of RUSTY facilities and personnel in the Western Zone will become an increasing problem in the near future. As U.S. participation in local German governmental affairs increases, the Germans in RUSTY will have to deal with local German officials without the possibility of intervention and assistance on the part of U.S. personnel. Commercial or governmental agency cover will then become essential. The former would be far more expensive, but the latter would offer a more difficult political problem. It is probable, therefore, that the best solution will lie in a combination of the two. At any rate, this problem will become an increasingly critical factor in the successful continuation of RUSTY activities.

N. The size and scope of the present organization, current political developments in Germany, and the number of U.S. agencies other than Army having a valid interest in the future of RUSTY, make it highly advisable that U.S. policy with respect to RUSTY be determined on the highest level possible without further delay.

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G. CIA, Army, Air Force, Navy, and possibly State all appear to have an interest on the national level. In Europe the tactical responsibilities of the European Commander, as well as of his Army, Air Force, and Navy commanders, give them all a vital interest in much of the RUSTY production. CIA representation abroad has an interest in RUSTY production, and particularly in its strategic activities outside of Germany and in its future GIS implications. Under present conditions, however, continued operation by the Occupation Force of the 7821 Composite Group in order to provide cover and logistical support for the organization appears necessary.

F. Facts learned in less than a month of observing RUSTY are certainly not conclusive. It is already clearly apparent, however, that many of the problems facing RUSTY basically stem from unsound organization and inadequate staffing on the U.S. side. The U.S. Element should be reorganized, and following this reorganization, at least a year should be allowed during which period RUSTY could be further tested and remolded, and its activities better coordinated with our broader national intelligence effort. Also during this period, the problem of relationship between RUSTY and the Western German Government, as well as the whole problem of cover for the organization, should be constantly reviewed as a discernible pattern for the new Western German States emerges.

Q. Any decision to withdraw a major part or all support of RUSTY, particularly without a tapering-off period, would certainly affect the position of U.S. Intelligence vis-a-vis the future German Intelligence Service which will inevitably materialize regardless of any present decisions on RUSTY. In the final analysis, RUSTY is a re-established GIS which has been sponsored by the present de facto national government of Germany, i.e. by the military occupational forces. Because the 4,000 or more Germans who comprise RUSTY constitute a going concern in the intelligence field, it appears highly probable that RUSTY will emerge as a strong influence, if not the dominant one, in a new GIS. Another important consideration is that RUSTY has closest ties with ex-German General Staff officers throughout Germany. If, in the future, Germany is to play any role in a Western European military alliance, this is an important factor. The issue then appears to be whether, from a national viewpoint it is desirable for the U.S. completely to relinquish control of the resurgent Abwehr and nucleus of a future German General Staff which has been nurtured for three years by the U.S. Occupation Forces. From the intelligence viewpoint, it seems desirable that CIA enter RUSTY at that point where it can control all contacts and operational developments outside of German territory.

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III. RECOMMENDATIONS

A. That form of investigation which began 30 days ago be modified at this point by designating investigator as temporary liaison officer to commanding officer 7821 Composite Group for concentration on following:

(1) Provide direct channel to CIA for consideration on project basis of strategic operations now in developmental stage.

(2) Provide 7821 Composite Group commander with adviser on intelligence problems which transcend boundaries of Germany.

(3) Provide channel between CIA mission Germany and 7821 Composite Group to reduce existing conflicts and undesirable duplication of US intelligence effort in central and eastern Europe.

(4) Provide basis for further examination by CIA of character of RUSTY. Stress this is interim arrangement while broader problems of RUSTY are under consideration in Washington.

B. That the support of the project by the US continue on the basis of a reorganization of the US side to ensure that RUSTY operations are coordinated with other US intelligence activities in Eastern Europe and the Middle East.

C. That operation of 7821 Composite Group continue under the commanding general of the European Command with his Director of Intelligence responsible for coordinating the support that can be locally rendered the group by the Ground Forces, Air Forces and Naval Forces in Europe and the CIA representation in Germany. ODDY EUCOM in its dual role as Deputy to General Hall while still fulfilling the General Staff intelligence functions of the commanding general of the Ground Forces in Europe would normally retain primary interest and continue to play leading role with RUSTY, but the command channel and relative position of ODI USAFE and ODI would be clarified.

D. That the staff of the 7821 Composite Group include representations of the Army, Air Force, Navy (if interest warrants) and CIA.

E. That lump sum appropriation of funds to support RUSTY facilities and personnel in western zones and tactical and strategic collection effort in eastern Germany and purely tactical collection in Satellites should be made by CIA, Army, Air Force and Navy agreement in Washington on annual basis and at least six months in advance to permit planning. Also by same agreement at Washington level periodic statements of area and target priorities should be furnished 7821 Composite Group, through the Director of Intelligence, EUCOM.

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F. That appropriations of funds to support any strategic intelligence operations in Baltic, Central Europe, Balkans and Middle East should come only from CIA with each operation being handled on a project basis within CIA channels.

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EUROPEAN COMMAND
Intelligence Division

AF0 403
13 October 1948

SUBJECT: Operational Directive for the 7821 Composite Group
TO : Commanding Officer
7821 Composite Group

In order to provide operational and administrative guidance for the Commanding Officer of the 7821 Composite Group, the following policy is hereby established. As conditions affecting the functions of the group change, this directive will be amended accordingly.

1. COMMAND AND ADMINISTRATION

a. The American Commander is responsible for the over-all direction, operation and administration of the 7821 CG and for the supervision of the German Element through the German Leader.

b. The German Leader is responsible for implementation of the policy and directives of the American Commander, such responsibility requiring that he exercise close control over the German Element and be accountable to the American Commander for all variations from established policy or directives.

c. Discipline within the German Element is the immediate responsibility of the German Leader. It will be the prerogative of the American Commander to order any person dropped from the Organization who has demonstrated himself to be unfit for such employment.

d. The relationship between the American Commander and the German Leader is a contractual agreement designed to facilitate the procurement of information. The American Commander will make available to the German Leader such operational funds and supplies as are allotted to the Organization by higher authority. The German Leader is responsible for the allocation of these funds and supplies within his collection facilities so as to assure maximum productivity in the fields designated by the American Commander.

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e. The production of the organization will be kept under constant review by the Intelligence Division, EUCOM, and the German Leader will be advised through the American Commander when the quantity or quality of reports becomes unsatisfactory. It is recognized that contingencies will arise which may result in temporary reductions in the volume of reports from certain projects. When these reductions are due to the diversion of funds or supplies to other projects, such expenditures will be clearly reflected in the books of the Organization Fund.

f. Expenditures greater than \$100.00 for purchases of items not listed in the periodical supply forecasts furnished the Intelligence Division, EUCOM, will receive the prior approval of the Intelligence Division, EUCOM.

g. The 7821 CG is part of Munich Military Post, and maximum coordination with the Commanding Officer, Munich Military Post, will be effected on all administrative matters pertaining to his command. Generally speaking, the Organization will be subject to the inspections and other administrative controls normally imposed. Occasions arising which, in the opinion of the American Commander, prejudice the security of the Organization will be discussed with the Commanding Officer, Munich Military Post. If no satisfactory solution is reached, the Intelligence Division, EUCOM, will be notified.

2. OPERATIONS

a. The 7821 CG is a positive intelligence collection agency operating outside the US Zone of Germany with exception of certain administrative field offices, signal installations and such minor counter intelligence operations as are necessary to assure the security of the Organization. The geographical priority of coverage established for the collection operations of the organization is:

Priority One: Soviet Zone of Germany
Priority Two: Poland and Czechoslovakia
Priority Three: Baltic States and the Western Military Districts of the USSR extending East to roughly 30 degrees East Longitude.

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Greatest emphasis will be placed upon military information with lesser emphasis upon economic and political information. Information concerning progress of the USSR or her satellites in the field of fissionable materials, atomic weapons or chemical or bacteriological warfare will be considered military information.

b. No collection effort will be conducted in either the US or the British Zone of Austria, these areas to be utilized only as transient areas for couriers. Maximum coordination will be effected with the Director of Intelligence, USFA. American officer personnel of the Organization are authorized to contact the Director of Intelligence, USFA, directly on matters other than policy. Changes of policy require prior approval of the Intelligence Division, EUCOM.

c. The Signal projects operated by the Organization will not engage in research in cryptanalysis.

d. The Organization will conduct only the minimum counter intelligence operations required to protect operations. No attempt will be made to penetrate the KPD or any foreign mission without prior coordination with Headquarters, 7970 CIC. Should a member of the Organization successfully penetrate an organization of counter intelligence interest in the US Zone while in pursuit of other missions, CIC will be notified without delay, and the agent either will be placed under the operational control of CIC or withdrawn if CIC considers such action preferable. Counter intelligence leads produced by members of the organization will be given to CIC, as such, and will not be pursued further by the Organization unless its security is closely involved. If that be the case, further activity will be coordinated with CIC.

e. No member of the Organization will contact any foreign intelligence agency or foreign government without the prior approval of the Intelligence Division, EUCOM.

f. The teletype facilities of Headquarters 7970th CIC Group, and subordinate offices, are available to the 7821 Composite Group for the transmission to Intelligence Division, EUCOM, of items of spot information which are of such a nature as to require urgent

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By MBNARA Date 06/05/02

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handling. When these facilities are utilized, an American representative of the 7821 Composite Group will authenticate the message prior to its transmission by CIC.

(signed) Robert A. Schow

ROBERT A. SCHOW
Colonel, GSC
Deputy Director

Tel: Heidelberg 02256

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HEADQUARTERS
EUROPEAN COMMAND
Intelligence Division
APO 403, U.S. Army

350.09 (GID/OPS/IS)

30 November 1948

SUBJECT: Priorities for Intelligence Collection

TO : Commanding Officer
7821 Composite Group
APO 407, U.S. Army

1. The following will be added to letter from this Headquarters, subject: Operational Directive for the 7821 Composite Group, dated 13 October 1948:

"2h. Intelligence Collection Memoranda forwarded to the 7821 Composite Group for action will have indicated thereon the degree of priority assessed by this Division. These priorities will be expressed as Priority 1, Priority 2 or Priority 3, unless the request is of an urgent nature in which case it will be labeled Priority 1 URGENT. The general basis for these priority assessments will be:

Priority 1 will include all requests which concern activities of the USSR or her satellites which indicate that the Soviets are preparing to initiate hostilities within the next three months. Also included will be requests concerning progress made in the field of fissionable materials, atomic weapons and chemical or biological warfare.

Priority 2 will include all requests concerning plans the USSR or her satellites may have for the eventual initiation of hostilities.

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Authority NNJ003021
 By MBNARA Date 06/05/02

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Priority 3 will include all requests concerning the war potential and military strength of the USSR or her satellites. Also included are any weaknesses of the USSR or the satellites which may be exploited to reduce their war potential.

The geographical priority listed in Paragraph 2a will not be indicated in Intelligence Collection Memoranda."

ROBERT A. SCHOW
 Colonel GSG
 Deputy Director

Tel: Heidelberg 04255

Note: Above priority system given to 7821 CG by IRS dated 5 October 1948, subject: Priorities for Intelligence Collection.

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1. RUSTY Operations
2. Order of Battle and Agent Control Files
3. The RUSTY Emergency Plan
4. Procedure for Staff Processing of Reports - Raw Information to Finished Intelligence
5. Cover and Documentation
6. Security Procedures and Techniques Including CE Operations
7. Signal Communications and Signal Intelligence
8. U.S. Air Forces Interest in and Support of RUSTY Operations
9. Training Program
10. Liaison Procedures
11. Press Analysis

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RUSTY Operations in Germany

1. Current RUSTY operations continue to reflect, to some extent, the early history of the entire project and the personalities of the earlier leaders of the Information Collecting Organization (ICO). The present Chief of ICO, Mr. SCHACK, appears to be a very sound and experienced intelligence officer and, in our opinion, is now second only to Dr. SCHNEIDER in exerting a decisive influence on the performance of the entire organization. In spite of the fact that he assumed his present position as late as April 1948, he is, in purely operational matters, the most influential man in the organization. SCHACK's immediate aims with respect to RUSTY operations are: (1) Maximization of the number of informants; (2) Minimize the importance of quantity of production and stress the necessity for sound operational practices and quality in lieu of quantity in production.

A number of the operations in the Soviet Zone were examined and found to be oriented operations to conform to the most recent SUCOM area priority directions. The greatest problem is in overcoming the great time lag which stems from a combination of inadequate communications facilities in Eastern Germany, a system of couriers, cut-outs and letter drops in Poland and Czechoslovakia of material.

(3) Western USSR

Poland:
This will involve reduction of collection in Balkans, particularly Yugoslavia, but will provide for retaining agents and support facilities for extension of operations into the USSR, especially from Rumania and Soviet Union and any material which may be obtained from the latter. In Poland, the main aim is to improve black courier routes across Soviet Zone borders and alternate communications routes to be utilized in the event Berlin and its communications facilities are lost to the West. Agents and cut-outs in contact with material in the West should be established along the OBERWEISSE line, at points on Rhine where the Soviet garrisons are Europeanized in the main but also at certain points designated as strategic by the Evaluation Group as communications facilities between Germany and Poland.

e. Concentrate the effort of each field organization into a single, limited geographical area to eliminate the present dispersion of effort.

In Czechoslovakia RUSTY operations are being reoriented to reduce the place maximum effort on extension of operations east into Poland and the USSR, particularly in Slovakia. For the extension of tactical collection efforts into Poland, the outline of a country by country survey of RUSTY operations follows: even Slovakia and Austria are to be for operations into Poland and territory of Western Europe. Operations 20, 21, 22 and 23 will have the greatest importance. The primary interest for all of these operations is in the collection of material for the West.

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...of the operations in Slovakia, MUSTY has four
Czechoslovak Zone of Germany Moravia and Bohemia. Group 120 is
considered the best organization operating in Czechoslovakia.
Group 101 has the Soviet Zone of Germany thoroughly covered by
600 agents and gathering information on Soviet Armed Forces order of
battle, troop movements, logistical buildup, organization, equip-
ment, training, mobilization data and personalities of primary
interest. Excellent results were obtained through the systematic
collection of vehicle numbers, army postal numbers, shipping man-
ifests, personal observations of units in training and the interro-
gation of Soviet Armed Forces personnel, including deserters.
Other material is received from penetrations in the German Economic
Commission, the Directorate General of the RR (Department of Traffic
and Operation), the Central Administration of the Interior (for
information on the "Peoples Police"), economic enterprises in
strategically important fields, research institutes under Soviet
control, the Saxony uranium ore mines, and SMA installations.
The results of a joint review of the operations deep into
the rear number of the operations in the Soviet Zone were examined
and found to follow well established principles for the conduct of
espionage operations. The greatest problems in overcoming the
great time lag which stems from a combination of inadequate commu-
nications facilities and a complex system of couriers, cutouts and
letter drops utilized in the transmission of material.

