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Authority NNJ003021  
By MBNARA Date 06/05/02

84. [Critchfield] to Chief, FBM, "Letter to General Hall," with enclosures, 10 February 1949

OFFICIAL DISPATCH  
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23/2

VIA: AIR TO GERMANY ONLY [ ]  
SPECIFY AIR OR SEA POUCH

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TO : Chief, FBM  
FROM : Chief of Station, ~~Frankfurt~~  
SUBJECT: GENERAL - [ ]  
SPECIFIC - Letter to General Hall

DATE: 10 February 1949

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1. On 7 February 1949 Dr. Schneider handed the two copies of the attached letter to [ ] Schneider indicated that he hoped one of the copies would reach Colonel Bromley; this is a carry over from the early days of the Rusty investigation. I did not feel it was necessary to inform Schneider that it would be quite impossible for me to be the vehicle by which an unofficial copy of a letter to General Hall from him found its way into the hands of the Intelligence Division in Washington. The original, in several copies, was handed to Col. Philip to be delivered to General Hall.

2. That Dr. Schneider has taken an irrevocable step is clearly apparent in reading the text of the inclosed letter addressed to Gen. Hall. I feel that comment is unnecessary. The letter, with its inclosures, does furnish considerable background and insight into the complexity of the entire problem.

3. Philip is currently ill (whether it is the flu or his assignment is debatable) and has thus far been unable to deliver the letter to Colonel Schow for transmission to General Hall.

4. I stopped in on Philip a few days ago while he was ill; during the course of our conversation an opportunity presented itself to cite the undesirability of throwing around loose references to our organization, its personalities and its activities. I am hopeful that the idea took root; he assured me that he had been thinking about launching a campaign to improve the appreciation of his staff for such matters.

5. A photostatic copy of this letter has been added to the Rusty file in Munich.

Distribution:  
2 - FBM w/2 Incls.  
11 - COS - -  
1 - File w/1 Incl.

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Engr. Repr. Plant - 20 - Oct 47 - 266

*As this has come into our hands completely unoffically, we are that it should be used in discussion with the Dept of Army*

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84. (Continued)

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~~TO GERMANY ONLY~~

5 February 1949

Dear General Hall,

I am very sorry that our present situation, which is the result of a long-time development, forces me to ask for your immediate help.

After long considerations, I presented a letter to Col. PHILIP on 3 February 1949 (Inclosure 1), requesting immediate action concerning two fundamental requirements which are absolutely necessary for the continuation of our work.

I came to the conclusion that it is absolutely impossible to continue my work under the present circumstances. Therefore, I request that either immediate steps are taken by Intelligence Division, EUCOM, to give our operation the necessary support. Otherwise, I shall resign from my position and dissolve the entire organization.

I am quite sure that you will realize that I did not arrive easily at this conclusion, which would bring an end to an important project which is of great consequence for the US Intelligence as well as for our common interest in fighting the Communist danger from the East. However, if any operation like ours does not obtain the absolute minimum of essential support, it cannot be expected from me to continue my work.

In the following, I wish to give you more detailed information concerning the lack of support our operation receives from the American side.

I do not believe that it is necessary to go into details about our basic conception, which prompted me to build up in mutual interest an organization, which is working with the United States against the Soviet Union. It was possible for me to build up this organization with extremely small means allotted to us and to gather around me the best experts Germany has in the field only because I could stress to my co-workers that we are not working for another country, but that we are working with the United States against our common enemy.

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For your complete information, I attach a short history of our operation (Inclosure 2). From it you will see that in a relatively short period of time, I was able to organize our project in such a manner that we are able to produce a considerable part of the US Intelligence in Europe.

This we did in spite of the fact that the support received from the American side was extremely limited. I realize that American Military Intelligence is relatively young, and I had hope that in the course of time our support would increase and, thereby, guarantee the effectiveness and efficiency of our organization. This development, however, did not take place. In the contrary, our difficulties and lack of understanding by Intelligence Division, EUCOM, increased to such an extent that I decided to resign from my position, if not an immediate change will take place.

In the beginning, Lt. Col. DEANE was in charge of this project, and the only officer assigned to him was Capt. WALDMAN. It was only possible to build up this organization because these two officers worked day and night and a complete confidence on both sides prevailed. There was never any question in anybody's mind that these two officers did everything possible to assist the operation and, vice versa, I believe that these two officers never doubted for one moment the sincerity, honesty, and good intentions of my organization.

As soon as Col. LIEBEL replaced Col. DEANE, the situation changed considerably. Col. LIEBEL, who lacked any operational experience, hindered the development of our operation by his actions and, even worse, misrepresented our intentions and activities to higher headquarters. Within a few months, I realized that it would be impossible to work with Col. LIEBEL. Through Major ALLEN and Major STRONG, both of Operations Branch, EUCOM, I informed Intelligence Division that a change of the Commanding Officer is absolutely necessary. No steps were taken by Intelligence Division, EUCOM. I finally wrote a letter to General WALSH on 9 June 1948 (Inclosure 3). No immediate action was taken. I considered already at this time to resign from my position, when suddenly in September, due to a criminal case (Lt. KESTLINGER), finally Col. LIEBEL was transferred.

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84. (Continued)

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Certain problems within our organization were immediately solved after the departure of Col. LIEBEL, however, I never will understand why it was possible to keep an officer in charge of this operation for so long, who did everything possible to ruin our operation. I never will understand why Intelligence Division, EUCOM, took no action for so many months, in spite of the fact that I clearly stated to them the difficulties we encountered through Col. LIEBEL.

I wish to continue to speak about the personnel problem. It is very obvious that this operation needed more experienced US Intelligence officers. However, with the exception of the new Commanding Officer, Col. PHILP, whom we know for several years, and Major WALKER, Capt. WALDMAN, Capt. RICHARDSON, and Capt. REDDIN, no Intelligence personnel with experience in agent operations or special background was assigned to this operation. We received a number of officers who are absolutely unfit to work with an Intelligence operation of our kind. They do not possess any Intelligence experience, have no knowledge of the native language or of German mentality, and also partly do not have the right attitude toward the organization. Not only that they are not able to give the necessary support to the operation because of lack of knowledge, they are partly also hurting the operation by starting mutual distrust and lack of confidence.

As you already know, we are just about to lose two of operational experienced officers, and I also will never understand why, for instance, Capt. WALDMAN was transferred without first sending a replacement who could have been briefed and oriented by him prior to his departure. I cannot believe that Intelligence Division, EUCOM, was not able to do that. It proves to me the complete lack of understanding of our requirements, particularly in the personnel policy, and at the same time, I can assure you that at the present situation, we are not capable to work without experienced American Intelligence officers. Therefore, I am requesting a definite change in the US personnel policy as far as our project is concerned.

Anybody who is experienced in our operational Intelligence work knows that planning is a very essential part of the operation. Planning is based on the requirements

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and also on the funds given to the operation. It was absolutely impossible for me to obtain from the American side a definite statement concerning the funds allotted to this operation in time, i.e., 3 - 6 months ahead. Repeatedly, I pointed out in memorandums and discussions that the operation cannot continue on its present scale, if the funds were not increased. I also clearly stated that, if the funds are not increased and we have to continue to work with the amount we receive at present, we can do so, but would have to reduce the overall organization. However, I was told again and again not to cut down the operation because additional funds would be made available.

All this brought me into great difficulties with the organization, and due to the fact that finally on 3 February I was told that we cannot figure with additional funds, I asked Col. PHILIP for his agreement to a great reduction of the field organization.

The lack of support from the American side in many other fields I can also explain only by the fact that our requirements for work are not understood. Inclosed is a list of examples to illustrate to you why it is impossible for us to continue our work without making a radical change in the policy of US support for this organization (Inclosure 4).

As far as I am concerned, I am convinced that a direction and control of this organization by Intelligence Division, EUCOM, is absolutely impossible. With the exception of a very small number of officers from the Intelligence Division, EUCOM, I am convinced that the majority of the officers also at that headquarters have no operational Intelligence background and, therefore, are in no position to take decisions concerning the activities of our operation. Therefore, I propose that an immediate change be made in the subordination of this organization. I propose that this organization be placed directly under a headquarters dealing with our kind of undercover operations. A solution should be found, which assures the fulfillment of the requirements of EUCOM. In case you are of the opinion that such a change is impossible, I would appreciate if you would inform me, because then I am forced to execute the dissolution of our organization according to the proposals forwarded.

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I am very sorry that the development took such a turn, but I am also convinced that I cannot take the responsibility for the future work to be continued under the prevailing conditions. It is impossible to concentrate on the planning and execution of our mission while facing continuously the obstacles artificially created by lack of understanding.

Under no circumstances would I wish to create a wrong impression of my decision not to continue working unless the present conditions are changed. I shall always remain loyal to our mutual cause. However, nobody can expect from me to do a job without providing me with the basic requirements for our work.

