INTELLIGENCE
A collection of articles on the theoretical, doctrinal, operational, and historical aspects of intelligence.

Celebrating 50 Years: From the OSS to the CIA

Jno Team Frederick
AN ALLIED TEAM WITH THE FRENCH RESISTANCE IN 1944 (U)
Robert R. Kohoo

Significant Military Support
THE OSS AND THE ITALIAN PARTISANS IN WORLD WAR II (U)
Peter Tompkins

A Controversial Liaison Relationship
AMERICAN INTELLIGENCE AND THE GEHLEN ORGANIZATION, 1945-49 (S)
Kevin C. Ruffner

VOL. 41, NO. 1, 1997

(b)(3)(c)
(b)(3)(n)
(b)(1)
EDITORIAL POLICY

Articles for Studies in Intelligence may be written on any theoretical, doctrinal, operational, or historical aspect of intelligence.

The final responsibility for accepting or rejecting an article rests with the Editorial Board.

The criterion for publication is whether, in the opinion of the Board, the article makes a contribution to the literature of intelligence.

EDITORIAL BOARD

Brian Latell, Chairman
Brig. Gen. David A. Armstrong, USA (Ret.)
Sarah Botsai
Lt. Gen. James R. Clapper, Jr., USAF (Ret.)
Peter Clement
A. Denis Clift
Dawn Eilenberger
Paul G. Ericson
Douglas Garthoff
Robert A. Herd
Joanne Isham
William Nolte
Peg Sanders
Jon A. Wiant

Members of the Board are drawn from the Central Intelligence Agency and other components of the Intelligence Community.

EDITOR
Paul Arnold

FEATURE ARTICLE

Jed Team Frederick
An Allied Team With the French Resistance in 1944 (U)
Robert R. Kehoe

HISTORICAL PERSPECTIVES

Significant Military Support
The OSS and the Italian Partisans in World War II (U)
Peter Tompkins

Of Market-Garden and Melanie
The Dutch Resistance and the OSS (U)
Maj. Stewart Bentley

A Voice in the Wilderness
A Contrary Japanese Army Intelligence Officer (U)
Stephen Mercado

A Controversial Liaison Relationship
American Intelligence and the Gehlen Organization, 1945-49 (S)
Kevin C. Ruffner

Project P-2000
(b)(1)
(b)(3)(c)
(b)(3)(n)

Cover

Sgt. Robert R. Kehoe (at right) receiving the Distinguished Service Cross in November 1945 from General Magruder (at left), General Donovan's successor.
A Controversial Liaison Relationship

American Intelligence and the Gehlen Organization, 1945-49 (S)

Kevin C. Ruffner

The CIA's sponsorship of the nascent West German intelligence service in mid-1949 marked an expansion into uncharted operational waters. This new direction irrevocably linked the CIA with former members of the General Staff of the defeated Wehrmacht and Nazi Germany's intelligence services, some of whom had notorious wartime reputations. The Agency made this decision after a long-running debate with the US Army about the wisdom of supporting a resurrected German General Staff and a quasi-independent national intelligence organization. (U)

As the Soviets drew closer to Berlin, Gehlen dispersed his staff and transferred the FHO's intelligence files to secret locations in Bavaria. There, Gehlen and his handpicked officers waited to surrender to American forces.

The story behind CIA's involvement with the Gehlen Organization actually started during the ebbing hours of World War II. With the Soviets fighting in the streets of Berlin and the British and Americans racing across the shell of the Third Reich in the spring of 1945, many German officials realized the desperation of their cause. Reinhard Gehlen, the former chief of the German Army's intelligence branch dealing with the Eastern Front and Soviet forces, planned to survive Hitler's Götterdämmerung as the 1,000-year Reich crumbled. Like most Germans, Gehlen preferred surrender to the Western Allies as opposed to an uncertain fate at Russian hands. (U)

Born in 1902, Gehlen entered the Reichswehr, the Weimar Republic's small army, shortly after the end of World War I. He advanced through the officer ranks and joined the General Staff as a captain in 1936. During the invasion of Poland three years later, he served as a staff officer in an infantry division where his organizational planning and staff work attracted the attention of senior officers. By mid-1942, Gehlen took charge of the German Army High Command's Fremde Heer Ost (FHO or Foreign Armies East), with the responsibility of preparing intelligence on the Soviet Union. Gehlen's work in this position eventually incurred the wrath of Hitler, who rejected Gehlen's pessimistic reports about the strength and capabilities of the Soviet Army. Hitler summarily dismissed Gehlen, now Generalmajor, in April 1945. (U)

Gehlen did not leave Berlin empty-handed. He knew that the FHO had some of the most important files in the Third Reich and that the possession of these records offered the best means of survival in the post-Hitler period. As the Soviets drew closer to Berlin, Gehlen dispersed his staff and transferred the FHO's intelligence files to secret locations in Bavaria. There, Gehlen and his handpicked officers waited to surrender to American forces. Gehlen believed that the Western Allies and the Soviet Union, while wartime partners, would soon become peacetime rivals. With his knowledge about the Russians, combined with the FHO's collective resources, Gehlen felt he could influence relations between the East and West and help shape Germany's role in postwar Europe. (U)
The US Army Picks Up Gehlen

