



Forging an Intelligence Partnership: CIA and the Origins of the BND, 1949-56

Part II: Pullach Operations Base and U.S.--German Cooperation

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCES METHODSEXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

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AIR

100K-W-1922

Chief, Karlsruhe Station

25 April 1949

Chief, Foreign Branch M

Attn: [REDACTED]

ONEUM

REFERENCE: WASH: 2425

1. Although the exact date of the ONEUM transfer is still unknown, approval of a field project outline plan has been obtained, and funds have already been allotted for the period 15 May - 30 June 1949 in the amount of \$187,500. An allocation for the fiscal year 1950 will be made later.

2. As you already know, approval of a field T/O has also been obtained. This T/O, a copy of which is attached, is only an interim requirement established until such time as you can examine the operation in detail and determine the specific personnel requirements. However, this T/O plus the ONEUM complement now on duty should provide a sufficient number of qualified personnel for an extensive survey of the entire operation. It is highly unlikely that the slots will be filled soon after the take-over but at least we can begin recruitment for both the ONEUM project and for those slots vacated by present ESD-11 personnel.

3. When this project is activated, [REDACTED] will be assigned to the number one slot of commanding officer; [REDACTED] will be placed in one of the I.O. (Ops), GAF-12 slots; and [REDACTED] and [REDACTED] will be assigned I.O. (Ops), GAF-11 slots.

4. With regard to the recruitment of USPA intelligence personnel (100K-W-1611), no further developments have occurred with which you are unfamiliar. We shall inform you of ONEUM prospects as they appear.

Att. T/O

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INTERIM T/O

<u>Position</u>	<u>Ceiling Rating</u>
1. Commanding Officer	CAF - 14
2. Executive Officer	CAF - 13
3. Administrative Officer	CAF - 9
4. Administrative Assistant	CAF - 7
5. Clerk-stenographer	CAF - 5
6. Intelligence Officer (Ops)	CAF - 13
7. Intelligence Officer (Ops)	CAF - 12
8. Intelligence Officer (Ops)	CAF - 12
9. Intelligence Officer (Ops)	CAF - 12
10. Intelligence Officer (Ops)	CAF - 11
11. Intelligence Officer (Ops)	CAF - 11
12. Intelligence Officer (Ops)	CAF - 11
13. Intelligence Aide (Ops)	CAF - 7
14. Intelligence Aide (Ops)	CAF - 7
15. Clerk-stenographer	CAF - 5
16. Clerk-stenographer	CAF - 5
17. Clerk-stenographer	CAF - 5
18. Intelligence Officer (Rpts)	CAF - 11
19. Intelligence Officer (Rpts)	CAF - 11
20. Intelligence Aide (Rpts)	CAF - 7
21. Clerk-stenographer	CAF - 5
22. Communication Officer	CAF - 12
23. Communication Officer	CAF - 11
24. Finance officer	CAF - 12

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MGH-A-1137

4 May 1949

COS, Karlsruhe [REDACTED]

Munich Operations Base ([REDACTED])

Supply and Administration

ODEUM Staff

1. With Washington forecasting our staff will move in with ODEUM late this month, some attention should be given now to the type of staff we will have with ODEUM and the manner in which it will be supplied and administrated.

2. It is recommended that our ODEUM staff have the same general relationship to the Karlsruhe Station as that our operational bases. The security factors stemming from our intent to keep ODEUM free of overt connection to D.A.D. will dictate careful consideration of the manner in which this relationship is maintained. Our security problem is being discussed in a separate memorandum.

3. The 7821 Composite Group will provide us with a suitable office building within the compound at Pullach. The security of our files within this building will be covered in the aforementioned security memorandum. This office building, though suitable in other respects, is not equipped with either office furniture or equipment and the present EUCOM allocation to ODEUM will not cover our needs. Col. Philp's offer to intervene with Chief of Logistics for an additional allocation has been tentatively declined. Following is an estimate of supply needs of essential items to cover our first six months with Odeum. I anticipate that most of these items can be procured through our own channels.

<u>Item</u>	<u>Initial Need</u>	<u>Within 6 Months (total, not additional)</u>
Typewriter, standard w/English keyboard	4	8
" , portable w/German "	2	2
" , portable w/English "	2	2
" , standard w/German "	2	4

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<u>Item</u>	<u>Initial Need</u>	<u>Within 6 Months (total not additional)</u>
Field Safes	2	2
Steel Filing Cabinet w/3-way Combination Lock	4	8
Steel Card Filing Cabinet	2	2
Office desks	6	10
Office chairs	6	10
Typing tables	2	2
Desk lamps	6	10
Sedans	6	8
Stationary and office supplies * 2 Mos. level		Replacement

* bond paper and manifold sheets
carbon paper
cable and report forms
assorted envelopes
manila folders
black and colored pencils
paper clips
acme paper fasteners
ink
scotch tape
glue
cards
scissors (6)
rulers (6)
staplers and staples (4)
perforating machine (4)
collegiate dictionaries (6)
German-English Dictionary (6)
English-German " (6)
German-English Technical Dictionaries (2 sets)

4. There has been no indication that the assignment of an administrative field assistant to ODEUM is contemplated. The following functions must, however, be disposed of within our staff and will eventually require the full time services of at least one staff member:

- a. pay and other personnel matters
- b. office supplies and coordination of procurement of special operational supplies procured through our channels.
- c. accounting relative transfer of funds to the German Element.
- d. supervision and maintenance of staff offices. An administrative officer assigned to ODEUM will have to speak German since many of his working level opposite numbers on the German side speaks no English. Placing an administrative officer on the ODEUM staff relatively early in the takeover is recommended.

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- 3 -

5. You previously indicated that ODEUM would have a separate cable and pouch address, I assume that [REDACTED] is planning accordingly and will be able to establish this service at the time that we take over. I anticipate that the cable traffic will more than justify the establishment of an ODEUM communication address, particularly if you approve my recommendation that all ODEUM traces now going through ODDI be routed through our own channels.

6. Some consideration should be given to our secretarial problems. All of our own internal organizational correspondence must, of course, be handled by a secretary from our own staff. It is highly desirable that the secretary assigned ODEUM speak and read German since we intend to do all of our business with the German Element in the German language. We visualize that much of our correspondence will be internal to ODEUM and can be handled by German secretaries from the ODEUM staff. This entire problem is very complex and one which will have to be carefully considered in planning our internal ODEUM procedures. [REDACTED] suggested that [REDACTED], formerly with BOB, would be ideal for assignment to ODEUM in that she speaks, writes and does shorthand in French, German and English. Her present assignment and availability might be worth looking into.

7. While this memorandum is not intended to represent a comprehensive examination of all the administrative problems that will arise as we establish our staff within ODEUM, I have tried to touch on the salient points on which some advance planning can be done. It is recommended that prior to taking over ODEUM we have the opportunity to sit down with [REDACTED], and [REDACTED] and thoroughly work out the detailed procedures that will cover the working relationship of ODEUM with the Karlsruhe Station on matters of supply, administration and communications.

Distribution:

- 2 - COS (action)
- 2 - FBM (info)
- 1 - Munich (ODEUM)

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7/6
MON-A-1222

27 May 1949

Chief of Station, Karlsruhe

AC, MOB - ODEUM

Administrative
ODEUM Personnel

1. All personnel assigned to ODEUM should arrive at Munich with orders of assignment to the Vocational Research Team, Munich Military Post, APO 407-A, US Army.
2. Individuals transferred from other Department of Army Detachment installations, who have been receiving mail in Germany addressed to DAD, should request that all mail be forwarded from DAD to MOB by pouch.
3. All ODEUM staff personnel, except those who already have an established Munich mailing address with the Department of Army Detachment, can utilize the Vocational Research Team address for personal mail.
4. A direct line military telephone has been established by the ODEUM staff. The number is Munich Military 2074. This number must be used after 1 June 1949 for all DAD local or long distance calls with the ODEUM staff. For security reasons, neither outgoing nor incoming long distance and local calls with DAD units will be handled through the 7821 Composite Group switchboard - Munich Military 2321.
5. For security reasons, insofar as practicable, all ODEUM calls from DAD units after hours and on Saturdays and Sundays will be routed to Munich Military 3239, the residence of [REDACTED]. However, a 7821 Composite Group Charge of Quarters (US Military personnel) will be on duty at the guard room of the ODEUM staff at all times and will answer Munich Military 2074 in the absence of ODEUM staff personnel.
6. Munich Military 2074 is listed as the Vocational Research Team office telephone at the Munich Signal Center. All ODEUM staff personnel will give this number to any local Munich Post agencies when listing office telephone.

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24 APR 1967
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7. The personal property of staff members assigned to ONEUM should be shipped to the Munich Military Post for the Vocational Research Team. It is requested that all exterior markings on shipping crates, indicating origin with DAD installations, be eliminated.

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File - 1

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MGL-A-47

29 June 1949

RI
Chief, Foreign Branch M

Chief of Station, Karlsruhe

Administrative
ODEUM Relationship with DAD and other US Agencies
in Germany and Western Europe.

KARL-4516, WASHA-2731, MGMA-1124, MGMA-1139

1. From the reference correspondence, the outcome of the discussions recently held with EUCOM officials and from our own observations during the past few weeks, the outline of our organizational structure in taking over ODEUM has become reasonably clear. In substance, this clearly supersedes the exploratory discussion of this subject forwarded in April 1949 to COS, Karlsruhe in MGMA-1124 and takes into full consideration the extensive comments on that document which were made by [REDACTED].

2. According to present agreement reached in conference with EUCOM, complete responsibility for ODEUM will pass to us on 1 July 1949. On that date I, as our organizational representative, become fully responsible for the entire project including our staff, the U.S. Military Detachment and the German Organization.

3. For security reasons and to initially leave me and the small staff that we will have with ODEUM free to concentrate on essentials, I plan to have Philp, insofar as possible, continue to carry the full burden of the day to day operation of the Composite Group and to conduct routine liaison with the Army, Air Force and 7970th CIC and other military or occupational agencies involved in providing the 7821 Composite Group with administrative, logistic and executive support. His activities will be in accordance with general or specific directives passed to him by me and our relationship will be characterized by a clear understanding that I am fully responsible for the performance of him and his staff as well as the entire German organization. In order to ensure his continued prestige among his own and German staff

To FBM 7 July
2-2-1-7

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there will be no announcement or ostensible indication that he has been relegated to a secondary or executive role. In confidence between Colonel Philp and me there exists, as a result of a thorough discussion of this relationship on 29 May, a definite understanding on that point.

4. Routine administrative and supply matters pertinent to the US Army Detachment within the 7821 Composite Group will continue to be handled through existing channels, and related correspondence will be signed by Colonel Philp or his military representative as Commanding Officer of the 7821 Composite Group.

5. Procurement of supplies furnished by the occupational forces to support the project and in accordance with the Army's agreement to continue logistic support of the project will continue through existing channels. Periodic intercession through our own DAD channel may prove necessary.

6. All negotiation of policy matters with the High Commission, the Army and USAFE will be through DAD channel.

7. Operational funds will be handled through the DAD channel.

8. Supply of our own ODEUM staff will be through the DAD channel.

9. Procurement of special equipment to support ODEUM operations and available only from our own sources will be through the DAD channel.

10. The purchase of PX and QM items will be made through existing arrangements and will be paid for from operational funds and not by utilization of the existing letter authority for DAD to purchase Army supplies in Germany. [REDACTED] has indicated that eventually it may be advantageous to utilize this authority since these are paid from vouchered and appropriated funds. The matter will be discussed further with Karlsruhe and Washington.

11. The channeling of reports will be modified on or about 1 July to conform to instructions that the ditto form and two copies be forwarded through our own channels to Washington. This problem was discussed with [REDACTED] and [REDACTED] on 2 June 1949; the broad outline of an agreed procedure was reported in KARL 4999.

12. Effective 1 July we will assume complete operational control of ODEUM. The role of the ODDI staff will immediately be considerably reduced and all communications between ODDI and ODEUM will be channeled through DAD. This will mean that DAD installations, particularly the DAD liaison offices with the Army and the Office of the Chief of the Station will assume functions relating to the coordination of ODEUM activities with other agencies. In a sense, ODEUM has in the past operated within a vacuum and has indulged in little coordination

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with any other US intelligence agencies except in instances where correspondence was initiated as a direct result of incidents involving ODEUM personalities. Both internal ODEUM machinery and ODEUM liaison with other agencies has been clumsy and not capable of effecting either a timely or a clear solution to such incidents.

13. All operational correspondence between ODEUM and other elements of DAD, US military and civilian agencies in Germany, and other Stations of our organization will be channeled through COS, Karlsruhe. Due to the fact that operating elements of ODEUM are in Austria it is contemplated that a direct means of communications between our ODEUM staff and [redacted] staff in Salzburg should eventually be worked out. The pouch channel Munich-Karlsruhe-Vienna-Salzburg is too slow to effect adequate coordination. This problem was discussed with [redacted] in Munich 21 May 1949. This problem should be discussed with [redacted] during his temporary duty in Washington.

14. The Composite Group liaison officer in Salzburg will continue to handle problems related to the support of the project by US Forces in Austria. This liaison will continue to be supervised by Colonel Philp who has done much to affect an improvement of the ODEUM-USFA relationship.

15. Our own ODEUM representative responsible for the operational activities of the ODEUM organizations situated in Austria will initially not be brought into contact with [redacted] personnel in the Salzburg area, but the information submitted to our representative will be the substance of periodic discussion between [redacted] and [redacted] or his designated representative. It is anticipated that eventually it will be advantageous to have this liaison effected through a direct contact between our man and some individual from the Austrian Mission designated by [redacted]. This connection should specifically be excluded from the knowledge of the German as well as the US military members of the 7821 Composite Group.

16. The internal staff procedure slowly developing within the ODEUM complex is a complicated problem in itself and will be reported upon at a later date.

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2 - COS (HEID-1)
1 - POB file

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MOLA-118

20 July 1949

Chief of Station, Karlsruhe

Chief, Pullach Operations Base

Administrative
Prohibition on ODEUM Black Marketing

1. The attached two letters given to Dr. Schneider on 14 July 1949 lay down the current policy on ODEUM black-marketing activities.

2. The letters rescinded and modified, add nothing to the picture, and are not forwarded.

3. These letters were prepared by [REDACTED] and signed by Colonel Philp, consistent with our current operating procedure within the US Staff of ODEUM, which will be described in detail in the near future.

2 encl: Ltr 14 July: Use of Incentive Goods
Ltr 14 July: Use of American Goods

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2 - COS
1 - POB

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HEADQUARTERS
7821 COMPOSITE GROUP
Office of the Commanding Officer
APO 407 US ARMY

14 July 1949

SUBJECT: Use of Incentive Goods

TO: 34

1. The restrictions imposed on the use of incentive goods by the Letter, Hq 7821 Composite Group, 30 June 1949, Subject: Disposition of Incentive Goods, are hereby lifted insofar as the issuance and utilization of PX and Quartermaster items within the organization is concerned.
2. Black market currency exchange continues prohibited.
3. All Black marketing by the organization continues prohibited.
4. No member of the organization will engage in the black market exchange of money and the black market sale or bartering of goods.
5. The issuance by the German custodian of any type of currency for operational use is authorized.

WILLIAM R. PHILP
Col FA
Commanding

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unclassified

HEADQUARTERS
7821 COMPOSITE GROUP
Office of the Commanding Officer
APO 407 US ARMY

14 July 1949

SUBJECT: Use of American Goods

TO: 34

The letter, HQ 7821 Composite Group, 1 July 1949, Subject:
Disposition of American Goods, is hereby rescinded.

WILLIAM R. PHILP
Col FA
Commanding

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20 July 1949

Chief, Foreign Branch M
Chief of Station, Karlsruhe

Administrative
Internal Staff Organization

MGMA-1094, Para. 4; MGMA-1139, MGLA-47

1. During the month of June our ODEUM staff with [redacted] and [redacted] was established within ODEUM as a parallel staff to that of Colonel Philp and the US Staff. During this period we played an increasingly active role in the organization and by 1 July 1949 were very clearly identified by the US and German staffs as the office from which emanated the direction and policy of the project.

2. At the request of [redacted], Colonel Philp called all US staff personnel together on 12 July 1949 and a clear statement of US staff organization and policy fixing the working relationship with the German organization was put forth by [redacted]. It was our impression that this was clearly welcomed by all members of the US staff, particularly those in the field offices.

3. In general, the two US staffs were merged, with the majority of our ODEUM staff now present with the organization falling into the Operations staff. Philp was indicated as the Commanding Officer and [redacted] as the Chief of Staff. The basis for this decision is found in the complex problem created by the presence of Colonel Philp.

4. Assuming that an integration of the two American staffs was necessary and inevitable in view of the decision that complete responsibility for the project was taken over by us on 1 July 1949, the remaining question was - "what to do with Colonel Philp?" Two possibilities were obvious: (1) [redacted] dislodge Philp from his somewhat ostentatious surroundings as Commanding Officer of the Composite Group and announce to the German and US staff that henceforth he would be the Executive Officer to [redacted]; or (2) retain

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Philp as a front as the Commanding Officer, allocating to him those liaison and administrative tasks for which his position, connections, rank and ability qualified him.

5. After considering all factors I decided that solution (2) above offered the more desirable solution if, through organizational structure, I could ensure the following:

(a) All control of policy and action matters to and from the German organization be in my hands.

(b) All control of policy and action matters to DAD, the Army, the Air Forces, and Military Government be in my hands.

(c) That an appropriate cover arrangement exist for settling of routine support problems with MG, CIC, Military Posts and other agencies on whom we are dependent.

(d) That I be in a position to directly coordinate and control the actions of a single integrated US Staff.

6. With the provision that all correspondence presented to Colonel Philp for signature (Para. 4 of directive) pass through my hands, the attached directive, "Standard Operating Procedure US Staff", provides the requirements cited in Para. 5 above and for the present provide a sound working basis for the US Staff and considerably simplifies and strengthens the US-German relationship.