By closing this letter, let me stress again, Sir, that I am regretting deeply the development, and also that I have to ask you for your personal help. Both of your visits here showed me the personal understanding you have for us and our problems. The confidence of all of us in you gives me the hope, that by your personal action the matter might still be brought to a good conclusion, and to find a solution which will fulfill the basic requirements for our work in the interest of our mutual cause.

Sincerely yours,

*R. Schneider*

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- Incl. 1a - Copy of Memorandum to Col. PHILP concerning the Dissolution of the Organization, dated 2 February 1949.
- 1b - Copy of Memorandum to Col. PHILP, dated 24 January 1949.
- 1c - Copy of Memorandum to Col. SOROW, dated 13 September 1948.
- Incl. 2 - Origin and Development of the Organization.
- Incl. 3 - Copy of Memorandum to General WALSH, dated 9 June 1948.
- Incl. 4 - Examples to illustrate the lack of US support for this project.

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84. (Continued)

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2 February 1949

Copy of a Memorandum Forwarded to Col. PHILP  
on 2 February 1949.

I. There are two basic requirements which are needed from the American side:

- (1) We have to know early enough in advance, what financial means are available per month. Otherwise, it is impossible to do the necessary planning and to decide in time about the necessary dispositions for the operation.
- (2) To have a good personnel policy with regard to the assignment of Army officers to our operation. It is impossible to run a hospital without experienced doctors. So it is impossible to run an intelligence operation without officers with the necessary background and with operational experience. The only officers with good or some operational experience are Major WALKER, Capt. WALDMAN, Lt. RICHARDSON. They are supposed to leave; one immediately, the others in a relatively short time. The rest of the officers of the unit - total 4 - are without any background and any experience, with the exception of Capt. HEDDIN in the communications field. In the case of some of these officers, the lack of experience results in an absolutely wrong attitude towards the operation. This again causes disunity and distrust on both sides.

II. For months I am asking now for clearness concerning the financial means, which are available for the operation in the future. I stressed that it is not the point to have more money. The point is to have clearness. Even if we do not get more money, I am satisfied; but then I have to cut down the organization for about 40%, since the dollar dropped about 40% in value, as I forecasted. Every time I was told not to cut down, because our funds would be increased.

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Since summer 1946 I was asking for the support by a sufficient number of American officers with the necessary background and experience. Up to now, this request was never fulfilled, not even in the utmost limit required for our work. In the contrary, the few experienced officers we have are being transferred - a fact nobody here or in the field will understand.

- III. I come to the conclusion that I cannot take the responsibility for the operation neither toward the American nor the German side, unless measures are taken immediately to fulfill these requirements mentioned above. If not, I have to resign from my position. I know that the leading personnel in the operational headquarters as well as in the field will not be willing to continue their work in such a case. Therefore, I will present a plan for dissolving the organization over a period of several months. I assured General SIBERT of our loyalty. Therefore, the dissolution will be carried out in such a way that the American political interests will not be hurt.

Our political conception regarding the cooperation with the United States did not change. Therefore, I regret very much that I have to make this decision. Anybody who was in charge of large intelligence operations must agree that under these conditions which we are experiencing, it is impossible to work. If these conditions will not be changed, I am not willing to lose my reputation by working without the necessary support and the fundamental backing.

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84. (Continued)

~~SECRET/RELEASE~~  
C O P Y ~~TO GERMANY ONLY~~

24 January 1949

Dear Colonel Philp,

The great anxiety I feel toward the continuation of our work makes me write these lines to you. The great confidence we all have in you, who has been connected with this work from its very beginning, encourages me to use free and open words in voicing this uneasiness.

From the beginning, I resolved to try my very best to win the most qualified German capacities for unre-served cooperation with the USA. In doing so, I was motivated by the following convictions:

- (1) A show-down between East and West is unavoidable in the long run.
- (2) Every German is under the obligation of contributing his share, so that Germany is in a position to fulfill the missions incumbent on her for the common defense of Western Christian Civilization on the side of the Western Powers.
- (3) For this reason, everything should be done to strengthen the leading power of this constellation, i.e., the USA, as far as this was compatible with our national conscience and our personal honor.
- (4) The epoch of the conventional national states has been superseded by greater conceptions, such as the Union of Western European States and the community of the Western oriented nations. This development does not exclude the conservation of our national characteristics within the framework of a West German federate state.
- (5) The above mentioned development will necessarily make the USA the best and most objective friend of Germany regarding a reasonable political and economic development.

Although you are already familiar with these arguments, I thought it advisable to mention them again in order to stress my attitude with regard to our work.

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In the course of this work, I had the privilege of making the acquaintance, both in the USA and here, of eminent representatives of your country. I cherish the greatest gratitude to them all for the magnanimous understanding, which they have shown us in the course of our constructive work.

Since we have always tried to make the best of the existing possibilities, leading US circles may not have fully realized the extraordinary difficulties, which we have had to face in carrying out our activities. It is only in this way that I can interpret the lack of support which repeatedly endangered the continuation of our work, although it should not have been so difficult to grant us this support. May I mention the following examples:

- Team - General*
- (1) About mid-August 1946, General SIBERT promised to assign an adequate number of US officers experienced in IS matters to this project. However, until August 1947, only one such officer, i.e., Capt. WALDMAN, was available to the Commanding Officer. Only after this time, some officers have been successively assigned. Of these, in my opinion, Major BAIRD and Lt. KESTLINGER were entirely unqualified in the IS field. Capt. SWEARINGEN is unqualified and Major LEFFERS has only limited qualifications for the work done by them here. It need not be particularly mentioned that Lt. RICHARDSON, due to his previous assignment as Public Safety Officer, has speedily familiarized himself with his work, and that Major WALKER, because of his experiences in OSS, is a very great help to us.

In saying this, I may be countered to the effect that I am in no position to judge the US officers assigned to this project. However, I trust, you will grant me such a privilege with regard to the 26-year period of my military service and the many years of experience I have had in the special IS field. The employment of well qualified US officers, experienced in the field of IS matters, is of decisive practical and psychological importance to us. The utilization of unqualified officers, on the other hand, cannot but lead to an undermining of confidence of the German co-workers, because such a personnel policy would suggest the conclusion that the higher headquarters do not fully appreciate the importance and special requirements of the IS. I would, furthermore, like to point

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out that the assignment of such qualified officers, who have a fair command of the German language, is of the greatest importance for our entire work. Everybody who is sufficiently familiar with the functioning of an IS knows that personal contact and confidence means everything in this field, and that for this reason, it is not feasible regularly to change officers employed in it just as one changes one's shirt. Therefore, the intended transfer of Capt. WALDMAN, Major WALKER, and possibly Lt. HIGH-ANDSON, the only experienced officers of this unit, would have very detrimental effects on the efficiency of this organization and would lead to the conclusion that the superior headquarters are not sufficiently familiar with the particular problems of our work. By way of conclusion I must, therefore, state that also in this point we have not been given the required support, although this would have been possible.

- (2) During the period that Col. LIEBEL was CO of this project, the situation prevailing here became untenable. The selection of such an officer, who obviously lacked every understanding of IS matters, has adversely affected the American authority within our entire organization. This was partially compensated only by the fact that our organization had previously been given the chance of making the acquaintance of men like Mr. Sam BOSSART, who, on behalf of CIA, visited the various field agencies of this organization for several weeks and who, through his extraordinary experiences in the IS field, left a permanent impression. Also in the case of Col. LIEBEL, we succeeded only after many months in bringing about a decision with regard to a change of the CO. All the accompanying circumstances were very regrettable. The fact that Lt. KESTLINGER got off with a small fine for his embezzlement of funds, in order to protect Col. LIEBEL, whose most diversified activities did not remain unknown to this organization, has not enhanced the confidence in the American sense of justice, which has also suffered from the way in which various political trials were conducted. Rightly or wrongly, the apparently intended transfer of the most qualified US officers, such as Capt. WALDMAN, Major WALKER, and possibly Lt. RICHARDSON is viewed in connection with the LIEBEL affair.

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On this occasion, I would like to tell you quite openly that my own confidence in the future of our common cause was so gravely shaken by all these events, that I would not have continued in this position if you, with whom we have been acquainted since the period immediately after the war and from the very beginning of our work, had not become the CO of this unit.

- (5) The conduct of IS activities is a matter of long-range planning. This includes long-range planning also in the field of finances. I am completely aware that such financial planning, due to US budget problems, has its special difficulties. In spite of all our urging, which was done on various occasions in due course and which is on record, we have not met with the possible support in this field. For instance, a considerable time prior to the introduction of the currency reform, we drew attention to the difficulties to be expected for our work, and actually got into a grave plight immediately after this currency reform. If even the French and British IS, which are supported by countries of less financial means, succeeded in making the new currency available at the lowest levels on the very day the currency reform went into effect, it is difficult to understand why such a settlement should not have been possible to the US IS.