Even before Nazi Germany’s capitulation, Allied forces were on the lookout for German officers and enlisted personnel with intelligence backgrounds. Indeed, as the Americans looked for Gehlen, he tried to surrender to an American unit. After a circuitous route, the US Army finally delivered Gehlen and his men to the 12th Army Group Interrogation Center near Wiesbaden in June 1945. Interned at the “Generals’ House,” Gehlen reassembled his staff and files under the overall direction of Army Capt. John R. Boker, Jr. (U)

Boker, who had previously interrogated other German officers, expressed his feelings as he started his interrogation of General Gehlen. “It was also clear to me by April 1945 that the military and political situation would not only give the Russians control over all of Eastern Europe and the Balkans but that, as a result of that situation, we would have an indefinite period of military occupation and a frontier contiguous with them.” Boker quickly became the 12th Army Group’s resident expert on the Soviet Army because of his interrogation of German officers who had fought on the Eastern Front. (S)

Gathering Gehlen’s staff and records required some subterfuge on Boker’s part. He was aware, from previous experience, that “there existed in many American quarters a terrible opposition to gathering any information concerning our Soviet Allies.” He did, however, gain the support of Col. Russell Philp, commander of the Interrogation Center, and Brig. Gen. Edwin L. Sibert, G-2 for the 12th Army Group, to employ the former FHO staff members to produce reports on the Soviets. Gehlen also wanted Boker to establish contact with some of his frontline organizational elements, such as Oberstleutnant Herman Baum, who commanded Stab Walli I, which conducted espionage work against the Soviets using Russian defectors and provided raw intelligence to Gehlen’s FHO. Gehlen insisted that he had access to still-existent agent networks in the Soviet Union through Baum’s sources. (S)

Army headquarters in Washington learned about Gehlen’s activities at Wiesbaden and, after some debate, Boker received orders to bring the German group to the United States. Army G-2’s primary interest, however, centered on the retrieval and analysis of the FHO records, not in its personnel. Boker, who had become quite attached to his project, resented losing control of Gehlen and his staff section after their secret departure for Washington on 21 August 1945. Placed as virtual prisoners in a classified building at Fort Hunt, Virginia, (known simply as P.O. Box 1142), the Army planned to use Gehlen in conjunction with a larger project being conducted at Camp Ritchie, Maryland, to compile
SSU Rejects Gehlen

While the Army exploited Gehlen and his officers in Washington, US intelligence also sought to question German scientists and engineers about Nazi rocket and atomic developments. The OSS, however, played little role in these activities. In the throes of disbandment during the fall of 1945, OSS declined the Army's invitation to employ Baum in Germany. The new Strategic Services Unit (SSU) also expressed some reluctance about using the German FHO for American intelligence purposes. SSU, however, did try to determine the exact nature of the relationship between Gehlen and Army intelligence. On 25 October 1945, Crosby Lewis, SSU's new chief of mission in Germany, asked Gehlen for "Special Sources" information from counterintelligence files pertaining to Stab Walli and various German personalities, including Baum and Gehlen. Writing hastily, Lewis informed SSU that he had been arrested by the Allies in late July 1945 and interrogated at the 3rd Army Interrogation Center the following month. The announcement of his arrest and the distribution of a Preliminary Interrogation Report raised great concern at Army G-2 because the Soviets now demanded the extradition of both Baum and Gehlen.

The Army refused to accede to the Soviet demand and secluded Baum and several other FHO personnel at the Military Intelligence Service Center (MISC) at Oberursel on the outskirts of Frankfurt (also known as Camp King and later officially designated as the 7700th European Command Interrogation Center). The small group, including Gerhard Wessel, who had succeeded Gehlen as the head of FHO in 1945, was quartered at the "Blue House," where Baum planned to develop a full-scale intelligence organization. According to SSU, G-2 wanted to use Baum to resurrect his Abwehr network against the Soviets. This proved difficult and SSU reported that it "advised them [the US Army] to interrogate Baum at length and have nothing to do with his schemes for further intelligence activity."

In early January 1946, SSU in Germany reported to Headquarters what it had learned "through discreet inquiries" about the Army's activities. SSU described the flight of Gehlen and his FHO staff from Berlin and their activities with the Americans. The report also stated that Gehlen had recommended that Herman Baum be contacted to provide further information about the Soviets while the general worked in the United States. Baum, in fact, had been arrested by the US Army as a "mandatory arrestee" (members of Nazi party organizations and high-ranking German Army and SS officers were subject to immediate apprehension by the Allies) in late July 1945 and interrogated at the 3rd Army Interrogation Center.

The Army refused to accede to the Soviet demand and secluded Baum and several other FHO personnel at the Military Intelligence Service Center (MISC) at Oberursel on the outskirts of Frankfurt (also known as Camp King and later officially designated as the 7700th European Command Interrogation Center). The small group, including Gerhard Wessel, who had succeeded Gehlen as the head of FHO in 1945, was quartered at the "Blue House," where Baum planned to develop a full-scale intelligence organization. According to SSU, G-2 wanted to use Baum to resurrect his Abwehr network against the Soviets. This proved difficult and SSU reported that it "advised them [the US Army] to interrogate Baum at length and have nothing to do with his schemes for further intelligence activity."

In November 1945, in fact, Lewis responded to a request by General Sibert that SSU take over Baum's
By October 1946, Gehlen and Baun claimed to have some 600 agents operating throughout the Soviet zone of Germany.

