

34. Memorandum to Helms, "American Intelligence Network," with attachment, 18 March 1947

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~~TO GERMANY ONLY~~

[]
18 March 1947

TO: []
FROM: []

REMARKS- Subject : American Intelligence Network.
Att'n : Richard D. Helms

1. The attached report was forwarded to me by a personal friend who is presently in charge of a sub-regional CIC Detachment in Germany.

2. The report was undoubtedly forwarded to me as the C.O. of the CIC Det. possibly thought that this network might be one operated by our organization.

3. Inasmuch as the subject matter of the report, is of a rather delicate nature, I am forwarding it on for you to take whatever action you might deem necessary.

4. To my knowledge the attached report has not been forwarded to any other channels.

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Attached : 1 Memorandum, Subject: American Intelligence Network.

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25 January 1947

MEMORANDUM FOR THE OFFICER IN CHARGE;

SUBJECT: AMERICAN INTELLIGENCE NETWORK

1. In August 1946 this Headquarters first became acquainted with an organization which has come to be known as Operation RUSTY. This organization - an espionage network established under the auspices of G-2 USFET to penetrate and observe Russian activities in areas under Russian control - was discovered by clandestine observation of a group of Germans who actually seemed engaged in subversive activities against American forces. After prolonged surveillance which finally resulted in the arrest and interrogation of some of the individuals involved, Agents of this organization discovered they were dealing with Germans and DP's in the hire of a special section of G-2 USFET. These persons were charged with the specific job of conducting offensive espionage operations against the Russians and Russian satellite countries.

2. The fact that Americans are conducting espionage against the Russians is firmly indorsed by this Headquarters; the fact that this espionage is being run by inexperienced amateurs is most certainly not. The activities and control of this espionage organization are such that it not only constitutes a source of serious embarrassment to the Theater Commander but also places the government of the United States in a precarious international position. It is pointed out that this offensive espionage network was introduced in the American Zone of Germany by the Military Intelligence Service Center without any prior coordination with on-the-ground intelligence agencies. The ex-enemy nationals and Displaced Persons serving MISG worked loosely in all directions, arousing the suspicion of OIC field personnel for some time before the real pattern became apparent and a partial explanation of the program was forthcoming from USFET. It is believed that the following case histories will paint the picture:

a. In the middle of August 1946, Leo NIERHAUS, a German civilian, was reported to OIC as attempting to recruit intelligence operatives and collecting information along US-Russian Demarcation Line. NIERHAUS stated he was interested in contacting reliable former German officers, and, if necessary, could bring about the release of PWs and SS internees. Two letters from NIERHAUS to a friend were intercepted by OIC; NIERHAUS' residence was searched. The search yielded maps of the Russian and Czech border areas, overlay paper, a folder containing intelligence notes on conditions in Czechoslovakia and the Russian Zone and a document written in German entitled "Instructions to Section Leaders" giving complete MEIs for use of

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~~TO GERMANY ONLY~~

American Intelligence Network (CON) (S)

25 Jan 47

the Agents working for him. One sentence of the HBI document was: "The ideals for which we strive must be placed higher than all material gains, regardless whether we have the approval of the authorities in power or not." When questioned, NIERHAUS was extremely reluctant to give information about his activities. He finally asserted he received the money, cigarettes, overlay papers and HBI document from one Alexander SOEMIDTLEIN of NURNBERG, Germany, whom he was assisting in doing intelligence work for the Americans. Subsequently contacted and questioned, SOEMIDTLEIN admitted with much hesitation his role in the organization. SOEMIDTLEIN asserted he was recruited for the American intelligence agency by one Robert HENGL, who introduced him to an American Captain named Eric WALDMAN. Captain WALDMAN assigned SOEMIDTLEIN to the task of collecting information from the Russian Zone and Czechoslovakia; to accomplish this SOEMIDTLEIN was authorized to recruit and dispatch agents outside the US Zone. For his own use, SOEMIDTLEIN was given a letter by Captain WALDMAN certifying that he was connected with USFET as a Liaison Deputy for citizens of Argentina and a letter of introduction addressed to German City officials of NURNBERG, signed by Lt. Col. CALLEDOT, Director of Military Government, NURNBERG. SOEMIDTLEIN stated he had refused any salary for his work, but received money and supplies from FRANKFURT for his Agents. His reports are sent to FRANKFURT by a German courier who appears periodically and also brings him his instructions and assignments. NIERHAUS joined the German Army in 1934, became an officer in 1943 and attained the rank of Captain in 1944; he saw service on the Russian front and has a brother who was an SS Obersturmfuehrer, although NIERHAUS disclaimed any NSDAP connections. SOEMIDTLEIN was a Sonderfuehrer I, with Heeresgruppe Mitte. HENGL did liaison work as a Sonderfuehrer Z during the war and was attached to a regiment of VLASSOV's Army stationed in BOBUIISK, Russia. SOEMIDTLEIN and HENGL met in 1943 during the war. (AGENT'S NOTE: When this investigation was culminated, this Headquarters forwarded the report to USFET with the observations:

- (1) Lack of coordination by the Agency responsible for this so-called German Intelligence Organization working for the Americans has resulted in the loss of many manhours by competent CIO agents who devoted time and energy to tracking down leads on suspicious moves of Germans believed involved in subversive activities.
- (2) It would have been only common courtesy for the Captain WALDMAN to have notified this Headquarters he was interrogating refugees in this Zonal border area. It has been only by a stroke of luck that such an uncoordinated project has not compromised other important operations in this area.
- (3) When briefed for their mission, some of these German agents are specifically instructed not to divulge any of their operations to CIO. This not only plants seeds of distrust in the minds of the individuals so instructed but it places legitimate intelligence agencies in the position of appearing to be working at cross purposes.

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~~TO GERMANY ONLY~~

~~SECRET/RELEASE~~

~~TO GERMANY ONLY~~

American Intelligence Network (Cont'd)

25 Jan 47

(4) Footnotes of the EEI exhibit states: "Read, Remember and Destroy at Once!" The fact that it is an exhibit with this report obviates any need for comment on the manner in which this order was observed.

(5) If these German agents with questionable political backgrounds are compromised by OIG, it is highly likely that the Russians and Czechs also can learn of such an explosive-laden operation.

(6) It is further pointed out that prospective agents for this operation were approached indiscriminately and fully informed in general terms of the purpose of the organization. Such wild approaches unquestionably compromise the technique and purpose of many highly classified legitimate intelligence operations.

(7) While the uncovering of this suspicious activity by OIG is considered a compliment to Field Agents, it is the opinion of this Headquarters that the investigation will have been in vain unless:

- a. Such projects are coordinated with all interested Agencies in the future.
- b. Competent authorities supervise such important, long-range projects.
- c. Operational technique be so perfect that such a delicate operation cannot be compromised by mere interrogation.)

b. By the end of August 1946, another of these agents -- Gerhard GAMRAL -- found himself under investigation by OIG. He was found to be in possession of a 19-page set of EEIs which outlined in detail the target technique to be employed by Agents in this supposed American Army-supervised espionage by Germans. These instructions were so complete they stated such details as this: "We must penetrate Red Army Units; it should therefore be strived for to get as soon as possible a picture of Red Army units, their weapons, morale and supply depots and subsequent reports. The Red Army, in as short a period of time as possible, must be revealed to us like an open book". In its indorsement forwarding the GAMRAL report to USFET, this Headquarters commented:

(1) These instructions, it is emphasized again, have been issued to German Agents -- usually former German Army officers falling in Automatic Arrest categories. These instructions carry the notation: "WITHOUT ACKNOWLEDGEMENT, DESTROY -- THEN TRANSMIT ORALLY". Despite this order, German agents interrogated by OIG have been found in possession of these highly explosive -- from a political viewpoint -- instructions. It is not too far fetched to assume that Soviet Intelligence Agencies can come into possession of these EEIs if OIG can ferret them out.