The currency reform has resulted in an overall picture of the financial situation of this organization, which requires an immediate decision either drastically to cut this organization and the activities conducted by it or to allocate the means required for the continuation of this work in its previous extent. I have submitted the required records in my Memorandum dated 31 December 1948. In the two conferences, which were also attended by some gentlemen from Washington, we were told that our activities should continue as before, since we could expect a proportional increase of the sums to be allotted to us. In view of this communication, no change in the activities of this organization has been effected so far, and owing to the assistance rendered by EUGOM by the transfer of a smaller amount of money, the

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period until the end of January could be bridged. Now, the time has come for a decision, the fact being stressed that all measures to be taken for a reduction of our organization require a wind-up period of about 3 months.

- (4) In order to furnish an additional minor example of the effect of a decision, which we have difficulty to understand, I would like to point out that Mrs. WALDMAN's unexpected leaving this organization in the next days would lead to a considerable reduction of the amount of reports handled by us, since no qualified replacement is available and no officer can be made available for her former missions without detriment to other important tasks. Moreover, the editing job requires a prolonged period of familiarization. Otherwise, lack of experience as to the way of cooperation with the translation section will lead to a great number of mistakes, which it will take some time to eliminate.

In writing these lines, I have selected only a few points to characterize our situation. I would like to stress once more that my belief in full US-German cooperation and the basic fairness of the US agencies with control of our work, remains unshaken in every respect. This is largely due to the personal contact with a number of eminent officers who are outstanding in their respective fields, such as individual representatives of the War Department; General HALL, Col. SCHOW, and Lt. Col. KRETCHFIELD in Europe; and last but not least, you yourself. On the other hand, I must confess that such confidence does not exist regarding the efficiency and competence of those parts of the US IS with which we have to perform our work.

Since I am responsible not only to the US as to the efficiency and loyalty of this organization, but am simultaneously charged with the responsibility, vis-a-vis the entire circle of the German co-workers, for the continuity of our work and their personal security, I feel obliged to submit to you, in a few days, some amendments of the Organizational Directive for the 7821 Composite Group, dated 13 October 1948, and of the various pertinent supplements, since several points are not acceptable to me in their present form.

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I am perfectly aware that certain difficulties are inherent to the particular nature of our work. For this reason, it seems to me all the more necessary that all reasonable US help for eliminating the avoidable difficulties should be granted to us by the competent US agencies. Should it not be possible to grant such assistance, the continuation of our work would lose its necessary basis and I would feel obliged to propose the dissolution of the entire organization. It goes without saying that in such a case, I would take all measures to effect the dissolution in the most loyal manner, which would in no way affect the political interests of the US.

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84. (Continued)

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~~TO GERMANY ONLY~~Excerpt Copy

13 September 1948

MEMORANDUM TO: Col. SOHW

THRU : Lt. Col. BERRY

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Already before the introduction of the currency reform, the financial means available to this project were too limited in relation to the required information and the extensive activities of this project. That it has been possible, on the whole, to furnish the required information in spite of the above disproportion is certainly due to the fact that almost all co-workers of this project have been motivated by idealistic considerations, which has made our project by far the most inexpensive intelligence service of the world.

The appropriation of [ ] per month after the introduction of the currency reform, in its actual effect, represents a considerable reduction of a budget which itself had not been adequate.

This reduction has led to a temporary suspension of the planning in the field of strategic intelligence activities, which had been necessitated by the received intelligence requests. Furthermore, due to the shortage of means, also the tactical IS activities had, for the time being, to be reduced by 30 - 50%. After a consolidation period of about one year, during which all but first-class connections had been dropped, the above limitation of our tactical IS activities is on the point of affecting the substance of our most reliable connections. In this connection, it must be pointed out that a severed reliable connection cannot be resumed at will.

I feel obliged emphatically to point out this fact and the certain decline in the number and quality of the information which it will be possible to obtain.

But there is still another factor which has an unfavorable effect on the activities of this project.

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Prior to the beginning of the new fiscal year, the German chief of this project submitted to the GSO a proposal for a budget, which was adjusted to the received intelligence requests. Thereupon, prospects were held out to me according to which I could expect an increase of our financial means. But instead of this, I was informed on 11 September 1948 that, effective immediately, this project had to reckon with an even smaller sum than  per month. This reduction was explained by the fact that henceforth the rations, PX articles, FOE books - contrary to the former usage - would have to be included in the  allocation and that, furthermore, additional payments will have to be made to cover a debt of about . This constitutes such a considerable reduction of our financial means, which have been inadequate before, that the immediate reduction of about one third of the activities of this project must be decreed.

If there are imperative reasons for such a reduction of our financial means, it is not up to me to argue about it.

Valuable results may be secured with a considerably reduced project on condition of a corresponding limitation of the requested intelligence, it is true. However, it is absolutely necessary that we should be informed, at least 6 months in advance, what financial means will be available to this project. Only such an information would guarantee:

- (a) Accurate financial planning by subordinated organization leaders;
- (b) A prior and timely planning of the activities of this project;
- (c) The elimination of human hardships and security threats to the operation. A discharge without any previous notice requires a cooling-off period of about three months for the affected individuals, and causes additional non-productive costs to the operation during this period.

I should appreciate very much if I were informed, in due course, about the financial means which this project can definitely expect for this fiscal year.

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In submitting this memorandum, I believe to serve simultaneously the interests of the designated GO of this project.

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84. (Continued)

~~SECRET/RELEASE~~  
~~TO GERMANY ONLY~~Origin and Development of Our Organization1. Origin of the Organization

During World War II, the Department "Fremde Heere Ost" (Foreign Armies East) of the German High Command of the Army dealt with Eastern Intelligence. This department was to procure a continuous picture of the war potential of the Soviets and to give a daily opinion of the enemy's situation on the Eastern front.

The department consisted of specialists for Eastern affairs. In addition, the persons holding key positions in the department were expected to have special abilities and experiences in the operational field. Since April 1942, the department was under the leadership of the present German chief of our organization.

Before the end of the war, the latter made the decision to save by all means the personnel and the collected records of the department for the benefit of the USA in the post-war period. The reasons for this decision were the following:

- (a) The conviction that in the future, the USA would become and remain the leading power for the defense of Western Culture against Communism.
- (b) The conviction that Germany would have to do its share in this defense, realizing that the age of national states was over and would have to give way to the greater conception of the United States of Europe within the frame of the United Nations.

When Germany collapsed, it was possible to save the majority of the valuable personnel and the records of the Department "Fremde Heere Ost".

In the summer of 1945, a group of 7 specialists, together with the essential parts of the records, were taken to the USA and put at the disposal of the War Department.

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At first, this group, directed by the former chief of the Department "Fremde Heere Ost", made studies resulting from the complete evaluation of their wartime records. Later on, this group also did actual evaluation work to an increasing degree from more up-to-date material supplied by the War Department as well as detailed evaluation of the Soviet military press. Both the evaluation work and the studies found the appreciation of the War Department.

Meanwhile, on suggestion of the former chief of the Department "Fremde Heere Ost", a small German information collecting organization had started work in Germany as a Special Project of USFET. The German chief of this collecting center was the former chief of the "Abwehrleitstelle Ost" (Field Intelligence Office East), who during the war had worked in close connection with the Department "Fremde Heere Ost" and according to special instructions from the chief of this department. Although limited in scale at the beginning, this information work soon brought valuable results.

In summer 1946, the group of specialists returned from the USA to Germany. To realize his above mentioned ideas - that Germany should do her share in the defense of Western culture against Communism - the German chief focussed his attention to the following points:

- (a) To bring together and to coordinate the collecting and the evaluation of information.
- (b) To work on a larger scale.
- (c) To find a form of organization making it possible to call upon the cooperation of the best German men in this field without developing in them a mercenary feeling in pay of a foreign power.

During a fundamental conversation with General SIBERT, full conformity was attained to the effect that a German organization should be created under American supervision and with American material help, which should make use of the best available German co-workers for intelligence work against the Soviet Union to the mutual advantage of American and German interests.

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This basic conception of a German organization working together with the USA, made it then actually possible for the chief of the whole organization, as the further development showed, to get the best German men as co-workers without their being handicapped in their cooperation by the idea of working as mercenaries in the pay of a foreign power. From the very beginning, the work of the organization has been carried on by the conviction that ideologically we are all on the same side, that the fate of Germany must politically remain closely linked with the USA in the future, if Western Culture is to be safeguarded.

2. Assignments of the Organization

The first assignment given to the organization was to get as accurate a picture as possible of the OB of the Soviet Armed Forces in the Soviet Zones of Germany and Austria. In addition, the organization was to do GI-work in so far as it was necessary for its own protection.