Gehlen’s reports, Deane expected, “will be of great value to the G-2 Division in that they will furnish the closest thing to finished intelligence that can be obtained from sources other than U.S.” Deane’s optimistic outlook indeed spurred the Army to submit even greater number of requests to Operation RUSTY. Baun quickly expanded his collection efforts to meet the Army’s insatiable appetite for information on the new Soviet threat in Europe. By October 1946, Gehlen and Baun claimed to have some 600 agents operating throughout the Soviet zone of Germany who provided the bulk of intelligence on the Russian order of battle.

As the Army’s demands grew, Operation RUSTY transformed from a select cadre of German General Staff officers to large group that suffered from poor cohesion and mixed allegiances. In addition to covering the Soviet zone, Operation RUSTY took on new missions in Austria and other areas of Europe as well as broadened wartime contacts with anti-Communist émigré groups in Germany and with members of the Russian Vlasov Army. The few American officers assigned to the Blue House barely knew the identities of RUSTY agents, thus making it difficult to confirm the validity of German reporting. Baun’s recruiting and training of his agents proved haphazard while their motivation also raised questions because of their black market activities. Throughout the Western Allied zones of Germany, men and women openly claimed to be working for American intelligence, leading to many security breaches which undermined RUSTY’s overall effectiveness.

Lacking internal control and American oversight, Operation RUSTY turned out to be an expensive project. By mid-1946, the Army found itself running out of funds and it once again tried to persuade SSU to take over the operation following Gehlen’s return to Germany. On a tour of SSU installations in Germany, Col. William W. Quinn, SSU’s director in Washington, DC, conferred with General Sibert and Crosby Lewis about the Army’s proposal. Once again, Lewis repeated many of his objections that he had made earlier in the fall of 1945 and he suggested that SSU make a “thorough study” before any decision by...
Headquarters. In early September, Lewis specified in writing to General Sibert the conditions in which SSU would be prepared to assume responsibility for Operation KEYSTONE. Lewis emphasized the need for US intelligence to have complete access to all German records and identities of leading personalities and agents for initial vetting. 

Neither Crosby Lewis, SSU's chief of mission in Germany, nor any other American official expressed any doubt about employing America's former enemies as sources of information. The Americans, for example, had embarked upon a large-scale project using German officers to write about their wartime experiences. The Army's German Military History Program, for example, continued until the mid-1950s and influenced US Army doctrinal and historical writing. The debate about Gehlen's project, as it became shaped since 1945, revolved around more practical matters, such as cost and security. Crosby Lewis summarized his thoughts about RUSTY for Col. Donald H. Galloway, Assistant Director of Special Operations, in September 1946:

It is my opinion that SSU AMZON should be given complete control of the operation and that all current activities of this group be immediately stopped before further security breaches nullify the future usefulness of any of the members of the group. I further recommend that an exhaustive study be made along CE lines of the entire operation, past and present, so that at least, if it appears that the group is too insecure to continue an operation, the wealth of intelligence which is contained in the minds of the various participants as regards Russia, Russian intelligence techniques, and methods of operation against the Russians, could be extracted. In conclusion, however, it is most essential that if a final decision is made to exploit these individuals either singly or as a group, SSU understands that their employment in the past and their exploitation in the future constitutes to a greater or less degree the setting up of an incipient German intelligence service. 

On the conclusion of General Sibert's tour as G-2 in Europe, the debate about whether a civilian intelligence agency should be responsible for Operation RUSTY shifted from Germany to Washington. Maj. Gen. Withers A. Burress, Sibert's successor as the Army's chief intelligence officer in Germany, appealed to Lt. Gen. Hoyt S. Vandenberg, formerly Army Chief of Staff for Intelligence and now Director of Central Intelligence, that the newly formed Central Intelligence Group (CIG) assume control of RUSTY. His memorandum, supported by extensive documentation, noted that the Army's headquarters in Germany considered RUSTY to be "one of its most prolific and dependable sources." General Vandenberg, in turn, directed that the CIG take a fresh look at RUSTY. On 16 October 1946, CIG presented its summary of the Burress material and dismissed Gehlen's Intelligence, or Evaluation, Group as "drawing broad conclusions from inadequate evidence and a strong tendency to editorialize."

Regarding Baun's Information Group, CIG determined that "there is no evidence whatsoever which indicates high-level penetration into any political or economic body in the Russian-occupied zone." The report also blasted Operation RUSTY's yearly budget of approximately $2 million, while CIG's German Mission's only $200,000 budget was rejected. CIG decided to assume control of RUSTY, although it did call for a full study in order to identify salvageable aspects of the operation. The report made two significant comments that reflected CIG's overall frame of mind:

1. It is considered highly undesirable that any large scale US-sponsored intelligence unit be permitted to operate under even semi-autonomous conditions. Unless responsible US personnel are fully acquainted not only with the details of each operation carried out but also with the
identities and background of all individuals concerned, no high degree of reliability can be placed from an American point of view upon the intelligence produced.

