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27 June 1956

MEMORANDUM FOR THE RECORD:

SUBJECT: Meeting with CARPETMAKER

1. At 0930. 14 June 1956, [ ] met CARPETMAKER at the residence of [ ] and escorted him to State Department Building T-3, Room 2000. There we were met by Mr. Robert N. Margrave and Mr. Arthur Foley of the Munitions Control Board. Mr. Margrave is acting chairman of the MICC Committee and Mr. Foley is the executive secretary. After an exchange of greetings the group drove to the Pentagon and proceeded to the Office of Special Operations headed by retired Marine Corps General Erskine. Among other things Erskine is adviser to the Secretary of Defense on intelligence matters. Other Department of Defense representatives present were Mr. William Godel, assistant to General Erskine and Mr. Weber, apparently a Defense member of the MICC Committee.

2. Erskine expressed United States interest in internal West German security matters and the desire to do anything possible to assist West Germany in developing a program to safeguard military information which the United States may release to West Germany under NATO or bilateral agreements. CARPETMAKER stated that he too was interested in this problem but that it was only one of many serious security problems affecting West Germany today. The following specific problems were then briefly outlined by CARPETMAKER:

- a. One of the biggest problems facing West Germany today is the presence of 9 or 10 million refugees from former German areas in the East, where many of them still have close family ties. In addition many other West Germans have close personal or family connections in the East. This presents an unusually fine opportunity for East intelligence services which have been quick to capitalize on it.

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- b. A great many West Germans including many in public service are hostile or indifferent to security measures. This in part stems from the staggering magnitude of the problem which seems to defy solution as well as against the excesses of the Third Reich. In order to be successful a security program for West Germany will have to overcome this basic apathy or hostility.
- c. Returning POWs represent an especially difficult problem since they are regarded as returning heroes who should not be subjected to the indignity of any kind of security screening. Primarily for political reasons it was decided by the West German Government that no effort should be made at this time to debrief and screen them. CARPETMAKER believes that almost all of them were at least approached by the Russian Intelligence Service and many of them agreed to work for the RIS upon their return to West Germany. A few have turned themselves in to West German authorities. How many will actually work for the RIS remains to be seen.
- d. CARPETMAKER complained rather bitterly about the difficulty of conducting liaison with the American intelligence community in West Germany today. He has experienced considerable difficulty in trying to determine which American agency he should deal with on a specific matter or case. Once he has determined this he frequently is unable to obtain the requisite support or guidance in time to affect the course of events. He mentioned the Boris LEWITSKY case as an example. He said that he had no objection to channeling routine requests for traces and other operational support through Mr. Tom Hughes but that on special cases such as the LEWITSKY case he would prefer to arrange direct contact between the German and American case officers handling the case. He has often found that the American liaison officers lack the necessary detailed information or authority to make decisions on the spot. Erskine said that this seemed an unfortunate state of affairs and asked who Hughes was. [ ] told him that Hughes was the CIC representative at OCA and had been designated to act as a point of contact between the SG and BfV and the American intelligence community on routine operational matters. Erskine seemed somewhat unclear as to the organization and

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functions of OCA but it did not seem the appropriate time to enlighten him. CARPETMAKER then said that in general he favors more personal and direct contact at the working level between members of his organization and the American services. He believes that more exchange visits and training would be particularly worthwhile. Erskine then opined that most of the problems involving liaison with the American intelligence services could certainly be solved. He urged CARPETMAKER to discuss them with his liaison contacts when he returned. If CARPETMAKER doesn't get any satisfaction through normal channels, Erskine and Godel suggested that he go straight to the military. He is free to indicate that Erskine has a personal interest in improving the situation.

3. Erskine inquired as to what steps West Germany was taking to protect her codes and communications. He said this was particularly important since it represented another target from which the East might obtain US military information. CARPETMAKER did not admit to knowing much about West German communications security and said the problem was complicated because the future of West German communications intelligence activities had not been settled.