However, this limited scale of commissions for intelligence work was very soon extended, from a geographical point of view and by BEI's in the economical and political field.

It was only natural that, thereby, the organization was fast increasing too.

The mentioned basic conception made it possible to get the required German experts as co-workers. Also, because of the political irreproachableness and the good reputation, which the German chief of the organization enjoys in all German circles, experts from other branches - noted politicians and industrialists among them - could be approached.

3. Extension, Work, and Effectiveness of the Organization

The extension of the organization was determined by its first assignment and the enlargement thereof. That this mission could be carried out with a relatively small amount of money was due to the basic conception agreed to. This conception made it possible to create and to keep idealism - the pre-eminent impulse for the work in the organization. Thereby, it has been possible to use the major

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part of the money allotted by the American side purely for operational funds. Salaries were paid only to people holding full-time jobs in the organization, i.e., about 15%. How cheaply the organization has been working during the first two years of its existence is illustrated by the fact that the average cost for one report amounted to about 12 - 15 Dollars.

A severe test for the idealism of all co-workers of the organization was the large amount of difficulties resulting especially from the fact that the organization was working from out of an occupied country. Only a few of them are mentioned: Obtaining houses, transportation, legalization, denazification and demilitarization, procurement of documents, securing of communication means. Although the responsible American officers at EUCOM were trying their best to assist wherever it was possible, the actual realization of this assistance proceeded very slowly, because up to the summer of 1948, the number of American officers working with the organization was too small. The few officers assigned showed endeavors deserving the highest praise to remove the technical difficulties. But they were too much tied down to office work and, therefore, could only comparatively seldom use the most effective way, i.e., to personally clear up the technical difficulties on the spot, that is out in the field. If a well organized American operational branch, cooperating directly with the organization, would have been added at an early date, staffed with a sufficient number of IS-trained officers, the organization would have been saved much trouble and disappointment, especially those parts working out in the field, in enemy country so to speak, and who risk their lives, or at least their freedom with each commitment.

In spite of that, it was possible during the first two years of the work of the organization to fulfill completely the first mission and the major part of its extensions. The OB of the Soviet Zones of Germany and Austria was fully ascertained and is being watched continuously. The OB in the Balkan Satellite States too was cleared up more and more. Important parts of the economic and political EBI's were compiled with. Strategical intelligence was launched step by step - though naturally rather slowly - into the depths of Soviet territory and Soviet controlled areas. Furthermore, CI work beyond the

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actual protection of the organization brought valuable results, especially with regard to the Soviet IS and the institutions used by it.

To an increasing degree, the results of this work were being appreciated by the responsible American officers at EUCOM as well as by the frequent visitors from the highest authorities in the USA. Repeatedly, our organization was even informed that it supplied about 70% of the intelligence of the European Theater.

The amount of incoming reports, in spite of the limitations in funds and supplies, has once more shown an increase, bringing the total number of reports to more than 8,000 in October 1948. In addition, the reports have increased in quality as well.

This improvement was largely due to the leader of the organization, who has appealed repeatedly to all the members to give proof of their idealism and do their best in helping to bridge over the period until increased funds are available and not to interrupt the steady upward trend of the organization as a whole.

By careful planning of the overhead and through tireless efforts displayed by everyone, including the lower levels of the organization, conditions have been created, based on long experience, which make it possible from an IS point of view to fulfill the majority of the briefs given by the American side. These briefs are constantly increasing in number. A budget estimate of required funds, showing and explaining the details, was submitted to the American side before the beginning of the fiscal year 1948/49. This estimate was based upon the theoretical presumption that all the given briefs would be complied with. It was clear that the allotment of funds would depend upon the whole American IS budget and that any reductions in the latter would consequently show in the allotment of funds for the organization. But it seems necessary to make available for the organization at least such means as to enable it to carry on to the same extent as before and, in addition, to realize the prepared strategic lines, to go into the depth of the Russian orbit, and to build up the radio net (radio agents, monitoring and direction finding, command net and radio CI on a limited scale).

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Copy of a Memorandum to General WAISH,  
Delivered Thru Major ALLEN

9 June 1948

I. Introduction

When submitting the following thoughts, I request to take into consideration that these thoughts originate from the feeling of responsibility I have toward you as well as toward the organization. This responsibility puts me under the obligation not to accept passively facts which must be altered in the interest of our work. If I seem to be criticizing, my best of intentions and impartial matter-of-fact considerations are the only reason, certainly not the desire to criticize in itself. I can look back upon 26 years of service as a soldier, which brought me into various positions. In all these positions, I worked to the full satisfaction of my superior officers. Therefore, I believe to be justified in claiming a sound judgment on the questions which are being raised in the following.

II. Situation from Spring 1946 until September 1947

A. Basic Conception

The fundamental basis of our work has always been the basic conception agreed upon at the beginning of our work. This basic conception was that all of us Germans who had many years of operational experience will work together with the Americans, paying particular attention to all such intelligence which is of special interest for the USA. Furthermore, we agreed that the system of our work would be restricted by certain factors dictated by American foreign policy for the purpose not to compromise the American side and also not to endanger our project.

The basic conception mentioned above made it possible for us to obtain the cooperation of outstanding German nationals who are good Germans but also ideologically on the side of the Western democracies. It was not a question of hiring people for a foreign power, but to call these people to work with a partner who was ideologically on the same side.

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This basic conception was the reason that we could build up this operation with a comparatively small amount of money, as we did. We did not have to pay people for their services, we only had to provide those who were fully employed by the operation with the absolutely necessary means of support, leaving the bulk of our funds for operational purposes.

The period of building up the organization was successful in spite of technical difficulties created by working from an occupied country: Housing, transportation, legalization, demasification or rather demilitarization - just to mention a few. However, we succeeded in overcoming most of these technical difficulties with the assistance of the American officers assigned to this project.

B. Working Method of Col. DEANE

Up to September 1947, Lt. Col. DEANE was the CO. He strictly adhered to the basic conception.

When he started his work, he had little experience in the field of intelligence. But he soon succeeded in creating an atmosphere of confidence with his officers as well as with the German side. He always used common sense and was willing to accept suggestions. He quickly learned the essentials of intelligence work and showed an understanding attitude toward the German side. However, above all, he gave to the American officers assigned to him freedom of acting on their own decisions by delegating to them the incoming work in a very able manner. DEANE confined himself largely to fundamental matters, thus inciting his officers to demonstrate initiative on their own.

During the time of Lt. Col. DEANE's being CO, the mission of the operation was much more limited than today, in consideration of America's foreign policy. Therefore, there were only relatively few big problems at that time, but the number of minor technical difficulties was much higher than today. Their removal was more difficult then, because the operation had not yet enough credit. Nevertheless, the difficulties were overcome for the above mentioned reasons.

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This was handled in the following manner: If any problems came up, they were trustfully submitted by the German side - according to their importance - either to Lt. Col. DEANE or to his officers. Col. DEANE then either drove himself or, more frequently, sent one of his officers to the place concerned, e.g., EUGON or places somewhere in the field. At EUGON, decisive help was being given in most cases by Col. SCHOW or Col. FRITZSCHE (e.g., in all fundamental matters regarding funds, documents, support in the British Zone by approval of the Survey Detachment, etc). In the field it was mostly due to the capability and determination of Col. DEANE's officers who were sent there to remove difficulties.

At times, one of Col. DEANE's officers would be out with the Ida's for 10 days, arranging matters he was well acquainted with (such as getting houses, residence permits, arranging denazification matters, etc). At the same time he would learn of other difficulties which he would remove on the spot. Besides, many valuable suggestions were made to the officers who were out in the field (for instance, one of the officers talked to a courier who suggested the use of US military trains by our couriers. This was arranged shortly afterwards).

In case Col. DEANE himself was on a trip, he authorized the next ranking officer to act as his deputy in order to guarantee the continuation of work.

With this sensible method of work and the untiring efforts of Col. DEANE's assistants, it was always possible to overcome dangers resulting in some breakdowns which are unavoidable in intelligence work.

In general, the chart of American support for our work showed an upward trend until September 1947, because the CG was suited for this position.

III. Difficulties Since September 1947

In September 1947, Col. LIEBEL arrived as the successor to Lt. Col. DEANE.

It was only natural that the German side was awaiting him with all expectations that a specially selected officer would have been commissioned. It was taken for granted that:

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- (a) Col. LIEBEL would be an officer with experience in intelligence work;
- (b) The basic conception would remain the same;
- (c) Col. LIEBEL would have been briefed accordingly.