Poland

Three organizations, 101, 120 and 66 have current operations
extending into Poland. All are engaged in the collection of informa-
tion on the Soviet Union and nation internal Polish affairs. Group
101 has four agents in Poland, who are reported to Poland via
Rentalion channels since the end of the war. Two of these are
reported to be located in Northern Poland and are in the upper
Silesian area. Group 120 has an agent in the industrial district in
Katowice and who is in contact with a remaining German engineer in
Konigsutte. Group 66 also reports three agents in Poland. My
impression is that connections with all of these agents are maintained
with difficulty and their current production of information is
sporadic depending primarily on communications facilities between
Germany and Poland. 103, essentially a Romanian- USSR operation, has
connections in Hungary only to support courier movements. Group 103
is the Czechoslovakia MUSTY in Hungary and has a primary OB mission.
Recent operations in Hungary are being reduced and MUSTY until
recently has been in Czechoslovakia. MUSTY operations are being reoriented to
reduce the coverage of internal Czechoslovakian activities and to
utilize the existing facilities, particularly in Slovakia, for the
extension of tactical OB collection efforts into Poland. In the
opinion of the Chief of the ICG, Slovakia has numerous advantages
over Moravia and Bohemia as a base for operations into Poland and
possibly the Western Ukraine. Organizations 66, 99, 120 and 178
each have one operation in Slovakia. The primary targets for all
of these are Soviet Armed Forces and Soviet controlled air fields
in Poland.

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In addition to the operations in Slovakia, RUSTY has four Czechoslovakian operations in Moravia and Bohemia. Group 120 is considered the best organization operating in Czechoslovakia as a Group 121 is not present unproductive and in the process of re-organizing its efforts in Czechoslovakia, US Group 178 is a small group which operates only in Czechoslovakia. All three of these organizations collect military, industrial and political information. The recent arrest of twenty Czech agents in the US Zone of Germany by the CIA was based entirely on evidence produced by the current CE operations of Group 120. Group 166 operates throughout not against Czechoslovakia; it is basically a Ukrainian operation and claimants have twenty agents in the Ukraine without adequate communication facilities. Operatives under deep cover in areas in which they hope to extend their operations in the future. The US Zone of the USSR, Romania and the USSR. They were taken out of Romania in 1952. Romania is considered by RUSTY to be the most promising of the satellites as a point from which to extend operations deep into the USSR. Group 13 in Austria runs all operations into Romania and has several well established courier lines running to a number of active agents in Romania. Many of the details of Group 13's operations were carefully examined and found to justify the inclination of the Chief of the ICG to increase the effort in this direction. On strategic intelligence possibilities against the USSR through the Middle East. This has been a special project carried out by Yugoslav under the immediate supervision of SA, SCHWILDER and is not part of a regular intelligence planning. Intelligence being carried out of the operations in Yugoslavia is in the process of liquidation. At present four operations extend into Yugoslavia along the Austro-Yugoslavian border but no further south than the main RR line between ZAGREB and LUBJANA. Because of the present political relationship of the Tito Government with the USSR and particularly because of the geographical location of Yugoslavia offers little potential for being operations into Poland and the USSR. Operations in Yugoslavia are on a low operational priority. They arrived at the conclusion that the operations in Yugoslavia should be eventually detail on the individual basis. This report on this possibility in early 1951. The operations in Hungary are maintained by Groups 13, 103, 99, 101, B500 and 114. Group 13, essentially a Romanian-USSR operation, has connections in Hungary only to support courier movements. Group 103 is the main effort of RUSTY in Hungary and has a primary mission: Group 99 operations in Hungary are being reduced and B500 is until recently headed by the Russian Emigrant General GLAZENAP. In the process of liquidation. Group 114 runs CE operations into Hungary solely for the purpose of paralleling RUSTY positive operations for security purposes. If satisfactory liaison with US intelligence agencies in Austria could be established, RUSTY operations in Hungary could be reorganized along infinitely more efficient and less expensive lines.

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Bulgaria, like Yugoslavia, is considered undesirable as a base for the projection of tactical collection operations into the critical areas of Poland and the Western USSR. RUSTY activities in Bulgaria is limited to general developments in strategic operations, zation (IC). The present Chief of the 7821 Composite Group in the Middle East have been limited to developmental activities involving the re-establishment of former Abwehr contacts in these areas, the initial exploration of the possibilities of using political groups with anti-Bolshevik aims in these areas and the establishment of a few RUSTY operatives under deep cover in areas in which they hope to expand their operations in the future. The US Staff of the 7821 Composite Group and the EUCOM ODDI have been instrumental in rendering assistance to RUSTY in these activities. However, because EUCOM and the Army do not have operational intelligence connections in areas outside of the occupied areas of Germany, Austria and Trieste, their efforts to assist RUSTY in such matters have not been completely successful. Also, the financial support allocated to CON these activities has been on an extremely meager scale.

Attached to Tab 1 of Annex F is a statement prepared by Mr. BRAEUER on strategic intelligence possibilities against the USSR through the Middle East. This has been a special project carried out by BRAEUER under the immediate supervision of Dr. SCHNEIDER and is not part of strategic intelligence planning otherwise being carried on in IC. This arrangement is attributable to the personal history of Mr. BRAEUER in the organization.

During the course of the investigation a large number of strategic possibilities were brought to the attention of the investigator and a few possibilities were examined in some detail. In fact, on most of these possibilities, considerable work was done by means of coordination with the relevant agencies. The investigation arrived at the conclusion that several of these possibilities should be examined in detail on an individual basis. It is the purpose of this report to present a summary of the investigation and to list the RUSTY and other detailed proposals on several operational possibilities which appear most promising. These will be described in detail in subsequent separate reports. It appears that consideration of these individual strategic possibilities could be considered separately from other aspects of our future relationship to RUSTY, if some official means of liaison between the German Mission and the 7821 Composite Group were established. Our present liaison arrangements at the ODDI EUCOM level would be entirely inadequate for this purpose. The US Commander of the 7821 Composite Group concurs with this proposal.

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I. ORDER OF BATTLE OF RUSTY STAFF PERSONNEL which, in practice, have been agreed to by the US Staff, basic biographical information AGENT CONTROL FILES in the central files on all agents of the organization, although not on informants. While this material is fairly limited, a visit to one field Organization Order of Battle biographical and other assessment material are available in considerably more detail at those levels.

1. For the purpose of this investigation, personnel Order of Battle was required only on those members of the organization located in friendly territory and who, because of their leading positions, are able to influence the current policy and future development of the organization. Order of Battle of RUSTY personnel, therefore, was obtained down to and including the so-called Organization Leaders. Details given included cover name, position in the organization, former rank and/or title, former employment, and essential political background information. This material has been forwarded separately in:

II. Agent Control Files

2. During the first two years of RUSTY operations, Army pressure for production resulted in field recruiting of large numbers of agents about whom no records existed at RUSTY headquarters. With the appointment in the Spring of 1948 of a new head of the Intelligence Collecting Organization, however, a determined policy of accumulating basic central records on all agent personnel was adopted.

3. The policy of persuading agents to submit personal data, and of persuading subordinate organizations to forward such data to headquarters for incorporation in central agent files, although firm, is being slowly and carefully executed. Fresh in the memory of many Germans, and particularly those now associated with RUSTY, is the fact the quick and inclusive round-up by the Allied Powers of Germans in the various arrest categories established by the victors was due in large part to the existence of central files and to the failure of proper German authorities to destroy these files in the disorganized period of imminent defeat. A repetition of this experience, this time with the Soviets as the temporary victors in Germany, is greatly feared by most RUSTY field and agent personnel. The majority of agents within areas under Soviet control have a more immediate fear that insecure handling of personal data in the course of passing it through channels could expose the agent to possible arrest, torture, or death. In order to mitigate these fears, Dr. SCHNEIDER personally assured the organization that there would be no reproduction of agent file material and that he personally guaranteed its destruction in any emergency wherein it could possibly fall into enemy hands.

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As a result of Dr. SCHNEIDER's guarantees which, in practice, have been agreed to by the US Staff, basic biographical information is now contained in the central files on all agents of the organization, although not on informants. While this material is fairly limited, a visit to one field Organization (114) indicated agent biographical and other assessment materials are available in considerably more detail at these levels.

5. Although not duplicated in the files of the US Staff, RUSTY's agent control files are open to US inspection at any time.

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Dr. Schneider indicated that the plan was gone as far as possible without integration with the plans of the American Intelligence Organization that would go into effect at the time of the outbreak of hostilities. In the event of the outbreak of war or should the outbreak break appear imminent, a comprehensive and detailed Emergency Plan will be implemented. The details of this Plan are known only to the top staff members of RUSTY; fragmentary orders necessary to initiate the operation have been issued. The entire Plan is geared to the Emergency Plan of the European Command. The German Staff at RUSTY Headquarters will, according to the Plan, move to SINGEN on the [] at the West end of Lake Constance where it will be escorted across the [] at an unauthorized crossing point. This arrangement has been made through liaison with the head of the [] Police. Alternate plans call for the movement of the Headquarters into [] through MARTINSBRUCK on the [] Border or from SINGEN into [] MUHLHAUSEN from [] it is contemplated that the Headquarters will move to [] should the tactical situation require displacement beyond [] This move has been discussed with [] officials who have given their approval to this eventuality, as far as possible; [] transport will be furnished for this move. General DUKING, former German Military Attaché to [] is in [] where he represents RUSTY in all matters; several other former Abwehr and Wehrmacht officers are in [] assisting him in all activities that are related to any aspect of RUSTY Operations. EUCOM is aware of General DOERR's role in [] and, according to a statement by Dr. SCHNEIDER, Colonel Schow sent a letter to the US Military Attaché in [] advising him of the Intelligence Division's interest in DOERR's activities.

3. RUSTY does not have any high level liaison with the [] "because of its close [] connections" and has, consequently, not informed them of their alternate plan of movement into []

4. RUSTY organization personnel in Northern Germany who are scheduled for evacuation are to be evacuated by a sea route; arrangements to effect this have been completed. Remaining personnel in the Central Germany areas have been instructed to proceed to designated points west of the Rhine.

5. Movements through western [] and into [] have been discussed with the [] Agreements reached with the [] include detailed provision for the immediate establishment of a liaison radio channel to the FIS from RUSTY for the purpose of coordinating movements. The [] requested that this liaison not be revealed to the US Element of RUSTY until such time as they had had the opportunity to report the agreement through their own channels to the American "Central Intelligence Agency".

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6. Dr. SCHNEIDER indicated that the plan has gone as far as possible without integration with the plans of the American Intelligence Organization that would go into effect at the time of the outbreak of hostilities since he considers that his organization would immediately become an integral part of the American Intelligence Service in the event of war.

7. The Emergency Plan includes the activation upon the outbreak of hostilities of a system of sleeping nets and agents which at present are only partially organized. Most of the present agents and informants behind the Iron Curtain would continue their operations relying primarily on radio communications.

8. The logistical, documentation and signal communications problems attendant to such an operation as envisaged in the movement of key staff personnel and all members of their families who, if left in Soviet occupied territory would create a distinct security problem, have been given detailed attention in the RUSTY Emergency Plan; since they are not considered relevant to this report they will not be forwarded unless specifically requested at a later date. The general, the transportation plan envisages the use of RUSTY organic motor transport re-enforced by the truck fleets of several large trucking firms which have already been contacted; an alternate solution involves the use of a ten car train from the Munich area. The plan to ensure the security of the convoy during the evacuation includes the employment of a large detachment of German police and an emergency issue of arms to personnel of the German Staff. Details on these matters have been arranged. The RUSTY staff is fully aware of the fact that their ability to implement such a plan will be determined by the time factors involved at the outbreak of war and the tactical developments immediately thereafter.

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~~TO GERMANY ONLY~~ ~~PROCEDURES FOR STAFF PROCESSING~~
~~OF REPORTS~~

(Raw Information to Finished Intelligence)

Reports are processed through three components of the 7521 Composite Group:

- A. Information Collecting Organization (7)
- B. Evaluation (45)
- C. Editing Section

A. Information Collecting Organization (7)

1. A rough preliminary evaluation of raw reports received is made by the Resident and/or Main Resident for the primary purposes of determining

- a. Whether or not the report context is possible, and
- b. Details of collection methods used in order to tighten operational and agent control.

Since, however, there are no reference materials and other reports to use for comparison purposes, all reports, whether possible or impossible, are forwarded on to the superior Organization, together with appropriate comments.

2. Each Organization has a number of Main Residents under it, and therefore, receives a number of raw reports on any given target. Consequently, comparative material exists at this level, and reports are therefore "pre-sifted", i.e. are given a tentative reports board evaluation prior to being forwarded to Sub-Headquarters.

3. a. Sub-Headquarters is primarily concerned with the "organizational" (operational) material contained in the reports. Since they have already been tentatively evaluated at the Organization level, Sub-Headquarters' main interest is in the steering rather than in the evaluation and editing phase of reports processing. In the pre-sifting of reports at this level, however, operational directives and questions requiring further clarification are originated and are referred directly back to the appropriate subordinate Organization. In addition, operational comments and, on occasion, report contents, may be of the nature requiring security analysis. Such cases are referred directly to the CI Section of the Sub-Headquarters.

b. Reports come into Sub-Headquarters by courier from the field every Monday, Wednesday, and Friday mornings. "RUSH" or "RUSH RUSH" reports are processed forthwith and are forwarded to

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7 the same day. Routine reports are sifted, processed, and forwarded by the end of the following day. Hence, no more than 48 hours pass between the receipt of reports at Sub-Headquarters and their receipt at 7. A second copy is kept in Sub-Headquarters files normally only 4 - 8 weeks before destruction. In known or suspected cases of CI interest, however, reports are kept as long as the case remains of CI interest.