4. Erskine asked CARPETMAKER what West Germany was doing in the field of electronic countermeasures. Erskine said that the Soviets were very active in the field of audio surveillance. He noted that we had found evidence of such activity throughout the world and mentioned the Great Seal device. (Note: CARPETMAKER later told me that he had seen the Great Seal device and indicated that the principle involved was well known to the West Germans.) The discussion then turned to Adenauers trip to Moscow in 1955. CARPETMAKER said that he had asked [ ] for some assistance and advice but that [ ] office was unable to provide any special equipment. Consequently they had to rely primarily on the special railroad car which they took with them to Moscow. It was especially designed to counter audio surveillance and any talks concerning sensitive matters were supposed to be conducted in it. Further remarks by Erskine and Godel indicated that we had seriously underestimated Soviet audio surveillance capabilities. CARPETMAKER stated that he had no idea the problem was so serious and would discuss it with his superiors immediately upon his return. He said that if the threat was as serious as it seemed to be he would probably have to create a special section in the SG to handle it. He asked whether the American intelligence services could

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assist him in training and equipping such a section. Erskine and Godel assured him that at least the military would be happy to help him. Godel suggested that CIC in Germany already had on hand some equipment which would be of great interest to CARPETMAKER. Margrave then interjected that the question of just how much we could assist CARPETMAKER raised certain questions which would require further study and discussion in Washington. [ ] suggested that upon his return CARPETMAKER hold further discussions with his government and then prepare a list of requirements which might serve as a point of departure for further discussion.

5. During the meeting, Erskine asked CARPETMAKER about his relations with UPSWING and UTILITY. CARPETMAKER replied that they were excellent. He then went on to praise in warm and glowing terms the professional capabilities of UTILITY, his character, honesty, reliability etc. He said that UPSWING had been officially declared the West German agency responsible for all matters concerning the activities of foreign intelligence services outside of West Germany. (See Paragraph 13.) Godel said that he personally knew UTILITY and asked CARPETMAKER to transmit his greetings to him.

6. The meeting ended at about 1130, and CARPETMAKER, Margrave Foley and [ ] went to Duke Zeiberts for lunch.

7. At about 1400, the group went to the office of Mr. Cartwright, deputy chief of the Office of Security, Department of State. Nothing of special interest was discussed.

8. After approximately 20 minutes in Cartwright's office, we returned to the office of Margrave. Margrave explained the philosophy of the United States internal security program with particular emphasis on the conduct of security clearances for government employees. CARPETMAKER then explained the clearance procedure for employees of the SG. The SG conducts its own clearance investigations. The vast majority of SG employees have had previous experience in some phase of German police, security or intelligence work. Most of them have been known personally to CARPETMAKER or some other member of his staff or have to come to the SG on the recommendation of some one else in the West German government. A candidate for employment is required to submit a personal history statement. File checks are then initiated. These are not as complete as those conducted in the United States. For example they do not include a check of school

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records, credit references, etc. After an evaluation of the information a decision is made on the persons's application. If he is accepted, he is held in a probationary period for 3 or 6 months. During this time he is subjected to careful scrutiny and assessment by his superior. CARPETMAKER believes that this is the most important part of the clearance procedure. Margrave and CARPETMAKER then got involved in a lengthy discussion concerning the technique of the neighborhood or background investigation in which the applicant's neighbors, friends and associates are interviewed for information concerning him. CARPETMAKER is unalterably opposed to this technique. In his opinion it is a complete waste of time. Information obtained in this way is usually fragmentary, biased, trivial, inaccurate or misleading. Lumped together it only complicates the problem of trying to determine whether or not the applicant is a security risk. CARPETMAKER believes that there is no substitute for close personal contact between the employee during and following the probationary period. He feels that there is very little affecting the security of members of his organization which does not come to his attention through personal contact. He makes it a practice of inviting all members of his staff to his home for dinner and an evening of conversation at least twice a year. He encourages the development of close personal as well as professional ties between members of his organization.