It was quite obvious that, at the beginning, Col. LIEBEL tried his best to establish a good contact with his subordinate officers as well as with the German side. However, this attitude changed considerably when Mrs. LIEBEL arrived. Besides, it soon could be noticed that Col. LIEBEL does not have the necessary experience in intelligence work and that he has no understanding for our work under the prevailing circumstances. This is shown not only in his treatment of the large issues in our work, but also in many small affairs of daily routine work, more or less insignificant, but paralyzing the joy to work and creating displeasure. I quote the following examples:

A. Large Issues1. Lack of Operational Experience

Col. LIEBEL has no idea how valuable information is being obtained. One example of many to illustrate this is the following: The journey of an important agent to Paris, where he was to receive information about the SU from a strategical connection, was prohibited with the explanation that we should work East of the Rhine River and that our man should meet the man from Paris in Switzerland. Thus, this information was lost to us.

Also remarks, such as: "We are doing too much easy work"; "Have too many people inside and too little outside"; "Spending too much money on reports within the zone"; his demands for an increase of the number of agents working in enemy countries and for a reduction of the number of people working within the zone, show that he had not the right conception. A certain organization within the zone (our sub-organizations), at present about 600 people, is necessary.

2. Difficulties in Discussing Operational Questions

Quite often Col. LIEBEL does not listen to me to the end. If a problem is presented, he jumps to conclusions, makes decisions and gives orders before he

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heard the whole story. Then there are extreme difficulties in work to convince him about something when he said "No" already after hearing only the first sentence. Due to the lack of operational experience, the smallest things have to be explained in all detail at the expense of time and energy. Quite often the lack of understanding is so complete, that I do not dare to make suggestions which are beyond those suitable for a boy scout outfit. In case large issues have been submitted which he approves of hesitatingly but which require approval by higher headquarters, there have frequently been indications that he either did not forward them at all or only after considerable time had elapsed (Malta).

3. Faulty Working Methods of the GO

Based on many years of experience in my work against the East, I have built up this organisation as it is now at your disposal. The direction of such a large organisation demands that I confine myself to the big problems and decisions only and am not losing my time with minor affairs, which I can delegate to my assistants. Col. LIEBEL is mostly occupied with small affairs, thereby neglecting the large issues. Due to his long hesitations and by obtaining the decisions from EUCOM too late, "Operation 301" and "Operation SOKRATES" failed. It was planned to get into our hands top specialists from the Russian Air Force and the Commander-in-Chief of the Slovakian Air Force. These people could have given us most valuable information. It would be better if Col. LIEBEL would devote all his energy to these questions instead of bothering about small details, such as the filling of the swimming pool.

4. Lacking Understanding of the German Mentality

Col. LIEBEL has no knowledge of the German mentality and, thereby, frequently makes mistakes which are bound to decrease the confidence. Therefore, I have some time ago asked you, general, the question if our basic conception is still the same, for the reason that I had gained the impression from the conduct and the frequently offensive attitude of Col. LIEBEL that

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he was going to follow a different line of policy regarding this question. A typical example is the draft for an order, the acceptance of which I refused in a written reply; a copy of both is submitted herewith.

In addition, Col. LIEBEL quite frequently tries to play out one person against another. During my trip to Switzerland, he offered an important position to one of my gentlemen; in spite of the refusing response of my deputy. Col. LIEBEL knew that in certain matters, this gentleman and I were of contrary opinion, but he did not know that this gentleman would refuse to be played out against me. At this occasion, he had a private conversation with this gentleman regarding matters of our organization, and he asked him for complete discretion. This incident has been settled by a personal talk between Col. LIEBEL and myself. However, the actual facts cannot be erased. In connection with this affair, Col. LIEBEL made the remark to my first assistant that he had the intention "to better or to bust the whole thing".

Col. LIEBEL's wrong conception of the work and mentality of our people in the field is also illustrated by several remarks to the effect that our men are paid much too well (the opposite is the case); there were some people who were getting too rich, etc. If one knows the difficulties under which our agents in the field are obtaining their information, often practically without payment, and that we are losing people all the time, this is most embittering.

#### 5. Security

In matters of security, Col. LIEBEL's conceptions are sometimes hard to understand. He is most annoyed about every small security violation in the field, but is completely overlooking the fact that slips of this kind are unavoidable in the intelligence service. Up to now, he does not appreciate the fact that the number of actual security violations has been surprisingly small considering the size of the organization. It was especially annoying for us that he formed an opinion immediately upon receiving a report concerning an alleged

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security violation before he had the results of our own investigation and the report from our own sources. In most cases, these showed that the situation was entirely different in reality.

In contrast hereto, Col. LIEBEL showed a lack of corresponding care regarding security within his own sphere. When we had just arrived here, he kept the Industrial Guards in spite of my warnings, until it turned out - as we had expected before - that the enemy intelligence service had agents among those guards. The practical results were two attempts to burgle my house with the purpose of stealing documents and identifying the background of my own person. During one of these attempts, our housemaid was knocked down. Contrary to my suggestion, Major BAIRD, who is most unsuited for this job, was ordered to pursue this affair with CIH.

Recently, the cousin of Col. LIEBEL, who has nothing to do with the organization, was shown around by him in the compound. The daughter of Col. LIEBEL brings along her girl friends to the swimming pool located within the compound (Col. LIEBEL lives outside the compound). Besides, I doubt whether it is reasonable that the 16 year old daughter is being informed about the nature of our work by using her temporarily for the editing of reports.

In addition, upon request of Mrs. LIEBEL, Col. LIEBEL assigned a nurse to the dispensary who lived outside and did not belong to the organization. It was only upon my protest that this assignment was revoked.

6. Wrong Organization of the Work in the American Staff

The biggest and most serious mistake was the complete laying up of the Operations Office in the own staff. One could hold it against me that this is a purely American affair and none of my business. But the unfavorable effects on the whole organization force me to stress particularly this point.

Col. LIEBEL has not delegated any duties or authorities to his officers. Decisions and signatures he reserved mostly for himself. He very seldom hears

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the advice of his officers with regard to ripening problems, though some of them are much longer in this business, than he himself. Therefore, he often makes unsuitable decisions which are frequently immediately transferred into orders. This procedure has unfavorable effects.

During the absence of Col. LIEBEL, it is impossible that his first assistant, for instance, can send a cable to the Military Attache BOMB in order to announce the arrival of a gentleman with an important mission. Of course, the result is a failure. Every smallest decision in the operational field, each request for supplies or every unimportant administrative measure requires his special approval or signature. Even within the compound it is impossible to move an office into another room without his indorsement.

All this has detrimental results, especially during the absence of Col. LIEBEL, e.g., delay in forwarding reports and correspondence.

The consequences are considerable delays in many small matters, which are in no sensible proportion to the importance of our mission and which make the work much more difficult for the German side of the organization. Conditions out in the field are thereby made so much harder, although many things, which formerly meant a hard battle, have become matters of pure routine work (e.g., licenses for cars). In most important matters there were grave difficulties (e.g., residence permits), so that there were heavy losses in confidence toward the American side out in the field, which were ultimately the fault of Col. LIEBEL. On the other hand, all the initiative and incentive of the American assistants will be very much decreased by Col. LIEBEL's working methods.

On the occasion of your last visit, I submitted this summary of insufficient American support of the organization to Col. LIEBEL, after my former individual attempts had not been successful. The different problems were by no means of a nature that their solution would have been impossible under the present circumstances. They were merely matters which were not dealt with due to negligence or wrong organization of the work.

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During the last months, I have repeatedly requested that an Operations Section should be formed under the management of the officer who has done all this work for 18 months, and that Col. LIEBEL should arrange his work according to the same principle as I do it myself. He should reserve for himself the decisions on fundamental questions but, otherwise, leave a free hand to his officers. However, Col. LIEBEL did not decide to bring about any alteration until he realized by determination to appeal to the next higher headquarters in case nothing would be changed. Instead of making the two officers the nucleus of this Operations Section, who have a first-class knowledge of the total organization, its working methods and its mentality, and who have the complete confidence of all field installations, it is planned to get a number of new officers and to assign a new Lt. Col. as the Chief of this Operations Section, who is not acquainted with us and our working methods. During conversations with me, Col. LIEBEL emphasized that he wanted combat officers only and not officers from the Intelligence branch. Exactly the contrary is necessary. The two officers who so far were brought here by Col. LIEBEL, Major BAIRD and Lt. KESTLINGER, are nice fellows but quite unsuited for their jobs. I request you, general, to take into consideration that I have succeeded in securing for you the best German staff available for our work. If the American side has not likewise assigned only the best of the available American staff, it is a psychological disadvantage and detrimental to the American cause.