A. a. 7 itself has the following sifting groups for the processing of reports:

- (1) Source Evaluation
- (2) Military Sifting
- (3) Air Sifting
- (4) Economic Sifting
- (5) Political Sifting
- (6) CI Sifting

These same groups are duplicated in the organizational make-up of 45; hence, there is close coordination between 7, whose primary interests are in the operational aspects of reports processing, and 45, whose primary interests are in the content evaluation and editing aspects of reports processing.

b. Upon receipt at 7, reports are broken down into tactical and strategic divisions. This is done by Mr. Gay who handles tactical operations, and by Mr. Winter, who handles strategic operations. These two individuals also prepare monthly statistical surveys of incoming reports (under the four main headings of agent reports, tactical and strategic, and PW interrogation reports, tactical and strategic) which are used by 7 to ensure that operations are directed according to priorities, and by 45 to determine the monthly basis and value of 7's reports production. According to subject, reports are then passed to the appropriate sifting group for detailed processing. Here the final Source Evaluation (A through F) and a tentative Content Evaluation (1 through 6) is made, and the reports are then passed on to 45.

c. Each sifter, in addition to being competent to pass on the operational details pertaining to reports, is also an experienced reports officer and can, therefore, determine quite accurately the reliability of content. However, individual judgment is complemented by various routine operational checks. For example, 7 believes it has an extensive and accurate knowledge

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of Soviet vehicle numbers in its various operational areas. All military reports are, therefore, required to contain some vehicle numbers from the area or units being reported on. If these numbers do not check with those on hand as reference, the sifter concludes that the report as a whole is probably false, or is an out-dated report, doctored to appear current. Such reports are not passed to 45, and hence do not get into U.S. channels. When reports receive favorable evaluation, operational details are extracted, and they are then passed either as individual or as compilation reports to 45 for a second and final content evaluation and editing.

d. A special type of report is the PW interrogation report. Although these are processed as above, a clear distinction is made between them and those deriving from agents working under the operational direction of 7. 7 stresses the attachment of sketches to each interrogation report, since these can be compared with reference materials on hand to check their validity.

e. The numbers of reports received and processed each month by 7 is considerable. The month of October 1943 is an example:

Agent reports (tactical)	4,951
Agent reports (strategic)	680
PW reports (tactical)	257
PW reports (strategic)	2,791

8,599

Of these 8,599 reports, 2,321 were compiled into a total of 367 reports which were then passed to 45. The numerical cut is due to the elimination of false, known, out-dated reports, and the compilation of reports relating to a given subject. All out-dated or confirmatory reports are, however, carded for reference use both of 7 and of 45. Miscellaneous reports are on occasion held in 7 for purposes of compilation and to await answers from the field to additional queries from 7. In such such cases, however, the sifter's opposite number in 45 is informed.

f. 7 estimates that approximately 4 - 6 weeks are required for the transmittal of reports from the source in the target area to Headquarters (7). Delays are to be accounted for in large part to the necessity of transmitting reports through letter boxes, cut-outs, couriers, etc. In 7 itself, reports are classified according to priority, and priority reports are usually in the hands of 45 on the same day they are received by 7.

g. As can be seen from sub-paragraphs e. and f. above, the two outstanding problems of 7 insofar as reports processing is concerned are

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(1) insufficient personnel to handle rapidly the great bulk of incoming raw reports; and

(2) slowness of reports transmittal from source to 7, which will probably only be solved by the extensive development of agent radios particularly within enemy territory for high priority spot reports only, and with the improvement of communication facilities within friendly territory. Communications from Berlin and Vienna are especially inadequate.

B. Evaluation (45)

1. Upon completion of processing in 7, reports are passed to the appropriate opposite number in 45 where the following steps are taken:

a. Contents of the reports are examined, are checked with various reference materials contained in the files of 45, and are given the final Content Evaluation (1 through 6).

b. Pertinent information contained in the files, such as personality information, APO or vehicle numbers, etc., is added to the report.

c. The report is then compared with previous reports on the same subject, and appropriate comments are added.

d. Upon completion the entire report is passed to the translation section where it is translated into English in two copies, one of which is forwarded to the Editing Section, and the other is returned, together with the German original, to the originating reports officer.

e. On the basis of the completed report(s), and KEI's received through the U.S. staff, specific additional briefs are then prepared and passed to 7 for action.

f. Throughout the steps noted above, close cooperation is maintained between 45 and 7, and where necessary for proper reports evaluation, 45 may inquire as to the collection methods used to obtain the report.

2. 45 maintains a photographic and cartographic office for the reproduction or origination of charts, maps, statistical tables, etc. This section is of special importance in the preparation of target folders for USAFE.

3. An average of about 600 - 650 finished reports are passed to the U.S. office each month. The numerical difference between the reports received from 7 and those passed to the U.S. staff is accounted for by their use as comments to other reports, in compilations of reports, in so-called "evaluation" reports (i.e.

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estimate of the situation reports), and in the elaborate periodical studies made in the political, economic, military and technical fields. Such reports as are classified by the reports officer as "doubtful" are discussed with the leader of 45 or with his deputy who determine whether or not to disseminate, discard or refer back to 7 for further investigation.

4. The outstanding problem of 45 is the related one of time and personnel

(1) in the translation section, which has only four translators and is further handicapped, particularly in the economic and scientific/technical fields by the lack of definitive technical German-English dictionaries, and

(2) in the cartographic office where considerable time is required for the production of charts, maps, etc., particularly in the air and economic fields.

C. Editing Section

1. In the Editing Section, headed by Mrs. Eric Waldmann, incoming reports are first checked for translation, and are then passed either to Mrs. Waldmann, or to her assistant, Cpl. Kensen, who again check the translation for correct English terminology. They also give the report its BID number (currently preceded by the letter Z-, and previously by the letter Z-), write a short summary, and classify.

2. The reports are then passed to the typists, of which there are four, who again proof-read and then type on Form OCS-17A (the master ditto), at the same time making three carbon copies, one of which goes to the USAF Representative, one to the German staff, and one to the file.

3. Pouches are prepared three times weekly and are normally read by the U.S. Commanding Officer prior to being forwarded to EUCOM.

Comment

Insofar as reports processing and its related activities are concerned, the one outstanding complaint both of 7 and of 45 is that there is a total lack of comment on their production from the U.S. side. They feel that this lack definitely hinders their ability to improve their direction, collection, and processing of information in proper coordination with U.S. intelligence needs, and, to a lesser extent, that it also results in a morale problem among the working-level personnel who tend to feel at times as though they were working in a vacuum.

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~~TO GERMANY ONLY~~ COVER AND DOCUMENTATION

1. The Cover and Documentation Section has facilities to do photocopying, dry and rubber stamp reproductions, straight printing, secret ink preparations, etching, art work plus some of the more simple processes involved in the reproduction of documents.

2. The documentation office depends entirely on the operations of RUSTY for the procurement of original documents; it is without contacts with other US supported documentation projects and does not appear to be conversant with the facilities of CIS (the EUCOM Intelligence Division organization engaged in documents reproduction). The need of greater technical support was clearly evident.

3. In spite of its lack of technical equipment and lack of information on what others working in the documentation business might be doing, the RUSTY documentation group appeared to be particularly conversant with the problems in documentation confronting their own operatives and appeared to have some personnel well qualified technically and in terms of experience.

4. When asked for his views on problems stemming from documentation requirements, the head of the documentation section expressed the following opinions:

a. During the postwar period the manufacture of documents that have proven adequate in usage offered no difficult problem since the documentation and police system behind the Iron Curtain has been even more chaotic than in the Western Zones of Germany. In the satellites and Eastern Germany there has, until now, been little standardization, even at local level, of paper stocks, print, stamps, water markings, and even of the color and form of the document in finished form. This situation is rapidly being altered and each of the satellites is now in the process of issuing or preparing to issue a standard and not easily imitated personal identification document. The main problems involved in overcoming operational difficulties which will occur from this new and standardized documentation in each of the satellites will be in the early procurement of genuine samples of the new documents and then acquiring the paper stock and ink necessary to reproduce the documents. The paper stock and ink offers the type of technical problem which RUSTY is not prepared to solve at present.

b. Some aspects of documentation work should be highly centralized. These are, in general, those aspects which are technical and in which the time factor involved is minimized.

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However, to avoid stereotyping the documents reproduced for intelligence purpose and thus rendering them easily recognizable by an established and publicized flaw or characteristic, the actual production of the documents with paper stocks and inks furnished from a centralized agency should be decentralized.

c. Some arrangement for the pooling of documents intelligence should be made since correct conclusions can be drawn only from the study of a large number of documents. In this connection, it would be highly desirable if facilities to photostat large number of documents from illegal border crossers could be established. Present document collection in Germany and Austria by all US intelligence agencies appears to be sporadic and uncoordinated.

d. The lack of a wide variety in different styles of type has made hand etching the means by which a number of styles of type not otherwise available are reproduced.

e. Personal contacts and an exchange of ideas and experiences with US agencies engaged in documentation work would be helpful.

5. The details and documents involved in the cover stories for RUSTY personnel living in friendly territory is worked out by the G-1 section of Dr. SCHNEIDER's staff and, insofar as possible, utilizing genuine German documents. Only in instances where the procurement of a Western Germany document is extremely difficult or the time factor requires expedient action does the documentation group duplicate genuine German documents. Most of the members of the RUSTY staff have economic cover with some firm in the Western Zones and carry genuine documents indicating their cover.

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SECURITY PROCEDURES AND TECHNIQUES
INCLUDING OF OPERATIONS

1. The primary functions of 7, closely coordinated with 45, are three-fold:

- a. Direction of all field operations of RUSTY;
- b. Dissemination of EEI's received from the U.S. Staff to the various field Organizations according to capacity; and
- c. Control of operations and personnel through detailed analysis of incoming material.

2. From the security viewpoint, a matter of special concern to the CI Section, safety procedures already developed, or in the process of development, now give greatest emphasis to

- a. Security in recruitment;
- b. Thoroughness in training;
- c. Continuity in detailed analyses of operations and report content; and
- d. Protection in operation.

3. Field organizations are directly responsible for routine security checks of potential recruits. In approaching an agent prospect, as many as eight or ten casual conversations are held during which political, economic, military and other problems are discussed in order to evaluate the prospect's character, political orientation, intelligence, degree of competence in the various fields, and so forth. Generally, the recruiter attempts to maneuver these conversations to the point where the recruit himself first raises the question of intelligence operations. Ideological motivations are considered basically the best proof against unreliability, and particular effort is made to find young men with a concrete and western-oriented ideology. Frequently this preliminary recruitment phase is done not by an operational member of the Organization, but by the so-called "Forscher", an individual whose own position prevents his risking compromise by engaging in actual operations, but who is, by the same token, in a position to spot and to sound out likely recruits. Where possible, the potential recruit is also put under surveillance to determine his normal activities, or, if located in "enemy" territory, an attempt is made to secure western zone references for further checks. At this point, if still not satisfied, the particular field organization concerned then requests traces from 7, submitting its reasons (in this case, a potential recruit; similarly, however, traces may

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be requested on "suspect" or "arrested" individuals.) The CI Section then checks its card files for derogatory information. If none appears, approval to recruit is normally given. If, however, the proposed level of employment requires, the case is referred to the CI Organization in Germany (IIA) or in (4913). Normal investigative procedures are used by the CI Organization, including checks with the Kriminalpolizei, casual interviews with various of the recruit's western zone references and associates, organizational surveillance, etc. In addition, the CI Organization may assign an Agent provocateur to determine the willingness of the recruit to work for the Soviets. In special cases, such as in the recruitment of radio operators for sleeping nets, even after actual recruitment and training, periodic and unannounced checks will continue, since the agents are expected to be inactive for an indefinite period of time.

4. The training program has been described in Tab 9 of this Appendix. Concerted support and improvement of the training program is given by the CI Section which prepares from time to time what are known as "Hinweise" or operational hints; these are based on incoming reports and include such items as MVD operational, interrogation, and arrest methods, known or suspected Soviet agents, black lists of "intelligence sellers", etc. The most important single CI contribution to the training program is the provision of detailed accounts regarding all "incidents", i.e., cases of agent chain blow-ups, arrests, etc. This is a by-product of the so-called "Investigative Group" attached to the CI Section of each Sub-headquarters. This group, usually made up of experienced ex-police officers and officials, investigates all cases of incidents.

5. The need for continuous and detailed analysis of operations and report content is self evident. This is accomplished by comparison of information contained in operation and information reports, with personality, organizational (i.e., CSS, VVN, etc.), and city (i.e., names of personalities and organizations, together with street addresses in any particular city), card files, making possible rapid warnings to the field organizations of unconscious agent association with suspect personalities and organizations, etc., or conversely, of conscious, and hence doubly dangerous, suspect associations.

6. The organization considers that operational protection can best be effected through the close observation of all potential centers of hostile observation. This has led RUSTY to pay particular attention to the police, Soviet and satellite missions and intelligence activities, KPD activities, dissident groups, and such special targets as the CSS.

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7. Insofar as the police are concerned, concerted efforts are made to establish close connections with, and to place agents in, all levels of the various police organizations, including, of course, the various Ministries of Interior. Greatest priority of interest lies in the Border Police since these are stationed on the most critical points of communications between agent and headquarters. An attempt was made during the past month, for example, to place a RUSTY candidate, one Kriminalrat HERBERT, in the long-vacant position of Chief of Border Police for Bavaria. In this particular case, RUSTY's candidate had an unfortunate Party background and could not be considered for that reason. A quick review of various operations undertaken by Organization 114 indicates, however, that RUSTY's all-inclusive approach to the police is meeting with considerable success. It further indicates that RUSTY considers the ability of the police, particularly in country areas, to provide assistance in the form of legalization, documentation, location of safe houses, etc., to be of equal operational value with the investigative and protective services which the police are able to provide. It appears quite definite that these services are the immediate justification for RUSTY's detailed interest in all matters pertaining to the police; it also appears likely, however, that RUSTY is well aware that its eventual confirmation by a future Western German Government as the dominant element in any new GIS will depend in large part on the existence of cooperation, rather than hostility, between it and the only other organized German investigative agency.

8. RUSTY CI operations against Soviet, satellite, and KPD intelligence activities, include such operations as

a. The KUKOVICH case, involving a former Comintern member, with lines covering Austria and Germany, and with connections to Switzerland (OSS) and to Rumania, possibly to Anna Pauker herself. RUSTY has placed an agent in KUKOVICH's apartment, as well as in several points in KUKOVICH's lines of communication. Although the immediate target of this operation is the organization of Communist Action Committees in Germany and Austria, some hope exists that it may possibly broaden into Cominform implications.

b. The Ansbach Soviet Mission or YAKUSHEV case, involving Soviet Mission recruitment of a RUSTY agent for its own intelligence purposes. RUSTY's immediate target in this case is to obtain incontrovertible proof of IS activities by the Soviet Mission, as well as to disclose the ramifications of such activities.

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c. The "Bohemia" case resulted in the determination of the complete organization of the Czechoslovak Military Intelligence, its intelligence briefs, and lists of its agents in Germany and Austria. This operation, still being continued, has led to the arrest of some 20 proven Czechoslovak intelligence agents by CIC.