1 Incl: Standard Operating Procedure
US Staff

Dists:

2 - FEM w/l incl.
1 - COS w/incl.
2 - File

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5. Normally, requests for action or assistance from one side to other will be routed through headquarters and will not be routed between the US Staff and the subordinate German Field Organization. A consistent passing of information copy to the field level and a dissemination and free exchange of related information at the field level is required. **SUBJECT: 1. Standard Operating Procedure, US Staff** will be noted at the headquarters level.

6. In emergency or when required responses because of time element, action in the field can be resolved at the field level with headquarters being immediately informed of action taken.

7. The policy of a request for information of an operational nature. **Effective immediately the US Staff is reorganized as indicated on the attached organization chart (incl # 1).**

8. The channels for the verbal or written transmission of matters of policy, matters involving action by either the US or German Staff, and information or requests for information, are indicated on the attached schematic drawing of staff channels (incl. #2).

9. Normally, correspondence for dissemination within the US-German organization with policy implications will be prepared for the signature of the US Chief of Staff as follows:

For The Commanding Officer:

~~REDACTED~~

1 copy
2 copies

KENT J. MARSHALL
Chief of Staff

4. Correspondence of the category referred to in paragraph 3 above but addressed to US agencies outside of the US-German Organization will be prepared on a 7821 Composite Group Letterhead for the signature of the commanding officer.

5. The Chief of Staff will receive directly from the German staff all papers dealing with policy or actions with policy implications.

6. Internal US Staff communication from the Hq Staff to the Field Offices will be routed through the Chief of Operations.

7. Internal US Staff communications coming from the field offices to the headquarters staff will be routed through the Chief of Operations.

8. Requests for actions in accordance with established policies will normally be routed between the respective staff sections of the German and US staffs.

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9. Normally, requests for action or assistance from one side to other will be routed through headquarters and will not be routed direct between the US Field Office and the respective German Field Organization. A concurrent passing of an information copy at the field level and a discussion and free exchange of related information at the field level will usually lay a sound basis of understanding and ultimate action to be coordinated at the headquarters level.

10. In emergency or when deemed necessary because of the time element action matters can be resolved at the field level with headquarters being immediately informed of action taken.

11. The reply to a request for information of an operational or administrative nature will be addressed to the office of origin.

FOR THE COMMANDING OFFICER:

2 incls:
1 - Org chart US Staff
2 - Staff Channels


KENT J. MARSHALL
Chief of Staff

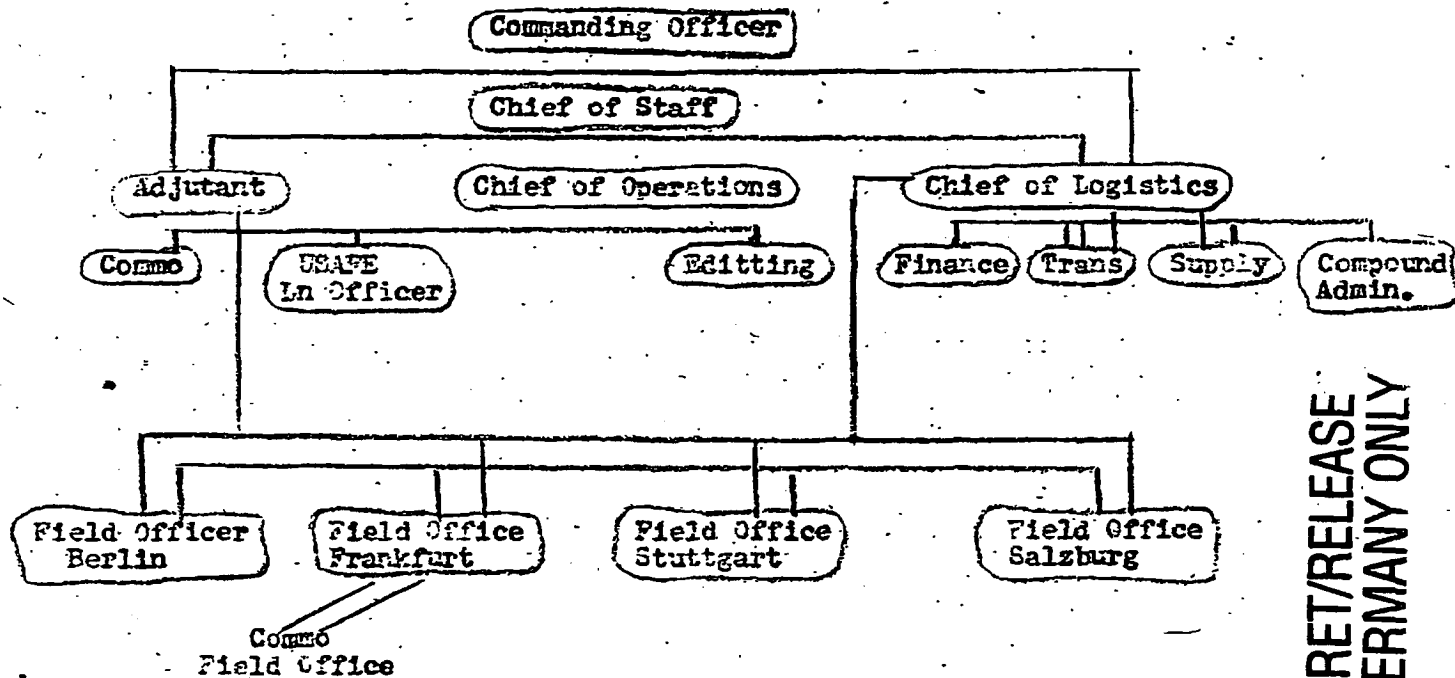
DISTRIBUTION:

23.3 File 1 copy
34 2 copies

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Organization Chart
US Staff

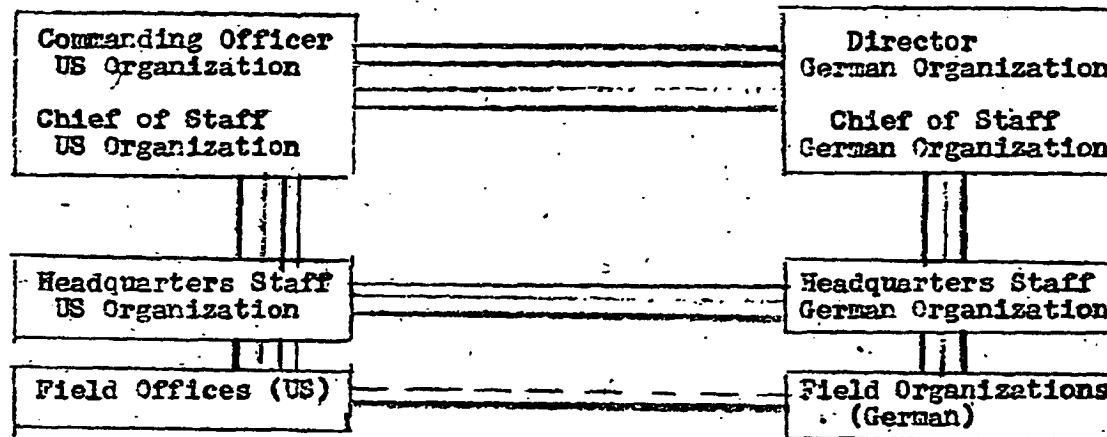


————— Operating Channel
————— Military Command, Personnel and Supply Channel US Mil Detach

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STAFF CHANNELS



- _____ All policy matters, all action matters in which policy involved—
verbally or in writing.
- _____ All action matters of a routine nature and in accordance with
established policy. Exceptions authorized when time element
dictates (). Verbally or in writing.
- _____ Channel for operational information.
- _____ Channel for exchange of information on routine matters; no action
expected.

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FBM

MEMORANDUM

TO: AISO

FROM: FEM

SUBJECT: Colonel William R. Philp, O-7200

DOCUMENT NO. 077
NO CHANGE IN CLASS. ☐
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S ☒ 1990
NEXT REVIEW DATE:
AUTH: HQ FEM
DATE: 12/1/81 REVIEWER: [REDACTED]

1 September 1949

1. Quoted below are the pertinent paragraphs with regard to Colonel Philp which I mentioned to you yesterday:

"Colonel Philp presents, in a passive sense, the single most difficult personnel problem facing us. Occasionally he utilizes the prestige of his rank to untangle a minor administrative problem with local military agencies and to a certain extent holding the military staff together. While he is fully cooperative, friendly and apparently interested in the project, he has reached the point in age and in his military career where he is not inclined to deal with the type of detailed problems which [REDACTED] handles so effectively for [REDACTED]. On the other hand, since he is not informed on the contents of Washington and Karlsruhe policy and is not charged with the responsibility for Odeum, he is not in a position to handle policy matters with either the US or German staffs or other US agencies. This leaves [REDACTED] in the position of discharging the functions of both the responsible commanding officer and the executive plus the additional problem of keeping Colonel Philp adequately briefed. I am convinced that, considering all factors, the retention of Colonel Philp here beyond the end of the calendar year will serve no useful purpose provided that an officer of the rank of Major or Lieutenant Colonel can be available to act as Commanding Officer of the Composite Group and the Pullach Sub-post. In the hope that some conversancy with the language would alleviate the tendency toward distrust toward the Germans that has characterized Major Leffers' attitude in the past, we have sent him to Oberammergau to a German language course that will last until sometime in December. In spite of his ostensible attitude, Leffers is enthusiastic about his assignment, is a competent and energetic executive and desires to finish the rest of his tour in Germany with Odeum. I consider him as the most obvious successor to Philp who has, as a matter of fact, habitually relegated most duties to Leffers in the past. I might add that [REDACTED] and [REDACTED] have certainly proved to be a solid foundation on which to build our Odeum staff. All appear to be psychologically and professionally well suited for their present assignments, and I find working with [REDACTED] and as a group a genuine pleasure."

HISTORICAL DOCUMENT

Destroy only with consent
of the Historical Staff

Name: [REDACTED]
Date: 22 March 1968

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CONFIDENTIAL

2. In view of the foregoing, we would greatly appreciate it if you would implement the suggestion you made yesterday, namely that the Director talk with General Irwin about this case with a view to having General Irwin ask General Huebner to request the services of Colonel Philp, effective sometime around 1 January 1950.

3. For your information, Colonel Philp was assigned as Commanding Officer at Odeum last fall, following a tour of duty as Chief of the Foreign Documents Branch, Office of Operations, CIA, Washington.

Richard Helms

orig + 2 cc's
returned FBM
12 Sept 49
(noted by Oct)
Note from AOSO Z
FBM: "Gen. Irwin
has agreed to initiate
action to effect relief
of Col. Philp." R.A.S.

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MEMORANDUM FOR THE RECORD

Date: 29 September 1949

Subject: Dissemination of Press Evaluation in Criticism
of the Nurnberg Trials.

1. On the morning of 29 September 1949 Sergeant Steine brought to my office the attached press evaluation of the Nurnberg Trials and subsequent jurisdictional proceedings in the western occupied zones of Germany.

2. Steine informed me that several thousand copies of the document were being assembled for mailing in the ODEUM Press and Evaluation Section. Noting that the material was a compilation of editorials criticizing the basic philosophy of the responsibility of military commanders in time of war as established in the Nurnberg Trials and subsequent proceedings, I called Herdahl to my office and asked his opinion on this matter. He disclaimed knowledge of the pamphlet, and at that moment he received a telephone call from Mr. Wieland, Deputy to Mr. Horne. Wieland had just learned that Steine had procured a copy of the pamphlet and delivered it to me and was attempting to locate Herdahl to explain the matter to him. At the conclusion of the telephone call, Herdahl told me that the material had been collected at the request of Mr. FOERCHT (see MGL-A-). According to Herdahl, Mr. FOERCHT had planned to mail the pamphlet to a list of several thousand former German officers as part of a movement to exert pressure for a re-examination of those aspects of the Nurnberg decision which established the guilt of German officers at all levels acting in accordance with commands from higher echelon, irrespective of the moral implications of the matter involved.

3. I informed Herdahl:

a. that the future of this organization as an intelligence service sponsored by the United States dictated that it refrain from political activity.

b. that neither the convictions of any individual on the German Staff nor on my Staff was relevant to my inalterable position that the facilities and personnel of this organization would not be utilized directly or indirectly in such activities.

c. that the pamphlets concerned would immediately be taken into custody by Dr. Schneider, who was to immediately initiate an investigation of the entire matter.

d. that while each of them as individuals was entitled to his opinion on such issues as the Nurnberg Trials, the individual's position with this organization would in no way be utilized to provide a vehicle for the individual expression of opinion.

e. that I was, from numerous conversations with Dr. Schneider and members of his Staff, thoroughly aware of their position on some aspects of the Nurnberg Trials and subsequent proceedings involving former German officers which was to some extent shared by most Germans and could be

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- 2 -

compared to the strong movement to remove the German guilt clause from the Versaille Treaty after World War I. Inspite of this, I ventured the opinion that activity of this type might well jeopardize the organization's future position vis-a-vis a German government and would certainly minimize the possibility of a continuing harmonious relationship with my organization.

f. that attempting to carry on such activities without discussing them with me or members of my Staff was the fastest way to bring about a deterioration of the harmonious relationship which has developed during the past month.

4. Pending further investigation of this matter, I have decided not to bring this inconclusive story to higher headquarters. Immediate steps are being taken, however, to carefully scrutinize the orientation material prepared by Mr. FOERCHT and to determine the full facts surrounding this incident.



Attached: German Language Pamphlet
Subject: "General Material on the Nurnberg Trials."

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MGL-A-564

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11 October 1949

Chief, Foreign Branch M

Chief of Station, Karlsruhe

Administrative

Living Conditions Pullach Operations Base Personnel

Paras. 13 and 14, MGK-W-2726

1. Attached are two extracts from recent Munich Military Post Daily Bulletins which will provide a general background to the following comments on the special problem of providing housing for our ODEUM staff:

a. Pullach is a village situated about five miles south of Munich and about a 25-minute drive from the concentration of bachelor-type apartment quarters in Munich. This drive becomes somewhat difficult during the autumn and winter months when the Isar River Valley is frequently immersed in heavy fogs.

b. The married members of our staff have, in general, done much better in obtaining quarters than have the single members of the staff. [REDACTED] and [REDACTED] both have modern and comfortable quarters in Pullach within a few blocks of the main entrance to the Nicolaus Kaserne which houses the ODEUM headquarters and our offices. [REDACTED] lives in Harlaching, a Munich suburb just across the Isar from Pullach and a ten or fifteen minute drive from the headquarters. [REDACTED], our most recently arrived married staff member, was assigned an extremely comfortable set of quarters on the shore of Starnberg Lake approximately twelve miles from the office. However, the entire distance is through open country and on an excellent highway. Almost without exception, the military members of the staff who have dependents live in the Pullach area or within a ten minute drive of the office.

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19 JUL 1967

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c. We run into considerable difficulty in settling satisfactorily the housing problem of our single staff members. The standard procedure of the Munich Post billeting office, on which we depend for all housing, is to assign two bachelors to one apartment. These apartments average two bedrooms, one living room, kitchen and bath. Recently the Army withdrew commissary privileges from all single personnel unless special justification could be provided. This justification must include evidence that the apartment occupied is located in an area where Army messes or clubs are not available. [REDACTED] is the only single member of our staff who is actually occupying a Munich Post billet. His apartment is 25 minutes from the office, located over a German store which deals in fish, among other things, and has a definite influence on the atmosphere of his apartment. [REDACTED] has purchased chairs, lamps and various other items for his apartment. The two female members of our staff, [REDACTED] and [REDACTED], share a small house within but on the edge of the compound. A private gate to which they have the key provides them with some semblance of privacy and the maintenance and utilities of the house are taken care of by the Nicolaus administrative staff. This house is not a billet registered with the Munich Post; for this reason we have had only limited success in furnishing the place from Army sources and have had to expend a limited amount of our Base fund. [REDACTED], our male finance officer, arrived here a month ago and is still living in transient quarters within the compound with no immediate prospects. [REDACTED], a case officer previously with Berlin Operations Base, lived in the compound for three months before he managed to settle his living conditions outside of the compound.

d. We provide a central mess in the compound. It is located in a basically attractive building and has the potentialities of being a very pleasant mess; however, it is in the same building with the apartment which houses Colonel and Mrs. Philp and the mess, among the worst I have ever seen, is rather dominated by their presence. This situation we hope to improve in the near future.

e. I am currently negotiating with the German staff for a reorganization of offices and living quarters within the compound with a view toward freeing four apartments immediately adjacent to the Pullach side of the compound. If we succeed in this we will have these apartments physically cut out of the compound, redecorate them, furnish them adequately and make them available as an alternative to Munich Post billets to our bachelor personnel.

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f. Recently I located a hotel just a few minutes from the Nicolaus Kaserne and on the south side of Pullach (we are on the north) which has just completed a several apartment annex which is very attractive and classified as a hotel free of Wohnungsamt controls. This raises the question for the first time of renting an apartment with Base funds for the housing of staff members. What are Washington's views on this possibility, particularly for Pullach which has a peculiar problem due to its somewhat isolated situation? [REDACTED] is particularly interested in finding a better solution to his living conditions and has raised the question of moving into the hotel annex. This poses the problem of a living allowance for a staff member not utilizing Army accommodations. We thought this a good opportunity to send up a trial balloon on this question.

g. I assure you that we will do everything possible to alleviate the present difficulties in providing adequate quarters for all of our staff members.

2. I trust that the above picture will not be taken as sufficiently discouraging as to divert from our staff potential members of ODEUM. On the whole, there are probably more advantages than disadvantages to the existence of the individual staff member assigned to ODEUM.