May I explain this with another example: During a conference with the leaders of the sub-organizations on 25 May, Col. LIEBEL was requested to say a few words about the political situation. Col. LIEBEL then gave his general opinion, which was noted down in shorthand and did not show the mental level one should expect. Among other things he declared that the Germans themselves should see to it that the Communists are being removed from public life in Germany. They should be hit over the head with a stick and thrown out of the country. This primitive conception shows a complete misunderstanding of the German situation. Mainly it is a matter of eliminating the influence in disguise,

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which cannot be removed without the aid of Military Government and without the means of Counter-Intelligence. Remarks like this support the leading members of the organization in the opinion that the importance of this question in future times is not fully realized by the American side (Example: The Chief of Police in Stuttgart is officially not a Communist. However, he is a crypto-Communist and the Communists direct him by the Centrale Sanitaire Suisse).

I request not to misinterpret my meaning when I try to illustrate the situation with the following sentence: If our work has continuously improved during the last months with the unselfish aid of each individual member of the organization, if the number and quality of the reports increased and the security improved - this is not due to Col. LIEBEL's guidance, but in spite of Col. LIEBEL's guidance.

7. Radio Command Net

In the new budget estimate, the costs for the creation of a radio command net were stated, which has to be constructed in peacetime so that it can work in case of emergency. It was at first crossed off the list by Col. LIEBEL until the necessity of such a net was explained to him. This is one of the examples showing quite clearly that Col. LIEBEL does not possess the necessary operational experience for our work.

8. Case BRHGL

An organization leader who contributed largely to the success we had so far, had the hard-luck that a net of 9 men blew up in the Soviet Zone. In connection with some other security violations, which happened at the same time, Col. LIEBEL gave orders to drop BRHGL immediately, before the situation had been sufficiently cleared. It took long explanations of the reasons why the dropping of this man would neither be possible nor deserved nor useful, before we succeeded that this order was not given.

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B. Small Items

There are daily many small examples showing the little understanding of Col. LIEBEL, they are unimportant in themselves, but they do not increase the pleasure to work. Only a few are mentioned in the following:

1. Contact with the Organization

For many months and contrary to former times, none of the American officers has been going out into the organization, with the exception of a few briefings which Col. LIEBEL himself held with the organization leaders. In spite of my requests, the two officers were not taken along who are dealing with the individual problems and who could have discussed details of these problems with the organization leaders.

2. Tactless Remarks

With the exception of recent times when things have changed a little, I often felt offended by opinions and unfavorable remarks mentioned by Col. LIEBEL in connection with alleged faults of the organization. Frequently, these allegations proved to be non-existent when examined later on. At one occasion quite discrediting remarks were made concerning the German General Staff to my deputy.

Another example: When the Inspector General was here, he asked who built up the Document Section (for falsification of papers). Col. LIEBEL said he himself did it. In reality, Organization Leader 66 had the merit. Such things make a bad impression and people are hurt.

III. Conclusion

In summarizing, I have to ascertain quite impartially that, according to my opinion, Col. LIEBEL is not suited for the position of the American CC of our organization. The reasons are the following:

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- (a) Insufficient intellectual frame for the required task and for the necessity to have an American counterpart for the German representatives with equal or superior mental capacities, as for example - Col. SCHOW or Col. FRITZSCH or Col. LOVELL.
- (b) Lack of operational experience in intelligence work. In this connection, the following should be mentioned: Mr. Sam BOSSART [redacted], who visited the organization for 4 weeks in spring 1947, succeeded within this short time to gain the complete confidence of the organization. His wide experiences in IS matters, his understanding of the necessities of the organization, his sound judgment of the political connections gained him the warm sympathies of all those members of the organization who got in contact with him. Even today he is remembered with praise by the staff of the overhead and by the organization leaders. He did very much for the reputation of the American side.
- (c) Lack of knowledge of the German mentality and lack of sensitiveness toward the German part of the organization.

The decisive basis for our work on both sides is the mutual confidence built on close personal contact, developing and increasing in the course of a close co-operation. Lt. Col. DEANE possessed this confidence, and also the two officers who are working with us for some time now. However, so far this confidence could not yet develop toward Col. LIEBERL.

- (d) Lack of understanding for the work done in the organization and the management under the present circumstances. This understanding can only be obtained through contact with the life of the members of the organization in German public life and its present difficulties. Only the two aforementioned officers have acquired this understanding in the meantime.
- (e) Inability to delegate the work to be done to his assistants, according to requirements.

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I regard the further development of the organization with great anxiety. During the last few months, the confidence has been considerably decreased by lack of support from the American side which could have been avoided. If the situation cannot be improved by assigning a capable CO who can win our confidence, the capacity of the organization would suddenly decline considerably and the whole organization would go to pieces within a few months.

I do not come to you, general, in order to complain or to criticize. I address you with the following request: Do help us, so that we can fulfill our task according to your directives, to the welfare of the United States and to the welfare of Germany.

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3 March 1948

MEMORANDUM TO: Dr. SCHNEIDER

An increase in the number of cases of security violations indicates to me that little attention, if any, is now being paid to the agents dispatched on important missions.

It is essential that the quality of agents be improved. I expect the cooperation of all leaders in this matter.

Drastic action must be taken to reduce the number of poor agents. This headquarters will take positive disciplinary action in all cases if investigation discloses a security violation has been committed due to negligence or improper training of agents.

Disciplinary action will be in the form of reduction of funds, and/or dropping of personnel responsible. I have directed that each violation will be presented to me for final action.

Good work will also be rewarded in the form of increase in funds.

Again let me impress upon you, that good reports can only be obtained by good agents. Poor personnel is a liability and must be eliminated.

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11 March 1948

MEMORANDUM TO: Col. LIEBEL

I am sorry, but I have to declare that, for the following reasons, I cannot accept the order forwarded to me:

I. Factual Reasons

- (1) It is not correct that the violations of the security regulations increased during the past months. This is indicated by the following figures:

Since the beginning of 1948 until now, only 5 security violations were reported, including 3 of minor importance. That means of the total of 4,000 members of the organization - 0.12%.

- (2) The passage "... that little attention, if any, is now being paid to the agents dispatched on important missions" contains an unjustified reproach toward me, as the responsible German leader of this organization, and toward the entire organization as well. Therefore, this accusation in this general form must be contradicted. Faults may be found with every institution, regardless how good it may be.
- (3) Colonel, you are not in a position to take disciplinary measures within this organization without my consent because this would violate the basic agreement which was made between General SIBERT and me with regard to our work. This subject, however, may be discussed later.
- (4) As I have obtained my experience in intelligence activities against the Soviets during many years, I am well aware that good reports can only be supplied by good agents. It is, however, a peculiarity of the tactical intelligence that not only first-class agents can be employed. Otherwise, the required quantity of reports could not be procured. Consequently, violations of security regulations cannot be avoided, and it is the duty of the leading people to keep these violations to the utmost minimum.

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### II. Basic Conception

Even before the end of the war, when I still held my former position, I took the preparatory measures necessary for our present cooperation with the USA, because I anticipated the great political post-war development. Soon after the armistice, I offered our German collaboration, pointing out the political development which was to be expected. My judgments of the situation during that time were later on proved that I was right. I had the idea that, as early as possible, the available German people should be given the opportunity to participate in the defense against the Communist expansion within the frame of the Western Powers. By using my reputation in all these German circles, I tried to win the help of all Germans willing to cooperate and, thus, to pursue the goal to restore the mutual confidence which was lost during the past 15 years. Our work was based on the conception that we as Germans may cooperate without acting against our national conscience. We are under no circumstances mercenaries. General SIBERT recognized all this and particularly that we as Germans do not work only for America, but in cooperation with the American side for our common goal. I myself assumed toward General SIBERT the responsibility for the leadership of the entire organization and simultaneously gave my word as a German officer to guarantee implicit loyalty of this organization toward the USA. The US officers working with me are witnesses that I followed these principles during all this time.

The organizational division of the headquarters of the entire operation expresses this conception. A German office stands on the side of the US office. The German office is operating on the basis of a personal relation and a common staff. This work did well so far, and this organization of headquarters stood the test.

The organization operates under extraordinary circumstances. The distinguishing marks of its activities correspond neither to peace-time nor to war-time conditions. The bulk of the co-workers operate under most difficult and trying personal circumstances, only for ideological reasons and do not agree to the conception of an institution hired by the USA. The mutual relation between the USA and German side is best characterized by the example of an inventor.

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The inventor has an idea. To realize this idea, he applies to a partner who finances the project and consents to the idea. The result is for the benefit of the two partners equally entitled morally. If this cooperation, based on mutual confidence, turned out successful as it is the case with our work, the two partners will combine into one unit in their field of interests.