2. One of the greatest assets available to US intelligence has always been the extent to which the United States as a nation is trusted and looked up to by democratic-minded people throughout the world. Experience has proven that the best motivation for intelligence work is ideology followed by common interests and favors. The Germans, the Russians, their satellites, and, to a lesser extent, the British, have employed fear, direct pressure of other types, and, lastly, money. With most of these factors lacking to it, Operation RUSTY would appear to depend largely on the last and least desirable. 25 (C)

The Bossard Report

In a letter to General Vandenberg in October 1946, Colonel Galloway reiterated CIG’s concerns about RUSTY’s costs and questions about its security. He recommended that CIG not take over the operation. 26

The Army and CIG, however, agreed in the fall of 1946 that the CIG could conduct its own examination of RUSTY. As a result of discussions held in New York City in December, Samuel B. Bossard arrived at Oberursel in March 1947 to examine the German operation and its future potential. 27 Unlike Crosby Lewis, Bossard had a different, and favorable, impression of Operation RUSTY during the course of his two-month study. "The whole pattern of operation," Bossard proclaimed in the first paragraph of his report, "is according positive and bold; the factors of control and risk have become secondary considerations and thus yield to the necessity of obtaining information with speed and in quantity." 28 (S)

In a stunning reversal of earlier criticism of RUSTY, Bossard compared the operation to the wartime work of OSS with various Resistance groups where results mattered more than control. He dismissed "the long bill of complaints prepared by our own counterintelligence agencies against the lack of security in this organization." Bossard declared, "in the end [this] serves more as a testimonio to the alertness of our counterintelligence agencies and a criticism of our own higher authorities for not effecting a coordination of interests than a criticism of the present organization and its operating personnel." 29 (S)

Bossard’s report marked the first time that either SSU or CIG had the opportunity to examine on its own the operation and to question both Gehlen and Baun as well as other members of the German operation. Impressed with the anti-Communist sympathies of the Germans and the breadth of their contacts (especially with various émigré groups), Bossard found "no evidence to prove that the unusual confidence that had been placed by American authorities in the German operators had been abused." Bossard made eight recommendations to the DCI, with the bottom line being that the CIG should take responsibility for RUSTY. 30 (S)

Bossard believed that Operation RUSTY had proven to be a useful anti-Communist intelligence organization. If the United States abandoned RUSTY, it would still have the same intelligence requirements as before, although with fewer resources. Likewise, American control of the German operation could only strengthen the overall project and reduce its security risks. Bossard felt that Operation RUSTY offered the Americans a ready-made, knowledgeable German intelligence service that formed a "strong core of resistance to Russian aggression." 31 (S)

Bossard’s findings unleashed a flurry of activity in Washington during the summer and fall of 1947. On 3 June, Colonel Galloway recommended to R. Adm. Roscoe H. Hillenkoetter, who had just taken over as DCI from General Vandenberg, that he approve the Bossard Report. Galloway added that CIG’s takeover of RUSTY should be cleared through the G-2 in Germany and brought to the attention of the National Intelligence Authority, predecessor to the

R. Adm. Roscoe H. Hillenkoetter (10)
National Security Council. Colonel Galloway remained concerned that support of the German intelligence service could conflict with both State Department policies in dealing with a “potential resistance group” as well as interfere with the signals intelligence work of the US Army and Navy.32 (S)

A few days later, Admiral Hillenkoetter prepared a memorandum for the Secretaries of State, War, Navy, as well as President Truman’s personal representative to the National Intelligence Authority on Operation RUSTY. It outlined the organization’s history and CIG’s earlier examination into the question of assuming responsibility. In his cover memorandum, Admiral Hillenkoetter expressed the “strong” recommendation that “Operation RUSTY be liquidated and that CIG assume no responsibility for its continuation or liquidation.”33 Hillenkoetter felt that the CIG should have no connection with RUSTY without the knowledge and approval of the National Intelligence Authority. (S)

Hillenkoetter’s recommendation raised a furor in Army circles, and he held a high-level conference on 19 June 1947 to discuss Army-CIG relations and Operation RUSTY. Having been shown the proposed NIA memorandum outlining Hillenkoetter’s rejection of RUSTY, Maj. Gen. Stephen J. Chamberlin, the Army’s Director of Intelligence, asked that the document be withdrawn in its entirety. He stated that he did not plan to discuss the matter even with the Secretary of War. Consequently, the Army momentarily relented in its efforts to have CIG assume responsibility for RUSTY. Hillenkoetter warned Chamberlin about the national security risks posed by the US support of a resurgent German General Staff and intelligence service. General Chamberlin agreed that this perception created problems and promised to have Maj. Gen. Robert L. Walsh, the Army’s G-2 in Germany, oversee tighter control over the operation.34 (S)

While the CIG and the Army debated the merits of Operation RUSTY in Washington, Lt. Col. Deane at Oberursel oversaw the almost-daily growth of Gehlen’s intelligence service. The rapid expansion of agents and reports in 1946 presented a challenge in terms of control and quality. General Gehlen, upon his return that summer, discovered that Baun had his own plans for a German intelligence service which did not meet with Gehlen’s approval. Baun’s ambitious grasp for control of the organization, coupled with mounting questions about his agents and finances, resulted in his gradual removal by the Americans and Gehlen during the course of 1947.35 The Army, in the meantime, did take some steps to improve its control over RUSTY, including the formation of a military cover organization, the 7821st Composite Group.36 Immediately before RUSTY’s transfer from Oberursel to its own compound in Pullach, a small village near Munich, in the late fall of 1947, Lt. Col. Willard K. Liebel replaced Deane as Operations Officer.37 (S)