3. I suggest that each staff member scheduled to come here inform all interested persons that the mailing address is: 7878 Signal Service Company, APO 407, c/o Postmaster, New York, N.Y. This will ensure immediate delivery of mail and will avoid security breaches related to changing of mailing address.

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1 - COS
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DISPATCH NO.: MGL-A- 643

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UJ Dm 1/1

DATE: 20 October 1949

TO : Chief, Foreign Branch M

FROM : Chief of Station, Karlsruhe 1/850

SUBJECT: General - Operational
Specific - ODEUM OB

REF : MGK-W-3020

1. We appreciate the thorough grasp of this delicate problem that is reflected in your recent letter on this matter. Actually we are making considerable progress in taping ODEUM although much of the results will not become apparent until we are capable of processing the material that is available. Our Composite Group files contain a great mass of correspondence on travel documents, legalization and documentation problems, denazification trials, and other similar matters which frequently give comprehensive personal data. Additionally, our US Field Offices submit a weekly activities report which invariably contains numerous names, references to current activities of German personnel, and details which can eventually be tied in with operational reporting, agent numbers, etc.

2. We regret and are daily becoming more aware of the fact that with our present staff we are unable to do any carding. Although the availability of the ODEUM CE cards partially solves this problem, they are of little assistance in the particular problem of building up a clear picture of ODEUM OB. After our military personnel have been cleared, I expect to place several people on the task of carding several past years of Composite Group files. However, this remains in the future, and at present we are unable to card even our own current operational correspondence.

3. Some of our most delicate problems are in connection with senior ODEUM members who, upon striking up a close personal relationship with a member of our US Staff, indicate a willingness to provide, outside of the normal ODEUM channels, considerable material on their co-workers and their current activities. Three significant examples of this have developed in the past few months. Otto von BOLSCHWING's inclination to develop an independent channel to the US Staff and his willingness to report full details on the OB and activities of ODEUM's Austrian Group was described in MGL-A-448. Certainly our most comprehensive

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picture of [REDACTED] activities and the personalities involved stems from the confidential revelation by [REDACTED] to [REDACTED]. Most recently, [REDACTED], arranged an outside contact with [REDACTED] in order to pass him their views on many aspects of ODEUM and some of its personalities without a member of the ODEUM Headquarters Staff being present. Obviously this is a most dangerous device and could easily inflict lasting damage on our working relationship with the ODEUM Staff. This, of course, is not worth risking since the OB of ODEUM will, in the course of time and with the availability of an adequate US Staff, become quite available. On this matter I feel that we must take a long-term view. On the other hand, your recent letter serves as a reminder that, in our propinquity to ODEUM, we should not lose sight of the necessity for protecting the future of our own organizational security by thoroughly taping ODEUM. Accomplishing this will finally resolve itself into the pure pick and shovel aspects of intelligence work - meticulous carding and filing of the vast amount of material available on the ODEUM organization.

[REDACTED]

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DISPATCH NO.: FGL-4-1063

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DATE: 6 January 1950

TO : Chief, FDM
FROM : Chief of Station, Karlsruhe
SUBJECT: General - ODEUM-Administrative
Specific - Administrative Directives
REF :

1. Attached are the new administrative directives which went into effect 1 January 1950.

2. You will note that Administrative Memoranda #1 and #2 were given Distribution "A" while Administrative Memoranda #3 and #4 were given Distribution "C".

DIST:

- ✓ 2 - FDM (w/1 attach)
- 1 - COS (w/1 attach) w/o attach.
- 1 - ELS (w/1 attach)
- 2 - File

*previously
delivered copy of attachment
to COS*

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19 JUL 1967

(date)

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ADMINISTRATIVE MEMORANDUM #3

1 January 1950

SUBJECT: US Staff Organization

1. Effective this date, the American Staff of the SDE is divided into the following major staff sections:

- a. Office of the Chief of Staff, SDE
- b. Office of the Chief of Administrative Services
- c. Office of the Chief of Operations
- d. Office of the Chief of Reports
- e. Field Offices

2. The American staff offices and/or special staff officers of SDE as assigned to the above major staff sections are listed below, together with their numerical staff designations.

a. Office of the Chief of Staff, SDE

- | | | |
|---------------------------------|--------|------------------------------|
| (1) Chief of Staff, SDE | 25 | id. & no
note on
25 as |
| (2) Deputy Chief of Staff, SDE | 25.0 | |
| (3) Communications Officer | 25.136 | |
| (4) Communications Officer | 25.236 | |
| (5) Finance Officer | 25.37 | |
| (6) Special Connections Officer | 25.35 | |
| (7) Air Force Liaison Officer | 25.A | |
| (8) Base Security Officer | 25.531 | |
| (9) Case Officer | 27.A | note on
27 as
note |
| (10) Case Officer | 27.B | |
| (11) Case Officer | 27.C | |
| (12) Case Officer | 27.D | |

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ADMINISTRATIVE MEMO #3

1 January 1950

- | | | |
|--|-----------|------------|
| (13) Case Officer | 27.E | |
| (14) Case Officer | 27.III | |
| b. Office of the Chief of Administrative Services | | |
| (1) Chief of Administrative Services
(Executive Officer of the Project) | <u>26</u> | |
| (2) Deputy Chief, Administrative Services | 26.0 | } 26.0 and |
| (3) Adjutant | 26.2 | |
| (4) Supply NCO | 26.2 | |
| (5) Motor Officer | 26.3 | |
| (6) Supply NCO | 26.4 | |
| c. Office of the Chief of Operations | | |
| (1) Chief of Operations | <u>27</u> | |
| (2) Assistant Chief of Operations | 27.0 | } 27.0 and |
| (3) Custodian, Central Files and Records | 27.1 | |
| (4) Operations Assistant | 27.2 | |
| d. Office of the Chief of Reports | | |
| (1) Chief, Reports Section | <u>28</u> | |
| (2) Deputy Chief, Reports Section | 28.0 | } 28.0 and |
| (3) Chief of Editing Branch | 28.1 | |
| e. Field Offices | | |
| (1) Berlin Field Office | 29.1 | } 29.1 and |
| (2) Bad Nauheim Field Office | 29.2 | |
| (3) Heidelberg Field Office | 29.3 | |
| (4) Stuttgart Field Office | 29.4 | |
| (5) Munich Field Office | 29.5 | |

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ADMINISTRATIVE MEMO #3

1 January 1950

(6) Salzburg Field Office

29.6

3. The following duties and responsibilities are assigned to the major staff sections listed in par 1 above. Appropriate sub-divisions of duties and responsibilities will be delegated to the various staff members by the respective chiefs.

a. Office of the Chief of Staff, SDE

- (1) Chief, SDE
Senior US representative responsible for all questions of policy, operations, administration and security of the project as a whole.
- (2) In addition to his general duties and responsibilities as chief of base, Chief, SDE, will exercise direct supervision of the following functions:
 - (a) Assignment of personnel
 - (b) Together with Commo (25.236), Org 236
 - (c) Emergency plan
 - (d) Command communications and registry
 - (e) Supervision of Case Officers
 - (f) Liaison on policy questions or other matters with policy implications with other intelligence agencies
- (3) Deputy Chief, SDE
Deputy US representative. In order to act in the capacity of Deputy, he is informed on all matters falling within the competence of the senior US representative. In addition, he is the military commander responsible for the discipline and administration of military personnel insofar as compliance with Army Regulations, the Articles of War, and existing Theatre Directives applying exclusively to military personnel are concerned.
- (4) Special Connections
Special Connections Officer: US Staff responsibility for special connections and political matters affecting the German organization.
- (5) Operational Finances

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ADMINISTRATIVE MEMO #3

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1 January 1950

- (a) US Staff responsibility for custody and accountability of operational funds
- (b) Auditing funds kept by the Adjutant
- (c) Reviewing authority, German Welfare Fund
- (d) Custody and accountability of SDE Base Fund

- (6) Case Officers
Division of duties of case officers 27.A through 27.E assigned directly by C/S, SDE. Case officer 27.III is charged with the US Staff supervision of CE operations.

b. Office of the Chief of Administrative Services
The Office of the Chief of Administrative Services is responsible for the following administrative functions:

- (1) Procurement and accountability of administrative and operational supplies.
- (2) Procurement of supplies for US Army personnel.
- (3) The operation, maintenance and administration of all installations and housing for all US and German personnel.
- (4) Transportation (motor, rail and air) for all US and German personnel, + include operation of base motor pool.
- (5) Personnel and administration of military detachment.
- (6) Courier services.
- (7) Duty officer and US guard.
- (8) Control of staff drivers.
- (9) Special services, clubs, etc.
- (10) Military correspondence.
- (11) Signature of cover documents.
- (12) Special arrangements for rail and air transportation.
- (13) Custody of SDE Administrative Fund.

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ADMINISTRATIVE MEMO #3

1 January 1950

- (14) Supervision of all AEC facilities.
- c. Office of the Chief of Operations
 - (1) Coordination of Operations.
 - (2) Maintenance of Operational Files.
 - (3) German organizational matters.
 - (4) Operational cover and documentation matter including Travel Documentation for the German organization.
 - (5) Liaison with German staff, 31 and ~~45~~ 33.
 - (6) Review of Developmental Projects.
 - (7) Coordination of Soviet Zone operations.
 - (8) Operational connections of German organization to Western European EC.
 - (9) Disposal matters.
 - (10) Emigration matters.
 - (11) Economic cover of the German organization.
 - (12) Clerical support of and operational coordination with case officers.
- d. Office of the Chief of Reports
 - (1) Steering, Coordination of intelligence requirements received from higher headquarters with operational direction of the project.
 - (2) Preparation, handling and routing of Briefs and EEI's.
 - (3) Conduct of liaison with the German staff of 45.
 - (4) Editing, Processing of evaluated reports received from 45 into the appropriate form for final dissemination and forwarding.
- e. Field Offices
 - (1) Represent Chief of Staff with German Organizational

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ADMINISTRATIVE MEMO #3

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1 January 1950

Field Agencies, consistent with existing directives governing relationship between the US and German Staffs and established practices.

- (2) Liaison to US Agencies, including administrative and logistical support of German field agencies.
- (3) Field officers will normally coordinate with Chief, Administrative Services on logistical and administrative matters and with Chief, Operations on operational matters.

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ADMINISTRATIVE MEMORANDUM #4

1 January 1950

SUBJECT: US Staff Assignments, SDE

REF: ADM MEMO #3

Effective this date, numerical designations as described below are hereby assigned to American Staff personnel of this project. Administrative Memo #3 indicates the specific staff assignment and/or function corresponding to each numerical designation.

<u>Numerical Designation</u>	<u>American Staff Member</u>
25	Mr. Marshall
25.0	Col Philp
25.136	
25.236	Capt Redden
25.35	
25.37	Mr. Baxter
25.531	Capt Harper
25.A	Col McCroskey
27.A	Mr. Wolf
27.B	Mr. Stauffer
27.C	Capt Schardt
27.D	Col deSilva
27.E	
27.III	Mr. Roberts
26	Major Leffers
26.0	Capt Rawls
26.1	Capt Bray
26.2	Sgt Moon
26.3	Lt. Fitzgerald
26.4	Sgt Hall
27.0	
27.1	Miss Rittener
27.2	Mr. Pinney
28	Mr. Williams
28.0	
28.1	Mrs. Leffers
29.1	Mr. Scott
29.2	Major Walker
29.3	
29.4	Major Goets
29.5	Capt Daems
29.6	Capt Risdon
27	Mr. Lukas

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Munich Office
APO 407, US Army

ADMINISTRATIVE MEMORANDUM #1

1 January 1950

SUBJECT: Correspondence and Distribution

Effective this date, correspondence and distribution of this unit will be prepared and handled so as to conform with directions prescribed in Annex 1 and 2 attached.

3 Incls

1. Annex 1, Handling of Correspondence
2. Annex 2, Table of Distribution


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ANNEX #1 - HANDLING OF CORRESPONDENCE

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TYPE OF CORRESPONDENCE	HEADING	COORDINATION	ROUTING OR DISTRIBUTION	SIGNATURE	NORMAL CLASSIFICATION	ADDRESSEE	ADDRESSOR	NO. COPIES	REMARKS
Pol - Admin Memos, Policy Memos and other internal correspondence	SUE	Prior to preparation	A, B, C, as defined in Annex #2	KJM	Determined by content & distribution	Adhere to numerical system	Adhere to numerical system	Dependent on classification	
Operational correspondence with units not contacted with proper	SUE	Prior to preparation or in draft form	Through DAD channels except as authorized by C/S SUE	"FOR THE COMMANDING OFFICER"	Content only	Military form	Military form		
Military Correspondence	7821.00	Prior to preparation	Normal Military channels	"BY ORDER OF" or "FOR THE COMMANDING OFFICER"	Content only	Military form	Military form		
Military Correspondence	7875.00 SIGV40	Prior to preparation	Normal Military channels	"BY ORDER OF" or "FOR THE COMMANDING OFFICER"	Content only	Military form	Military form		
MGLA	MGLA plus consecutive numbering	Prior to preparation in draft form	Originator to operations to CPGB to registry	Pseudonym of originator initialed by CPGB	By content	Chief of station determined by content	Determined by content and distribution	Minimum 4	Only correspondence
Cables	CPGB plus registry designation	Draft form	Originator to coordinator to operations to CPGB to communications	Pseudonym of originator, authenticated by CPGB	Minimum Secret	See GAL #1 (revised)	See GAL #1 (revised)		
Memo to German Organisation	Addressee and originator	Prior to preparation	Operations to MEM to operations to 78-1	KJM	None	30	20	4	6 copies in case of bi

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ANNEX #2 - TABLE OF DISTRIBUTION

	A	B	C*	D*
Commanding Officer	1	1	1	1
C-Administration	1	1	1	
C-Reports	1	1	1	1
C-Operations	5	5	5	5
Field Officers		1 each	1 each	
German Staff			4	4

* Distribution "C*" and "D*" will not contain any material bearing
US Classification markings.

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APO 407, US Army

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ADMINISTRATIVE MEMORANDUM #2

1 January 1950

SUBJECT: Related Military and Cover Units

1. The cover designations and units to be utilized by the US Staff of this project are described below:

a. 7821 COMPOSITE GROUP - U Army Designation

The 7821 Composite Group is the official military detachment to which all military personnel assigned to this project and not transferred to CIA at the Washington level are assigned. In this capacity the 7821 Composite Group carries out administrative and supply functions necessary to service the military personnel assigned to this project. In addition the 7821 Composite Group is used as a cover designation for all administrative and logistical matters pertaining to the project as a whole when dealing with other US agencies exclusive of DAD channels.

b. WULLACH OPERATIONS BASE (WOB)

WOB is the DAD nomenclature applied to this unit as a subordinate base of the DAD. This designation is used only within official DAD channels.

c. SPECIAL DETACHMENT EUCON (SDE)

The Special Detachment EUCON is a new cover name for this project designed and intended to replace TIB. This designation is to be used as a heading for all internal administrative and policy memoranda; all correspondence with Field Officer and all correspondence on operational matters with ODI EUCON, ODI USFE, CIC, and ODI HICOG.

d. 7878 SIGNAL SERVICE COMPANY

The 7878 Signal Service Company is the cover unit designation for DAD personnel assigned to WOB. This cover is used only in dealings with Munich Military Post and as a mailing address.

2. Administrative Memo #1, dated 1 January 1950, prescribes the proper use of the above unit designations in official correspondence.

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DISPATCH NO.: MGL-A- 1107

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DATE: 11 January 1950

TO : Chief, Foreign Division M
FROM : Chief of Station, Karlsruhe
SUBJECT: General - Operational
Specific -

REF :

1. It is indeed regrettable that preoccupation with other more pressing problems has resulted in considerable background information on ODEUM activities in the political field, particularly with respect to [REDACTED], accumulating at Pullach since early in November. In this respect the problem of a case officer qualified to handle this problem and posed by us in PULL-218 becomes increasingly urgent.

2. In October and early November UTILITY appeared to have temporarily lost his perspective and showed far too much inclination to become involved in the affairs at Bonn. After the smoke had settled, we raked UTILITY over the coals for his performance in the abortive Swiss trip to meet ADENAUER and in his headlong plunge into the governmental circles at Bonn, as reported in PULL-219 and PULL-258, respectively.

3. On his Bonn trip UTILITY definitely overstepped his authority in his conversations with all German officials and BLUECHER particularly. Since then I have attempted to drive home to UTILITY our views on the dangers involved in his conducting any sort of political liaison not definitely engineered by us. It was my impression that UTILITY had not anticipated the distinctly unfavorable reaction from us that his November junkets evoked. Since that time he appears to have personally retrenched and appears to be content with relying on a few of his leg-men to keep him informed of developments in German political affairs.

4. In discussing the whole problem of ODEUM's role in German politics, I have attempted to stress the following points:

a. ODEUM must review its membership, its connections and its activities with a view toward the elimination of those which could provide the legitimate basis for criticism on moral or political grounds by individuals or elements in Western Germany or among the Western Allies.

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*Correct
and note
must be
sticklers on
this point*

b. The only defensible position for ODEUM is that of an apolitical German intelligence group concerned solely with conducting clandestine information collecting operations within the Soviet bloc and such limited CE operations within Germany as are in reality necessary for the protection of ODEUM installations and operations.

c. Activities, regardless of their anti-Communist character, which do not contribute to this role must be avoided.

d. ODEUM's providing the type of vetting services to the German Government which UTILITY has recently furnished to LEI would, if known, provide the most justifiable basis for labeling ODEUM an illegal political police apparatus.

e. The attainment of the long range objective of establishing ODEUM as a positive collection organization within the framework of the German Government is dependent on the rigid elimination of any activities which can be labeled partisan within the circle of West Germany's major political parties. The providing of CE information or the transfer of elements of ODEUM's General Agency I (current CE organization) to the German Government cannot be accomplished without prompting accusations and prejudice against ODEUM from some political elements, especially the SPD.

