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Memo No. 675
20 December 1966

MEMORANDUM FOR: Chief, SB Division

SUBJECT: Status of Action on HEINE v. RAUS Case

Following is a summary of developments in the HEINE v. RAUS case since the status report of 15 September 1966.

1. CI Investigation and Analysis.

a) A CI analysis of the material available to SB Division has been completed with the conclusion that HEINE probably was recruited by the NKVD in late 1940 or early 1941; was sent to Germany under the cover of a repatriate; was employed as a penetration of the anti-Soviet, Estonian partisan movement; and, before his dispatch to the West in 1956, was probably used as an informant in various Soviet prison camps. Judging from his actions, his present mission in the West is to disrupt and divide the Estonian emigre groups.

b) The results of the field investigation of HEINE indicate that his alleged period of service in the Estonian Political Police from July 1941 to February 1942 is one of the weakest spots in his legend in that we have quite concrete evidence that he has lied about some aspects of this story and have some indication that he may have been working as a Soviet agent at this time.

c) For instance HEINE states that he interrogated a certain Neeme RUUS who had been a high government official during the first Soviet occupation of Estonia. Ain MERE, who was Chief of the Estonian Political Police at that time, has stated that, as this well-known case was handled by the Germans, HEINE could not possibly have interviewed RUUS. MERE says that he remembers that in a file on HEINE there was

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some indication that HEINE had been involved in "political double crossing" with the suggestion that he worked for both the Germans and the Soviets.

d) Erwin VIKS, who was Chief of the Estonian Political Police in Tallinn during the German occupation, has stated that HEINE was detected as a member of a nationalistic group of anti-Nazi Estonians who gathered information in German-occupied Estonia and sent it to the Estonian Legation in London from where it was passed to the Soviets. A Fnu SCHMIDT, whom VIKS maintains was not a Communist or member of a Soviet intelligence organization, passed the information to the Soviets. An attempt is being made to identify this SCHMIDT through []

e) At the present time we are awaiting a reply from the BfV in answer to questions we asked by dispatch last fall concerning the German aspects of HEINE's story. Also outstanding is the result of an interview which [] was to conduct with Alexander MAERDI who was recommended by VIKS as a source of more information on HEINE. We have also not received the results of an interview of Eduard UDUSTE, also recommended by VIKS, which is being conducted by KEITH, the lawyer in the Canadian lawsuit.

2. Canadian Lawsuit.

a) HEINE is a defendant in a libel suit in Canada brought by two Estonian emigres who allege that he labeled them as being soft on Communism by writing four anonymous bulletins criticizing them for meeting with a Soviet Estonian who visited Canada in 1964.

b) In connection with this case we are preparing a list of questions for use in a pre-trial deposition which will be taken of HEINE in January 1967 in Canada. These questions, based on the 1965 deposition and information we have received since that time indicating where he has lied and made contradictory statements, will be given to [] who has been

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asked by Donald KEITH, the Canadian lawyer, for assistance in preparing the interrogatories.

3. Court Action in the United States.

a) According to an article published in the Toronto Globe and Mail, HEINE was to have met last week end in New York City with his lawyer, RASKAUSKAS, to plan an appeal against the dismissal of his slander suit against RAUS. RASKAUSKAS stated that the appeal might be launched on 19 December 1966 in the Court of Appeals in Richmond, Virginia, and that the appeal would be carried to the Supreme Court if necessary.

b) RASKAUSKAS said that a "great many" witnesses would be called and named two individuals now living in Germany who claim to have known HEINE in Soviet prison camps. One of them is an Estonian who was interviewed in our behalf by the BfV in 1965. He has told either HEINE or HEINE's lawyer of this interview. RASKAUSKAS revealed the interview to the press and commented that the interview took place two years after RAUS (at the direction of CIA) had called HEINE a spy, clearly implying that CIA was searching for information to back up its accusations made two years earlier. The other "witness" is a German who seems to be especially interesting because the only time his name has appeared previously was during HEINE's interview by CIA in Frankfurt in 1957.

4. Because of the possibility of more such accusations that the CIA is trying to find information to substantiate its accusation after the fact, no further investigative action is contemplated.

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