CIA’s Misgivings

There was still little enthusiasm for RUSTY after the establishment of the CIA in the fall of 1947, who had served as chief of the German Mission’s Security Control (or counterintelligence) branch in 1946-47, provided an update to Richard Helms, chief of Foreign Branch M (which handled CIA’s operations in Central Europe), in mid-March 1948 about the German intelligence organization’s activities. observed that while RUSTY “enjoys the unqualified backing of the Army in Germany,” he felt that the Soviets must have penetrated the German group. “The political implications alone (leaving aside the espionage angle) would come in handy if the Russians at any time should look for a pretext to provoke a showdown in Western Germany,” declared. Likewise, he was concerned about “the political implications of sponsoring an organization which in the opinion of qualified observers constitutes a reactivation of the German Abwehr under American aegis.”38 (S)
(b)(1)
(b)(3)(c)
(b)(3)(n)

With great disgust, (b)(3)(c) acting chief of CIA's Karlsruhe operations base, related his experiences with RUSTY in an August 1948 memorandum to Headquarters. (b)(3)(c) first encountered Baun's operatives in the summer of 1946 when the Army's Counterintelligence Corps (CIC) arrested a number of Germans who claimed to work for American intelligence. CIC inform(b)(3)(c) about these arrests, and he launched an investigation as to the background of the German agents. He found that "some of the agents employed were SS personnel with known Nazi records and, in most cases, undesirable people. Recruiting methods then employed," he complained, "were so loose that former German officers and noncoms were blindly being approached to work for American intelligence in espionage activity directed against the USSR." 39 (s)

RUSTY's approach went against all principles of intelligence work. "In the recruitment methods no attention was paid to the character of the recruits, security, political leanings or quality, with the result that many of the agents were blown almost immediately(b)(3)(c) felt that RUSTY's "recruiting methods indicated a highly nationalistic group of Germans who could easily become the nucleus of serious subversive activity against any occupying power. At the same time, (b)(3)(c) commented, "the distribution of operational supplies, money, etc. was so loose and elaborate that the influence on the black market certainly was considerable." 40 (s)

(b)(3)(c) expressed his displeasure with RUSTY and protested any plans for future association between this group and CIA. In a lengthy summary(b)(3)(c) presented the viewpoint of many CIA officers:

The general consensus is that RUSTY represents a tightly knit organization of former German officers, a good number of which formerly belonged to the German general staff. Since they have an effective means of control over their people through extensive funds, facilities, operational supplies, etc., they are in a position to provide safe haven for a good many undesirable elements from the standpoint of a future democratic Germany. Most of these officers are unable to find employment, and they are therefore able to maintain their former standard of living without having to put up with the present difficulties of life in conquered Germany. They are likewise able to maintain their social standing as former officers and to continue their own study in the military field and continue training along military lines. The control of an extensive intelligence net makes it possible for the leaders to create a cadre of officers for the perpetuation of German general staff activity. The organization of RUSTY makes it possible for them to continue a closely knit organization which can be expanded at will." 41 (s)

(b)(3)(c) formerly SSU's X-2 chief in Germany and now head of CIA's Munich operations base, reported his views of RUSTY in a July 1948 memorandum to (b)(3)(c) CIA's chief of mission in Germany. Like his colleague(b)(3)(c) protested
no question that the Russians know this operation is going on even though they may have some of the details wrong," Helms added, "certainly the fact that so much publicity has been given to this indicates serious flaws in the security of the operation."43 (S)

Little by little, however, the Army managed to get CIA more involved with RUSTY, despite complaints from the field and even Admiral Hillenkoetter's overall opposition to the project. In December 1947, General Walsh again brought up the issue of CIA's taking over of RUSTY with then CIA's chief of base in Berlin. Walsh maintained that, while the handling of RUSTY by the Army in 1947 might have been considered a "sin of commission," for the Americans not to continue the operation in 1948 would constitute a "sin of omission."44 (S)

As late as mid-1948, Admiral Hillenkoetter resisted the Army's overtures to assume control of RUSTY. In July 1948, the DCI informed the Army's Director of Intelligence that he did not want the Army to use a 1946 letter of agreement between the War Department and CIG to obtain services, supplies, and equipment for the 7821st Composite Group, the Army's cover organization for RUSTY. Hillenkoetter believed that a new, and separate, agreement should be drawn up between both organizations to support the Army's requirements for RUSTY.45 (S)

At the same time, Hillenkoetter provided General Chamberlin with some news about RUSTY that he had learned from various sources. In one case, Samuel Bossard, now in England, had received a letter from a mysterious "R. Gunner" about "some dangerous points." Gunner, believed to be General Gehlen, asked for Bossard's "personal advice concerning certain business questions" and wanted him to come to Munich.46 Disagreements between Gehlen and his American military counterpart, Lieutenant Colonel Liebel, now made their way to the highest levels of CIA. The entire project appeared on the verge of disintegration.47 (S)

The Critchfield Report

Matters soon came to head which forced the CIA to act whether it should maintain a German intelligence organization. While the Army issued RUSTY with priorities in terms of targets and regions, Major General Walsh, the Army's chief intelligence officer in Germany, informed Admiral Hillenkoetter in October 1948 that the Army could no longer fund RUSTY for any activities other than order of battle intelligence.48 During a visit to Germany, the DCI discussed the matter with Walsh and agreed to provide limited funds while CIA conducted yet another investigation of the Army's German operation. Immediately before Admiral Hillenkoetter agreed with the Army, Colonel Galloway and (b)(3)(c) expressed concern about RUSTY. They concluded that the Agency needed to begin penetration efforts against RUSTY, "or at least [be] carefully watched and reported upon, and that we should pay particular attention to its attempts to become the official German intelligence service."49 (S)