9. The cases cited above demonstrate clearly that despite attempts to confine CI activities strictly to the III A category (i.e. protection of own operations from hostile surveillance or actual penetration), RUSTY has inevitably found itself interested in and pursuing cases of a III C or III F nature (external observation, or actual penetration, of RIS and related activities as intelligence targets in themselves, rather than as cases of self-protection). Thus RUSTY has exceeded the limitations placed upon its counter-intelligence activities by the basic EUCOM directive of 13 October 1948 (Annex B) which states in part:

"The Organization will conduct only the minimum counter intelligence operations required to protect operations. No attempt will be made to penetrate the KPD or any foreign Mission without prior coordination with Headquarters, 7970th CIC. Should a member of the Organization successfully penetrate an organization of counter intelligence interest in the US Zone while in pursuit of other missions, CIC will be notified without delay, and the agent either will be placed under the operational control of CIC or withdrawn if CIC considers such action preferable..."

In pointing out that RUSTY has exceeded the limitations above, it is only fair to add that the directive cited is of recent date, and that RUSTY, although on occasion initiating prescribed operations without prior coordination, has made every effort not only to inform CIC of the operation, but more important, to secure as complete coordination as possible.

10. This latter point deserves further elaboration. There is absolutely no question but that RUSTY is not only willing, but is expressly anxious to better coordination of their operations with CIC interests and direction, for the accomplishment of which frequent recommendations have been made to the investigator that a competent and experienced CIC officer be assigned to RUSTY for direct and continuous liaison purposes. Equally obvious is the fact that RUSTY's near-vehemence on this point stems from a clear recognition that the III C or III F (CE) type of case can be developed and carried to completion only by the use of executive authority, i.e. the ability to secure play material, to conduct interrogations, to make arrests, etc. Since such executive authority is in American hands, RUSTY is genuinely anxious to establish in such cases close coordination with a competent American executive agency. Despite this desire, RUSTY reports that their relations are excellent with CIC in Munich and Nuremberg only; elsewhere, due to poor liaison, a feeling of competition or even hostility is more apt to prevail.

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11. Three Inclosures are attached to this Tab which either reinforce or complement material contained in the paragraphs above:

Inclosure A: A list of counter intelligence projects for providing information on specified targets. This list covers projects completed, in operation, or in preparation. No attempt has been made at this time to record these operations in detail, although such details have been discussed verbally in some cases and although occasional reference to some of these projects has been made elsewhere in this Report.

Inclosure B: A description of Organization 114 intended to give a general and fairly complete picture of the structure, size, functions, and operations of one of RUSTY's CI units in the field. Again, no effort has been made to cover each of 114's operations in detail.

Inclosure C: A description of emigrant groups as seen by RUSTY, including a brief description of RUSTY's main interests and connections with these groups.

12. In summation of the above comments and those contained in Inclosures A - C, it appears at this moment that the following tentative conclusions may be drawn:

a. Recognized procedures designed to obtain maximum security in recruitment, training, and operations have been firmly established in principle by RUSTY.

b. In the majority of cases, these procedures appear to have been understood, accepted, and put into practice in the field more often than not. (It should be noted, however, that a CI organization would be more apt to observe such procedures in toto than a positive intelligence organization.)

c. Generally speaking, extensive and detailed biographical and other agent control material is collected, reviewed, and retained at the Main Residentura (and Organization) level.

d. Minimum agent control material is received and incorporated into central agent files at headquarters level.

e. The weight of any decision, therefore, to recruit, to continue in operation, or to fire agents rests with the Field Organization: which has available to it the greater portion of

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agent control material and of the details of day-to-day operations. Such decisions are, however, always subject to final review and confirmation or veto by headquarters.

f. At Field Organizational level, control and security of operations in progress is based primarily upon continuous analysis of the agent's day-to-day operational activities, coupled with detailed background knowledge of the agent's capabilities and limitations; at headquarters level, control and security of operations in progress is based primarily upon continuous analysis of internal evidence in reports submitted, coupled with comparative material contained in other reports and in the personality, organization, and city files.

g. RUSTY appears to have made, and to be making, considerable headway in penetrating, controlling, and/or establishing close cooperation with the various police agencies in Western Germany, for the express purpose of procuring additional protection of its operations, and of securing subsidiary police services in investigative, housing, documentation, and other similar matters.

h. CI operations have been extended into the CE field with some success.

i. Complete exploitation and development of RUSTY's CE potential cannot be accomplished without the use of executive authority; at present, if CE operations are to be developed and extended, the solution must be found in the establishment of close coordination and cooperation between RUSTY and some American executive agency.

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TAB 6
Inclosure 1

1. Counter intelligence projects for providing information on specified topics have been completed, are in progress, or are in preparation, as follows:

a. Completed or Under Operation:

Detection and observation of Soviet IS connections, especially in the following cases:

- (1) CSS (Centrale Sanitaire Suisse).
- (2) Organization and structure of the Soviet News Agency (SNB) in Thuringia.
- (3) KUKOVICH - Communist action committees.
- (4) Jewish-Communist underground movement.
- (5) YAKUSHEV Case; evidence of IS activities by the Soviet Mission in ANSBACH.
- (6) SCHACHT Case; Soviet economic espionage.
- (7) Terror group of ZERGEYEV.
- (8) WARSAW-Polish IS in the Western Zones of Germany.
- (9) Continuous observation of individual emigrants and emigrant organizations regarding their IS and political activities.
- (10) Continuous observations of the police forces in the Soviet Zone of Germany and their penetration by the NKFD.
- (11) Operation "Bohemia": Organization of the Czech Military Intelligence Service. Information concerning 48 agents operating in the Western Zones of Germany, who were arrested on charges derived from this information. Information concerning agents in Austria. Original material of a Czech IS agency (orders, directives, etc.).
- (12) III/F action concerning the Czechoslovakian Consulate in MUNICH. Promising work by an agent of this project, who has direct contact to the Czech Vice Consul Dr. BENES. Most valuable information has already been obtained.

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- (13) Hungary: Summary on the activities of the Hungarian Restitution Commission, as well as a large number of individual reports concerning the same personalities.
 - (14) Yugoslavia: Information concerning the Yugoslav IS (UdB, OZNA, etc.).
 - (15) Rumania: Information concerning the Rumanian IS. Information concerning the State Security Police, Regular Police, and Criminal Police.
- b. Initiated:
- (1) Extension of an intelligence net in the police force of the Soviet Zone of Germany, covering the entire zone.
 - (2) Infiltration into MOB offices.
 - (3) Czechoslovakia: Continuation of the current III/F action concerning the Czechoslovakian Consulate in MUNICH. Efforts will be made to use the information obtained from Operation "Bohemia" for future operations.
 - (4) Poland: Information concerning the IS activities.

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Tab 6
Inclosure 2

ORGANIZATION 114

1. Organization 114, a CI Organization subordinate to Sub-Headquarters 17, is located at Gerwigstrasse 36 in Karlsruhe. It is headed by Mr. LEIDL, a former Abwehr sergeant with wartime experience on the Western Front. The five-room apartment (including kitchen) at Gerwigstrasse is also the home of Mr. and Mrs. LEIDL who have retained control of the extra room used as the Organizational office by listing it with the Wohnungsent as the office of a small firm owned by Mrs. LEIDL.

2. LEIDL's staff consists of

a. A reports sifter, who is also responsible for re-casting EEI's in form suitable for use in the field;

b. A deputy to a. above who is also responsible for working on 114's emergency evacuation plan;

c. A typist/secretary;

d. An administrative officer;

e. A CI instructor (Wuehlmann) stationed in Heilbronn;

f. A part-time secretary, drawn from Mrs. LEIDL's firm;

g. A courier;

h. Two drivers, used primarily on the courier run to 17.

3. 114 has a total of some 400 people working under it directed by the following Main Residenturas:

a. [] with center in Mannheim. The chief is a former intelligence radio monitor. Primary task is to protect positive intelligence organizations operating out of the [] [] No written EEI's are sent to the [] and, in order to avoid the [] Cassel is used as a collecting point for written material being passed to Mannheim.

b. Odenwald, excluding the Rhine plain, with center at Eberbach. The chief is a former police colonel in the General Staff. Primary task is to survey the area for likely safe houses, disposal places, etc. No special cases are being run by this Main Resident who has, however, some possibilities in the direction of the Hessian Border Police.

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c. Hesse, from Frankfurt to Cassel. Chief is a Kriminalrat and former chief of German MP's during the war who has, therefore, good connections with the Hessian Ministry of Interior, the Frankfurt police, and also with Trade Unions in the area. His primary task is the surveillance of Soviet and other foreign missions in the area. Due to his connections with the Frankfurt police he has managed to have two policemen assigned to 24-hour surveillance of the Soviet Mission there. He has good connections with the former director of the police schools in the [] [] now the present chief of the [] []. Other duties include investigation of RUSTY incidents in the Soviet Zone and the interrogation of Antifs personnel.

d. Coburg, from Hesse to Passau. Chief is a Kriminalrat. Primary task is to survey the entire US-Soviet Zone border area, including the areas of Wuerzburg and Nurnberg. To accomplish this task, he has attempted to establish a network in the Border Police for a depth of 25 kms. on each side of the border. On the US side, there is no crossing point which has less than two RUSTY personnel in the border police. At present, due to personnel changes on the Soviet side, attempts to organize contacts in the Soviet Zone Border Police are strictly limited to vetting various individuals through a third person. Coverage of the border is considered an important task, particularly in the event that the air bridge to Berlin may cease. This Main Resident had also established a residentura in Berlin, now directly controlled by LEIDL himself. Courier lines, using the transport firm of SCHENK & Co., are still, however, being run from Coburg. Considerable effort is also made to cultivate contacts in the Land police, both in order to be informed as to people coming into the area for short periods of time, and in order to obtain necessary assistance in housing, legalization, and other living problems at present subject to tight regulations.

e. Munich, including Ober-Bayern south to the Austrian border and west to and including Ulm. Chief is an ex-leader in III H OKW with good connections into the Munich Kriminalpolizei. Primary task is the external security of the Compound in Pullach. In addition, however, he is running a group of German-born Russians. Due to the fact that personnel of his Residentura were former police and/or Gestapo personnel who in their previous positions had concentrated on then illegal KP activities, this particular Main Residentura is also running actual penetration operations with sufficient success to enable it to hope that it will be able to prove (illegal) cooperation between the KPD and Soviet Missions in the US Zone, and ultimately with the Cominform.

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f. North Wuerttemberg, with center in Stuttgart. Primary task is to watch Yugoslav and Soviet missions in this area, the CSS, and to build up files of all Antifa personnel among returning PWs processing through the Ulm-Kienlesberg camp. This Residentura has two ministers as agents, the Minister of Economy, and the Minister of Interior, and hopes from the latter to be able to have a CI controlling interest in all key police positions in Wuerttemberg-Baden within the next two to three months. Again, basic interest in the police lies in their ability to make basic investigations without cost to RUSTY, and to assist in matters of housing, ration cards, etc. Another factor which is making the police increasingly important is that MG is now allowing the German police to enter DP camps, etc.

g. Berlin, which previously was under the Coburg Main Residentura. Chief is an ex-Colonel in OKW-III, and one of his principal assistants was formerly chief of Admiral CANARIS' "Hauskapelle", i.e. the protective group for the top staff. Both, consequently, not only have special connections with III F personnel, but since they are well-trusted by ex-Abwehr personnel, are able to establish working relations with persons now living in the Soviet Sector of Berlin who would otherwise be reluctant to expose themselves. Primary tasks are the location of MGB (and MVD) installations and personnel in Karlshorst, the development of high connections with the SED and other Soviet-sponsored organizations, the surveillance of "cultural - Bolshevism" targets (Kulturbund, etc), and the surveillance of Consulates General and Missions of the various satellite countries. Within the past six months this Residentura has established connections with a woman in an MGB office in Karlshorst (although complete control is not yet certain); not only has an agent in the Yugoslav Trade Mission, but also controls the chief Berlin agent of the Yugoslav IS; and has two agents located in the DWK and the Transportation Administration respectively. In addition the chief of the Soviet Zone police school is an agent. Through him are obtained such information as names of students; schedules, names of political commissars within the police, names of high-ranking NKFD officers going through the school, the entire organizational plan for the Soviet Zone police, monthly copies of the police "Fandungsbuch" (record of searches) etc. This residentura is hopeful that within another half year it will have agents placed in all main offices of the Soviet Administration. Such coverage has already proven of value to the positive intelligence personnel by forewarning of surprise dragnets, arrests, travel controls, etc.

h. with center in Gernsbach. This was described as a small "illegal" (because not authorized by EUCOM) residentura originally established because of strong communist

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influence in the Sécurité which necessitated, therefore, special efforts to protect operations running through this Zone. Chief has been an intelligence officer since 1926, and lives in Heidelberg where he previously had been a university professor. He is popular with the [] because he was known as an anti-Nazi in Alsace, and the [] are unaware of his intelligence experience. Despite apparent lessening of communist influence in the past year, the primary task continues to be protection of operational lines through the zone, plus surveillance of CCS activities in that area.

i. Karlsruhe. This is a Russian group headed by one SONIN, an ex-MVD Lt. Colonel who had received special MVD schooling and had had CI experience in the Far East. He deserted to the Germans in 1943, served in the OKH as an interpreter, and later as an interrogator at ECIC. LEIDL developed this group very cautiously, particularly since it was nearly a half a year before he became convinced that Russians with current knowledge of RIS experience, etc., were absolutely essential in the CI field in Germany. SONIN was closely investigated by LEIDL, who also tested him with known KEE's, and in addition had both the Munich and the Stuttgart Main Residentur's watching the SONIN group. Finally, SONIN requested Russian-speaking Germans in each of his Residentur's, which provided LEIDL with yet another means of checking on his activities. SONIN's group is about 100 strong now, although it was carefully built up according to the best MVD principles of organization. Primary tasks are to survey all Soviet and satellite missions, and secondarily, emigrant groups. In special cases, such as doubling, SONIN is used as interrogator. SONIN's interpreter speaks excellent Polish, and has built up a small Polish net which includes personnel in the Polish Consulate General in Munich. According to LEIDL, very little is known about the Polish IS since the Poles have profited considerably from past mistakes. Since, however, Germany has some 700,000 non-DF Poles, Polish intelligence activities are considered of special CI significance.

j. A Hungarian group, headed by a former "General of the Gendarmerie", chief of "Rote Abwehr", and contact man with Warsaw, was passed to HUSTY by CIC Region IV. It was given the assignment of determining the existence or non-existence of the MGB/MVD in Prague and Budapest, and of developing an accurate picture of Hungarian IS and Communist Party activities and organization, with the Cominform as the eventual target. Although the group has good connections with the Hungarian Ministry of Interior and General Staff, LEIDL considers them the most untrustworthy of all Balkan groups. Off and on this group has attempted to re-establish American contacts, in the process of which they have exaggerated their own importance. Finally, the group operated over a year without cover, and therefore LEIDL considers they must be compromised. The group has been given until March 1949 to prove their organizational and intelligence value.