5. During the past two months we have observed a gradual modification of our own point of view on UTILITY's political activities and the future of ODEUM as the German positive intelligence organization. Reviewing correspondence originating both in Germany and in Washington in the early autumn months of 1949, one finds an inclination to apply a policy of laissez-faire to ODEUM's activities. Left to its own devices and free of the direct influence of the U.S. staff, it is probable that ODEUM would have reached an agreement with the Ministry of the Interior at the federal level and with certain of the Laender officials politically situated to strike a good bargain with ODEUM. Unquestionably UTILITY has a strong position with the circle of men who will influence developments at Bonn and in Bavaria, which includes ADENAUER, BEUECHER, BLANKENHORN, HERWARTH, GLOBKE, HEINEMANN, LEI, VON ETZDORF, PUENDER, SCHWABER, VON GODEM, and others. Had we not intervened and put UTILITY back under wraps, it is probable that the channel for making ODEUM CE information available to some of these individuals, acting in their official capacities, would have been concluded prior to this time. As it is, I have the impression that we succeeded in scaring UTILITY with the fact that we so heartily disapproved of his headlong rush into German political affairs. The possibility of U.S. support being withdrawn from him as an individual had probably prior to this time not occurred to him. At any rate, I sincerely believe that the experiences of the past two months have rendered him somewhat more amenable to our control and guidance.

6. I am inclined to believe that UTILITY is completely sincere in limiting his aims to those reflected in Para. 4, FULL-258. His tendency to meddle in the Verfassungsschutz developments stems from his conviction that the VS will not, for a variety of reasons, achieve any degree of success in its field in the fore-

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seeable future. UTILITY feels, as previously stated, that the essentially political character of the various LAENDER Governments and the federalistic principles which are to be applied to most federal agencies, including the VS, will probably render the federal VS incapable of becoming an effective FBI type of organization, unless the German Government, German political parties and the Occupation Powers solidly unite to see that it does not become an arena for political and agency conflict and that the head of the VS, regardless of his political affiliations, is governed by a bi-partisan policy. He has expressed the opinion that an SPD head of the VS would probably be most desirable and would offer the best chance of success in unifying Laender CE efforts, if the previously indicated apolitical conduct of the office was observed. UTILITY is not optimistic, however, that this agreement will be achieved and anticipates a clear rift within the VS apparatus as a whole with Laender and political party interests dominating the organization. The result of this will be an impotent VS which will increase the already evident inclination of many Bonn officials to solve [redacted] problems by establishing ties with covert agencies, such as ODEUM's General Agency L.

7. While UTILITY feels that the best interests of the Western German Government could be served by certain ODEUM CE information being made available to the Government, he has expressed agreement with our most recent point of view that transfer of ODEUM CE information or any segments of the ODEUM CE organization to the German Government would prompt immediate criticism from the SPD and probably the [redacted], both of whom would be in a position to question the basic aim of ODEUM as a purely external intelligence collecting group with no internal German political axes to grind. Long before the general elections, UTILITY had taken steps to prepare approaches to key members of the German SPD. As a result of the election, however, no further steps in this direction were taken. At present UTILITY is considering the merits of approaching SCHUMACHER with a view toward clarifying his attitude on ODEUM. In this regard he pointed out that such an approach could probably be effectively co-ordinated with some effort by us to simultaneously brief the British on ODEUM and the significance of UTILITY's approach to SCHUMACHER. UTILITY assured me that he will take no positive steps in this direction without beforehand discussing the matter with us in detail. During the months that we have been with ODEUM we have noted a number of individuals, actually members of or at least connected with ODEUM, whose political background could hardly be called acceptable to even those individuals who were inclined to forgive and forget with regard to the more moderate affiliates of the Nazi regime. Likewise, we have from time to time stumbled upon ODEUM activities which politically would tend to increase ODEUM's vulnerability to accusations of Neo-Naziism, militarism, etc. Our solution to each of these is to insist the matter be discussed fully and in detail and that ODEUM get its house in order. From a political point of view, ODEUM's CE organization is, of course, its most objectionable group. UTILITY currently gives the impression of being in accord on this matter and promises to put the heat on his organization leaders to eliminate potential targets for future political sharpshooting.

8. Gradually we are getting deep enough into the affairs of ODEUM to obtain considerable information on its political activities without relying on

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the voluntary contributions on this subject via UTILITY. VON LEX's query to UTILITY on [REDACTED] is a typical example of this. For the present, on all these items, we recommend a waiting policy with the idea of letting the evidence for or against UTILITY pile up before we take decisive action. Demanding immediate explanations of incidental irregularities in reporting to us will, we believe, merely result in ODEUM tightening up its defenses. In general this has been the basic error on many occasions in our relationship with ODEUM thus far. In this respect we fully endorse MCKW-3480 in which he says, "We believe that you will concur with our feeling that documentary information on ODEUM sources and contacts must be treated with delicacy to prevent possible windows in ODEUM operations being closed to us." While taking actions to ensure that ODEUM political activities are not permitted to precipitate a scandal which might damage the future of the more important assets of ODEUM, I recommend that we make our position unmistakably clear to UTILITY and then give him considerable freedom and avoid bringing him up short at the first indication that he is clandestinely going his own way.

9. Our rather adamant position on this whole political question can have one of two results. Either UTILITY will in good conscience agree with our view point and discern the mutual advantage to be gained by pursuing the course of action we outline, or, realizing how strongly we feel about the matter, he may be convinced that he can clandestinely carry on negotiations with selected members of the German Government. It is, of course, impossible to judge whether UTILITY is paying lip service to our most recent position on the ODEUM question. However, I believe that it is unlikely that UTILITY can carry on political activities of any scale without their coming to our attention via our own connections or those of FOB. Thus far in my relationship with UTILITY as an individual, I have found him to be a man of honor and integrity, and although he has sometimes refused to divulge certain information to us, I have never found him guilty of outright duplicity or dishonesty. It is for this reason that I am observing with special interest the outcome of the [REDACTED] affair. UTILITY via HERDAHL informed me on 6 January that he had definitely received no vetting requests from LEX that had not been reported to me. Even if it is established that UTILITY has, for some reason, definitely misinformed us, I propose that we not confront him with this fact until such time as it is to our advantage to play this card.

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DISPATCH NO. MGK-A-13790

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CLASSIFICATION

*Carded
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TO : Chief, FDM

DATE: 19 January 1950

FROM : Chief of Station, Karlsruhe

SUBJECT: GENERAL - Operational

SPECIFIC: ODEUM; Discussion with [REDACTED]

Pullach Admin. Matters

1. [REDACTED] reported that UTILITY has cooled down very noticeably in his attempts to establish himself as a political figure in Western Germany. Time and time again since mid-October, [REDACTED] has hammered away at UTILITY on this point, and the results thus far seem to be positive. This does not mean that UTILITY has closed his eyes to the possibilities that arise from time to time, but it does mean that he is accepting [REDACTED] guidance in his attempts to take advantage of them.

2. I was very much encouraged by this report, and am also inclined to believe that the [REDACTED], the Social Democrats, and others exaggerate the extent of UTILITY's past maneuvering. This belief is based on the theory that any secret organization is suspected of more than it actually does, and also on evidence that we have that a certain number of influential Germans, knowing of ODEUM's existence and wishing to be helpful in establishing it firmly with the government, have stepped in on the assumption that anything they do will be accepted gratefully by UTILITY and by us. I do not wish to minimize UTILITY's extensive maneuvering, nor to discount the fact that he himself is responsible for the widespread briefing of German authorities and prominent personalities; all I do wish to point out is that we need not necessarily accept at face value the charges brought against ODEUM, nor need we necessarily relate them to any current activity on the part of UTILITY.

3. [REDACTED] is going to need some help in straightening out the affairs of Organization 57. As reported to you by recent memo, he seems to be making progress in soliciting the support and cooperation of the Germans. The only trouble is that as they begin to make material accessible to us, the need of someone to exploit it to the fullest, and examine it as it passes through our hands, increases.

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FORM NO. 51-28A
MAR 1949

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4. The most pressing need in Pullach is for a capable senior Staff Officer to handle the political aspects of ODEUM. Such a person, in my view, would have to keep himself absolutely au courant with developments in Western Germany by reading the press and by frequent and repeated visits to HICOG, FOB, CIC Headquarters, and EUCOM. We, of course, would like to have [redacted] for this job, but since it appears that it may take a very long time to get him into it, I have wondered whether it would not be a good idea to assign [redacted]. Although [redacted] has no great interest in German politics, and has, of recent date, devoted his full attention to other subjects, his mastery of the German language and his proved ability to read himself into a new field, makes him at present one of the most likely candidates for such a position. By assigning him to it, I would be robbing MOB of a potential future recruit, but this does not seem too serious a matter, considering the size and strength of the staff planned for the combined base. Please cable your reaction to this proposal, and also let me know when [redacted] may be expected back. If [redacted] return date is firm, and if we may expect him within the next 6 or 7 weeks, I may well risk running KOB without a senior member as chief, in order to make [redacted] available to [redacted] at the earliest possible date.

5. [redacted] other needs are for a junior CE Officer, a Case Officer, a junior Reports Officer, and a secretary-translator. The junior CE Officer would assist [redacted] in screening the current flow of material, thus making it possible for [redacted] to devote more of his time to the analysis of the CE aspects of Operation 13 and the problem of Operation 114. The Case Officer would help out during the absence of [redacted].

6. [redacted] himself intends to take 90 days leave and TDY, starting in September. For personal reasons, it is necessary that he get back to the States pretty promptly after the close of this tour. He is willing to consider delaying his leave until November, if this makes sense in terms of my proposed absence during the late summer and early fall of this year.

7. Neither [redacted] plans nor mine are absolutely firm at this time. However they work out, we may count on [redacted] absence during the latter part of 1950 and should start planning for his replacement,

8. I assured [redacted] that I wanted him to return to his present assignment after leave and TDY.

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CLASSIFICATION

DIS. TCH NO. MGL-A-1330

TO : Chief, Foreign Division M

DATE: 23 February 1950

FROM : Chief of Station, Karlsruhe *C*

SUBJECT: GENERAL— Administrative

SPECIFIC— POB Staff Personnel

REF : MGK-W-3828, 3850, 3970; WASHE-8986; PULLE-399

Public Affairs Division, Karlsruhe

yef
1. I think that we all recognize the fact that ODEUM is a bottomless pit capable of absorbing any number of qualified intelligence officers that we can possibly make available for this assignment. From my point of view, the minimum personnel requirements are determined by the results of my own assessment of the minimum requirements for US staff supervision of ODEUM activities and the requests for information that I receive from Karlsruhe, Washington and, to a lesser degree, from other US agencies here in Europe.

2. Fragmentary information on almost any aspect of ODEUM reported incidentally in our correspondence naturally arouses the curiosity of the individual at higher headquarters who has access to the ODEUM correspondence, and normally results in an inquiry to POB. This process multiplied many times produces a vicious cycle. As our staff with ODEUM grows, we report on an increasing number of ODEUM activities, personalities, and connections which in turn produce more inquiries from headquarters. Obviously, the problem lies in the difficulty of determining what is important and essential to our present control of ODEUM and our own future security vis-a-vis the German Intelligence Service. Each piece of correspondence arriving at or leaving POB crosses my desk; also, each item of correspondence originating with POB and going to ODEUM is over my signature. Correspondence from ODEUM to POB goes directly to the staff member concerned. From this voluminous stream of correspondence I attempt to gauge the degree of interest that we as an organization have in any particular aspect of ODEUM, and to establish some criterion to govern the effort our POB staff puts into the investigation, control and reporting of the various aspects of ODEUM. None of us ever gets to the bottom of his "in basket" and the direction of the individual effort is always a result of continuing selection of that which is considered more important.

3. The organization of the POB staff prior to January 1950 was highly unsatisfactory due to the considerable difficulty found in integrating the new civilian arrivals with the Army staff, the necessity for constantly juggling functions from one individual to another as our staff was increased in size, and a most unsatisfactory physical arrangement. This rather chaotic period ended in January when I moved the entire American staff into one building and established it as a single staff made up of civilian and military offices with clearly defined functions operating under completely centralized.

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MAR. 1949

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control. Thus, I am now for the first time in a position to review the personnel situation and to inform you of my estimate of personnel requirements and plans for the utilization of individuals currently here or scheduled to arrive during the coming three or four months.

4. On paper, Colonel Philp is my deputy and actually functions as such, though not involved to any degree with either operational or policy matters. I suppose that his function is that envisaged for the Executive Officer in slot No. 2 on your original T/O. As I indicated in paragraph 3-a of MEL-A-573, I feel that the No. 2 slot here should be filled by a military man as long as the present Army personnel support continues. If Colonel Philp were for any reason reassigned, I would recommend that [REDACTED] be recognized as my deputy. Thus far, [REDACTED] has spent much of his time becoming acquainted with ODEUM and in carrying out special tasks and investigations that I have allotted to him. I might add that we are all favorably impressed with [REDACTED], who is in all respects a distinct asset to the POB staff.

5. [REDACTED] has been handling ODEUM General Agencies "C" and "G" and District Agency "M". [REDACTED] orders call for his departure on the 15th of March and return circa 10 September. [REDACTED] will handle the operations of "C" during [REDACTED] absence. "G" will be left open until [REDACTED] arrives and takes over this contact on a permanent basis. "G" runs most of the coverage of the Soviet Zone, has very few project operations, and has proven to be the most difficult from our point of view. [REDACTED], who already has a Balkan-USSR background, will become the case officer working with "M" immediately.

6. [REDACTED] is the case officer for ODEUM General Agencies "A", "E", and "H". Several months ago it became apparent that these organizations had ended up with the bulk of the approved projects and also appeared to have the majority of the most complex operational problems of greatest interest to us. [REDACTED], who has a fair command of German and had taken over the ODEUM interrogation program, was made available to [REDACTED] to assist him with General Agencies "E" and "H". At present, [REDACTED] continues to handle the direct field contacts with the staffs of "E" and "H" and to be responsible for the final form and substance of operational correspondence dealing with these organizations, although [REDACTED] has become increasingly useful in the preparation of correspondence and the local staffing of material related to the operations and personalities of these organizations. Although both [REDACTED] and [REDACTED], who share an office, are doing an excellent job, their office is the most understaffed of any on the entire POB staff and will, in the course of the next month or two, suffer a serious blow when Captain Eisdon, who in the role of case officer has provided us with much of our information on General Agency "A", returns to the United States at the end of his present tour of duty. The situation will be further complicated by the loss of a non-commissioned officer who has for the past two years handled the administration and courier service between General Agency "A" and ODEUM. With your approval, I will have [REDACTED] assume the status of a case officer and join [REDACTED] and [REDACTED] in handling the organizations "A", "E", and "H".

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7. Although [REDACTED] has been unable to keep abreast of the quantity of CE material available to us, improved working conditions in POB and more efficient procedures for handling the transmittal of information, between him and his ODEUM counterpart are gradually bringing about improvement in this department. In the long run, some additional staff commitment in the CE field will, I believe, be desirable.

this is a first priority

8. As indicated in MGL-A-1323, we are considering asking ODEUM to place certain CE operations in Berlin under [REDACTED] supervision. If [REDACTED] appears suitable for the assignment, I will send him to Berlin to work under [REDACTED] supervision for several months with the view toward bringing [REDACTED] back to Pullach in June to become involved with [REDACTED] in CE matters and, at the same time, be held responsible for maintaining close supervision over [REDACTED] and ODEUM activities in Berlin through frequent staff visits.

9. [REDACTED] has joined the POB staff and is working with the operations office and the case officers. [REDACTED] and [REDACTED] have both been retained in Karlsruhe.

10. At present, we are definitely pressed for secretarial help. However, this situation will be partially alleviated if the security clearance on [REDACTED] will permit her employment on a contract basis in the near future. Also, there is the possibility that [REDACTED] may release [REDACTED] to us in the near future.

11. The absence of Captain REDDEN on an emergency leave to the USA has left us with no communications staff member for the past few weeks. However, we are expecting his return daily which will once again put us in a position to perform a minimum essential supervision of our operational and staff communication activities. Also, I understand that [REDACTED] will remain in Karlsruhe for several months' language training; I assume that [REDACTED] will come directly to Pullach. Fortunately, we have an excellent apartment here at the headquarters available for occupancy by her and the next female staff member to arrive. At the moment I have nothing to offer new male staff members but the opportunity to go to the Munich Billeting Office. I am preparing a separate letter containing a proposal for the solution to the POB single employee housing problem. The question of a deputy communications officer for ODEUM, described in MGK-W-3970, will be discussed with [REDACTED] on 25 February. The problem here is a little more complex since it involves the future disposition of a rather extensive "Sleeping Net" project on which we have been able to report very little although we now have in our possession considerable ODEUM material on this project.

12. The slot for which [REDACTED] is being recruited has for six or seven months been my key personnel problem. I have already described this situation in MGL-A-1324.

who are these people


13. In general, our ODEUM staff is at present a little bit top-heavy with people capable of filling executive positions but neither professionally nor

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linguistically qualified to fill the role of case officers. I cannot over-
stress the desirability of individuals destined for ODEUM having as a basic
requirement a workable knowledge of the German language.



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*Have discussed secretarial situation.
We are holding one secretary to do a
priority job for finance & will release
to POB as soon as possible*



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DEPARTMENT OF THE ARMY DETACHMENT

APO 403

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20 March 1950

TO : Mr. Benjamin Shute
Director of Intelligence
HICOG, APO 757
U.S. Army

FROM : Gordon M. Stewart

SUBJECT: Reinhard Gehlen

We believe that Gehlen is chiefly motivated by a desire for personal success and personal security, a sense of duty, patriotism, and a fear of and hatred for Communism. These characteristics are common to many former German officers, but in Gehlen's case they play a singularly important role. He is intensely and self-consciously "ideological" in his outlook. A surprising amount of his time is devoted to reading and discussing social, political, moral and religious issues. He keeps himself very well informed. Unfortunately, his lack of academic training deprives him of critical judgment, with the result that he is sometimes taken in by those warmed-over and carefully garnished variations of fascism, corporate democracy, and the like, so popular in Western Europe at the present time.