The die was now cast, leading CIA down a long path that has now indelibly linked the Agency with General
Gehlen and his intelligence service. On 27 October 1948, Colonel Galloway \((b)(3)(c)\) that he wanted James H. Critchfield, the newly arrived chief of Munich operations base, to examine RUSTY and prepare a report similar to that done by Bossard in 1947. Critchfield's mandate was to evaluate RUSTY's OB facilities and determine which elements should either be exploited, left with the Army, or liquidated. The report, Galloway noted, should be thorough but also completed within a month.\(^{50}\) (S)

Critchfield, a young US Army combat veteran, had served in military intelligence staff positions in both Germany and Austria when he joined the new CIA in 1948. He embarked on his new project with vigor and met his deadline when he cabled a summary of his findings to Washington on 17 December.\(^{51}\) His full report, with annexes, arrived at Headquarters after that point. An extensive study, Critchfield and several associates examined the Army's relationship with RUSTY, its funding, organizational structure, intelligence reporting, overall operations and procedures, and Gehlen's own future projections for his group. Critchfield's report stands as the CIA's (and its predecessors) most thorough review of the growing German intelligence service.\(^{52}\) (S)

Critchfield's report also set the tenor for future CIA relations with Gehlen. While he made several important points, Critchfield observed that CIA could not ignore the presence of RUSTY. He wrote:

\textit{In the final analysis, RUSTY is a re-established GIS which has been sponsored by the present de facto national government of Germany, i.e. by the military occupational forces. Because the 4,000 or more Germans who comprise RUSTY constitute a going concern in the intelligence field, it appears highly probable that RUSTY will emerge as a strong influence, if not the dominant one, in the new GIS. Another important consideration is that RUSTY has closest ties with ex-German General Staff officers throughout Germany. If, in the future, Germany is to play any role in a Western European military alliance, this is an important factor.}\(^{53}\) (S)

As Critchfield pointed out, RUSTY was a fait accompli, regardless of whether CIA wanted the German organization or not. He advocated the Agency's assumption of RUSTY because "from an intelligence viewpoint, it seems desirable that CIA enter RUSTY at that point where it can control all contacts and operational developments outside of German territory."\(^{54}\) Admiral Hillenkoetter, however, reluctantly agreed to this move and made it clear that "CIA was not asking to take over RUSTY and was expressing a willingness to do so only because the Army was requesting it."\(^{55}\) (S)

Gen. Omar Bradley, the Army's Chief of Staff (and soon-to-be Chairman of the Joint Chiefs of Staff) and Secretary of Defense James V. Forrestal both supported the Agency's move, as did individual members of the National Security Council. Throughout the first months of 1949, the Agency, the Department of the Army, and Gen. Lucius D. Clay, US military governor of Germany, debated the issue of the CIA's assumption of RUSTY.\(^{56}\) Likewise, Critchfield in Pullach had his hands full with an ongoing dispute between Gehlen and Colonel Philp, the new US Army commander on the scene.\(^{57}\) With General Clay's departure from Germany in May, the Agency assumed control on 1 July 1949.\(^{58}\) (S)

CIA's Trusteeship

Even before the official transfer in mid-1949, Critchfield specified the terms of agreement between the CIA and the German organization. The basic agreement reached by Critchfield and Gehlen in June 1949 recognized that "the basis for US-German cooperation in this project lies in the mutual conviction of the respective parties that increasing cooperation between a free and democratic Germany and the United
States within the framework of the Western European Union and the Atlantic Community is indispensable for the successful execution of a policy of opposition and containment of Communist Russia." [99 (S)]

Critchfield acknowledged that "the members of the German staff of this project are acting first and foremost as German nationals working in the interest of the German people in combating Communism." Yet, the Agency's chief of base insisted that until Germany regained its sovereignty and the two countries made new arrangements, the CIA would remain the dominant partner and call the shots. Critchfield, for example, would specify US requests to Gehlen for intelligence priorities and that "complete details of operational activities will be available to US staff." While US officials would deal with the Germans in "an advisory and liaison capacity," Critchfield planned to closely examine the Gehlen Organization. "All operations outside of Germany will," Critchfield noted, "be reduced to a project basis with funds provided for each project as approved and on the basis of continuing review of operational details and production." [99 (S)]

Relations between the Agency and German intelligence service (known variously as ZIPPER) during the first half of the 1950s were often at odds. Gehlen resented the American intrusion, which was far more sweeping than the Army's. In 1950, for example, Critchfield reduced the number of Gehlen's projects from 150 to 49, and he soon whittled this latter number to 10. CIA cut the vast bulk of German projects for nonproduction of any worthwhile intelligence or even possessing any potential value. Critchfield bluntly told Gehlen in 1950 that "it was high time he recognized the fact that his organization, while viewed in a most creditable light for its tactical collection and especially its military evaluation work, was considered definitely second class in any intelligence activity of a more difficult or sophisticated nature, and that if he had any aspirations beyond that of producing a good G-2 concern for the future German Army, some drastic changes were in order." [62 (S)]

While the CIA and its predecessors had long protested against the use of the German intelligence service, the American service soon found itself defending its own ties to the Gehlen Organization. As early as 1953, the two agencies had become so entwined that even Roger M. Keyes, Deputy Secretary of Defense, criticized the Agency's role in Germany. [b](3)(c) the Deputy Director for Plans, responded that "there is no adequate answer or correction of the assumption that we rely very largely upon the ZIPPER effort for intelligence on Eastern Europe generally." [b](3)(c) stated, "this is a common fallacy which is always cropping up and it should be pointed out that we have our own independent operations in addition to the Zipper effort." [63 The Agency also found that supporting the German service to be an expensive proposition with little actual control over its personnel. [64 (S)]