~~SECRET/RELEASE~~

~~TO GERMANY ONLY~~

34. (Continued)

~~SECRET/RELEASE~~
~~TO GERMANY ONLY~~

American Intelligence Network (S-1111) 26 Jan 47

c. Meantime, USFET had published a directive for OIG in the field outlining a code-word arrangement whereby these German intelligence operatives were to call for a OIG agent, speak a code word and thus gain release from ordinary law restraints to permit them to pursue their mission.

d. These German agents continued to be arrested on such charges as illegal border crossing, suspected black marketing, etc. One time one of the leaders of a group of operatives visited this Headquarters to expedite the release of three of his men held in jail. As his cover he presented a letter, as reproduced below:

HEADQUARTERS
UNITED STATES FORCES EUROPEAN THEATER
APO 757

23 August 1946

CERTIFICATE

TO: Whom it May concern

This is to certify that the German civilian Mr. SIEGFRID UNGERMANN, Georgenstr. 28, MUNICH, connected with this Headquarters, is engaged in transportation business.

It is, therefore, requested that Mr. UNGERMANN be given any assistance needed to accomplish his mission.

This certificate is valid until 30 January 1947.

Any questions should be referred to Captain WALDMAN, Tel. FRANKFURT 2-2685 Ext. 113.

/s/ Eric Waldman
ERIO WALDMAN
O-1182990
Captain JA
c/o, Special Project

(The deficiencies of this so-called "cover-letter" are so obvious as to render further comment ridiculous.)

e. The story of experiences other American military units in the field have reported is capsuled in this letter:

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34. (Continued)

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~~TO GERMANY ONLY~~

American Intelligence Network

25 Jan 47

HEADQUARTERS
28TH CONSTABULARY SQUADRON
APO 179 US ARMY

22 January 1947

SUBJECT: TIB Liaison Agents

TO: Hq. United States Forces Theater
Technical Intelligence Branch
(Attn: Lt. Col. RICHARD R. CLARK)

1. There are operating in the town of Hof and Hof Landkreis three (3) German civilians by name of Rolf Reithmayer, Kurt Hoak, J. N. Niggemann, of whom the man N. Niggemann is said to be in charge.

2. By loose talk these people have lost whatever value they may have had to the United States Army in this area. They are known generally as being agents and by my informers are said to have made such statements as "they are here to supervise or check the activity of Jewish CIO Agents."

3. It is assumed that you have knowledge of their black market activities, but their boasting of their agent status has become a matter for town gossip.

4. This officer trusts that these people will be withdrawn at an early date and if replaced, closer briefing be given to operators in Hof Landkreis and/or Landkreis Bahau. These 2 Landkreises are rather "hot spots."

/s/ Andrew G. Russell Jr.
/t/ ANDREW G. RUSSELL, JR.
Major, 28th Con. Sq.
Provost Marshal

1. On 21 December 1946, one Herr SCHULTZ-WEISSNER reported to this Headquarters and stated he was the Commanding Officer of a region similar to this one. His superior, he said, was a Lt. Col. CLARK, assisted by a Capt. BROWN. He had been told by these two officers to report to this Headquarters, tell CIO "everything he was doing" and correspondingly receive a review of everything CIO was doing. He further stated this exchange of information would take place weekly and that he knew he could depend on CIO cooperation. SCHULTZ-WEISSNER was told in no uncertain terms that he was unknown to CIO, that CIO was not accustomed to giving information to Germans. Also on 21 December 1946 there appeared at Regional and Sub-Regional Headquarters no less than nine individuals; they varied from Automatic Arrest types to Russian DP's. Their common story was that they had been sent by a Mr. SHOKALSKI of PASSING to CIO to receive instructions.