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Note: Possibly this is the group which was reported in the Spring 1948 by INCOMPATIBLE to be objecting strongly to control by former German General Staff officers, and to be seeking direct American contact.

4. Several cases are perhaps worthy of special mention:

a. The "Soviet Mission Ansbach" or "YAKUSHEV" case: This case was developed by the German-Russian group under the control of the Munich Main Residentura. After a year and a half of surveillance of suspect personnel, this specific operation developed upon the recruiting of a RUSTY agent, a former MVD major living in Augsburg as a DP, by Soviet agent YAKUSHEV who informed the RUSTY agent that his recruiting was subject to the final approval of the Soviet Mission in Ansbach. The immediate aim of the operation is to obtain conclusive proof that the Soviet Mission is engaged in genuine IS activities. The case is being coordinated with CIC Region IV, and play material has been obtained both from CIC and from Lt. Colonel Berry, USAFE representative with RUSTY.

b. One of the agents of the [] Main Residentura operating in the Pfalz (primarily on the CSS) came in contact with a small group or "circle" of Strasser followers who are organized in Germany under the direction of a certain PARTENEAU. Followers are located in Berlin and in the three western zones. A meeting was held in Tubingen several months ago to discuss arranging a license to operate as a group under the title of "German Union". The RUSTY agent, who owns a bookstore in Berlin, attended this meeting where, through a Berlin member of the group who had good relations with the [] he was asked to undertake building an intelligence net for the [] in Berlin. RUSTY authorized the agent to go ahead, and at present, completely at [] expense, he is running a net directed exclusively against the Soviet Zone. His net is now turning out daily APO and vehicle numbers, traffic from Soviet teletype lines, etc. Reports are turned over to the controlling [] officer in the Zone rather than in Berlin. Each pouch therefore goes through 114 en route to the [] and since all reports are submitted in two copies, 114 extracts both copies of all top reports, and the carbon copy of all the other reports which are then marked to indicate that the [] have the original. This operation represents, of course, penetration of the FIS, and 114 admits that inevitably it becomes aware of certain [] EEI's, etc. It emphasize, however, that its primary interest from the very beginning has been in the procurement of positive intelligence without expense to the organization.

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5. 114's primary overall function as a CI organization is to protect the security of RUSTY's positive intelligence operations. Thus, in addition to providing security for active operations and related assistance in the form of safe houses, ration cards, etc., 114 is also asked to investigate potential recruits of the various other organizations. Normal investigative procedures are used as described in para. 3, this tab.

6. 114 devotes equal attention to its own recruitment. After biographical and other material comparable to American agent control material is accumulated, a decision regarding employment is made by the Main Residentura in consultation with 114 and the instructor. This material remains in the permanent files of the Main Residentura, but, once satisfied that the recruit is reliable, all copies in 114 are destroyed after the following basic information has been extracted:

Name	Date of Birth
Address	Telephone No.
Marital Status	Wife's Name
No. of Children	Profession
Kennkarte No.	Physical Description
Political Orientation	Organizational Assignment
	Date of Recruitment

Note: It is this basic information, now retained at Organizational level, which ICO (7) is gradually bringing into its central agent control files.

7. Since the training school (107) trains only positive intelligence personnel, 114 has its own CI specialist as an instructor. The size of 114 prohibits regular and thorough training of the some 400 members, and consequently an assistant instructor is assigned to each of the Main Residenturas. These assistant instructors visit the instructor twice a month, bringing with them all raw reports collected since the previous meeting, and discussing them, together with any other problems, in order to get the benefit of the instructor's advice. In special operational cases, the instructor will personally take charge, but the appropriate assistant instructor will share in the training program.

Note: This description of the instructor's duties makes it apparent that to a certain extent he combines the duties and functions of an operations officer with those of a training officer.

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8. In the Residentur areas, training is usually done in small hotels of the type catering to salesmen, small business men, etc. In addition, the Organization has the use of two private hunting lodges, one for routine training and the other for radio training. The advantages of these lodges are two; they are on private and isolated estates, and as such, are not subject to police investigation.

9. The instructor himself lives in Heilbronn in a house which is used for disposal cases. This gives him an opportunity to interrogate incoming personnel for operational details as to why they were blown, etc., enables him to check such personnel for possible penetration cases, and gives him time to locate housing and new employment for them.

10. An Emergency Evacuation Plan, keyed to the over-all RUSTY plan, contemplates the movement of some 240 persons, including families, south to Singen and thence, if possible, to Colmar, an area which LEIDL knows thoroughly and in which he has a number of professional (wine merchant) friends. Sleeping agents are being developed under the over-all direction of 17, and some 45 radio operators are being investigated for war-time use. Emphasis is on radio since, from the CI viewpoint, LEIDL believes "radio play" will be the main target. The plan presupposes that the first organized line of defense will be along the Rhine, and that approximately 15 days after the start of hostilities direct contact can be made with the US Army. Adequate transportation is available or arranged for, and rations for 15 days are being collected or have been requisitioned. The main administrative problem still to be solved is the stockpiling of adequate gasoline reserves in Singen.

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1. Although RUSTY states that its primary interest in keeping an eye on the various emigrant groups is for the purpose of protecting its own operations from hostile surveillance or actual penetration by any of these groups or members thereof, it is apparent that over-all RUSTY interests fall in four parts:

- a. Protection of own operations (III A);
- b. Collection of positive intelligence by these groups or individuals thereof;
- c. Construction of a complete and current picture of the most important emigrant groups for the immediate purpose of better evaluation of reports submitted through these channels; and
- d. Surveillance of known or suspected hostile intelligence agents and activities which, although not essentially directed against RUSTY elements, are of CE interest as intelligence targets in themselves (III C or III F).

2. RUSTY makes three broad classifications of emigrant groups:

- a. Russian groups;
- b. Ukrainian, Polish, and other non-Russian groups within the Soviet Union; and
- c. Balkan groups.

RUSSIAN GROUPS (see Attachment 1):

3. Until recently, a clear-cut distinction was made between the so-called "Old Emigration" and the "New Emigration". Recently, however, the two groups began to come together in the AZODNR (Anti-Communist Center for the Liberation of the Russian Peoples). Nonetheless, ideological convictions are usually all that remains to emigres, and one common characteristic therefore, of all emigrant groups is the adherence to a narrow ideology, all deviations from which are hated and slandered. Despite partial unity obtained in the AZODNR, therefore, strong suspicions and antipathies still exist between the two groups, with the "new" emigration accusing the "old" of being politically disinterested and living primarily for its own well-being, or that its political views are based upon ignorance and lack of experience with present developments in the Soviet Union; on the other hand, the common accusation leveled by the "old" against the "new" emigration is that it is unfamiliar with non-Bolshevistic, i.e. democratic concepts, and that it is not really anti-Communist, but is merely fighting excesses of communism. (For this reason, RUSTY, when evaluating the claims and counter-claims of one group vis-a-vis another, habitually extracts 50 - 60% of the comments as being unreliable).

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a. The Old Emigration in the main is comprised of organizations formed between the Revolution and 1922, and its ranks are primarily filled with veterans from White Russian armies. The three principal organizations are

(1) WMS (Supreme Monarchist Council), a small faction of old-timers adhering to the concept of Czarist rule. The monarchist idea is not popular, and the group is therefore small. Nonetheless, it has some clever individuals, the most important of whom is a Mr. S. RURIEW, and it is determined to play an active part with the New Emigration. Due to its activity it does, in fact, play a larger role than that to which its numerical following should entitle it.

(2) NTS (National Workers' Union), described by RUSTY as an honorable and reliable group whose principal preoccupation is with the vocational training and placement in various Western European countries of its second generation. It has taken great care to avoid penetration by the Soviets.

(3) ROWS (General Russian Veterans' League), established in the early 1920's in Sofia, and composed of the majority of emigrant veterans who fought the Communists during the Russian Revolution. Its leadership is quite old, being headed by Gen. ARCHANGELSKI, who is over 80 years of age.

b. The New Emigration received its organization impetus in 1944 with the publication of the so-called "Vlassov Manifesto" in Prague which outlined two main points, the overthrow of Bolshevism, and the right of self-determination of future government(s). Since that time the principal groups which have arisen or have been modified are

(1) KONR (Committee for the Liberation of the Russian Peoples), founded by Vlassov, and out of which two main subordinate groups developed:

- (a) ROA, the political element of the KONR; and
- (b) BSM (Fighting League of Russian Youth), the militaristic and youthful element of the KONR.

(2) SBONR (Fighting League for the Liberation of the Russian Peoples), an outgrowth of the BSM, which developed intelligence and propaganda functions.

(3) SAF (League of Andrews Flag), which contains elements of the earlier ROA, and which also has close associations with the SBONR. Considerable influence is exercised on this group by Gen. GLASENAP.

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(4) AZODNR (Anti-Communist Center for the Liberation of the Russian Peoples), formed recently and claiming leadership of all groups, not only of the New Emigration, but of the Old as well. It is recognized by the majority of the groups, derives its leaders primarily from the Old Emigration, and its followers primarily from the New, and is, in a sense, the nucleus for a united Russian Government-in-exile. After its formation, however, a split occurred between two of the important leaders, KROMIADI and GLASENAP, and the latter withdrew from AZODNR, together with his principal associates. AZODNR, however, retained control of SAF by decree. Because it is the strongest central authority in the over-all Russian emigration, AZODNR, together with SAF and SBONR, appears to have been fairly well penetrated by the Soviets (see names in red on Attachment 1).

c. A new factor in the Russian emigration picture has appeared recently in the persons of a Mr. Iru DALIN and Mr. Iru NIKOLAJEWSKI, both former members of the pre-revolutionary Social (Democratic) Revolutionary Party, and men with Menshevik leanings. Both live in New York. In 1947, NIKOLAJEWSKI toured Germany for the purpose of recruiting followers, and this year DALIN had meetings with nearly all of the Russian groups for the purpose of organizing a new socialist Russian emigrants' party. Although the Old Emigration refused cooperation, DALIN gained some followers in the New, particularly in the SBONR, and to some extent in the AZODNR, itself. The final outcome of these discussions is not yet clear, but numerous miscellaneous socialist and Marxist groups appear to be representative of the DALIN and NIKOLAJEWSKI program. Also interesting in this connection is a recent RUSTY report to the effect that the U.S. is interested in establishing a new propaganda center, to be headed by an Iru LASKI in Munich, to influence the Russian emigration as a whole and to spread "the U.S. viewpoint". LASKI, a U.S. citizen, is said to have recruited DALIN as an advisor. DALIN, who published two books in Paris during the War with pro-Soviet leanings, is not considered by RUSTY to be representative either of the Russian emigration or of the U.S. viewpoint.

4. RUSTY's own positive intelligence connections with the Russian emigration originally resulted from the pressure for production in the Fall of 1947, at which time Mr. BAKUER dealt with the various groups on a group rather than individual basis for the purpose of utilizing their connections and channels for the transmittal of positive intelligence. Primary connections were through BARANOWSKI (F) and GLASENAP. Experience taught, however, that considerable political problems were inherent in dealing with groups as a whole and with being responsible, therefore, for their over-all security and protection from interference by local agencies. It was therefore decided to work solely with BARANOWSKI (described as an a-political and professional intelligence

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man) who would be totally responsible for the security and welfare of any groups or other individuals he might care to use. For a year and a half, therefore, RUSTY's operational interest on the one side lay in BARANOWSKI as an individual, and on the other side in GLASENAP and his intelligence associated as a group, i.e. RUSTY provided group, rather than individual protection. (GLASENAP's group contained a number of German Staff Officers). GLASENAP became, however, more and more interested in politics, and several months ago, Dr. SCHNEIDER decided to drop him, while maintaining some social contacts. GLASENAP agreed, though somewhat reluctantly, that RUSTY could deal directly with the German officer who took over direct control of the intelligence activities of his group.

5. Politically, RUSTY considers that the ADZODNR is the most representative of all Russian groups, although its leadership is not unchallenged, and although it is to a slight degree penetrated. The latest declaration of the plenum asking for support of the emigres and for a definite statement from the Western Powers as to how they intend to handle the Russian peoples after the defeat of the USSR indicates that the ADZODNR is definitely seeking unofficial backing. RUSTY is at present translating a study on this question which was initiated as a result of discussions on this subject four or five months ago with Mr. Dulles, Mr. Offie, a Mr. Davis, and others.

UKRAINIAN GROUPS. (see Attachment 2):

6. The political complexion of the various exiled Ukrainian groups ranges from the leftist URDF (Revolutionary Democratic Party), with an even more leftist and suspect sub-group, the URDF(s) in Regensburg, to the extreme rightist OUN(RO) party of Bandera, standing for the fascistic principle of a one-party government and one-party state.

7. After the war, the problem faced by the various groups (see attachment) within the Ukrainian emigration was one of effective unification. Finally, in July 1948, the UNC (Ukrainian National Council) was revived with the support of all groups except the Hetman Party. To get Bandera's cooperation, UNC made the concession that Bandera should be responsible for partisan activities in the Ukraine and that he should still be entitled to continue UGVR (Ukrainian Insurgents Army). UNC then proceeded to the election of UNR (Ukrainian National Government). Sometime thereafter, both the leftist parties and Bandera withdrew their support from the UNR with the result that today UNC is supported by all parties except the Hetman, but UNR, under UNC, cannot rely on the wing parties.

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8. RUSTY is beginning to believe that UPA and UGVR have been highly over-rated, citing the fact that when the Soviets started their last attempt to smash UPA in the Ukraine, UPA personnel trickled out by the dozens only. In RUSTY's opinion the influx into western areas would have been far more considerable were there in fact strongly organized and numerically large UPA bands operating in the Ukraine. Even within OUN(R) (Bandera) the same doubts appear to be gaining circulation, particularly at the "followers" level, and questions have been raised as to what courier channels exist to the Ukraine, as to where money collected from Bandera supporters is going, etc. A RUSTY agent described as "absolutely reliable", and a member of UNR, has also informed RUSTY that he doubts the existence of UPA in any form other than small groups hiding in woods for self-protection, and that UNR's lip-service belief in the existence of well-organized UPA groups is to a large extent due to the desire to secure Bandera's cooperation and thus to attempt to maintain as united a front as possible within the emigration. The majority of the intelligentsia among the Ukrainian emigration, including those who are post-war emigrants, follow the UNR, and not the Bandera complex. RUSTY points out that these comments and tentative conclusions might not be valid in the event of war, in which case strongest support within the Ukraine would be given to any group or groups, regardless of other political factors, who offer liberation from Russia. At present, however, RUSTY has concluded that the entire OUN(R) - UGVR - SPUGVR - UPA complex should continue to be watched, but deserves little consideration in terms of material support and of far-reaching intelligence usefulness. UNR and UNR are cited as the central organs most deserving of support, if any is to be given.