Cutting Both Ways

CIA's support of the Gehlen Organization proved a double-edged sword. On the one hand, US assistance to the nascent West German intelligence service strengthened ties between the two countries. The United States and the Federal Republic of Germany remained close allies throughout the long years of the Cold War. On the other hand, CIA's relationship with the Gehlen Organization had longlasting impact in terms of counterintelligence and Warsaw Pact propaganda efforts. (U)

The Gehlen Organization never escaped from its roots as successors to Nazi Germany's military and intelligence circles. Gehlen's intelligence service suffered devastating penetrations by the KGB, witnessed by the Hans Clemens and Heinz Felfe spy scandals of the early 1960s. These intelligence failures highlighted the CIA's concerns about the Gehlen Organization which it had expressed during the period under the US Army's control. [65 (b)(3)(n)]

While the Agency's support to the Gehlen Organization remains a controversial topic, it took on this responsibility after lengthy debate and with the full knowledge of the risks. The CIA recognized that its ties to Gehlen meant it inherited many negative aspects that had also plagued the Army between 1945 and 1949. Gehlen's intelligence on the Soviet Union, however, outweighed these problems during the hottest years of the Cold War. The history
of postwar Germany needs to take into account the origins of the CIA's trusteeship of the Gehlen Organization. (U)

NOTES


2. For a radical view regarding the CIA's link with the West German intelligence service, see Carl Oglesby, "Reinhard Gehlen: The Secret Treaty of Fort Hunt," Covert Action Information Bulletin 35 (fall 1990), pp. 8-14. (U)

3. See also David Kahn, Hitler's Spies: German Military Intelligence in World War II (London: Hodder and Stoughton, 1978). (S)

4. (b)(1) (b)(3)(c) (b)(3)(n)

5. (b)(1) (b)(3)(c) (b)(3)(n)

6. (b)(1) (b)(3)(c) (b)(3)(n)


8. Crosby Lewis to 25 October 1943

9. Preliminary Interrogation Report, 16 August 1945 in Baun,

10. SAINT, AMZON to SAINT, "Russian Experts of German Intelligence Service," 8 January 1946 in Baun,

11. (b)(1) See O's objections to takeover in 1945
are outlined in Lewis to Colonel Galloway, "KEYSTONE Operation," 22 September 1946

(b)(3)(c)  

12. SAINT, AMZON to SAINT, "Russian Experts of German Intelligence" 8 January 1946.

(b)(3)(c)  

13.

(b)(1)  

14.

(b)(1)  


(b)(3)(c)  

The operation is variously described as gaining its designation from either a nickname given to Lieutenant Colonel Deane's young son or that given to Colonel Russell Philip, commanding officer at "Basket," the secure facility at Blue House. See Reese, General Reinhard Gehlen, p. 207, and chief of station, Karlsruhe to Chief, FBI, "Bi-Weekly Letter," 4 December 1948.

(b)(1)  

(b)(3)(c)  

(b)(3)(n)  


(b)(1)  

(b)(3)(c)  

(b)(3)(n)  


(b)(3)(c)  

(b)(1)  

(b)(3)(c)  

(b)(3)(n)  

18. The "Vandenberg Report" is the best summary report about Operation RUSTY during the Army's early period of control. (S)

(b)(3)(c) to Deputy A, "Operation RUSTY," 16 October 1946;

(b)(1)  

(b)(3)(c)  

(b)(3)(n)  

In November 1946, General Vandenberg asked that the Army send Gehlen and Baun to the United States for conferences with CIG.

(b)(1)  

(b)(3)(c)  

(b)(3)(n)  


(b)(3)(c)  

20. The Americans referred to the German intelligence service through a variety of project names, including BOLERO, KEYSTONE, and RUSTY. The use of the term "RUSTY" supplanted KEYSTONE in 1946 until CIA's assumption in 1949. After that point, the operational terms changed once again. (C)

(b)(1)  

(b)(3)(c)  

(b)(3)(n)
(b)(3)(c)

27. The New York meeting on 19 December 1946, organized by General Vandenberg, brought together a number of the top American intelligence figures to discuss RUSTY. Held at the apartment of Allen Dulles, the meeting included Dulles, William H. Jackson (both special advisors to CIG), Brig. Gen. Edwin K. Wright (DDCI), Brigadier General Sibert, Colonel Galloway, Col. Laurin L. Williams of Army G-2, Lieutenant Colonel Deane from RUSTY, Richard Helms, and Samuel Bossard. The group agreed that CIG should hold an investigation of RUSTY "on the ground" because "certain parts had possible long-range values."

See also Richard Helms, Memorandum for the Record, "Operation Rusty," 19 December 1946.


29. Ibid.

30. Ibid.

31. Ibid.

32. Galloway, Memorandum to DCI, "Operation RUSTY." 4 June 1947
(b)(3)(c)

33. DCI to Secretaries of State, War, Navy, and Personal Representative of the Present, "Operation RUSTY."
(b)(3)(c)


(b)(3)(c)

35. The situation between Baun and Gehlen created internal division within the German intelligence service within days after the general's return to Germany in 1946. Gehlen, however, retained Baun and sent him to Iran to conduct strategic planning in the Middle East. He died in Munich in December 1951 at the age of 54. (S)

36. CIG's recommendations to General Chamberlin for changes in RUSTY are found in a 27 June 1947 untitled, unclassified note written by Bossard.