We suspect that his decision to save his organization by collaboration with the Western Allies (taken before the end of the war) and his subsequent position as the leader of a German organization, acting on behalf of the Americans, have had a lot to do with the development of his strong ideological bent. He has had to justify his position to the Americans, to the Germans who work under him and to himself.

The political position which he has worked out is quite unexceptional despite the occasional flaws noted above. He professes to stand for a united Western Europe built around a Franco-German axis, for collaboration with England and the United States, for social reform but not socialism, for the review of such occupation and postwar "injustices", as war crimes trials and some aspects of denazification. He does not favor the remilitarization of Germany, except as a part of Western European defense. In the intelligence field, he believes that a small country such as Germany should have a unified service.

The question now remains whether, once in office, Gehlen would serve the interests of the government and remain loyal to the Western Allies. It is our firm opinion that he would serve Adenauer loyally. As an officer, he is extremely well disciplined and has a strong respect for

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properly constituted authority. He is horrified by the romantic nationalism and indiscreet behavior of some of his former colleagues. He is not one to become involved in the cabals of officers and senior bureaucrats. He is cautious in political matters to a fault.

We think he will take direction well. He is a man of independent mind, more by force of circumstances than by choice. Adenauer and other senior German officials will experience no difficulty in handling him.

He will not be an American or Allied puppet in office. If he thinks that it is in the German interest to resist the Allies, he will attempt to do so. We are convinced, however, that he is sincerely interested in harmonious cooperation between the Germans and the Western Allies, and that he is capable of rising above petty dogmatism when the broad issues at stake are properly presented to him. We have always found him to be tractable.

We believe that he will try to avoid becoming involved in party politics. This does not mean that he is indifferent to politics but, rather, that he is ambitious only as an intelligence official. A review of his record shows that his most impressive trait is his ability to survive the storms around him in this capacity. During the war he managed to keep his organization intact and relatively undisturbed despite the furious vendetta which developed between the Abwehr under Canaris and the RSHA under Kaltenbrunner. The defeat of the Abwehr left Gehlen untouched although he certainly was a Canaris man. In 1945, Gehlen converted Germany's defeat into an intelligence alliance with the Americans in short order. In working with us under the occupation, Gehlen has made no secret of his desire to survive the end of the occupation as the head of an important intelligence activity.

One final word. Gehlen is an intelligence operator. The means he employs to achieve his ends are not always straight-forward. Like all other operators of any importance, he has a high regard for the security of his own operations and will lie like a gentleman, if need be.

Gordon M. Stewart

Mr. Stine
CNS
RMS
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25 April 1950

MEMORANDUM

TO: Chief, FDM
FROM: S. B. Bossard
SUBJECT: ODEUM Projects

1. It seems to me we are facing an operational dilemma in handling Odeum projects which arises from the fact that we control the funds, the channels of communication, and the personnel of these operations but in the end have no responsibility for the areas of operation. Theoretically this is a matter for liaison and coordination with the division and the desk concerned, but in practice so far it has fallen upon members of this desk to analyze and direct the projects. In other words, in spite of the fact that Odeum may to the knowledge of the Polish, Hungarian, Czech or Rumanian desks be operating in those territories, we have not so far succeeded in impressing upon those desks the responsibility for their share of the administrative load in criticizing and maintaining those projects. It is our strong feeling at this desk that these projects should be guided by area experts and we should act simply as coordinators of their directions with Odeum and as channels of communications to Odeum. If our responsibilities are to extend beyond that point, it would be necessary for members of the Odeum staff here to become at least quasi-experts on the areas in which we operate.

2. It is quite true that the desks concerned have not been uncooperative, but have been hampered in giving their assistance by the lack of operational detail included in Odeum project forms and by the attention they must devote to their own current operations. The first obstacle to thorough project analysis is gradually being eliminated and we are now after another six month period of operations, which will end next month, obliged to review and pass upon projects for the next six month period. I am suggesting, therefore, that we bring together all persons concerned within and outside the division so that we may once again present this problem and agree upon arrangements by which each individual will be assigned specific responsibilities in the completion of this process.

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3. As far as the responsibilities of this desk are concerned, they are in my estimation the following:

- a. Maintenance, support and direction of Odeum operationally in "Eastern and Western Germany.
- b. Maintenance, support and coordination of Odeum operations with the appropriate desks in all other areas.
- c. Investigation of Odeum as a foreign intelligence service with the view of determining its weakness and strength and the means by which we can exert control.
- d. Investigation and direction of Odeum in relation to the Bonn Government with a view toward determining the future position of its elements in that government.
- e. Investigation and direction of Odeum relationships with Western European intelligence with a view toward defending our own relationships with those services and controlling Odeum's future position with those services.

I cannot see that the present staff of the Odeum desk can adequately fulfill those responsibilities and at the same time undertake the detailed project analysis within satellite areas which OSO policy requires and to which we are fully committed.

4. This is, by the way, an approach to a larger consideration of operational policy which I believe will soon arise in connection with our investigation and overhaul of General Agency A. Here I anticipate we will be confronted with the question of determining the feasibility of operating certain Hungarian and Rumanian networks directly through our own case officers or to continue the operations via the Germans. We will have to consult thoroughly with area specialists in facing these decisions and I believe we will elicit much more practical views on the subject if we can give each individual concerned a clear sense of his responsibilities beforehand.

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MGM-A-20123

Chief, Foreign Division M

25 June 1950

Chief of Station, Karlsruhe

Operational

Offspring - Review of Record and Problems

I. RECORD OF OUR STEWARDSHIP - FISCAL YEAR 1950

1. The close of our first year of stewardship of Offspring finds this organization embattled in the numerous sectors of the AIS-Offspring relationship - advancing in some, stagnating in others, and even retreating here and there. Viewed broadly, however, and especially in relation to the situation as we found it in June 1949, the twelve month POB management of Offspring has chalked up a record to be proud of.

2. It is now abundantly clear that [redacted] original recommendation that this organization assume responsibility for Offspring was fully justified and that the emergence of a German government would have rendered the Army's management of Offspring as inadequate as the political developments of the past year would have rendered the liquidation of American commitments foolhardy. Wallop stated in December 1948:

"Following reorganization, at least a period of one year should be considered as a time of further testing and remodeling in which Offspring activities can be coordinated with our broader national intelligence effort. During this period, the problem of the relationship between Offspring and the German Government should be constantly reviewed as the pattern of Bonn develops."

3. We have assumed the stewardship of Offspring because (a) Offspring was the main purveyor to the U.S. armed forces of intelligence on the Soviet Zone of Germany, (b) it was a potentially predominant factor in the future German Intelligence service and, incidentally, in a resurgent German General Staff, (c) the Army management did not and could not make the necessary provisions to secure the successful functioning of Offspring in the course of the transition of governmental powers from the Occupation to Bonn, or to safeguard the interests of AIS in the German intelligence service that would come into existence with the grant of sovereignty to Western Germany, (d) American lack of knowledge of Offspring, its leadership, its activities, operational methods, and even its purposes was so complete/U.S. control over that organization or U.S. influence over its German successor organization utterly impossible."

4. The twin tasks of the new, "professional" management of Offspring were (a) to maintain the supply of intelligence to the armed forces at the highest

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In full policy document 10. 1. 1950

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level possible with the funds available and under the increasing transition-of-power handicaps and (b) to secure the optimum degree of control over Offspring that might be attainable at each stage of the transition period and, thereafter, the greatest influence on its official successor organization.

5. The uninquisitive, unprying and uninterfering habits developed by the U.S. Army management of Offspring over a period of four years resulted in an AIS-Offspring relationship which was as enviably simple as it was simply enviable - for the short pull - i.e. money and services put in at one end against the intelligence (which never failed) to come out at the other end of the nickel for a candy bar slot machine. That this relationship was unavoidably going to become one of diminishing returns and dwindle to nothing by the time an independent GIS was established, made it as imperative for us to seek an increase in American control over Offspring as it made it inevitable for Offspring to resist such control.

6. It follows that the development of the new AIS-Offspring relationship over the first year had to be one of strain and strife on the one hand and of diplomacy and compromise on the other; and that, as noted in Paragraph 1, advances and retreats had to be traded by the parties concerned in the various sectors, as enumerated and reviewed below:

- | | |
|--------------------------------|--|
| a. Offspring "OB" | k. Offspring/Austria |
| b. Operational Data | l. Use of National Groups |
| c. Security | m. Utilization of Double Agents |
| d. Financial Controls | n. Sovzone Collection (and PW Program) |
| e. Relations with Bonn | o. Projects (Satellite Collection) |
| f. Relations with Foreign IS's | p. Offspring Counter-Espionage (GWL) |
| g. Offspring/Consul | q. Offspring Comint |
| h. Other Political Activities | r. Penetration of Offspring |
| i. Offspring/Publicity | s. Commercial Cover & Servicing Problems |
| j. Pro-American Indoctrination | t. Legitimation of Offspring |

7. All handicaps of the "traditions" of the Army management period and of the growing self-assertion of Offspring in close parallel to the rest of Germany notwithstanding, POB has achieved the following measures of success along the above sectors:

- a. Offspring "OB" - a body of data on Offspring personnel, from Headquarters to sub-agency level, many times greater in both quantity and quality of coverage than the total obtained over the previous four years;
- b. Operational data - Outside the area of the Sovzone, where Offspring remains adamant and POB lacks the opportunities of direct access, impressive progress has been made all along the line. For the first time in five years, the U.S. may justly claim to understand how Offspring operates along such sectors as collection, evaluation, internal Offspring security, DA's, Comint, commercial cover activities, and such extra-curricular efforts as [REDACTED] political canvassing, entrenchment with foreign services et cetera;
- c. Security - We have learned much about the strengths and weaknesses in the security of Offspring, both organizationally and operationally, and have effected considerable reform in this sector;
- d. Financial controls - POB has not only amassed a large quantity of invaluable

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information on Offspring financial methods, capabilities and actual or potential caches, but has also succeeded in tightening control of U.S. funds in a manner which resulted both in major economies and in an increase of our operational control;

e. Relations with Bonn - While we have not succeeded (and probably never could in the nature of things succeed) in gaining control over Offspring's illicit liaison with Bonn, we have delved deeply into this important complex, learned to understand the significance of many important moves, and prevented more serious harm to our (and Offspring's) interests by timely intervention, counsel, and periodic application of the brakes. As a result of this we are now in a position which, though not exactly one of control, is one which still enables us to exercise a good deal of indirect, diplomatic control over future developments in this sector;

f. Relations with Foreign IS's - the great achievement in this sector is that FOB has been able to secure any facts at all. We now know a great deal more about this than we expected to know after one year. On the other hand, these relations have been found to be both wider and deeper than expected; and the question of AIS control over Offspring's relations with third parties, and even of AIS influence over these relations, is among the most serious ones facing us at this time;

g. Offspring/██████ - Offspring's activities and ambitions in the internal West German security field are of the utmost importance to us on several counts: they turn Offspring into a primary target of our own Consul effort; they are in direct competition with our own activities and objectives in that field; and they render Offspring (and AIS) vulnerable to attack from various directions. FOB's record in this sector has been similar to that made with regard to (f) above; we have learned many of the important facts but we have found no means of controlling them;

h. Other Political Activities - Offspring measures to penetrate and/or influence the German Foreign Service, its participation and/or sponsorship of political or military groups, circles, movements, publications and so forth, are of direct and serious concern to AIS (and Offspring itself) - especially in the delicate period of transition. FOB has succeeded in uncovering large areas of activity and even in exercising considerable moderative influence on occasions;

i. Offspring Publicity - This has not yet assumed the nature of an immediate threat. Indeed, Offspring, probably by sheer luck rather than by its discretion, has so far escaped public attention to a surprising degree; and AIS with it. The internal security of FOB and its discreet behavior outward have no doubt contributed to "keeping the show out of the papers;"

j. Pro-American Indoctrination - FOB has made a noticeable if only initial dent in this sector. It must be remembered that the average member of Offspring, and especially the officer-class leadership, are - in the nature of things and regardless of the amenities - basically anti-American. That they are less anti-American after a year of prodding, prying, interfering, and "oppressing" FOB management than they have been after four years of almost complete freedom is a major achievement to be credited to the individual members of FOB's personnel. Offspring has had to fight AIS for the first time in five years, but, in doing so, has learned to respect it - something which augurs well for our future influence over the AIS;

k. Offspring/Austria - The weakest and blindest spot in the Offspring organism at the time of our moving in; probably still the weakest but no longer the blindest. FOB has unravelled a great mass of information - and on this action can now be taken;

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l. Use of National Groups - An impressive amount of information has been extracted by IOB on Offspring exploitation of "Soviet" national groups abroad, such as White Russians (Baranowski), Armenians (Dro), Czechs (Urban), Balkan peoples (GVA) which utilizes old but often still strong Abwehr connections and influences. This has proved to be of considerable value to the activities of MCB and of divisions outside FDM;

m. Utilization of DAs - Original Offspring resistance to revealing double agent operations and operational methods has now been overcome and several important cases opened up by IOB with the result that we have not only an opportunity of assessing, guiding and utilizing such agents as we may find viable, but have also learned much CE and operational information on the agencies handling these cases;

n. Sovzone Collection and the FW Program - IOB management of Offspring's basic activity has resulted in maintaining and raising the reports-per-dollar ratio, raising the evaluation and documentation standards of reports, servicing more customers more quickly with the finished product than before, and doing so in spite of sharply reduced services and facilities (i.e. compared to 1945-49) and of the effects of drastic retrenchments;

o. Projects - IOB has won the hardest battle with Offspring in the matter of "projectivization" of all Offspring satellite and other strategic operations. The fact that Offspring has been far less successful in this sector than in Sovzone collection has been uncovered rather than caused by IOB. The weaknesses - or far worse ones - have been there all the time. "Americanization" of Offspring strategic operations - bitterly resisted by Offspring - has succeeded to a point where it will leave its imprint on the future GIS years after the end of the present relationship;

p. Offspring CE (GVL) - One of the most zealously guarded of Offspring's organizations - has been closely and persistently investigated by IOB with relatively good results. How to get to the bottom of this organization remains one of our major problems;

q. Offspring Comint - The slot-machine relationship has been completely wiped out and replaced by more searching and intensive supervision than any other sector of Offspring. The somewhat related Staybehind Program - started by the old management in 1948 and allowed to grow wild - has been subjected to scrutiny, revamped and put underway once more;

r. Penetration of Offspring - A good deal has been achieved, appearances to the contrary, by the "living-with" type of penetration. By going out into the field, by dealing with the Germans - from Utility down to the sub-agency driver - directly and frequently, the IOB staff has built up numerous personal relationships on all levels which yields "penetration" results, serves to spot true penetration candidates for such time as straight penetration may be deemed feasible and desirable, and mark out the personality and institutional penetration targets;

s. Commercial Cover and Servicing Problems - IOB has developed both the information and the experience required for our effectively assisting Offspring in the solution of these problems over the next twelve months;

t. Legitimization of Offspring - We have not only made some headway in educating Offspring in the U.S. concept of legitimization but have also educated ourselves to its realistic appreciation - two prerequisites to any sound solution.

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8. In sum, POB has steered this internally and externally unwieldy and unmanageable organization through a year fraught with difficulties and, while not rendering it fully manageable or out of treacherous waters, has gotten it in better shape than at any time under the old pilots. POB has produced better intelligence results from Offspring for less outlay, has made impressive gains in "taping Offspring OE-wise," and even reached a measure of control over Offspring - with attendant prospects of commensurate American influence over its ultimate official successor organization - which, if not sufficient in an absolute sense, is way beyond any that could even be attempted under the old management.

9. It is abundantly clear that the kind of control we had set as our goal upon taking Offspring over from the Army -- i.e. to enforce Offspring acceptance of the principle that it is American property until it becomes Bonn property and that it owes exclusive allegiance to the AIS until it does itself become the GIS -- was not only fair but also sound. It is equally clear that this goal was entirely realistic even as late as 1948. What was not at all clear until comparatively recently is that the emergence of a West German State and the simultaneous and rapid rise of national self-assertion within Germany and of Germany's position in the Western world rendered that goal attainable, if at all, only by the application of brute force. The danger that Offspring would either disintegrate under a drastic change of climate from complete freedom to a regime of the mailed fist, or that control obtained through such means would prove to be a pyrrhic and short-lived achievement and destroy rather than promote the chances of AIS with the future GIS, militated against our implementing the "right act" treatment of Offspring under any but the two or three most provoking situations that have arisen in the course of the year.

10. Among the more valuable results of our first year with Offspring is that we have learned what makes Offspring as a whole and its top leaders as individuals "tick" and have disabused ourselves of our most objectionable prejudices - both favorable and unfavorable - with regard to that organization. We have a fairly sound appreciation of the personalities and motivations of the Offspring leaders, their behavior patterns, moral or class standards, purposes, ambitions, tactics, sensitivities and insensitivities. To take Utility alone - in the light of our experience today, our yesteryear's estimate of what he is or of what he could be expected to do has been found almost totally inapplicable; and a new set of estimates - and policy measures and adjustments to go with it - can and is about to be evolved on the basis of that experience.

11. This review does not delve deeply into the sectors in which we are fairly solidly "on the tracks" - however important they may be and however great the room for discussion or improvement, i.e. Offspring OE, Operational Data, Security, Publicity, Double Agents, Sovzone Collection, or Comint and Staybehind. The same applies to several sectors in which policy either has been or is being implemented in a generally agreed direction, i.e. Financial Controls, Offspring/Austria, National Groups, Commercial Cover, etc. Projects. We shall concentrate our survey of those few sectors in which our interests are most immediately and seriously affected and whose policy determination is both urgent and most difficult to arrive at, i.e. Relations With Foreign IS's, Re-indoctrination, Offspring OE (OWL), Penetration, and above all the complex of four sectors (Offspring/Bonn, [redacted], Political Activities, and Legitimation) forming The Problem of Offspring On The Internal German Scene. We shall start with the latter.