Note: It may be of some interest in comparing these comments and remarks with those contained in [] to note that the main source of the latter, Hrinioch, together with Iabed, have been fired within the past several months according to an unevaluated RUSTY report.

9. Below the levels discussed above are three main organizations representative of peoples contained within the boundaries of the USSR who are absolutely anti-Russian:

a. ABN (Anti-Bolshevik Peoples' Block), comprised primarily of Ukrainians and at present headed by STETSKO, and propagates the conception of a Greater Ukraine, freed from the Bolsheviks.

b. Promethean League of the Atlantic Charter, founded in Warsaw, and propagates the concept of an "inter merium" nation, i.e. from the Baltic to the Black Sea, under the hegemony of Poland.

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c. "International of Freedom", which is made up of Balkan and Caucasian nations; and attempts to include all nations of Slavic origin ruled by Moscow. It appears to be penetrated by the Soviet IS (red-lined names on Attachment 2). The International of Freedom is supported and influenced considerably by a cosmopolitan group meeting generally in Traunstein on a social basis.

d. These three groups sometime ago agreed to form a representative top organ, the ALON (Anti-Bolshevist League of National Liberation). This, however, never developed beyond the paper stage, and at present seems to be supplanted by the so-called "Federalist Club" which is being founded in Munich under Polish leadership and with a program of self-determination for all non-Russians.

Note: Schandruk, described as questionable from CI viewpoint and as an "intriguing and opportunistic turncoat", appears quite active in the formation of the Federalist Club which may be, in fact, the new "Ukrainian intelligence service" in which he has been attempting to interest U.S. agencies (see [] and related references).

e. Two other groups of minor interest are

(1) BZR (Byelo-Russian Central Council), headed by one OSTROVSKI, which wants a separate and independent Byelo-Russian state with friendly relations with a non-communistic Russia; and

(2) RBNR (Council of Byelo-Russian Peoples' Republic), or "Krivichi", which has the same aims, but wants orientation towards Poland. This is an active group, and for some time received financial support from the London Polish-government-in-exile. Interesting is the report that recently it got in touch with the Polish Mission in Regensburg, from which some slight support was received.

10. Some of RUSTY's contacts with the various Ukrainian groups are shown (underlined in blue) on Attachment 2. In addition, Organization 66 has two radios set up and working in Poland and in Slovakia using Ukrainian channels. Some use has been made of UNR's border crossing points and courier lines for the transmittal of information. RUSTY also has a line into the SPUGVR and, at Bandera's request for a "high American contact", is making arrangements for Capt. Waldmann to meet with Bandera and Stetsko sometime between 16 and 20 December. RUSTY believes, however, that this meeting represents an attempt on the part of Bandera to bolster a progressively weakening organization.

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11. RUSTY has practically no current information on the activities of Polish emigrant groups other than a very few reports on WIN and on the activities of MIKOLAJ in Regensburg, the latter being spasmodically reported on by the RUSTY agent in UNR.

12. RUSTY has limited information on the Czechoslovak emigration which they divide roughly into five principal groups, the SIDOR group, strongly Catholic, pro-Polish, and for an independent Slovakia; the Constantine CULEN group, also for an independent Slovakia, but opposed by the SIDOR group which accuses CULEN of being a Communist; the DURCANSKI group, into which RUSTY has some channels, which appears to have some support from Eva PERON and which has established a Slovak Action Committee in Argentina; the PRCHALA group; and the new Czechoslovak emigration. RUSTY does not make use of any of these groups for its operations into Czechoslovakia, and consequently does not observe them too closely.

BALKAN GROUPS

13. RUSTY subdivides the Yugoslav groups into Serbs and Croats, with the latter of which it has had no connections. The Serbs generally support King Peter under whom, through Gen. ZIRKOVIC, are three main groups:

(1) RAVNA GORA, headed by Gen. KALABIC, who considered himself as the successor to MIHAILOVICH. RUSTY had connections with this group, although it was forced to drop them after the Zagreb Trials which were a "heavy blow" to RUSTY operations in Yugoslavia.

(2) The "WHITE EAGLE", with whom RUSTY also severed connections after discovering that it was giving its reports to FSS, "SSU Vienna", and CIC Salzburg.

(3) "DUSAN SILNI", described simply as the most fanatical of the Serbian groups, and with which RUSTY has never had connections.

14. The one other national group mentioned in any detail was the Hungarian emigration in Germany itself, and primarily made up of the so-called FARKAS movement, the Hungarian Central Bureau, and the NMT (Hungarian Council in Germany).

a. The FARKAS Movement is headed by Col. F. FARKAS who considers himself to be the leader of the emigrant military movement. He has no political ambitions, and has been fostering Hungarian emigration from Germany to France. RUSTY has some connections with the Movement but considers them negligible in value.

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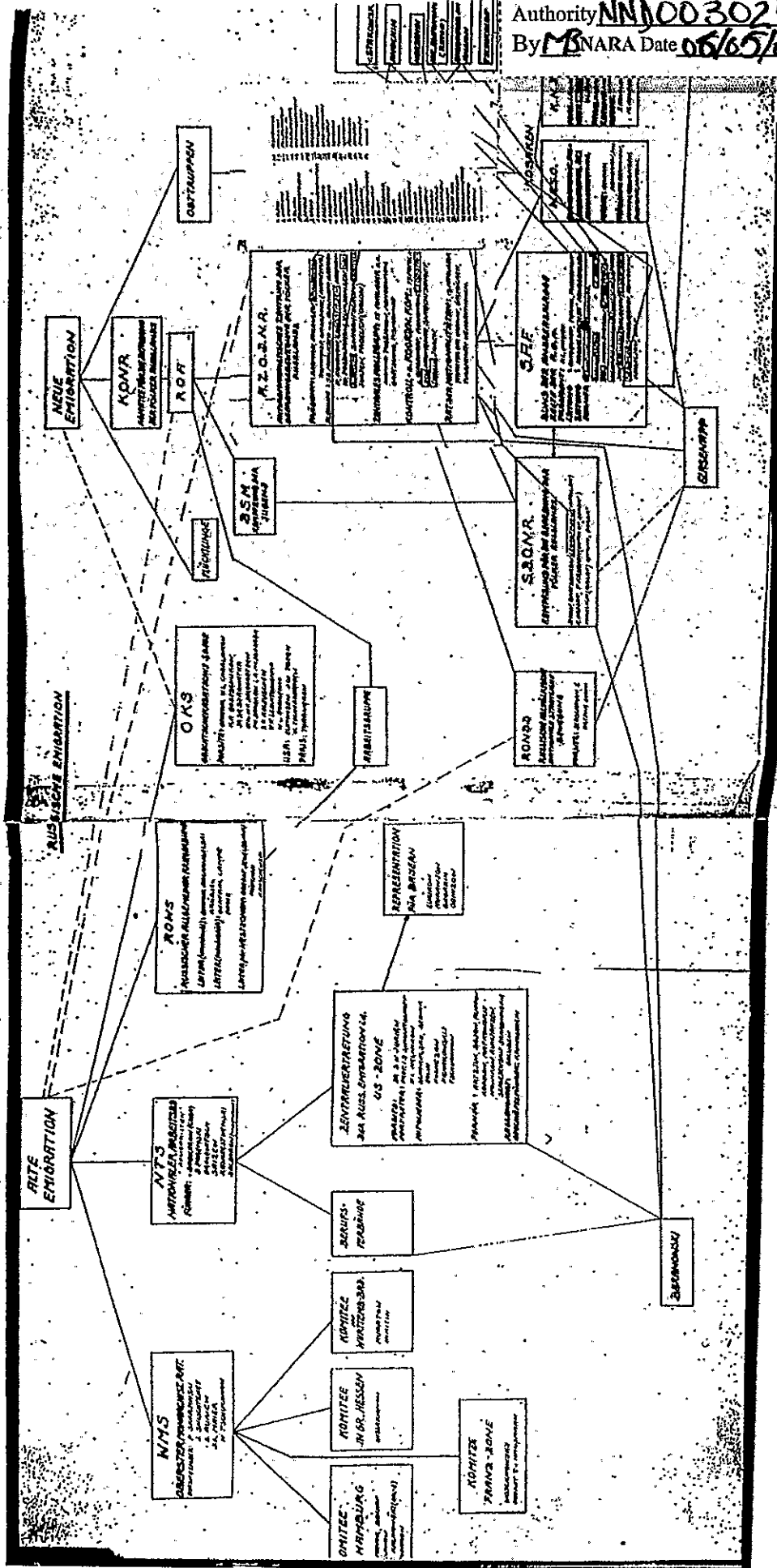
b. The Hungarian Central Bureau, headed by ex-Foreign Minister HENNYEY, who negotiated the post-war treaty with the Soviets, wants to retain a centralized control of Hungarian emigrants in Germany, opposes therefore emigration out of Germany, and is consequently strongly antagonistic to FARKAS. Numerous reports of low evaluation accuse HENNYEY of working with the Soviets. RUSTY considers this possible, but unproven; it does, however, state that the Hungarian Central Bureau is definitely penetrated.

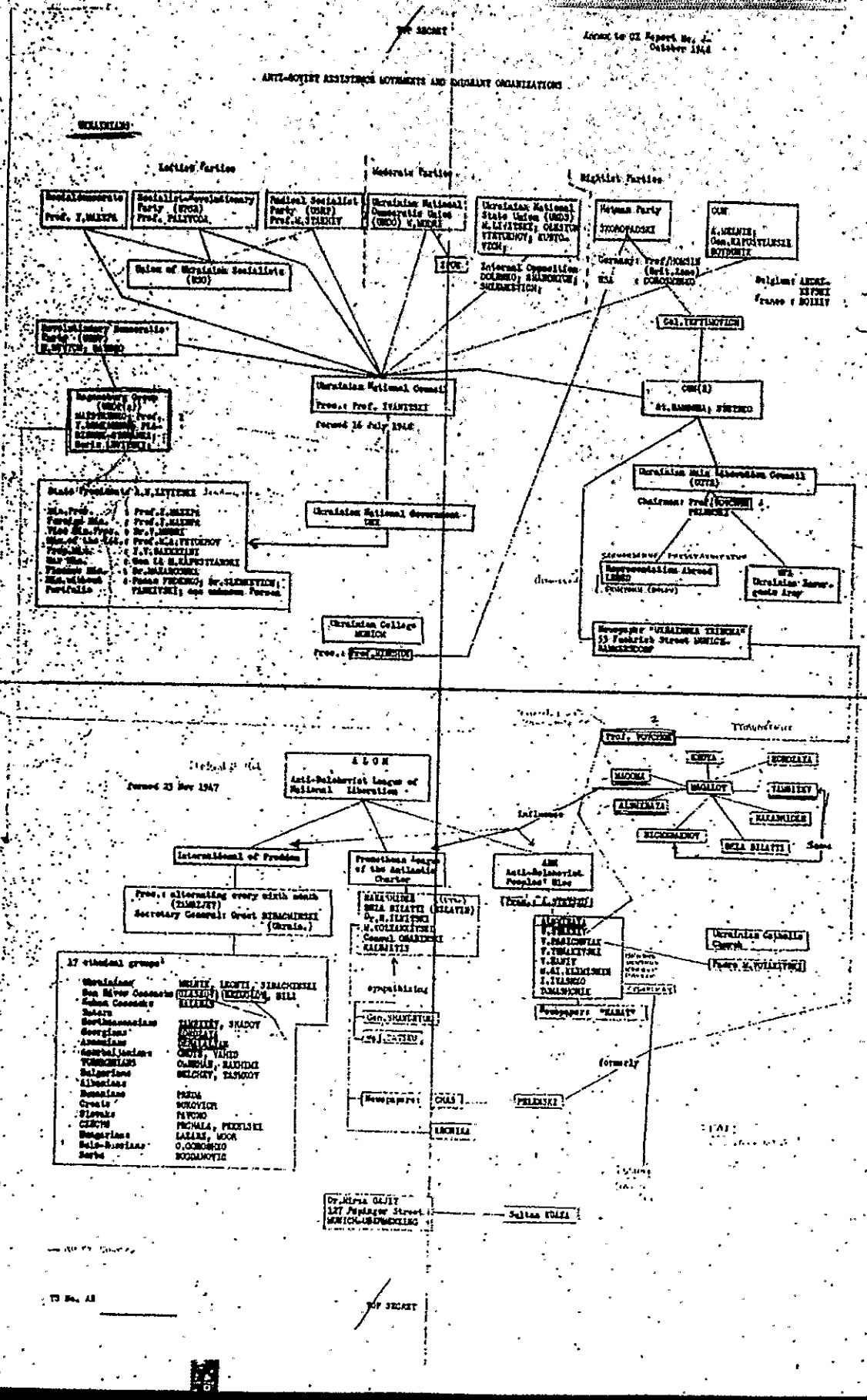
15. It is apparent that RUSTY's main interest in emigrant groups centers on the Russian and Ukrainian groups. Available material on other groups appears totally negligible in value.

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Signal Communications and Signal Intelligence

1. RUSTY Signal Communication activities can be divided into four categories:

- a. Internal Communications
- b. Signal Intelligence--Direction Finding Operations
- c. Signal Intelligence--Monitoring and Cryptoanalysis
- d. Agent Net Operations

The signal communications staff of the operation includes approximately fifty persons, mainly technicians.

2. A radio command net is currently in operation with stations located at BREMEN, FRANKFURT, BERLIN and MUNICH. US Army Signal Corps radios are used between MUNICH and BERLIN and between MUNICH and BREMEN; German radio-teletype (Feldfernschreiber) is utilized between MUNICH and FRANKFURT. The SCR's in BERLIN and BREMEN are at the disposal of RUSTY signal centers in those areas which service operations by direct contact and letter drops in Northern Europe and the Soviet Zone. Priority traffic only is handled by this means which is from three to eight days faster than courier. The greatest volume of traffic is carried on the radio-teletype between FRANKFURT and MUNICH. RUSTY has no access to military and civilian ground TX circuits between FRANKFURT and MUNICH and their own radio-teletype is not capable of handling present traffic. Normal security measures are utilized in radio transmissions. Different type codes are utilized between MUNICH and each of the other three stations in the command net; lateral communications are unauthorized and impossible under existing procedure. Sub-organization leaders are equipped with TR 1 radio sets which are not used except for occasional testing and training operations. These sets are to be put into operation in accordance with present signal instructions only in the event of war. The lack of adequate communications facilities for rapid transmissions of information between the RUSTY Headquarters and its sub-organizations under present circumstances is the cause of considerable delay in the reporting of information and results in serious time lags in the transmission of operational information.