If someone criticizes the organization and the faults committed by it, he has to acknowledge an equal right to criticize also the faults committed by the American side. Some examples may be given in short:

- (1) As long as one has to work under present conditions, the employment of a sufficient number of US officers for the directing of operational issues is of decisive importance. Already in July 1946, I asked therefore General SIBERT to furnish a sufficient number of such officers. He agreed. When after General SIBERT's leaving these officers should be assigned to Lt. Col. DEANE, the latter refused them. Most of the difficulties, which are caused by insufficient support of the organization, are to be traced back on this measure. Even now, only one US officer is in charge of the operational issues which would require the full efficiency of at least three officers, and this only present officer has not sufficient authority.
- (2) Having made some previous investigations, I asked in January 1947 to take preparatory measures for moving our headquarters to another location, because the camouflage can always be maintained for only 9 - 12 months and the location has to be changed afterwards. Such preparatory measures were not taken until July 1947. Fortunately in August 1947, General WALSH himself ordered to carry out this change of location until 1 October 1947 because of the forthcoming LONDON Conference. The organization took all preparatory measures for the change of location, for the shifting of the courier lines, etc. in due time. The change of position was, however, not possible earlier than in December 1947. I realize the reasons and difficulties to make impossible the observation of these terms. But then, the reasons and difficulties have also to be realized which arise within the organization itself frequently because of the present circumstances.

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- (3) Since several months, the procurement of another quarters for the Organization Leader 121 was requested. Until today, however, it was not possible to procure such other quarters. If now the organization is compromised because WONDRAK attracts the attention of others, then this is not the fault of the organization.

The case of WONDRAK is not the only one, but the most characteristic one, because in this case the security was clearly endangered as it had been predicted by us.

A similar case is the allotment of a house to the leader of Organization 178. This organization leader had to direct his organization right from his motorcar, always carrying all his files along with him in a suitcase until he was given a house for which he had waited for almost one year. Thanks to the skill of this organization leader, no violation of the security happened.

Another especially characteristic case is the allotment of a house to the leader of Organization 8500. The latter, presumably, will get a house in the near future, but his present apartment has been compromised for months and is kept under Soviet surveillance (possibly, even attempts to kidnap him are being prepared).

- (4) Some time ago, the case of HAUENSCHILD had been emphasized by the American side as a particularly typical example for the fact that numerous members of this organization are frankly supplying other-US agencies with information about this organization. Meanwhile, this case has been clarified in quite a different way. It may be considered as an example how, because of a certain competition, other US agencies are trying to work against this organization, to impair its reputation or to take over its connections. In the case of HAUENSCHILD, ECIC (supposedly Capt. HALIE) is concerned which attempts to win over interrogators of this organization known as especially efficient. The material, which has been collected by CIG about this organization during the past year, reveals that, at least at that time, CIG had not the tendency to support and protect this organization.

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- (5) Since 6 months, ZL (TONI) has requested frontier permits required for the communications of his sub-organizations with Austria. They could not be procured. Another solution was not found either.

The above quoted examples do not mean that the US officers working for this operation have not tried their best. All what has been done to serve the common goal and to support members of this organization is highly appreciated and it finds its expression in the close friendly and social relations existing between the US officers of the Composite Group and the leading members of this organization.

Our gratitude may be seen in the fact that an intelligence service has been established, the efficiency of which is recognized, and which simultaneously can be considered without exaggeration as the most unexpensive intelligence organization in the world. Although this organization employs foreign personnel, as seen from the American viewpoint, its loyalty toward the USA is secured to an unusually high degree, and this because of its development, conception, and personnel.

Within this organization, fate laid a two-fold responsibility on me. On the one hand, I am responsible for the leadership of the organization toward my German conscience as well as toward the USA. On the other hand, I am responsible for the fate of all members of this organization; some of them gave already their lives or fell into the hands of the Soviets.

The internal German conditions are such that the bulk of the German people, though declining Communism, nevertheless lost trust and hope and believe that the Germans will be the victims of the forthcoming events, whether they like it or not. Most of them are not in close contact with the Americans, as I am. At present, their confidence in the good will of the American policy is shaken because of the present circumstances. As I was told repeatedly, the confidence of many of our co-workers in our work is based upon the confidence in my person. They trust that I may find the right way within the frame of the given conception and goals of this organization which were agreed upon by the Americans. I make this responsibility a matter of conscience and would not like to risk my good name.

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In this connection, I have to emphasize that I was already reproached by several persons, including also the head of IGO, that I do not advocate persistently enough the interests of the organization and do not secure a just appreciation of all difficulties also on the part of the Americans. Within the frame of the given conception and of my responsibility conferred on me also by Americans, I have, therefore, to reserve the right to decide upon the necessary measures myself in compliance with your general consent. Whenever American interests are involved, I will, of course, regard your wishes. My goal and that of all of us is, by our work, which serves the entire Western civilization as well as German interests, to create in the future close ties between Germany and the Western World and primarily the USA.

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Examples to Illustrate the Lack of American Support for the Project.

1. The procedure of transferring officers from this project prior to the arrival of suitable replacements and without prior orientation is greatly injuring the efficiency of our work. The transfer of Capt. WALDMAN has, for example, the following consequences:

- (a) Sub-headquarters 17 with its 7 sub-organizations will be without the support of an US field officer for the time being.

In the fields of operational field assistance, legalization, procuring of influx permits, accommodation, registration with labor offices, procurement of houses, a number of urgent pending cases will have a poor chance of a satisfactory settlement. In the area of Bavaria alone, 11 cases await settlement in the field of procurement of houses.

New cases arising in the above mentioned fields can not be dealt with at all.

Thus, the difficulties of the sub-organizations in being furnished with the pre-requisites for conducting their activities will tend to become greater and more critical from day to day.

- (b) The great amount of vital ties with the various US and German authorities which Capt. WALDMAN, during his former activity as a member of the US headquarters of this project, was able to establish and which he continued to strengthen while being assigned to Sub-Headquarters 17, will be jeopardized or not so effectively maintained. These are predominantly connections with the numerous agencies of the Military Government all over Bavaria, the various Regions and Sub-Regions of GIC, and with the German authorities, such as government agencies, including the Minister President of Bavaria himself, the police, billeting officers, officials in charge of refugee's affairs etc. Capt. WALDMAN, due to his great application, his adroitness in conducting negotiations, and - this

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applies of course particularly to German agencies because of his command of the German language, had acquired the full confidence and cooperation of all these agencies.

The continuation of all these ties and their effective utilization would only have been possible if Capt. WALDMAN had been in a position to introduce an equally qualified successor to all these agencies. A successor who has not had the advantage of such an introduction, even though he masters the German language, will take a long time to cultivate all these connections with an equal effectiveness. A successor who does not speak German will fail in this attempt.

In any case, the difficulties resulting from the above situation for the activities of this project will be grave.

2. In spite of all the requests and proposals which have been submitted by me for almost 2 years, the question of the Operations Office within the US headquarters of this project has not been suitably solved. It was not before the fall of 1948 that such an Operations Office could be officially established. However, it was entirely inadequately staffed. At present, only one US officer, Capt. DAEMS, is assigned to this office. From the very beginning of his assignment, Capt. DAEMS has shown the best intention for cooperation. However, he does not have the required intelligence background, so that his efficiency is rising very gradually.

Unless assisted by a second well qualified officer in the Operations Office, Capt. DAEMS will face an insoluble task, due to the abundance of problems which he has to cope with every day.

Moreover, he has stated that he, on top of his previous missions, can handle only a very small amount of the duties formerly incumbent upon Capt. WALDMAN.

The grave effects of this situation on the activities of this project need not be commented on.

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3. For months, constant difficulties experienced in our very important BERLIN outpost have made me repeatedly point out that the assignment of an US officer to this post is indispensable. This urgent request has not been complied with.

The frictions experienced in our BERLIN outpost, difficulties which are predominantly due to the fact that the US sergeant assigned to this outpost - in spite of all his good intentions - does not wield the required authority, have caused a considerable delay in the forwarding of reports originating from the Soviet Zone of Germany.

4. In spite of repeated remonstrations and requests, also no officer was made available for the vital STURTGART outpost. Thus, the missions of a field officer in the State of Wuesttenberg-Baden are not attended to. The sub-organizations of our project working there, consequently, do not find the necessary support.

5. As already stressed before, my repeatedly submitted request that I be informed 3 - 6 months in advance concerning the amount of available funds has not been complied with. Furthermore, there is an increasing discrepancy between the EEI's forwarded by the superior US authorities and the funds actually placed at the disposal of this project.

Finally, there were still other facts, due to insufficient US support, which put this project into the greatest financial difficulties.

- (a) In due course before the introduction of the currency reform, I repeatedly pointed out that the required amounts of D-Marks would have to be available on the day the currency reform went into effect. The currency reform became effective on 22 June 1948. But only on 23 June, the first small amounts of the new currency (a total of 80,000 DM) were transferred to this project, which meant that the co-workers on the lowest level were without any valid German money for a period of 2 weeks. It was not before 25 June, after repeated remonstrations, that further 670,000 DM were made available.

Approximately 37% of the working capital of the project was not converted at all and thus was lost.