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II. OFFSPRING ON THE INTERNAL GERMAN SCENE

12. The activism displayed by Offspring in Bonn is both remarkable in its intensiveness and disturbing in its extensiveness. The methods employed range from lobbying and canvassing to penetration and - we may suspect - even political blackmail. The target personalities and institutions range from the Chancellor to party politicians and from the Federal ministries to the various capital cliques.

13. On the one hand, it could be - and was - argued that this is both natural and inevitable. The emergence of a German government and the rapidity of the process through which it is taking over the sinews and prerogatives of power from the Occupation - which coincided with our taking Offspring over from the old management - presented Offspring with great possibilities for its future, as well as apparently threatening its very existence. Seen through Offspring eyes, the transition could either enthrone it as the German Intelligence Service or commit it to the scrap heap of occupational controls and institutions - not only as an organization but the individual leaders with it. The Offspring campaign in Bonn consequently bore the marks of a personal as well as institutional Kampf um's Dasein.

There were other reasons. Defensively, the Offspring leadership, after years of service as a mercenary group in American pay, wished to salvage its own careers and future in a sovereign Germany and to prevent the disintegration of the organization from within that either did or could threaten from the undeniably nationalistic and often patriotically-motivated rank and file. In addition, there was some genuine fear that essential logistic and protective services would cease to be within the power of the AIS to provide before the German authorities were persuaded to replace them.

Offensively, Offspring, realizing its own strength and weakness alike (strength - as the only going intelligence concern in Germany to be composed of Germans and run professionally by Germans; weakness - taint of mercenaryism vis-a-vis certain Germans, taint of militarism vis-a-vis SPD and Western public opinion, taint of AIS control vis-a-vis [redacted] and [redacted]), concluded that its only chance of self-perpetuation lay in its exploiting to the utmost the advantages inherent in the dawn period of Federal formation.

14. On the other hand, it could be argued that the Offspring stampede in Bonn was (a) ill-conceived and poorly executed, (b) ill-timed, i.e. that there was in fact no emergency, (c) half-peaked, i.e. that far better results would have been obtained by coordinating the Bonn campaign with us, (d) embarrassing and harmful to U.S. interests, and (e) harmful to Offspring itself, i.e. that in exposing its intents, purposes and ambitions prematurely, Offspring has attracted to itself the watchful and unwelcome attention of the opposing forces both outside and inside the Federal Government. It is believed that the losses incurred by Offspring over the past year on the Bonn front outweigh its gains and - what is more - that the Offspring leaders know it. If this belief should be correct, Offspring should prove more amenable to reason in the course of the imminent attempt to "legitimize" it by means of a series of correlated American-German measures.

15. The root of Offspring's misconceptions as enumerated in Paragraph 14 above was its belief that the AIS was resolved to keep it captive to the end and then allow or even preside over its relegation to limbo. That belief may by now have been replaced by an appreciation that AIS is essentially in favor of Offspring's more legitimate intentions. But we have to make sure that this is actually the case.

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17. We have no reason to suspect Offspring of a deliberate campaign to turn OYFL into the VS, or, that, upon studying the proposition, that it would expect to succeed in such a plan. On the other hand, we know that Offspring has no intention to liquidate its internal security establishment or to phase it out - archives and personnel - to the VS; also, that Offspring has attempted to abrogate to itself control of the VS and, failing, is still busily engaged in the penetration of the VS, as well as of all other internal security establishments on the Federal, Land, and even city levels.

18. On our side, we (a) frankly mind the competition Offspring is giving us in the Consul sector, (b) heartily dislike seeing (and willy-nilly presiding over) Offspring follow the NSRA footsteps, rather than modelling itself on the old Bwehr.

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(c) must at all costs avoid the blame for Offspring's invasion of [redacted] from our Allies and even the Bonn Government itself. (d) are aware that Offspring's Consul offensive is doing that organization untold harm, and (e) incidentally want to keep Offspring's nose to the external collection grindstone instead of using a major portion of our subsidy on extra-curricular and illegitimate targets.

19. For its own reasons (See Paragraph 17), Offspring went ahead with extraordinary energy, albeit with little plan, in the campaign to overrun the internal security field. For our own reasons (Paragraph 18), we fought Offspring every inch of the way. The German Government, having been only haltingly and belatedly made aware of what Offspring was and what it was not and guessing only vaguely and often incorrectly at either Offspring's or AIS' motivations, found itself overwhelmed by the multiple approaches of the former and confused further by the ambiguous silences of the latter. As a result, Offspring has made very considerable headway with some personalities and offices in Bonn and probably a considerable number of opponents with others.

20. For some time now, we have been holding to the view that (a) the affinities between Offspring and [redacted] are too strong for the AIS to battle successfully on its own; (b) that prevention of a union between external and internal security is rightly the task of the Allied High Commissioners and of the Federal Government and not that of AIS; and (c) that the sooner we put ourselves on record to that effect with Bonn and our Allied services the better. In disclaiming responsibility for Offspring's internal security activities and ambitions, we shall, of course, also have to reject any intelligence collected by Offspring on Western Germany through sources within Western Germany.

21. Political Activities: Much of what has been said about Offspring's [redacted] activities applies to its [redacted] activities and to its increasingly evident participation in the remilitarization complex. Again, (a) the affinities are too strong for us to take on the role of Quixote, (b) whatever steps there are to be taken, should be taken by HUCOM and Bonn, and (c) we have to make it absolutely clear to our Allies, Bonn, and SPD where we come in (or rather do not come in).

22. Legitimation of Offspring: The German Government should be officially advised by Mr. McCloy of the existence of a German intelligence collection organization under HUCOM, be given an outline of its past development and past and present status, be made aware of the main problems involved in its continuation at this time, and be invited to state its views and desires in the matter. A draft for Mr. McCloy's briefing of Herr Adenauer follows:

- A. The German organization was established in 1945, on the offer made to the U.S. authorities by Utility;
- B. The explicitly agreed upon and exclusive purpose of the organization was the collection of intelligence in the Soviet-dominated region of Europe in general and in the Soviet Zone of Germany in particular. The U.S. Government alone was to be the legitimate recipient of the organization's production and the authority responsible for its exploitation in the struggle against Soviet military or political expansion westward. No other tasks were assigned to the organization at the time or since;
- C. The organization has rendered great and valuable service to the U.S. Government - and through it to the West generally - in the containment of the Soviet menace;

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D. The U.S. Government has hitherto provided and is willing to continue to provide the German organization with the funds necessary for the above task and with such other assistance in professional personnel, supplies, services et cetera as it may be able to render;

E. Until the German Government is both able and willing to assume from the hands of the U.S. authorities the legal and political responsibility for the organization, the U.S. Government necessarily remains responsible for the organization's effort against the East and for such other activities conducted by it for the purpose of achieving its basic objective. Ever since the emergence of a Federal Government, and in anticipation of the ultimate needs and desires of the latter, the U.S. authorities have increasingly sponsored the autonomy and German spirit of the organization and have applied the principle of trusteeship toward it. In fact, as well as in form, the organization is therefore a German institution enjoying an entity and considerable "personality" of its own, held in trust for the German Government until such time as the latter may be able to take it over for such disposal as it may deem proper and advisable;

F. At present the organization employs several hundred persons on its staff, engaged in recruiting, training, dispatching, servicing, debriefing, and disposal settlement of something like one to two thousand agents into the Soviet-occupied Zone of Germany and, to a far less intensive degree, other Soviet-dominated countries along the eastern and southern borders of Germany. Most of the work involved in processing, sifting, evaluating, compiling and editing of the intelligence collected is discharged by the German organization;

G. The emergence of a Federal Government and the rise of national consciousness in Western Germany have answered certain important problems in connection with the existence of the organization and also raised certain others which have to be faced in a spirit of cooperation and constructive German-American effort, if the organization's present and future capabilities in the intelligence field are to be safeguarded. The most significant problem solved is the one which had occupied the German organization and its American sponsors from the very outset, namely: What is to be the ultimate fate of the organization itself. The solution has been outlined in D above. The most significant problems raised are: (a) the understandable anxiety of the leadership and rank and file of the organization lest their past and present role in the common effort be misjudged by the German people and especially the German Government, (b) the desire that their present and future work, pending the assumption of responsibility for the organization by the German Government, be recognized as serving German as well as U.S. and Western interests, (c) the concern that there may not be an orderly transition from American to German hands and that, as a result, the assets built up at great cost and effort might be wholly or partly lost to both the U.S. and Germany, (d) the increasing need for certain types of logistic, legal, and other servicing or protective support from local, land, and Federal authorities as the U.S. authorities relinquish the related powers - and with them the capability to render such support - to the German Government. These problems can only be solved by mutual German-American effort - (a), (b), and (c) by the proper assurances being given to the organization directly, and (d) by the establishment of a proper liaison channel between the German Government on the one hand and the organization and its U.S. "trustees" on the other.

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H. Another major problem arising out of the political changes of the past year and which faces the U.S. sponsoring authorities with regard to the organization, is that of the latter's extra-curricular connections, activities, and efforts. It was probably inevitable that an organization of this type and in the conditions prevailing in a government-less Germany in the first three years of the occupation, should have gradually entered into fields which were wholly or largely unconnected with its specific task - i.e. collection of intelligence in the East. The U.S. authorities have been aware for some time that the German organization's security section was far larger than was justified by and engaged in activities not related to the needs of its own internal security. It has also reached American attention that the organization, or persons closely connected to it, took more part in German political matters than was normal for German "lay" citizens, especially in the realm of militarization, foreign service, and so forth. So long as a German Government did not exist or was not adequately staffed to cope with these matters, the U.S. authorities exerted much effort in the direction of holding the German organization as close to its basic task as possible and of discouraging it to the best of their ability from involving itself in extraneous matters. At no time have the U.S. authorities given the German organization any reason to believe that they desired or even condoned its extra-curricular activities. At this time, the American "trustee" wishes to make it of record that in any activities or efforts which are not directly related to or necessitated by the organization's sole task - of collecting intelligence against the East - the members of the German organization are acting as private German citizens and not on behalf of the U.S. Government, nor for that Government, nor even with its consent. It is to be hoped that along with its extending informal recognition to the organization and with its assuming partial responsibility and certain measures of support for that organization, the German Government will also take cognizance of the extra-curricular activities described and any measures it may deem necessary to control them.

I. Specifically, with regard to the organization's internal security section, the U.S. Government invites the German Government to take such action as it may deem advisable and proper. Although the U.S. Government has its own reservations on the general subject of mingling or uniting external intelligence collection with internal security, in this specific connection it is for the German Government to decide whether it wishes the organization (a) to continue its Western Germany security activities in their present form (b) to phase out the personnel and archives that may be wanted by the FRG to the latter and liquidate the rest, or (c) to liquidate that section forthwith.

K. If the foregoing should essentially meet with the views of the German Government, the latter should instruct the leaders of the organization accordingly. The U.S. High Commissioner will simultaneously acquaint his [redacted] and [redacted] colleagues as to the general nature and portent of the American-German discussion and of the present and foreseeable status of the organization resulting from this discussion.

L. Pending the ultimate transfer of full responsibility for the organization from American to German Government jurisdiction, only that part of the organization which is in fact engaged in the approved task of collecting intelligence in the East or against the East is recognized by the U.S. Government as its responsibility. Insofar as [redacted] is responsible for

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23. The proposition that we should take the "Bonn initiative" from Offspring, stop the latter from playing the two ends against the middle, and above all tell everybody the same story makes sense on the basis of the very meager discussion preceeding the draft brief. A study of the records makes it both urgent and inevitable. Once we make this statement to the Chancellor and to the [redacted] and [redacted] (they will get it from the Germans anyway, only perhaps embarrassingly garbled), and the Chancellor gives it to Utility, and we make sure that everybody has received the same version - our troubles with Offspring on the Internal Scene will be over. Offspring has been begging us to "legitimize" them with Bonn; we have to square ourselves with Bonn concerning Offspring as an AIS activity; Bonn has been asking us repeatedly for a statement of our relationship with Offspring; the [redacted] and [redacted] (and SPD) have been asking us and looking elsewhere for the same answers. It is time we satisfy everybody and, incidentally, get off a sent that has been getting increasingly hot for some months now.

"Our basic aim is to get out of the middle between the Bonn Government and Offspring, also to get out of the political maneuvering vis-a-vis both the Occupation Powers and the Germans on the VS question."

24. Time and space do not permit adequate analysis of such problems as Offspring Relations With Foreign IS's, Re-Indoctrination, O.V.L., and Penetration, nor is this an opportune time to probe for basic solutions, since the whole present relationship between ourselves and Offspring may be expected to change rather radically as a result of our verbal agreement with Bonn and our "squaring away" with SIS, FIS, and SPD.

25. It is most likely that no solution is indeed possible with regard to Offspring's relations with third IS's. Once Offspring is integrated into the German Government (which may happen any time between 1951 and 1960 or later), this would be straight competition rather than a "problem;" for the present, we shall probably have to arrive at judicious compromises, tailored to the case, between control and penetration. In the last analysis, the most important aspect of the Third Party Problem is whether and how much of the present we pay for goes to other services, and whether and how much of the things we pay for come to us.

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26. In this sector no help should be expected from any verbal agreement which we now hope to reach with Bonn. Unlike internal security or political maneuvering, no one will be unhappy in Bonn at the phenomenon that Offspring is cutting a figure in Western capitals, least of all Adenauer who has even told the press how sorely he needs eyes and ears abroad. That more information on what transpires between Offspring and a third Western service will frequently be available at the "third" rather than at the Offspring end, has already been noted in past discussions of the subject. [REDACTED] proposals in this connection, if made to Offspring, should elicit a significant reaction.

27. Since we shall patently not succeed in preventing Offspring from getting on a business footing with [REDACTED], it may be a good idea to bring them together - i.e. following our general statement to the [REDACTED] via Mr. McIlroy - provided the terms of the liaison are specified in advance. The relationship between Offspring and [REDACTED] is so extensive, despite its illegitimacy, and the dangers inherent therein so much greater than any that may threaten either us or Offspring's own security from Offspring-[REDACTED] liaison, that we frankly see little more to be lost.

28. We shall perhaps be well advised to continue to hammer into Offspring the theme that we want them to make friends abroad, that we shall indeed help them to do so, but that they should play ball and so avoid embarrassing us and themselves.

29. Re-Indoctrination: The pitch for this will depend almost entirely on the outcome of our own Bonn campaign and the effect it has on Offspring's behavior. One doubts that Offspring, or its Old successor, will become pro-American in our lifetime. One doubts that those Offspringers who may show RSHA-type tendencies will ever see the democratic light. Consequently, re-indoctrination amounts to largely convincing Offspring (not that we are right, but) that we are neither suckers nor heartless exploiters - just tough but fair (is. Here and there, perhaps not in the immediate future - we should also look to the re-indoctrination of those "real-political" Offspringers who might, upon looking over the two big wrestlers, decide that they would rather put their bets on the Soviets.

30. GV "L" is being slowly tapped and "penetrated" by FOB. That process will have to be intensified and more case officer talent put on it in view of the huge ramifications of that organization, of the direct CIA interest of any part or aspect of it, and above all of the prospect that much of it will sooner or later be Consul.

31. We have mentioned "penetration" twice on this page - once on the basis means of covering the Offspring-Foreign [REDACTED]'s complex and a second time with regard to our objectives in GV "L". It is necessary to note that this office concurs fully with FOB's most recent contention that real penetration of Offspring must come from outside of FOB. Whether we attempt or plan the penetration of a given field agency or other Offspring installation by subverting an employed member of the target or by placing an agent of ours into it, it is wisest to do it from bases other than FOB (since Offspring is a [REDACTED] target, FOB would appear to be the logical base) and under the cover of some theatre agency other than this. Offspring knows of a great many CIA penetration attempts and undoubtedly suspects many more. The thought therefore offers itself that we might to set up our penetration-of-Offspring program at FOB but under deep CIA cover.

32. For further background data and summaries of the record in each of the sectors discussed, reference should be had to my series of reviews (Attachments "A" through "Y" to my Memorandum to COS) of 17 May 1950.

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Reinhardt von Ehlken

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Chief, Foreign Division M

7 July 1950

Chief of Station, Karlsruhe

Interview with UTILITY, 26 June 1950

1. The interview had been set originally for 26 June at 1600 hours in UTILITY's office in the compound at Pullach. I was visited an hour before the appointed time, however, by Mr. HERDAHL, who said that UTILITY had changed his mind in favor of tea at his home on the Starnbergsee. And so it was.

2. As with everything that UTILITY does, this interview had been carefully prepared, even down to the brief participation of his wife, a personable woman whose native volubility has obviously been cramped by years of anxious suppression in favor of the more purposeful volubility of her husband. Her arrival coincided roughly with the completion of UTILITY's detailed account of the history of OFFSPRING. After she had joined us, I switched the conversation to the general observations of one who had just come to Germany from Austria and had remarked certain not very subtle differences between the attitude of Americans towards Austrians and the attitude of Americans toward Germans. This prompted Mrs. UTILITY to express herself in rather uninhibited language about categorical de-Nazification and sensational reporting in the German and American press on German nationalism and militarism. Her points were well taken, although made with that uneasy intensity common to European wives of forceful Europeans, and deriving from a well founded uncertainty as to whether and when they will be advised, more or less gallantly, to shut up. Although her language was less guardedly tactful than UTILITY's, she was, I have no doubt, expressing UTILITY's own thoughts on the subject. I pointed out the influence that American public opinion plays in such matters and the impossibility of expecting the American public to be able to distinguish between the Abwehr and the SD or, for that matter, between the Abwehr and Fremde Heere Ost. At about this point UTILITY nodded to his wife in a manner which seemed to say that it was time she got the hell upstairs -- which she did.

