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The ZAKO Group (MHBK)

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Background

1. (General) Andras ZAKO is the head of a political group known as "The League of Hungarian Veterans" (MHBK). He is about fifty years old and was a member of the Hungarian General Staff. In 1944 during the German occupation of Hungary, he was appointed Chief of the VKF-2 (Intelligence) by Fascist Premier Szalasi. In this capacity, he organized resistance groups to be used behind the Russian lines which, however, were not activated until after the war and then only in the form of "intelligence networks." They have since been supported continuously by the French, and intermittently by the British, Italian, and American, intelligence services. The income derived from these foreign services enabled ZAKO to organize the MHBK and to maintain publications and other propaganda media which helped establish him and his supporters in a key position in Hungarian emigre circles. By the beginning of 1950, the MHBK had been deeply penetrated in both Hungary and Austria by the Hungarian (Communist) Security Service (AVH), so that whatever clandestine activities it may have carried on were effectively neutralized.

2. ZAKO claims that the MHBK is composed of refugees chosen "regardless of race, religion, or political orientation" on the basis of their unqualified opposition to Communism and their devotion to the cause of liberating Hungary from the present regime with the help of the Western Allies. The inner circle of the MHBK, however, appears to be composed entirely of determined Hungarian right-wing extremists who are hoping, apparently, to maneuver themselves, through the medium of the MHBK, into a position from which to seize power in Hungary at the close of what they consider to be an inevitable war between the Soviets and the West.

3. The reports issued by the MHBK cover Soviet and Hungarian Communist and industrial, political and technical developments, with the emphasis primarily on Hungarian C.E. According to CIA in Washington, reports known or believed to have originated with the ZAKO group were considered very highly pertinent of the type having a high information content for all purposes.

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estimates shows that troop strengths are consistently overestimated, and that over half of the Soviet units in Hungary reported by the MHBK are non-existent. Whether this discrepancy is due to the MHBK's deliberate effort to ingratiate itself with NATO by spreading scare propaganda, or is a result of deception planted by the AVH, is not known. In addition, the MHBK produces a substantial volume of information on Yugoslavia, Rumania, Bulgaria, and Czechoslovakia which duplicates that obtained from other ethnic groups in exile. This fact suggests that there is a free exchange of information among emigre groups of various nationalities.

4. The attached diagram (Annex A) shows the manner in which MHBK reports are received by CIA, other U. S. agencies, and foreign governments. In brief, the MHBK channels information through its cut-outs and blinds to each of the major Western services and to most of the collection agencies in the United States. The chart is not definitive as other channels are being detected daily.

5. ZAKO's intelligence chief stated recently that, because of the emigration from Western Europe of courier and support personnel and the penetration and arrest of MHBK agents in Hungary by the AVH, the MHBK now had no regular channels of communication or organized sources of information in Hungary. During a recent attempt to obtain NCFE (National Council for Free Europe) support for his "resistance activities", ZAKO admitted that there were at most nine persons in Hungary on whom he could reasonably depend. Nonetheless, the MHBK continues to pour reports into Western intelligence channels through numerous cut-outs who claim to control organized networks but who deny or conceal their connections with ZAKO. (See Annex B for an example of a single fabrication which was received by OSO in six separate reports from various intelligence services.)

OSO Experience

6. Both the Vienna Station and the Hungarian desk of OSO have been interested in the MHBK ever since 1947, and ZAKO has made a number of approaches to OSO since the spring of 1948. His efforts to get U. S. support have increased in frequency during the past year. The output of his organization is received primarily through liaison with Italian services and from ZAKO representatives in the U. S. who are contacted by OO.

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OSO first became aware of the full significance of the group in the Hungarian intelligence picture during the course of a Headquarters analysis begun in the summer of 1950. Since that time OSO has been able to identify a number of MHBK outlets by comparing reports and by checking their sources against the extensive name data on MHBK members which have been compiled by the OSO desk from field reports.

Conclusions

7. It is OSO's conclusion that MHBK reports are based entirely on refugee debriefings, or on clever rewriting of overt publications garnished with out-and-out fabrication. This has been largely confirmed by the fact that MHBK material duplicates reports known to have been derived from refugee debriefings, as well as by the evaluations given to individual reports. (See Annex C for an example of the type of report disseminated by the MHBK.)

8. The full effect of these spurious reports on national estimates cannot be assessed by OSO. It can be assumed that some of the information received from this source has been incorporated in the basic intelligence used for the formulation of national estimates.

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