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~~SECRET/RELEASE~~
~~TO GERMANY ONLY~~

25 Jan 47

American Intelligence Network (Continued)

All had new Kennkarte and cover stories about as concealing as a fish net. No instructions were given to these individuals, but the entire Saturday afternoon of 21 December was spent by this Headquarters trying to contact either the mythical Col. OLARK or the equally ethereal Capt. BROWN for illumination. The OLARK-BROWN telephone was not answered. Informed that this Headquarters was not accustomed to receiving instructions from Col. OLARK or Capt. BROWN and that it had received no prior notice or information from either office, the individuals were encouraged to return home. All nine were much surprised and hurt because they had made long journeys to report to CIO for instructions. They could not understand how CIO could be so confused and inefficient. Further, they could not understand the apparent inefficiency of their own organization being run by Col. OLARK. They had the feeling American Intelligence was confused, uncoordinated and inefficient and that CIO was equally blundering and uninformed. This Headquarters particularly desires that the CIO not be unfavorably presented and reflected in anyone's eyes -- especially those of Germans or other Europeans.

e. In December 1946 one Herr BRANDIS, supposed to be a former officer of the German intelligence service, stated to Herr KOLB that the organization is mostly interested in matters of Counter Intelligence value such as relationships between the KPD in the US Zone and the SED, illegal border crossing of members of the Communist Party and surveillance and penetration of the KPD in the US Zone. These three functions, it is pointed out, has been assigned to the 970th CIO Detachment in the US Zone of Germany. It is obvious that no two organizations of such totally diverse nature as CIO and the G-2 collection of refugees from internment camps can be working on the same job at the same time. This Headquarters is particularly anxious to determine why none of the CI information garnered by these agents has been disseminated to CI in the field.

h. It is pointed out that of the nine men who appeared at this Headquarters on 21 December, every one of them had the name of the Regional Commander and his title. Some had the names of Sub-Regional Commanders. One also possessed a diagram of this CIO Region. His organization knowledge of the Region was virtually complete. Considering the abandon with which these agents handled BEIs (see paragraphs 2a and b above), it is considered highly likely that these CIO organizational facts could well fall into the possession of the wrong people.

3. Agents' Notes: Specifically, this Headquarters registers the following complaints:

a. It would appear that the entire operation is supervised by American personnel lacking experience in the direction of such a far-flung and potentially dangerous network. Any important incident involving these field agents might easily precipitate a top-level international dispute.

~~SECRET/RELEASE~~
~~TO GERMANY ONLY~~

~~SECRET/RELEASE~~

American Intelligence Network (Cont'd) ~~TO GERMANY ONLY~~ 25 Jan 47

b. While it is possible that the American personnel running the operation may have stringent and satisfactory control over the top three or four individuals in the network, it is obvious that insufficient control is exercised over field agents. It is the understanding of this Headquarters that the network is built on a cell system, with three or four top agents having three or four agents working for them, and three or four agents working for them, and so on down the line until the organization runs into the thousands of men.

c. These agents carry documents which compromise not only the personnel of legitimate American military intelligence agencies but, more importantly, compromise the targets and techniques of American intelligence agencies. Their REIs, for example, contain more intelligence information than a normal report of investigation. As a result, when carried into the Russian Zone, these REIs could enable the Russians to learn just what we know and what we are interested in. It is a known fact that these REIs have been carried into Russian Occupied territory.

d. The existence of this organization, while not widely known, has nevertheless been reported to this Headquarters by various German sources. That such reporting has been possible is explained by the open-handed recruiting methods which German agents of this organization use; e.g., they will meet another German on the street, offer to employ him for this intelligence work, outline the purpose and ask him if he is interested. In the event he replies in the negative, he still has received a great deal of pertinent information.

e. Cover of these agents is inadequate and poorly rehearsed. (See paragraphs 2d and f above). Primary requisite of such an organization is, of necessity, meticulous cover and documentation.

f. Lack of coordination with legitimate field intelligence agencies such as GIC. An astonishing number of man-hours have been wasted by GIC Agents who have pursued what they considered to be leads on possibly subversive individuals, only to learn that they were on the trail of suspicious-acting NISO agents doing the same thing GIC is doing — searching for information. This lack of coordination also extends to the realm of dissemination of information obtained by the vast network of German agents. In at least one instance, this Headquarters obtained more information sought in a highly-classified GIC project through interrogation of a suspicious-acting NISO agent than it had been able to obtain through field activity of its own. Yet this information had not been previously reported to any agency.

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