3. Our amenities a trois had brought the conversation to the subject closest to UTILITY's heart - the problem of legitimizing OFFSPRING with UPGROWTH and of stage managing the transmutation of OFFSPRING into the future GIS. He feels that there will be increasing popular pressure in Germany for a relaxation of occupation controls and for a corresponding increase in the sovereignty of the Bonn Government. He obviously feels that the Allies are moving too slowly in this direction, although he

orig. to [redacted] 29/7

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understands fully the considerations of public opinion in France and England, as well as in the United States, which make speed impossible, not to mention the human factors involved among the occupation bureaucracy who can be expected to resist the loss of any part of the authority to which, over a period of five years, they have become comfortably accustomed. But he also understands - and is driven by - the time element as it plays on the German side. He is openly concerned about the charges of collaboration to which he and his co-workers are certain to be exposed - he cited some minor examples to show that this is already in the wind - as the Government tightens up on the relations of its subordinate officials with the occupation powers and as resentment against Allied controls and "guidance" grows. He is therefore anxious to combat the time element - as it works against him - by securing at least tacit official legitimization with the government as soon as possible. This will serve, in addition to logistical and servicing considerations, the double purpose of paving the way for future incorporation as the GIS and of protecting his people from the charge of being American agents. UTILITY stated frankly that this has been for the past year his primary and almost exclusive preoccupation. And this is where MERKUR comes in. It is MERKUR's job to cultivate and maintain contact with key political figures and to keep UTILITY informed of political developments on the German side.

4. Although UTILITY admits that his contacts are almost exclusively with the CDU, he hastens to point out that this is simply the result of the fact that the CDU/CSU is the governing party. He stresses his personal political non-partisanship, pointing to the apolitical tradition of the German Army, and insists that the future GIS must stand above politics and enjoy the support of all the major parties and of all the western occupying powers. The organization would, he says, like to have contact with the Socialists, but has desisted thus far because of SCHUMACHER's known antipathy to officers and because of the closeness of the German Socialists to the [REDACTED], with whom, UTILITY points out wryly, if not bitterly, he also has no contact. He seems to feel that the best way to the Socialists would be via the [REDACTED], and he is accordingly very anxious to make personal contact with a representative of the [REDACTED], - he mentioned [REDACTED] and [REDACTED] - with our approval. He is aware of our reservations on this point and seems to have no intentions of violating them, but he is at a loss to understand why we do not sanction the same relation to the [REDACTED] which we have previously sanctioned with respect to the Swiss, the [REDACTED], the [REDACTED], etc. The problem is not, he says, acute at the moment, but he expects it to become acute within a year, and we can expect continued pressure and a lot of carefully formulated persuasion from him in the months to come. As for direct contact with the Socialists, he is afraid of a rebuff. He points out that SCHWERIN was told off by SCHUMACHER in no uncertain terms, from which he derives the reasonable conclusion that any meeting between himself and SCHUMACHER must be carefully prepared and must not, in any case, take place until a favorable reception is guaranteed. He has not met KNOERIGEN, Socialist leader in Bavaria, because of the latter's known closeness to the British - not to mention SCHWERIN. His immediate concern, however, is Born, and he intends to go to Frankfurt this week to meet GLOBKE with a view to sounding him out as to the best procedural plan for legitimization.

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5. As to my own sphere of activity, I told UTILITY that we were well acquainted and favorably impressed with him and his group on an operational basis, but that we felt considerably less completely in the picture with regard to his place in the German political picture. I told him that, in view of our common objectives with regard to the GIS, I thought it would be to our mutual advantage for us to know more about this aspect of his group, i.e., who their friends are, who their supporters are, what their general political orientation, etc. I pointed out that this was particularly important in view of the distance between Washington and Pullach and the suspicions about the German military which so actively influence American public opinion and, consequently, American policy decisions. He agreed wholeheartedly with this view, and promised to arrange a meeting a trifle with MERKUR next week to discuss steps to be taken in this direction, including the revelation of a complete list of OFFSPRING's "special connections."

6. I had, on the whole, an excellent impression of UTILITY, better, indeed, than when I first met him on the occasion of [redacted] visit to Pullach. MERDAHL told me beforehand when I suggested that it might be well if MERKUR were present at the interview, that "the Doctor is at his best when alone." He was, in any case, frank, serious, intense, thorough and, I think, sincere. He took it very well, for instance, when, during his discussions of the political problems relative to the absorption of OFFSPRING in the Bonn Government, I asked him whether his interests were exclusively in the intelligence field or whether he was not also concerned with keeping the decent elements of the German General Staff together for future use. He was obviously taken by surprise and asked me to repeat the question, which I did in a manner designed to give him time to formulate an answer. He said, "Exclusively intelligence for the time being. It so happens that some excellent General Staff officers, such as HORN, have joined our group, and we also maintain contact with others, such as GUDERIAN and SPEIDEL." He also mentioned some "excellent younger officers" now active with his organization.

7. There was no suggestion of the political naivete reflected in reports of UTILITY's activities a year ago, and I suspect that the past six months have taught him much. He is an uncommonly intelligent man and is certainly capable of learning from political experience. He showed a detailed understanding of persons and issues in the German political theater, and he made no attempt to conceal the fact that it is in politics that his primary interest now lies, not because of personal political ambition, nor because of any native yen for the game of politics, but rather because he knows that the future of his organization cannot be secured without mastery of the political problems involved.

8. Although we did not speak specifically of the "third force" concept, popular with so many Germans and given lip service by ADENAUER, who can hardly believe in it, I derived a strong impression from his discussion of the American role in world affairs that UTILITY is completely committed to

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the concept of Western Europe as an American bridgehead on the continent. He spoke repeatedly of the obsolescence of any narrow nationalist concept and observed that even [REDACTED], in the last analysis, must dance to the American tune. He seems, indeed, rather anti-[REDACTED], although he realizes that he must make his peace with [REDACTED] intelligence if he is to survive within the framework of the German Government. His feeling toward the Socialists is similar. He is not anti-Socialist, and he has great respect for many individual Socialists, but he shares the suspicions of a largely mythical Socialist left wing which is common to conservatives in Europe generally and to conservative military men everywhere.

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21 July 1950

MEMORANDUM:

TO: ADSO

FROM: FDM

SUBJECT: Review of CIA Management of OFFSPRING
During the Fiscal Year 1950

The following is a summary of a lengthy report from Karlsruhe on the record of OSO stewardship of OFFSPRING from 1 July 1949 to 1 July 1950, which is forwarded for your information.

1. At the end of the first year of CIA management of OFFSPRING, it is clear that the assumption of responsibility for OFFSPRING was fully justified and that, viewed broadly, the record of achievements in the CIA/OFFSPRING relationship is impressive.

2. The responsibility for the direction of OFFSPRING was undertaken in view of the fact that (a) OFFSPRING was the Army's chief source of intelligence on the Soviet Zone of Germany; (b) OFFSPRING was a potentially predominant factor in the future German intelligence and a resurgent German General Staff; (c) the Army was not equipped to ensure the successful functioning of OFFSPRING during the transition period prior to the establishment of the Bonn government, or to safeguard American interests in a future German intelligence service; and (d) a complete lack of knowledge of OFFSPRING, its personnel, operational methods, activities, and even purposes made control over OFFSPRING or any successor organization utterly impossible.

3. The tasks which faced CIA management were to maintain the supply of intelligence to the armed forces at the highest level possible with the funds available and under increasing transition-of-power handicaps, and to secure the optimum degree of control over OFFSPRING.

4. The establishment of control was imperative inasmuch, as the existing relationship between the Army and OFFSPRING, whereby money and services were furnished in exchange for information, inevitably would reach a point of diminishing returns and dwindle to nothing by the time an independent GIS was established. By the same token, the uninquisitive, unprying and uninterfering habits developed by the Army over a four year period made such control difficult to achieve. It was not unexpected, therefore, that the first year was one of strain and strife, of German resistance to control measures, and of traded gains and losses in the various sectors of OFFSPRING activity.

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5. Despite handicaps, a qualitatively and quantitatively impressive body of data has been obtained on OFFSPRING personnel, operational procedures and activities, security and finances. We now know how OFFSPRING operates and have a sound appreciation of the personalities and motivations of OFFSPRING leaders; we have come to recognize the strengths and weaknesses of OFFSPRING security and have been able to insist upon certain remedial measures; we have made a study of OFFSPRING financial methods, capabilities and actual or potential coaches and have effected major economies and increased operational control over OFFSPRING. In addition, the following areas of OFFSPRING activity have received attention:

a. Double agent operations and operational methods have been assessed and several important cases opened by OSO case officers. It has been possible to guide and utilize such agents as were viable and to acquire CE and operational information on the agencies handling the cases.

b. OFFSPRING satellite and other strategic operations have been reduced to project form. The "Americanization" of OFFSPRING operations, bitterly resisted by the Germans, will be felt in the CIS for years to come.

c. Management of OFFSPRING's collection of intelligence has resulted in the acquisition of more reports for less money, raising the evaluation and documentation standards of reports, servicing more customers in less time, and doing so in spite of reduced services and facilities, and the effects of drastic retrenchments.

d. OFFSPRING's CE organization, the most zealously guarded of its units, has been closely and persistently investigated with relatively good results, although the work has not been completed.

e. OFFSPRING Comint has been subject to more searching and intensive supervision than any other sector, and the somewhat related Stay-behind Program has been scrutinized, revamped and again put under way.

f. By direct and frequent dealings with the Germans, numerous personal relationships on all levels have been built up which have yielded "penetration" results, served to spot penetration candidates for such time as straight penetration is feasible, and have marked out personality and institutional penetration targets.

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g. Information and experience necessary for effectively assisting OFFSPRING in the solution of commercial cover and servicing problems in the next year have been developed.

h. Headway has been made in educating OFFSPRING to the U.S. concept of legitimization.

6. In addition, information has been developed on certain extra-curricular OFFSPRING activities, as follows:

a. Study has been made of OFFSPRING's illicit relations with the Bonn government and at times judicious intervention has been undertaken to prevent harm to AIS/OFFSPRING interests and to enable the exercise of indirect diplomatic control over future developments.

b. Relations, found to be wider and deeper than expected, between OFFSPRING and foreign intelligence services have been studied, as has the general question of OFFSPRING relations to third parties.

c. Much has been learned, though no means of control have been found, about OFFSPRING activities and ambitions in the internal West German security field, wherein OFFSPRING is in direct competition with AIS activities and objectives.

d. Information on OFFSPRING exploitation of "Soviet" national groups abroad, such as White Russians, Armenians, Czechs, and Balkan peoples, which utilized old but still strong Abwehr connections has proved of considerable value to the Munich station and SO divisions outside FDM.

e. Large areas of activity have been uncovered and certain moderative influence has been exercised on OFFSPRING's attempt to penetrate and/or influence the German foreign service and its participation and/or sponsorship of political or military groups, circles, movements, publications, etc.

7. CIA management, in brief, has put OFFSPRING into better shape than at any previous time, has produced better intelligence results with less outlay, has tapped OFFSPRING for CE information, has reached a measure of control over OFFSPRING, and has created prospects for control over an ultimate successor organization. OFFSPRING, and CIA with it, has escaped public attention to a surprising degree, and after a year of CIA management is less anti-American than at any prior time.

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On the other hand, little operational data has been developed on the Soviet Zone where OFFSPRING remains adamant and means are lacking for direct access; CIA is not as yet in a position, and does not possess the means, to control certain complex relations of OFFSPRING; and despite the acquisition of a notable quantity of information on OFFSPRING/Austria, that sector remains the weakest in the OFFSPRING organism.

Richard Helms
Chief, FDM

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Chief of Station, Karlsruhe

31 July 1950

Chief, Pullach Operations Base

Administrative

Property Responsibility -- POB-COMPOSITE GROUP-OFFSPRING

1. In conversation with [REDACTED] on 31 July 1940, I expressed the view that the Commanding Officer of the Composite Group had as an individual two functions: (1) Military commander of the administrative unit for all EUCOM military personnel with this project, and (2) such functional assignment as an individual within POB as determined by Chief, POB and commensurate with his rank and duties as military commander of the Composite Group.

2. Likewise, the designation "7821 Composite Group" serves two functions, one of which parallels the command function of the Composite Group CO, and the other the command function of Chief, POB. The two uses of the term "7821 Composite Group" are: (1) the official EUCOM designation for the military unit of 10 officers and 25 enlisted men which was activated for the specific task of working with OFFSPRING, and (2) a cover designation to be used in procuring all services and supplies from American installations.

3. The basic DA letter transferring OFFSPRING to our agency and placing the Composite Group under our control clearly transfers property responsibility for the entire project to our agency, and, thus, to the individual designated by our agency as the individual responsible for the project. The bases for drawing upon military posts and other agencies for services and supplies are a series of letters to the Post, designating the 7821 Composite Group Commander as the responsible person in such negotiations. Vardaman feels that this is probably the real crux of the problem, inasmuch as a civilian head of the project cannot provide a signature with Post Commanders which in a legal sense protects their responsibilities in the matter. I am in complete agreement with Vardaman in his interpretation of this point and feel that we must solve the problem in one of the following ways:

- (a) As an organization, assign to POB a senior military staff member who will accept this property responsibility in dealing with the post commanders and theatre supply agencies. This individual could be designated within the EUCOM framework as CO of a cover designation to fill the need met by the "7821 Composite Group".

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- (b) Assure [REDACTED] that he, as a member of POB working within the framework of our organization and in his role as Composite Group Commander, will be supported in questions arising out of property settlements in the future.

4. The first solution can be met by assigning a senior military staff member to POB, designating [REDACTED] as the officer with property responsibility, or arranging with the Department of the Army to have [REDACTED] placed on active duty assigned to our organization for duty in Germany. In view of our agreement with General Bolling on an operational assignment for [REDACTED] and considering the fact that he will return to the U.S. in less than a year, that solution is the least desirable. The possibility of having [REDACTED] placed on active duty is problematical and primarily involves negotiations between our home office and the Department of the Army.

5. The most immediately acceptable solution is, of course, asking [REDACTED] as a member of POB staff to act as the representative of the Chief of Base in property negotiations with the various post commanders and supply agencies with a clear understanding within our organization that the responsibility for property rests upon the Chief, POB. [REDACTED] is perfectly willing to do this. However, I would like to point out that the history and basic nature of the OFFSPRING operation is such that one day a vast amount of property must be crossed off the books. This does not mean that we do not exert every effort to maintain accurate property records. However, a great many items eventually pass into OFFSPRING's hands for operational or other purposes, at which point our control becomes most theoretical.

6. Actually I am inclined, after considering all factors, to recommend a compromise solution. The administration of OFFSPRING is essentially a military problem and the most time-consuming problems that face the Chief, POB are related to the settlement of housing, property and operational liaison negotiations with military agencies. The American staff at Pullach, in spite of the substantial increase in the size of our civilian staff, remains predominantly military.

7. All indications are that the atmosphere in Germany in foreseeable months will become more military as the semi-mobilization at home and the war in Korea continue. The trend toward normalcy and peace-time controls that has been apparent in Germany during the past year is clearly being reversed, and the solving of OFFSPRING logistical and administrative problems can be found most successfully by military personnel. For these reasons I am convinced that our organization should place a senior military representative from Washington in the No. 1 or 2 slots of our Pullach

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staff. In addition, we should ask [REDACTED] as Chief of our Administrative Services Division to accept the major responsibility in solving logistical problems through personal representation to post commanders, with the assurance that property responsibility rests with an individual assigned to our organization.

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FORM NO. 35-5
OCT 1949

INCOMING CLASSIFIED MESSAGE

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CENTRAL INTELLIGENCE AGENCY

TOP SECRET

PAGE No.

FROM: PULLACH ROUTINE
TO: SPECIAL OPERATIONS 15 DEC 50
ACTION: FDM (1-2) IN 13971
INFORMATION: ADSO (3), S/C (4-5-6)

Paraphrase Not Required. Handle as TOP SECRET Correspondence per Pars. 51 (1) 60A AR-380-5

PULL 1428

TO: WASHA INFO: KARLA CITE: PULLA

1. CURRENT WORLD SITUATION AND PERFORMANCE PAST YEAR OF UTILITY AND ZIPPER DICTATES WE TAKE NEW AND FIRM POSITION. PROBLEMS OF GERMAN COVER AND ZIPPER RELATIONSHIP ~~UPGROWTH~~ UPGROWTH INSIGNIFICANT ~~(GARBEE)~~ ~~CONSIDERATION OF ZIPPER AS FUTURE GIS AND WELL ROUNDED ORGANIZATION SHOULD BE AT LEAST TEMPORARILY ABANDONED.~~

2. INTEND CUT-BACK ALL EFFORTS RE LONG RANGE GOVERNMENTAL OR CIVILIAN COVER. IMMEDIATE OPERATIONAL SECURITY WILL BE SOLE FACTOR IN CHANGING COVER.

3. INTEND DIRECT UTILITY TO DRASTICALLY CURTAIL LIAISON EFFORT UPGROWTH; EXPEDITE TRANSFER OF ZIPPER CI EFFORTS AND ASSETS TO FEDERAL VS; ELIMINATE INTERESTING BUT NON-ESSENTIAL PERSONAL AND OTHER LIAISON WITH WESTERN IS.

4. INTEND INSIST UTILITY DISCARD PRESENT POLICY WITH HOLDING DETAILED INFO FROM POB ON MAJOR SECURITY INCIDENTS. RECENT FLAPS RE DELIUS OF GVL, NIEMAND OF 236, AND GVG CARTILAGE FIASCO WILL BE CITED.