3. The signal intelligence activities of RUSTY are currently the subject of strong disagreement between the US Army and the US Air Force. RUSTY DF-ing and rapid cryptoanalysis of the monitored traffic of the tactical air nets of the Soviet Air Force in Eastern Europe has, according to Lt. Col. James Berry, US Air Force liaison officer with the 7821 Composite Group, been the single intelligence operation in the past few years that has been able to give the US Air Forces in Europe a timely and accurate picture of the activities of the Soviet Air Forces which

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are in a position to take immediate tactical action in Western Europe. This aspect of RUSTY operations has been technically equipped and logistically supported in a somewhat spectacular fashion by the US Air Forces in Europe. Only in the autumn of 1948, however, did the operation reach any kind of operational maturity. At this point the Army Security Agency informed the 7821 Composite Group that this activity was an infringement on the exclusive position of ASA in this field and in November 1948 directed them to cease operation. The Air Forces in Europe responded by sending an officer to make representation in Washington and by temporarily cutting off their support of the operation. To circumvent the ASA directive the local Air Force representatives took that segment of RUSTY engaged in this activity and nominally detached it from RUSTY and put it back into operation as an Air Force Intelligence Operation. Actually the DF-ing and monitoring activities remain an integral part of RUSTY and the present arrangement merely ensures that the Army officers involved can disclaim responsibility should ASA push its case. In the meantime the USAFE G-2 is again obtaining the results of the RUSTY Signal Intelligence effort. The real issue involved here is whether ASA, which undoubtedly furnished adequate signal intelligence of a strategic nature, is willing to go back into the business of furnishing the Air Forces in Europe with timely tactical intelligence obtained from the tactical traffic of the Soviet Air Forces. RUSTY cryptanalysis activities is limited to the tactical traffic of the Soviet and Ground Forces and a limited amount of traffic from Soviet MVD units. For this purpose RUSTY has secured the services of former German signal intelligence technicians who have had years of experience in analyzing Soviet tactical codes. The US Army Signal Corps Captain who supervises RUSTY signal operations states that the Soviet tactical nets are highly insecure, employ extremely simple codes which permit the deciphering of their messages in a matter of minutes and that the greatest loss of time occurs in the evaluation of the deciphered traffic and in the transmission of the resulting intelligence to USAFE Headquarters in WIESBADEN.

4. RUSTY maintains DF crews and equipment in the areas of BREMEN, FRANKFURT and Chiem See in Southern Bavaria. DF-ing stations are netted by Signal Corps radios with the net control station established at CHIEM SEE in November 1948. The only monitoring station also is situated at CHIEM SEE which is ideally located from a technical point of view. This monitoring station obtains effective coverage of tactical transmissions within a 400-500 mile range which includes all of central Eastern Europe. The Air Forces have indicated that their signal intelligence obtained through monitoring in the BALTIC Region is provided for by other arrangements.

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5. A similar operation utilizing Austrian cryptanalysts and US equipment and operated by the US Forces in Austria is in no way connected or coordinated with the RUSTY signal intelligence operation. The USFA operation, like RUSTY, concentrates on local Soviet Air and Ground Force and MVD traffic. The future plans for the RUSTY operations include an increase of short-range DF-ing sets to be integrated with the present DF-ing net to increase its flexibility and effectiveness in controlling Soviet Armed Forces movements in the Soviet Zone. It is emphasized that the entire venture of RUSTY in the signal intelligence field is only in the closing months of 1948 reaching operational maturity.

6. For the operation of agent sets RUSTY has been well provided with TR-1s from the surplus wartime stocks of the OSS; however, the deficiencies of the set which are well known to us have also limited its employment by them since the RUSTY operation began. At present RUSTY has only two stations active behind the Iron Curtain other than the Soviet Zone of Germany. One of these sets is in the LEMBERG, Poland, area and the other in Slovakia. Other sets dispatched to Soviet occupied or controlled areas have come to disaster.

7. In 1947 the RUSTY communications staff developed a new agent set and presented it to the Intelligence Division EUCOM with a request that the set be put into production. Arrangements were completed in the spring of 1948 and a US Signal Corps officer was dispatched to the CS with the pilot model and a production order for 150 sets. These sets have been delivered to RUSTY, some modifications have been made locally, a limited number of operators have been trained in the use of the new sets and the first fifteen sets were sent into Soviet occupied or controlled areas during October and November; the first sets established communications early in December 1948 according to prearranged schedule.

8. A description and photographs of this agent set is attached to this report. One of the Army Signal Corps officers attached to the 7821 Composite Group reports that he has personally worked from Munich stations all over the USA with this set; the readability and signal strength of his transmissions were described as perfect (five by five in radio amateur jargon).

9. The RUSTY staff is obviously placing great hopes on this radio. It will, they believe, help to overcome the frequently voiced opinion that RUSTY reports are good but frequently appear to have been delayed too long in transmission.

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10. The present plan calls for placing agent sets at sensitive points along the ODER-NEISSE line and at all points where the Soviet RR gauge ends and the European gauge commences. In addition, they have a number of target areas throughout Eastern Europe which have been described as sensitive by the Evaluation Group. It will be several months before an accurate evaluation of their success in establishing agent sets behind the Iron Curtain can be made.

11. The recruitment and training of radio agents poses one of the most difficult problems. RUSTY is avoiding the use of operators with intelligence records, trained operators who were members of the German Army Signal Troops and amateur and commercial technicians. On the other hand, they concentrate recruiting efforts on radiomen who were crew members of aircraft and armored vehicles and became reasonably proficient as operators without ever becoming registered in existing records as an operator technician. RUSTY operates seven training points in the Western Zones of Germany; each of these is capable of training one operator at one time. The problem of getting a man out of the Soviet Zone or one of the Satellite Countries for radio training without blowing him at the outset is the most difficult aspect of training.

12. All transmissions to agent sets behind the Iron Curtain are controlled at central base stations under the immediate supervision of the Chief of the RUSTY Communications Section. No sub-organization possesses and controls its own agent radio communications.

13. The agent set described above is also being utilized in training and organizing the sleeping nets to be activated only in case of emergency. Thus far RUSTY has not considered water-proofing techniques necessary.

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The US Air Forces Interest In and Support of RUSTY

1. The US Air Forces have a twofold interest in the activities of RUSTY--a tactical interest on the part of the US Air Forces in Europe (USAFE) and a strategic interest on the part of the Director of Intelligence US Air Forces (Washington).

The US Air Forces in Europe (USAFE) is interested primarily in the tactical intelligence on the Soviet Air Forces in Germany and the satellites but receives copies of all RUSTY reports through their liaison officer with the 7821 Composite Group. This liaison officer has been with the group for a period of one year and exerts a strong influence on the air intelligence production of the entire project; through him the Air Forces have extended considerable support to RUSTY, particularly to those sections engaged in signal intelligence activities in the form of Signal and other technical supplies.

2. USAFE maintains that RUSTY monitoring and cryptoanalyzing Soviet Air Force radio traffic is only timely source of intelligence on tactical movement of Soviet Air in Central Europe and has thus given RUSTY strong support necessary to keep this element of RUSTY producing. The Army Security Agency has, at this time, not reconciled its views with those of Air Force on this particular aspect of RUSTY activity and the entire matter is currently under discussion while RUSTY signal intelligence, solely through Air Forces support, remains on the air.

3. The Director of Intelligence, US Air Force (Washington) receives a substantial contribution from RUSTY in the form of strategic intelligence in the form of target folders and studies on the concentration of key industrial and power complexes in the USSR. At present RUSTY is also examining the possibility of organizing evacuation and escape routes from USSR for use by US air personnel in event of war.

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TRAINING PROGRAM

1. The training school (107), directly subordinate to the leader of 7, and headed by a Mr. Körner, is located in Tegernsee. It was not organized in its present form until May 1948 due to difficulties in procuring adequate property. Consequently, a full and detailed course of instruction has been going on less than a year. There is an observably prevalent belief on the part of top RUSTY personnel, however, that even in this short time the school has materially improved methods of operations and security, and has already redeemed the majority of mistakes made earlier when total emphasis was on immediate production.

2. 107 is responsible for continual assessment of operational experiences and for re-casting these experiences into suitable teaching forms. It is conscientiously assisted in this respect by 7 and by the two Sub-headquarters of 7 (17 and 27), who pass to it full reports on all special operational cases, and provide it with detailed investigation reports on every case of a blown agent or agent chain. In addition, operational information extracted from reports, or produced as a result of PW interrogations and press analysis, are passed to 107 for incorporation into its training programs. Under 107 are three schools, one of which, physically contained within 107, is responsible for all training of Sub-Headquarters 17 personnel.

3. Schooling is tailored to the needs of the prospective student who has been previously selected by agreement between 7 and the appropriate Sub-headquarters. Prior to coming to the school, the student's reports for the preceding several months are forwarded for training analysis, along with appropriate recommendations for special training emphasis. At the same time, the school itself forwards to the student basic training material to be studied and worked on prior to entering the school. Wherever possible, the student is accompanied in the school by his immediate superior, and often by the instructor (see paragraph 8 below), in order to maintain and strengthen during the training period the personal relationship and confidence existing between the two. Only those students already known to, and professionally associated with one another, are trained together. Consequently, two is normally the maximum number of students trained together at any one time.

4. Originally the concept of training had emphasized agent training. Experience indicated, however, that this had to be changed to emphasize staff training from the Sub-headquarters level down, so that sound superior direction could be established and so that no subordinate would be more familiar with proper operational procedures than his superiors.

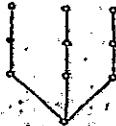
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5. A fundamental operational principle (which, judging by the considerable emphasis placed upon it, is somewhat foreign to past German intelligence experience) is that successful intelligence personnel must be led, rather than ordered. The school, therefore, not only teaches its concept of leadership, but also assesses all personnel passing through it for that quality.

6. The principle operational concept taught by the school rests upon the so-called Troika system:



This is emphasized as the ideal and guiding system to be followed in the construction of new chains. RUSTY, however, has the equally or more important task of improving the operational direction and security of already existing chains, a task which is considered both difficult and critical, since the school believes that mistakes once made in intelligence work can rarely be wiped out completely. Considerable training emphasis is therefore, devoted to the problem of re-shaping a poorly organized network as closely as possible into the ideal Troika form. The school teaches the use of such devices as letter boxes, couriers, cut-outs, etc., to neutralize such original mistakes as lateral communications, and to reduce the consequent security risks inherent in the chain concerned. In addition to these devices, the school teaches that every effort must be made to superimpose upon the least net independent channels for reports, for direction, and for supplies. Finally, all organizations are urged and required to set up emergency communications channels so that, in the event of an incident (compromise) the Agenturleiter can be promptly notified, and in turn can take prompt steps to secure the remainder of his chain. In the past year, one woman operative apparently has had to withdraw the chain head across the border into a friendly zone after he has established his net or series of nets; thereafter, communications, etc., are maintained by courier, radio, or by having, where possible, the lieutenants make periodic crossings to meet the chain head (Agenturleiter). The titles of charts used to illustrate these principles give a general clue as to the direction of this phase of the training: "Troika" (classic chain structure); "Führungsweg" (channels of direction); "Meldenweg" (report channels); "Versorgungsweg" (supply channels); "Sicherungsweg" (emergency communication channels); and "Wer kennt Wem" (who knows whom). Greatest emphasis is put upon the latter, and all Agenturleiter are required to have such a chart completed of all their chains and on hand so that they may see at a glance what measures must be taken to secure other members of a chain from a blown or arrested member.

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7. Training subjects also include reports procedures, personal security, personal and organizational cover, etc. Technical subjects, such as radio communications are taught at special schools set up under the direct supervision of the appropriate headquarters technical section.

8. While it is normally possible to bring all people in the U.S. Zones (or other friendly zones) to the schools for instruction, it is not always possible for personnel in enemy territory to come out for instruction. Each school therefore has assigned a roving instructor (Wuehlmann) to each of the Sub-headquarters and special Organizations. When necessary, this instructor crosses into enemy territory to give instructions to the chief lieutenants of the chains, and these in turn pass the training on down through their own command channels. Although RUSTY continues to put a priority on proper training, it is somewhat unhappy at the obvious security risks involved in this traveling instructor solution, since it means that the instructor becomes familiar with all the chief lieutenants by name and address. Therefore, whenever an instructor is sent across the border, special attention is given to his cover, documentation, and briefing. Nonetheless, the basic security hazard remains, and RUSTY to date has found no solution which satisfies both training needs and security requirements.

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~~TO GERMANY ONLY~~ LIAISON POLICY AND PROCEDURES

1. Liaison with other US agencies, with representatives of other governments and with German officials in Western Germany offers the US and German staffs one of its most vexing and far reaching problems.

2. In general, liaison with other US agencies in the occupied areas of Germany and Austria has been a function of the US element of the 7821 Composite Group. There appears to be general agreement among informed EUCOM Staff officers, and US-German Staff members that this responsibility has not, for various reasons, been satisfactorily discharged and that many of the difficulties and apparent inadequacies of the operation stem from this shortcoming. In theory, all local arrangements with Military Government officials for the housing, documentation and legalization of RUSTY personnel in all parts of the US, British Zones of Germany and Austria are a function of the US Staff. Further, this staff is expected to do all the staff work necessary to ensure the logistical support of the operation and to contact other US intelligence organizations in Germany and Austria for the necessary coordination of RUSTY operations. The fact that the US Element of the RUSTY Staff for a period of almost two years consisted of two officers appears to be one of the primary factors causing many of its apparent difficulties during the first two years of operation. Thus, at the beginning of 1948 RUSTY had established a generally unsatisfactory relationship with all other US agencies in the US Zone. Since that time there has been gradual improvements made; a great deal remains to be done and steps are now being taken to improve the general relationship of RUSTY particularly with other US intelligence organizations.