(b)(3)(c)

37. Reese, General Reinhard Gehlen, pp. 93-97. Relations between Lieutenant Colonel Liebel and General Gehlen deteriorated quickly after Liebel's arrival; in part due to the American officer's insistence on obtaining identities of the German agents. Lieutenant Colonel Liebel also criticized Gehlen (referred to by his operational name Dr. Schneider) for poor security practices. Captain Waldman supported Gehlen's stand during this period, which created tension within the American chain of command.

(b)(3)(c)

(b)(3)(n)

(b)(1)

39. Chief of Station, Karlsruhe to Chief, FBM, "RUSTY," 19 August 1948, (b)(3)(c)

40. Ibid.

41. Ibid.

42. Chief, Munich operations base, to acting chief of station, Karlsruhe, "RUSTY," 7 July 1948.


46. DCI, Memorandum to Chamberlin, 31 August 1948.


39. Chief of Station, Karlsruhe to Chief, FBM, "RUSTY," 19 August 1948, (b)(3)(c)

40. Ibid.

41. Ibid.

42. Chief, Munich operations base, to acting chief of station, Karlsruhe, "RUSTY," 7 July 1948.


For a copy of one such cover article, see chief of station, Heidelberg to Chief, FBM, "Russian Newspaper Attack on American Intelligence Activities," 6 February 1948, (b)(3)(c)

44. (b)(3)(c)

45. (b)(3)(c)

46. DCI, Memorandum to Chamberlin, 31 August 1948.

(b)(3)(c)

47. Headquarters told its officers in Germany to refrain from forwarding information about RUSTY to Army officials there because the Army apparently regarded the news as "sno- ing."

(b)(3)(c) (b)(3)(n) (b)(1)

48. (b)(1) (b)(3)(c) (b)(3)(n)

49. Chief of station, Karlsruhe to Chief, (b)(3)(c)

50. Cable, OSO to Karlsruhe, 27 October 1948, (b)(3)(c)

(b)(3)(c)

Richard Helms also provided some guidance for this investigation in Chief, FBM to chief of station, Karlsruhe, "RUSTY," 2 November 1948, (b)(3)(c)

51. Cable, Karlsruhe to OSO, 17 December 1948. (b)(3)(c)


(b)(3)(c) (hereafter cited as "The Critchfield Report.") (S)

53. Ibid., p. 10 of the "Basic Report" in "The Critchfield Report." (S)

54. Ibid.

55. Richard Helms, Memorandum for the Files, 1 February 1949, (b)(3)(c)

(b)(3)(c)

(b)(3)(c)

(b)(3)(c)

(b)(3)(c)

(b)(3)(c)

(b)(3)(c)

(b)(3)(c)

56. For a variety of correspondence during this delicate transition period, see S. Leroy Irwin, Director of Intelligence to DCI, "Operation Rusty," 19 January 1949, (b)(3)(c) Cabl, OSO to Karlsruhe, 9 February 1949, (b)(1) OUT 75997; William G. Tharp, Executive Officer to Chief of Operations and Chief, FBM, 1 April 1949, (b)(3)(n)

(b)(3)(c)

(b)(3)(c)

(b)(3)(c)

(b)(3)(c)

(b)(3)(c)

(b)(3)(c)

57. Chief, FBM, to chief of station, Karlsruhe, "Operational, 10 February 1949," (b)(3)(c) enclosing Alan R. McQueen's, acting ADSO to Maj. Gen. S. Leroy Irwin, Director of Intelligence, "Operation Rusty," 9 February 1949, (b)(3)(c)

(b)(3)(c)

Approved for Release: 2014/09/10 C00477270
58. Shortly after CIA took over RUSTY from the Army, the Office of the US High Commission for Germany (HICOM) assumed control from the Office of the Military Government for Germany United States (OMGUS) and the Occupation Statute went into effect. In September 1949, the Federal Government of Germany formed following the ratification of the Basic Law, the new republic’s constitution in May. In the spring of 1952, Germany and the Western Allies replaced the Occupation Statute with Contractual Agreements. Three years later, West Germany became a sovereign nation and joined the North Atlantic Treaty Organization (NATO). Several months later, West Germany reformed its military forces and the Gehlen Organization became Germany’s official intelligence service in February 1956. (U)

59. Chief of station, Karlsruhe to Chief, FBM, “Basic Agreement with ODEUM.” 13 June 1949. (b)(3)(c)

60. Ibid.

61. CIA dropped the use of the term RUSTY in 1949, and used a new operational code, ODEUM, through 1950 when it changed to ZIPPER. Following the establishment of the BND in 1956, the Agency referred to Gehlen’s group as and UPSWING. Between 1957 and 1968, the Agency referred to the German service as CIA’s Pulbach station. Pulbach base stopped using the Army’s cover as the 7821st Composite Group and became known as

62. Targeting of West Germany by the East German intelligence service for its Nazi links is found in Markus Wolf with Anne McElvoy, Man Without a Face: The Autobiography of Communism’s Greatest Spymaster (New York: Times Books 1997). (U)

64. CIA initially provided Gehlen with per month in 1949 to run his operations. By 1955, CIA had an annual expense for over 30

65. Ibid.