

Authority NNJ003021
 By MBNARA Date 06/05/02

65. Chief of Station, Karlsruhe to Chief, FBM, "RUSTY," 15 October 1948

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TO : Chief, Foreign Branch "M" DATE: 15 October 1948
 FROM : Chief of Station, Karlsruhe
 SUBJECT: GENERAL -
 SPECIFIC - RUSTY

1. Prior to Mr. arrival. I reviewed our complete RUSTY file and discussed the problem with We concluded that for the time being, RUSTY has a future with the Army, that it should be carefully watched and reported upon, and that we should pay particular attention to its attempts to become the official German intelligence service. These aspects of the operation were broached to Mr. upon his arrival, and our most recent reports, including Munich's verbal report that RUSTY is making enormous headway in penetrating the German Land Governments, were brought to his attention. Mr. instructed us to begin our observation work.
2. During our discussion of RUSTY with Colonel Schow and General Walsh on the succeeding day, Mr. was asked whether we were assisting in their "sniping" attempts. He answered that we certainly were not in that business. Mr. explained the substance of a letter he had sent to General Chamberlain to the apparent relief of both Walsh and Schow. I asked how they considered RUSTY's chances as a future German intelligence service. Walsh dodged the issue by saying that most of the boys wanted to live elsewhere in the world, whereas Schow admitted that if a German military establishment were ever permitted, RUSTY would make every attempt to associate itself with it. I pointed out that this might not be too easy politically, since RUSTY is widely known among German politicians, many of whom are adverse to it, and since the will undoubtedly sponsor their own German intelligence service - possibly something growing out of the present SPD Ost Bureau.
3. Once again we discussed the question of passing information to the Intelligence Division regarding security hazards or derogatory reports having to do with RUSTY. It was agreed that all material of this nature would come to me and I would pass it to Colonel Schow. I

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believe that Mr. [] may wish to have other Stations informed of this procedure; therefore, it is suggested that you bring this to his attention.

4. With these points in mind, I recommended to Mr. [] that we consider making an arrangement with the Army whereby we would again be permitted to study RUSTY and on the basis of our findings, decide whether we should take it, or any part of it, over. Mr. [] suggested that I refer this to you in a memorandum, giving my reasons in detail. He also told me to report our discussions to Mr. []

5. When Mr. [] and I went up to Frankfurt, we were immediately confronted by General Walsh with the RUSTY problem. According to General Walsh, the bad news had finally come through, and he had been instructed to cut the operation, preserving only those parts which had to do with the production of "order of battle" information. He appealed to [] for help and [] agreed to finance RUSTY for a limited period of time, while our Organization examined those parts of it which the Army could not afford to keep. Mr. [] stated []

to which neither Walsh nor Schow made any objection. Colonel Schow asked that Mr. [] appoint someone to be in charge of RUSTY and Mr. [] turned him down.

6. The discussion of RUSTY was not carried beyond this point. I gather that Mr. [] intends to think the matter over in Washington, to consult with the Staff there, and to direct any further moves. I have advised the Munich Station to assemble materials on RUSTY from overt and easily accessible sources, but will await word from you before negotiating further with the Army.

7. In view of the size of the problem, I recommend that our Munich Base be instructed to ~~take over~~ the examination of RUSTY on the ground, that one GIS specialist and one RIS specialist, at least, be put on TDY to Munich to assist in the examination, and that the results of the examination be ~~examined~~ ^{reviewed} here in Germany with responsible Washington officials participating. It is too early to discuss or plan the means of control to be exercised over those parts of RUSTY which we might wish to acquire.

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