3. As US Military Government has become less active in controlling the affairs of local German government officials, the effectiveness of the US Staff in solving local housing and legalization problems for Germans working for RUSTY has rapidly declined. It is becoming increasingly apparent that in the near future the German members of RUSTY will have to settle these problems by direct contact with German officials. Foreseeing this, RUSTY leaders have made a decided effort to establish contacts in the German government, particularly in the police, at all levels. German leaders of RUSTY stress the fact that, in their opinion, commercial cover for part of their organization is the best solution for the future; however, without a representation in the German Bund and possibly local governments, they will not be able, as individuals, to conform to the numerous registration and documentation measures, now more complex than at any previous time in German history.

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4. Liaison with Foreign Governments and intelligence services is specifically prohibited by the basic operational directive to the 7821 Composite Group. With few exceptions, most of which are in connection with the Emergency Plan, RUSTY has not established liaison with foreign intelligence services. The German leader of RUSTY reports that they have no liaison with [] Services. A close liaison exists in the form of an old personal friendship between the German leader and the head of the [] police. RUSTY is in direct contact with the [] Intelligence Service through its representatives in []. This contact stems from the former relationship of [] and Admiral CANARIS who, according to Dr. SCHNEIDER, consistently influenced General [] not to enter the war. In repayment for his personal debt to CANARIS, [] has now offered haven and support to Frau Erika CANARIS and her two daughters; this gesture, according to Dr. SCHNEIDER, has no intelligence implication. RUSTY representative in [] is the ex-German Military Attache, General DOERR. The US Military Attache has been advised by letter from Colonel Schow of the true nature of DOERR's activities in []. DOERR has several other ex-abwehr officers with him. Communications to [] go through the [] diplomatic channels from []. [] Communications between RUSTY and the [] have thus far been limited to problems relating to the possible use of [] as a place of refuge for RUSTY in the event of war.

5. The only RUSTY contact with the [] for purposes of liaison is with a [] military intelligence representative in [] and his superior from the [] in []. Here the [] offered their assistance in connection with the Emergency Plan but suggested that CIA be advised of the connection.

6. The most recent contacts with the [] and [] occurred on 11 December 1948 when Colonel PHILIP, CO 7821 Composite Group, Captain Eric WALDMAN, a 7821 Composite Group field representative with RUSTY, and Dr. SCHNEIDER, German head of RUSTY, conferred with the US Military Attache in [] a high official of the [] Military Intelligence, the deputy to the [] Military Intelligence, the head of the [] Police and representatives of the [] in []. The purpose of this conference was to discuss various aspects of the RUSTY Emergency Plan. At least part of these people were met separately and socially during this trip and a variety of subjects of at least general intelligence interest were discussed. The protestations on this meeting that were made by our [] Station are thoroughly appreciated but it does not appear that this is a situation which can be dismissed with a simple statement that this is a clear-cut example of RUSTY transgressing in CIA ground. In the first place, the Army considered the contacting of representatives of Western European military forces for the purpose of discussing any aspect of military actions, including the movement

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of an army intelligence organization, to be taken in the event of war their clearly defined prerogative. They can, with some logic, include their trip [] to hold such discussions with the [] Military Intelligence in the general category of military planning for possible eventualities. On the other hand, the personal connections between Dr. SCHNEIDER and the [] Police, as well as the connections with the [] is a matter in which the CIA seems to be clearly defined. Had EUCOM acted appropriately in this instance, the Chief of Station, Karlsruhe, should have been advised by ODDI EUCOM of the visit through the existing liaison channels. The Chief of Station, [] could then have been properly advised. Failure to so advise the Chief of Station, [] of such matters obviously places him in a difficult position with the []

7. It appears that this unsatisfactory situation in [] and elsewhere stems primarily from organizational and personnel problems on the US side of the operation. The primary fault appears to be found in the fact that CIA has had no direct connection with the project.

8. The two commanding officers of the 7821 Composite Group who preceded Colonel PHILIPS were totally inexperienced in intelligence work and certainly were not conversant with the responsibilities of CIA vis-a-vis liaison with foreign intelligence services. Also, the past tenuous connection between RUSTY and ODDI in the form of staff supervision on operational matters has been insufficient to give the 7821 Composite Group the direction to have avoided such complications as the recent Swiss visit. The best solution appears to be in an attempt by CIA to adequately brief Colonel PHILIPS on such matters and then provide continuing liaison at his level.

9. Dr. SCHNEIDER gives impression of being well aware of the need for a close connection with CIA representations abroad and would probably welcome any move in this direction. Although he has probably furnished the suggestions on potential contacts to facilitate RUSTY activities in [] and elsewhere, the US element appears to fully participate in and fully sponsor all liaison contacts.

10. RUSTY couriers from Baltic ports go to [] via [] shipping; the [] ensure the RUSTY couriers safe movement through [] in return for copies of their reports. In order to develop their Baltic operations, RUSTY has decided to accept this offer and note on disseminated reports that [] has received the same report.

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11. A known operative of the Intelligence Service has been in Germany during the past year and attempted to develop contact with RUSTY. Because they feel that the is closely connected with the this approach has not been developed.

12. RUSTY has relied entirely upon the Office of the Deputy Director of Intelligence, EUCOM for liaison outside of the occupied areas except in the instances cited above.

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~~TO GERMANY ONLY PRESS ANALYSIS ACTIVITIES~~

1. The Press Section, a section of Evaluation (45), is located in an old castle ("Bustbin") located approximately 15 kms. north of Bad Nauheim. It was created in the Fall of 1947, but did not receive its real impetus towards fruitful production until the appointment in the Spring of 1948 of Mr. Merkur as head. Merkur is now assisted by a staff of six men, and in addition, a total of eight eastern language translators, living outside of Bustbin or employed in the Intelligence Collection Organization (7), are available upon need. There is a complete segregation from the local population who, because of the academic background of the staff of professional military, economic, political, and scientific analysts, believe that the Press Section is working for Military Government on political and scientific matters.

2. At present, the Press Section regularly uses approximately 100 newspapers from the following areas:

a. Iron Curtain Countries:

10 Soviet	6 Ukrainian
5 Yugoslav	18 Czech
28 Polish	11 Rumanian
7 Bulgarian	6 Baltic

b. Western Countries:

18 German, including 11 from the Soviet Zone
10 Austrian

c. Miscellaneous:

Services of 6 German press-clipping agencies
Occasional Arabian and Turkish newspapers, procured through Paris

The majority of the material used, particularly from the Iron Curtain countries, is provided by 7. Better and quicker coverage could be given were it possible to get the necessary newspapers and other periodical material through Military Attache channels.

3. The Press Section services include the following, primarily for the use of 45 and, to a lesser extent, for the use of 7:

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- a. Daily general summaries of the foreign and German press;
- b. Weekly military summaries;
- c. Condensed weekly (or ten-day) political and general summaries;
- d. Weekly economic summaries;
- e. Daily Soviet economic summaries;
- f. Monthly church, political, and press reviews for distribution throughout the organization;
- g. Individual press cuttings, not otherwise used, are distributed to interested sections in 7 and 45; and
- h. Press archives are maintained up to date.

4. Both 45 and 7 consider that the exact press analysis provided saves considerable funds in that it provides information otherwise obtainable only through operations. In this connection, the Press Section has found that press coverage of border areas is considerably more productive than press coverage of the USSR itself. The Section has also been found to be very useful in providing essential background material for proper evaluation of almost all reports, and in many cases, for the direction and evaluation of agents.

5. As examples of the above general remarks, 45 credits the Press Section with accurate reporting on 5 Divisions in Czechoslovakia together with detailed descriptions of military districts, as well with reporting on the complete structure of youth and other governmental organizations in Poland, as well as providing confirmation of the majority of military information obtained by operations in this area; and with providing complete details of draft registration, unit designations, and personalia of officers in the Yugoslav high command. In addition, the economic section considers essential the daily indications received from the Press Section of production and movement of raw material, percentages of fulfillment or non-fulfillment of finished production quotas, etc. Numerous operational details are also extracted, and have proved to be of benefit to the operations of 7. From time to time, 45 uses the greater portion of this incoming material to make a press report compilation for the U.S. office.

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6. At the moment, radio coverage is inadequate. Members of the Press Section attempt to listen to the morning, noon, and night newscasts, and A's Russian translator attempts partial coverage of Soviet broadcasts. The problem, however, is one of personnel, since adequate coverage means 24-hour coverage by experienced analysts.

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30 November 1948

Reflections on the Further Development of this Project

All reflections on the possible further development of this project must be based on the political foundation which supports it.

My assessment of the political situation is dominated by the following conceptions:

- (1) Ideologically, politically, economically, and militarily, the world is divided into two camps, which are engaged in a comprehensive intellectual, political, and economic struggle. The eastern camp incorporates the ideal of the absolute state, of collectivism, and irreligion and is based on a materialistic conception of mankind and the world. The western world clings to the conception of a democratic adjustment of the various political tendencies within the human community, it stands by individualism, which recognizes basic human rights, religious beliefs, predominantly Christian faith, but also those of other creeds. It furthermore embodies an idealistic conception of the true nature of man and the world. In the future, the vehemence of this struggle is certainly going to mount. It is hoped that war can be avoided, but that does not seem probable.
- (2) In this struggle, Germany is the no-man's land between East and West. By nature and tradition, the German belongs to the western camp. Since the German is not in a position to defend himself against the onrush of the eastern ideology without foreign help, the community of the western nations should be interested in Germany as an advance post in this world-wide struggle.
- (3) The epoch of national states, at least in its conventional sense, has been superseded by more comprehensive conceptions. A future Germany is only imaginable as an integrate part of a larger organism, which, in my opinion, is represented by the union of Western European states.
- (4) This union of Western European states, if it is to be a success and is to lead to a firm bloc capable of defending itself, will require the renunciation of a number of sovereign prerogatives in favor of a greater community. In the same way as the rehabilitation of Germany herself is only thinkable within the framework of a federated state, the future democratic Germany, if it is to have any permanence at all, is only imaginable as a component of a Western European union.

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- (5) This reintegration of Germany into the community of Western European states meets with numerous difficulties, partly because of her moral disqualification which goes back to the well-known events of the last decade, partly also because of the frequently divergent interests of the various European states themselves. From a long-range point of view, the US is, and must be, interested in a Germany which, as a member of the union of Western European states, is politically and economically strong enough to fulfill her mission as an outpost on the borderline, which divides East from West. By necessity, this situation makes the US, which is above the local conflicting interests of individual European states, a politically non-profiting friend of Germany.

The above considerations induced me, at the end of the war, to offer my cooperation and that of my co-workers as a contribution to the defense of western civilization against Communist-Soviet expansion. Our basic conception, which has been sanctioned by the American side, i.e., to contribute our share as a German organization in cooperation with and under the control of the competent American agencies, is based on the following two facts: First, we want ultimately to be in a position to justify this work with our own conscience; second, we do not want to be exposed to the reproach of having worked for foreign interests for material reasons only. On the other hand, seen from an American point of view, this conception alone offered the possibility of securing the best qualified Germans for cooperation in the interest of the US, a cooperation, which it would otherwise have been impossible to obtain.

Political ambitions and aims of any kind are far from both myself and the leading circles of this project. As a former German general, I pledged my word to General SIBERT that I would, at any time, assume full responsibility for this project vis-a-vis the US. Also in our quality as Germans, we are fully conscious of the fact that today more important things are at stake than our own country and that through our cooperation and our efforts, we have an opportunity of contributing to the atonement of those happenings which, in the eyes of the world gravely compromise our nation, although we, as individuals, may not be blamed for them. The seriousness of our intention is reflected in our work.

I would like to review the following ideas concerning the various possibilities of how to continue the activities of this project from the angle of the above voiced conceptions.

As to the present constellation, the new existing form of our organization has proved its practical and useful set-up. From a long-range point of view, it seems, however, advisable - both from the American and the German standpoint, to review the question of what status this project is to be given at the moment when Germany will again be established as a sovereign state with a government of its own. The eventuality of a Communist, eastern oriented Germany is not being considered in this connection, because in this case we would unanimously continue to fight such a Communist Germany, as we have done before. Therefore, only this situation will be considered, which sees Germany, or at least Western Germany, as part of the union of Western European nations.

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The following possibilities offer themselves:

- (1) If it should be desired on the side of the US, this project could be dissolved within a period of several months. I should pledge myself, loyally to take all the measures appropriate for such a step. However, I assume that such a solution will not be envisaged, since it is hardly probably that the existing tensions between East and West will considerably ease within the next ten years; rather we must fear that there will be a war. That all the members of this project, in such an eventuality, will fight or work on the side of the US; no matter in what form, need not be stressed here.
- (2) Conversion of this project into a purely American organization, which would continue its work on a purely American basis. This would necessitate a basic reorganization and the granting of American citizenship, respectively a claim thereto, to those key members of this project who are to be taken over, if they - on their side - should agree to such a solution. In this case, the efficiency of this project would presumably suffer due to the fact that not all the members of this project, particularly those working at lower levels, would be ready to continue on that basis.
- (3) Conversion of this project into a German, but American led and controlled Intelligence Service. Thus, it would be advisable to effect the organization of this service in such a way that a mixed German-American Intelligence Service is being established, which, under the cover of a German agency, would simultaneously work for American and German interests. In suggesting the possibility of such a solution, it is pre-supposed in concordance with the basic conceptions of this project, that the activities of this Intelligence Service will remain to be directed against the East and its satellites and will be restricted to this sphere only. This solution would simultaneously create the possibility of establishing a close political tie between the US and the envisaged democratic Germany. The key personnel of this project have cooperated with the US for three years, and in doing so, they have become familiar with her mentality and her fundamental interests. It can be assumed that all of them would be ready to make the cause of the US their own since in that way they were simultaneously serving Germany's true interests. They are bound to be in a position to act, in the most diversified fields, as mediators between the policies of the two nations and as promoters of a better understanding and appreciation of their mutual interests. Moreover, by taking this course, the US would secure herself a dominant position among the various Central European Intelligence Services, thus preventing a preponderance of the British IS in this field all over Europe.

It may be objected that in case of such a conversion of our project into a German IS, which at present is still a very distant possibility, also the other Western Allies, particularly Great Britain and France, would claim a share in its control. However, I am convinced that the US, in view of all

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her comprehensive political and economic policies for the survival of all the European nations, has a moral right to claim for herself the sole control of such a German IS, also in behalf of the above mentioned states. This seems all the more justified with regard to the considerable sums of money which the US has spent on the development of this instrument. But even if the over-all operations of this IS would have to be placed under a joint control of all the Western Allies, a solution which is not deemed desirable, the American interests would continue to prevail with the German members of this project, for there is nothing that binds so closely as a prolonged period of common work and a series of common successes, based on the same ideals.

/s/ SCHNEIDER

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