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It is known to this project that the IS of another Western Power converted the entire working capital of its co-workers and had the required amounts of DM available prior to the promulgation of the currency reform.

- (b) It repeatedly occurred that the granted money was made available only with considerable delay, so that it could not be transferred by the first day of a month to those levels of this organization where it was needed. Thus, for instance, funds for the month of January were not made available before 5 January, and could only be transferred to our sub-organizations by 8 January, which again means that our agents working in the front line did not get their money before the last third of the month. The consequences of such delays, i.e., loss of confidence and the missing of opportunities, must be particularly pointed out.
- (c) Entirely unintelligible to me was the decision taken by higher authorities that the Quartermaster items, which had previously been supplied free of charge, are now to be paid out of the monthly fund allocated to this project. This measure means a further reduction of the sums available to us by 8 - 12 percent, quite apart from the decline of the rate of exchange of the dollar already mentioned above.

6. Also with regard to the delivery of goods, the organization has not met with the required support. Items which are most urgently needed for our field activities are usually received with delays of up to 4 weeks by the sub-organizations in charge of these activities. This happened particularly in June and October 1948 and in January 1949.

Thus, for instance, the goods allocated for January 1949 did not begin to arrive before 17 January 1949, and that only after repeated remonstrations. The remainder was delivered early in February, so that our sub-organizations were not able to meet their obligations for one full month. This leads to an unbearable loss of confidence, on the side of our sub-organizations, in the management of this project.

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It is particularly unintelligible, if such delays occur in the supply of such a critical post as BERLIN. The computation of the supply to be distributed by our BERLIN outpost for the period of January thru March 1949 was submitted by 15 December 1948 to the US office of this project and forwarded from there to the competent agency of EUCOM. Likewise, on 15 December 1948, the order for the purchase of these goods together with the corresponding amount of dollars was forwarded to BERLIN. Allegedly, due to a mistake in the prescribed procedure, it was not possible to procure the goods allocated for January before the beginning of February. Further 8 days are required to deliver these items to the sub-organizations which need them. The man in the field has had to wait for them for 6 weeks.

7. Particularly conspicuous has the lack of support become in the field of operations.
  - (a) The procurement of living accommodations for German co-workers is a very slow procedure, and very often fails altogether, also in cases where it would have been technically possible.
  - (b) The procurement of permits of residence frequently meets with the greatest difficulties. For instance, every residence permit to Bavaria has been blocked by EUCOM for the last month.
  - (c) Also, the papers required for the activities of our co-workers can only be procured with the greatest frictions and delays.

It is particularly unintelligible that exit permits, with the exception of Switzerland, Austria, and Italy, can only be obtained after submitting special reasons for such requests. Apparently, Intelligence Division, EUCOM, is not aware of the fact that within the framework of our long-range intelligence activities directed against the SU and her satellites, courier lines also run through France, Spain, Greece, and the Scandinavian countries.

Repeated difficulties are also experienced in the procurement of frontier permits.

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In our endeavors to obtain entry permits, Intelligence Division, EUCOM, does not show any cooperation at all. It has only been possible to obtain such permits for Switzerland and the US Zone of Austria through local arrangements of the 7821 Composite Group.

International passports with the big stamps are only obtainable in Hesse. So far, it has not been possible to obtain these passports in Bavaria and Wuerttemberg-Baden. However, they are urgently required since such passports must conform to the state in which the required identity cards have been issued.

Also the required support in the procurement of falsified papers, for which the effective cooperation of the corresponding EUCOM outfits (HOROHS) had been promised, failed to materialize. For instance, the SED Party Pass was requisitioned from EUCOM on 23 October 1948; so far, no answer has been received.

At the end of December 1948, a requisition was turned in for the production of watermarked paper for the new Eastern Zone passport. An answer was promised, by 10 January 1949, if the required paper can be produced. Until today, we have not heard anything in this matter.

- (d) Also the problem of Air Transportation to and from BERLIN has not been satisfactorily solved. The courier connection is running without difficulties. Presumably the allocation of 4 more seats in military planes for instructors instead of assignment to AGA will constitute further improvement.

However, a good elastic solution, which would enable our co-workers to fly to BERLIN and particularly would allow them to leave the city by air with their luggage, an opportunity which is urgently needed, has not yet been found.

- (e) Various leaders of our sub-organizations are still without any telephone facilities. Some of the pertinent requests were made more than one year ago and have since been renewed orally and in writing. Thus, speedy further inquiries, which become necessary on account of corresponding requests by EUCOM, often can not be conducted.

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However, the lack of such telephone connections may have a disastrous effect in the event of a rapid development of the military situation in the Soviet Zone of Germany or in the satellite states. In such an event, the arranged communication of military reports, in code form, by telephone directly from the sub-organizations to the headquarters of this project, will not be possible with several sub-organizations.

8. Only very seldom did the intervention in denazification trials of co-workers, promised on principle by EUCOM, become effective, and still more rarely did it prove to be a help. Only with regard to this promise, the most important cases have been selected and reported. However, in several cases (e.g., STZEL, HOEHEBEL, LEHNER), valid denazification verdicts concerning our co-workers were protested by Military Government by Error Reports. In a letter from the 7821 Composite Group, dated 9 September 1948, the attention of EUCOM ID Operations Branch was again drawn to some particularly difficult denazification trials of some of our co-workers. In spite of this step, the cases of EHRENNHAUS and WONDRAK have taken a particularly unfavorable course in the meantime. Above all, in WONDRAK's case the confidence of this project in American help was very much shaken for the following reasons:
- (a) WONDRAK has proved a very successful worker in his capacity as leader of one of our sub-organizations.
  - (b) His own sub-organization had simultaneously learned that CIC has succeeded in helping much more operated persons who are working for CIC to obtain favorable results in their denazification trial.

In spite of all promised help, EUCOM has not done anything concerning the denazification of some key persons of this project who, for security reasons, cannot submit their cases to a public denazification procedure.

9. Although EUCOM has expressed its fundamental agreement with the emergency preparations suggested by this project, the practical assistance rendered in this case is not adequate. However, such support is particularly required because adequate material help alone will guarantee a safe foundation of these preparations.

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The following examples may serve to illustrate this situation:

- (a) The fuel required for the withdrawal of the entire project to new locations has not been made available.
- (b) No binding pledge has been given with regard to transportation facilities for Compound 7821 Composite Group and Sub-Headquarters.
- (c) No decision has been reached with the British Military Government regarding our proposals for the shipment of co-workers from the British Zone of Germany.
- (d) No decision has been taken concerning the equipment with arms in the emergency case.
- (e) The requested supply with food for the entire project in the emergency case has not been complied with.
- (f) No decision has been reached yet concerning the evacuation of members of this project to the USA.

These neglects are particularly grave inasmuch as they endanger the entire objective of our emergency preparations, i.e., the continuation of the activities of this project in case of emergency.

On the other hand, also their detrimental psychological effects must not be overlooked.

10. Furthermore, our work is detrimentally affected by the fact that inquiries forwarded by us through the American headquarters of this project to Intelligence Division, EUGOM, are either not answered at all or only after repeated remonstrations. This may be illustrated by some recent cases:
  - (a) On 21 September 1948, a request for the allocation of new cover firms for this project was submitted to Intelligence Division, EUGOM. After repeated inquiries we were at last informed, in December 1948, that we were to select the required cover firms ourselves.
  - (b) This project asked the support of EUGOM in an attempt to get 3 men who were to work for us out of Sweden.

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Allegedly, Intelligence Division, EUCOM, was in the possession of unfavorable information concerning these persons. We were promised further details, so that we could make a decision whether these men should be helped out of Sweden. However, we have waited in vain for weeks for a reply.

- (c) At the end of October 1948, we were ordered by Intelligence Division, EUCOM, to drop the anti-Bolshevik Russian General von GLASHAEFF. Although the organization, on its own initiative, had already dropped von GLASHAEFF, information concerning the reasons of this order was requested by us, since such information would have been of the greatest importance for the way in which the reorganization of the GLASHAEFF group was to be effected.

Until now, the project has not received any information concerning the reasons which led to the above mentioned order.

There are many more examples which betray the lack of support on the side of Intelligence Division, EUCOM, in all fields of our activities. Their detrimental effect on our work is summarized as follows:

Constantly, we have to face recurrent difficulties with regard to both the activities of the project as such and particularly to the activities of our agents in the field, who every day risk their necks for the common cause.

We deeply deplore the declining confidence in the sincere cooperation of those US authorities with which the project as a whole and each co-worker as an individual works for the common cause.

The abilities of the German leadership of this project are subjected to mounting criticism and skepticism. More and more, the man working in the field assumes that this leadership does not adequately represent his interests in a way required by the work for the common cause.

I regret to be unable to assume the responsibility for such a turn of events any longer.

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