8. As an example of his philosophy, CARPETMAKER mentioned the Otto JOHN case. He said that although he had met JOHN only twice prior to his defection to East Germany he was able to form a very definite opinion about him. On the first occasion CARPETMAKER was together with JOHN at an Herrabend. As the evening wore on JOHN got drunker and drunker until he could barely talk or walk. He became quite obscene and insisted on each person present telling a dirty joke or story. To CARPETMAKER this was the sign of a very immature man with little self control or emotional stability. On a second occasion CARPETMAKER was to attend a meeting with JOHN. [ ] was also present. JOHN failed to appear but after some time arrived in a state of advanced inebriation, and conducted himself in a revolting fashion. CARPETMAKER made the point that the character deficiency evidenced by this kind of conduct was well known to all those in official positions who know JOHN personally. CARPETMAKER said he should have been dismissed from his position long before he defected.

9. CARPETMAKER acknowledged that the BfV did not subscribe to his feelings about neighborhood or background investigations and were generally following the same system used in this country. In connection with the Ministry of Defense, CARPETMAKER said that the BfV would have responsibility for clearing all civilian employees of the services but that the Militaerischer Abschirmdienst would have responsibility

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for military personnel. He anticipates that Frau ECK will take over as chief of the security office of the MAD when Frau WETZEL moves on. (Note: When I remarked that CARPETMAKER must be referring to Gerhard WESSEL formerly of ZIPPER, CARPETMAKER said that it was the same man but his name was WETZEL.) CARPETMAKER did not know that ECK had been in this country recently on an official tour.

10. Margrave and CARPETMAKER then discussed handling of classified or sensitive documents. CARPETMAKER said that West Germany's system for handling classified information was very primitive and requested any help we might be able to give him. Margrave promised to supply him with copies of regulations pertaining to the handling of classified information.

11. Margrave concluded that although CARPETMAKER did not see eye to eye with us on certain details of an internal security program there was certainly no basic disagreement and urged continued close cooperation on mutual problems. CARPETMAKER once again remarked about the difficulty of dealing with the myriad American intelligence and security services in Germany and the difficulty of obtaining their support. [ ] took the opportunity to point out that under US law KUBARK has the responsibility for coordinating all intelligence activities. OCA headed by [ ] a member of CIA, in Germany to exercise this function. Therefore the appropriate channel for seeking any form of support from the American intelligence community is through [ ] except in special cases where direct arrangements with other services may be in order. Mr. Margrave indorsed this statement.

12. The meeting ended at about 1800. Since CARPETMAKER was very tired and suffering from the heat it was decided that we would not go out for dinner. Consequently Immerman drove him to the Looks and left him there.

13. Miscellaneous: During the day, CARPETMAKER mentioned that he was still very much interested in the Rote Kappelle and believed that elements of it were still functioning in West Germany. [ ] also queried him on the matter of exchanges, referring to the PETERS/WAGEN and LAMMERT cases as recent examples. CARPETMAKER agreed that such exchanges were foolhardy unless they could be properly arranged. He said that in the LAMMERT case, time was of the essence. Since there were no charges against LAMMERT he could not be held any longer in prison. However in order to effect LAMMERT's exchange for HAASE,

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UPSWING had to give the impression that there was a case against LAMMERT and carry through the exchange before LAMMERT had to be released from custody. This left UPSWING very little time to arrange the details and the affair was botched. [ ] also asked CARPETMAKER about his current relationship with KUBARK in Germany. CARPETMAKER said that it had not been exactly satisfactory but since the arrival of [ ] in Bonn the situation had improved considerably. He has a high opinion of [ ] and enjoys working with him. [ ] also queried CARPETMAKER on his earlier statement concerning UPSWING's responsibility in the counterespionage field. CARPETMAKER reiterated that UPSWING would be responsible for the activities of foreign hostile intelligence services abroad including detection observation, and penetration of activities directed against West Germany. The BfV will be responsible for the investigation of hostile intelligence activities within West Germany. [ ] said that this might be a difficult line to draw in some cases and asked whether under this arrangement UPSWING would be permitted to run double agents located in West Germany. CARPETMAKER said that UPSWING would continue to run double agents as logical part of its counterespionage effort but that such cases would be coordinated with the BfV. CARPETMAKER said that this arrangement has been confirmed by official order.

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