5. INTEND ADVISE POB AND ZIPPER STAFFS CONCENTRATE ON:

- A. IMMEDIATE TACTICAL COVERAGE,
- B. 236,
- C. F-NET,
- D. E-PLAN,
- E. SATELLITE OPS,
- F. PLANNING WAR TIME OPERATIONS

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ALL ACTIONS NOT CONTRIBUTING DIRECTLY THESE OBJECTIVES TO BE AVOIDED.

6. CONSIDERABLE EVIDENCE RANK AND FILE ZIPPER SHARE YOUR FEELING UTILITY HAS BEEN NEGLECTING IMMEDIATE INTELLIGENCE OBJECTIVES. [REDACTED] IN THREE HOUR CONVERSATION WITH HORN 11 DECEMBER EXPRESSED VIEW MASS SOVZONE OB COVERAGE AND EXCELLENT EVALUATION SECTION ZIPPER ENSURE SURVIVAL ORGANIZATION AND SECOND-RATE LEVEL OF OPERATIONS. HORN OBVIOUSLY UNDERSTANDS ALL ASPECTS SITUATION AND AGREED MAKE FULL EFFORT BRING UTILITY INTO LINE.

7. "GETTING TOUGH" WITH UTILITY AND ZIPPER WILL SACRIFICE SOME OF GERMAN CHARACTER OF ZIPPER; WILL PLACE POB MORE IN EXECUTIVE ROLE; WILL ABROGATE LAST REMNANTS OF UTILITY'S "CONTRACTUAL AGREEMENT" WITH AMERICANS; COULD PRODUCE OPEN BREAK WITH UTILITY. LATTER WOULD BE DAMAGING BUT UNLIKELY TO PRODUCE DETERIORATION OF ZIPPER IF STAFF GENERALLY AU COURANT OUR EFFORT CORRECT GENERALLY RECOGNIZED DEFICIENCIES ZIPPER.

8. RE PARA 2 ABOVE, PLAN LEAVE 236 AT DUSTBIN AND RETAIN PAPER MILL, CONCENTRATING EFFORTS ON IMPROVEMENT EXISTING FACILITIES. USAF PRESSURE NOT INTERRUPT MM REPORTING ~~(CABLE BEING SVOD) AGREE;~~

9. ~~PARTICULARLY IMPORTANT OF SOONEST~~ ~~PARTIAL FACTOR.~~ ~~AGREE.~~

A. [REDACTED] INTEREST TO SOLIDLY BACK FEDERAL VS,

B. FIRMLY OPPOSE ZIPPER MACHINATIONS WITH LAENDER VS,

C. PROCEDURE FOR PASSING ZIPPER CI MATERIAL TO FEDERAL VS,

10. COMMENTS A/O CONCURRENCE REQUESTED.

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WGL-A-4602

Chief, Foreign Division M

28 December 1950

Chief of Station, Karlsruhe

Organization and German-American Relations

1. UTILITY spent three and a half hours with [REDACTED] this date, doing most of the talking and touching on all the problems presently troubling him in his relations with his US sponsors. Mr. HORN and [REDACTED], but not HERDAHL, were present throughout the interview.

2. The ostensible purpose of the meeting was to discuss the re-organization of the ZIPFER staff, a subject with which both FOR and ZIPFER have been intensely concerned for some time. UTILITY came prepared with a pretty little chart which, for all its ingenious draftsmanship, failed to disguise the fact that the new organization is no improvement on the old one. Its principal feature is the placing of WOLLMANN under UTILITY as a deputy responsible for all operational intelligence activities, with the exception of Evaluation, which remains under HORN. It represents, more or less, a fulfillment of the letter of our wishes, but not the spirit, since WOLLMANN is very far from being the man needed to assume full responsibility (in UTILITY's absence) for intelligence matters and to supply the drive and initiative requisite for the desired tightening up of ZIPFER's operational work. Various staff members whom we would have liked to see given greater responsibility and/or autonomy are actually relegated to the background, notably SHACK, who is subordinated to WOLLMANN; HERDAHL, who is confined to administration, and MERKER, who is not only subordinate to WOLLMANN but also loosely combined with KLAUSNER with a view to his gradually taking over CI in addition to his present responsibility for Special Connections. Wallop made these reservations known, first emphasizing, however, that, as a matter of principle, we consider the internal ZIPFER staff organization a purely German matter and that his remarks were intended simply as personal observations, to be accepted or acted upon for what they were worth to UTILITY. He seemed rather pained, but promised to give the problem further thought.

3. It seemed clear enough that UTILITY understands very well our desire that he have a full-time, fully-empowered deputy of sufficient stature to take entire responsibility for operational problems, with whom we can do business during UTILITY's frequent and extended absences, and that UTILITY

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is determined that no such development should take place. His new organizational plan fits perfectly his characteristic organizational procedure, i.e., a decentralized staff, with all control and coordinating functions either in his own hands or in the hands of subservient henchmen.

4. That UTILITY was aware that his new plan would be unsatisfactory was indicated by what followed, which can probably best be described as a carefully prepared spoiling attack. For at least an hour, without interruption, UTILITY developed the subject of those factors which render difficult his position as leader of a German organization working with the Americans, beginning with Yalta and Potsdam, continuing through defamation of the German Military, Nürnberg, Dachau, Landsberg and Werl and winding up with our requirement of personal data for persons to be included in the E-Plan and our reservations about recent F-Plan developments in Spain. If he forgot anything, it was certainly an oversight. Included were such hoary items as our objections to HORN's appeal to Professor HALE in connection with some non-existent houses in Munich; our objections to UTILITY's method in obtaining a meeting with McCloy; our alleged duplicity in having withheld from ZIPPER information on FOB's dealings with [REDACTED] and [REDACTED]; the DELIUS case, the MALLNER case, and particularly our objections to the amount of time UTILITY spends politicking in Bonn. And finally, of course, there was a solemn replaying of the old record about our dependence on Washington and the even older record about UTILITY's thoughts of resignation. Most recently, he said, it had only been HERDAHL who had persuaded him to stay with the ship, and HERDAHL had achieved this spectacular rescue only by promising that when UTILITY left, he, HERDAHL, would go with him. This may have been designed to impress upon us the fact that we couldn't count on the rather pro-American HERDAHL to carry on the work if UTILITY should decide to go. Earlier, he stated it had been [REDACTED] who had urged him to carry on the show at all costs. He added, incidentally, that should he decide to resign, he would get out of intelligence altogether and go into industry - or something.

5. Although it would have been manifestly impossible to make a rejoinder on all these counts at the same meeting - to some of them, indeed, at any meeting - [REDACTED] did take the opportunity of replying generally and in principal:

a. that our disagreements have almost always arisen out of incidents and not out of conflict in policies, that this is due almost solely to the fact that UTILITY's frequent and extended absences make it impossible for [REDACTED] to consult with him regularly on day-to-day operational matters, and that these difficulties could probably be overcome if UTILITY were either to appoint the kind of deputy Wallop has been urging him to appoint or delegate a deputy of suitable stature to represent him in his politicking;

b. that his concept of Washington's role in directing FOB affairs is mostly false and, where founded at all, highly exaggerated.

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6. Nor could [redacted] let pass his crack about the McCloy meeting. He had justified his own procedure in this affair by observing that American and German methods differ and that it was quite normal, according to German custom, to try several ways of achieving a desired objective. To this [redacted] remarked simply that if UTILITY wanted to employ these German methods in dealing with Germans he was free to do so, but that in dealing with Americans he would be better advised to observe American customs. This was not the least repulsive part of UTILITY's generally repulsive performance, since the talk of different German and American customs in this respect was insulting nonsense and UTILITY knows perfectly well that such a departure from channels as he took to get to McCloy would have gotten him into trouble just as quickly in the German Army as it would have in the American.

7. It remains to cover certain odd items which turned up in the course of the discussion and to cover in detail some of the subjects touched on above in passing:

a. UTILITY's Position - UTILITY repeatedly referred to his distaste for the role of executive (ausführendes Organ), stating that, if his role were to be simply that of an instrument for implementing American directives, he would rather not play at all. As to the time he devotes to politicking, he stated, with a perfectly straight face, that this represents not more than 10 per cent of his time, and that by far the greater portion of his work schedule is devoted to the "psychological guidance" of the organization.

b. American Methods - Although emphasizing that he was always open to suggestion and discussion and that both he and the organization had benefited much from American advice and example, UTILITY was at some pains to make the point that American methods, however good they may be in an American organization, are not necessarily applicable to a German organization. (Comment: This appeared to be UTILITY's devious way of advising us not to take too seriously the enthusiasm for American assistance of the many members of the organization who have welcomed American initiative in cleaning up and tightening up their show.)

c. Attitude towards the US - Despite his lengthy criticism of American policies and his feeling that American political decisions, although usually right, are almost always too late and too slow in implementation, UTILITY was anxious to point out that he greatly prefers the Americans to either the [redacted] or the [redacted]. He considers the [redacted] unreliable and the [redacted] unscrupulous. The Americans, he said, are "the best Europeans" and "incapable of being unfair."

d. In case of War - UTILITY would like to know Washington's view of the role of the organization in case of war, i.e., probable base of operations, to whom attached, etc.

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e. Position of HORN - According to UTILITY, it is anticipated that HORN will remain with the organization until his status with the Government in remilitarization matters is clearer than it is likely to be for the next few months. As negotiator in connection with the European Army, HORN will not be on the Government pay roll, although he will presumably receive a fee for his services.

f. E-Plan - In connection with both the E- and F-plans, UTILITY stated that he could not comply with our requirement for true names and personal data and that if the availability of funds for this purpose were made conditional upon the fulfillment of this requirement, he would have to do without the money. He could not be party, he said, to the establishment of a complete card file of the German Intelligence Service in Washington.

g. Postscript - A couple of hours after this meeting, UTILITY called [redacted] and asked him to come to his office next day at 1100 hours. This meeting was a short one, lasting hardly half an hour, and no one else was present. UTILITY referred to the meeting of the day before and remarked that in his effort to be as tactful as possible, and with regard to his very great respect and personal affection for [redacted], he may not have been sufficiently explicit. He then came straight to the point, and in language quite different from that which he had employed the day before. Gone was the claptrap about differences in mentality and the problems of collaboration. He said, almost in so many words, that the fundamental question is: Who is running ZIPPER, the Americans ([redacted]) or UTILITY? He made it abundantly clear that he considers the question of ZIPPER's quality as an intelligence organization to be his responsibility and not ours, although he well understood our interest in getting a fair intelligence return on our financial investment. He rejected [redacted] complaints of his unavailability and the absence of a suitable deputy, countering with the statement that, as to his unavailability, this was not true and, as to lack of a deputy, there had always been one, in the persons of either HERDAHL or HORN or both. He subsequently qualified this statement by admitting that he sometimes absented himself due to extreme irritation. He complained of interference by the American staff in operational matters, stating that there were many flaws in the organization which he did not discuss with the Americans, but which he was at pains to correct on his own initiative, not wishing to make a public matter of the organization's "dirty linen," and that he found it irritating and embarrassing to have this "dirty linen" suddenly called to his attention by the Americans with the implication that the Germans should have done something about it. He then requested that [redacted] not enlighten [redacted] on these lurid details.

9. [redacted] replied that it would be a mistake not to give [redacted] the benefits of this conversation, particularly since UTILITY had made his position clearer in ten minutes than he had been able to do the day before in three hours and that to have these fundamental differences understood on both sides would be for the better all around. Since UTILITY had referred several times, with apparent incredulity, to [redacted] "interest in the technical details of ZIPPER's intelligence operations," [redacted] stated that [redacted] was, indeed, extremely

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interested in these "technical details" and had frequently expressed the view, to UTILITY, among others, that day-to-day consultation between himself and UTILITY on such matters would go far toward easing the tensions between the German and American staffs and towards improving the product. UTILITY showed no enthusiasm for this point of view, stating quite frankly that he was himself not interested in these "technical details," and considered them the responsibility of his subordinates.

10. [REDACTED] closed the interview by stating that now, at least, the picture was clear enough to provide the basis for forthright discussion of fundamentals between UTILITY and [REDACTED] and proposing that the New Year's holidays be employed by both as Denkzeit, with a view to a further discussion of fundamentals after [REDACTED] return from leave on 8 January.

[REDACTED]

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Chief, Foreign Division M

12 January 1951

Chief of Station, Karlsruhe

Fortnightly Letter

1. There is probably some profound lesson in the psychology of negotiating with the German mentality to be found in our experience of the last fortnight. Following UTILITY's rather violent outburst of 28-29 December, I pointedly asked HERDAHL his opinion on UTILITY's motivation. He referred the matter to HORN, and some hours later HERDAHL came to me and stated that he and HORN were in complete agreement that only temperament was involved, that this was not a calculated step or part of a tactical maneuver to gain a specific end. During my absence, Gooding had several long conversations with HERDAHL and was likewise fully convinced that UTILITY's blowup was the result of cumulative pressures which he had been holding back for some time. These pressures have developed mainly since 8 July 1950 - the occasion on which we strongly criticized the failure of ZIPPER in satellite operations, placing much of the blame on the unsound organizational structure of ZIPPER. Subsequent negotiations on this matter have been adequately reported in past fortnightly letters and routine correspondence. My going to HORN on 11 December brought the matter to a head, and several incidents during the Christmas holidays provided the spark which set off the 28-29 December affair. These were specifically:

a. Our refusal to support expansion of the F-Net until ZIPPER agreed to provide adequate operational information.

b. The GREENHILL-JAUFMANNI flap. This placed UTILITY in an embarrassing position with us, the [REDACTED], and, to some extent, his own staff. DELIUS, UTILITY learned, was responsible for passing the material to the Swiss. Also, UTILITY learned that we knew that DELIUS was on an unauthorized trip in [REDACTED] on the date of the [REDACTED] information and had not informed him. This, he felt, demonstrated lack of trust.

2. The draft of the reorganization plan which UTILITY presented on 28 December was completely unacceptable to us on a number of counts. When I returned to Pullach on 8 January, after a week's absence, I found that UTILITY had modified his draft, giving full consideration to each of our

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recommendations and had, moreover, published the official order making the changes in organization and assignments effective 15 January 1951, thus ending the period of six months of procrastination on this matter.

3. Within a few hours after my return, UTILITY came to my office to discuss a briefing being planned for Major General Taylor. He briefly noted that the reorganization plan had been published, without reference to the differences in opinion of 28 December or commenting in any way on changes that had been made. After a short discussion of the briefing, I stated that we were prepared to proceed with the expansion of the F-Net; that funds were available; that this approval was not contingent upon any guarantee of operational information by ZIPPER; that discussions of the past few weeks had clearly defined the mutual responsibility of FOB and ZIPPER in developing the operation under most secure circumstances; and that we would rely on UTILITY's sense of responsibility and professional experience for assurance that the operation would be developed through satisfactory US-German cooperation.

4. The following day, [REDACTED], [REDACTED], and [REDACTED], having been thoroughly briefed on my conversation with UTILITY, drove out to the F-Net establishment of WOLLMANN, currently chief of the F-Net operation and after 15 January, UTILITY's deputy for all intelligence matters, for a discussion on all F-Net matters with WOLLMANN and his top staff. WOLLMANN offered the unsolicited statement that in the future all F-Net agents and ZIPPER staff and field personnel working on this problem will be reported by real name and with biographical data, in order that the American staff can render maximum assistance to the operation by the systematic vetting of each individual involved.

5. At an opportune moment on 9 January, I again urged UTILITY to accept as basic policy our frequent declarations that we would immediately stop meddling in ZIPPER internal matters, particularly those of an administrative nature, when convinced that UTILITY's own procedures afforded adequate inspections and controls.

6. On 11 January another ZIPPER fortress fell. A set of regulations establishing adequate and centralized financial and other administrative controls, which STAHL, [REDACTED] opposite number, had hoped to sell gradually to UTILITY, were approved in their entirety by UTILITY and will soon become effective.

7. I am not able to reconcile entirely the contrast between UTILITY's position of 28-29 December and the demonstrated actions of the ZIPPER organization during the past few days. Recent developments do, however, tend to substantiate the theory that the 28-29 December blowup was, indeed, an emotional outburst. Sometimes, I think, we are inclined to forget that UTILITY has been living under tremendous strain for a long period and may on occasion show the effect of the pace at which he works and lives. He is a man who completely lives his profession. He is, as far as I know, without avocations, and all of his waking hours are spent in intense pursuit of whatever objectives he has for himself as an individual and ZIPPER as an

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organization. During the past few days he has made only one reference to his statements of 28-29 December. In this he probably came as close to apologizing as will ever be possible for a man of UTILITY's temperament and vanity.

8. Major General Taylor, Director of Intelligence, EUCOM; Colonel Hardick, Deputy Chief of Intelligence Operations, EUCOM; and Lieutenant Colonel Ottinger, EUCOM ODI Liaison Officer to POB, were briefed by the POB and ZIPPER staffs on the afternoon of 10 January 1951. The briefing concentrated, as requested, on reporting and coverage capabilities. It was the most substantive briefing I have ever seen given by the ZIPPER staff. The following were the highlights of the briefing and subsequent discussion:

a. POB and ZIPPER, referring to numerous recent OB flap cables sent by ELS to us for evaluation and confirmation, asked that EUCOM simultaneously provide comment as to source, EUCOM evaluation, degree of importance attached to confirmation by commitment of ZIPPER collection facilities, etc. General Taylor demonstrated a complete understanding of this problem and directed Col. Hardick to work out a satisfactory solution with us.

b. General Taylor personally urged all ZIPPER staff members with whom he came in contact to extend maximum assistance to Ottinger.

c. General Taylor questioned us extensively on our coverage of Czechoslovakia and Poland, stressing the vital importance of these areas to ODI EUCOM.

d. The CI/CE offices were visited; ZIPPER was advised that EUCOM has great interest in all CI/CE material.

e. General Taylor raised the problem of ZIPPER interrogation activities and indicated his interest in coordinating activities in this field. Both ZIPPER and POB side-stepped this issue with general remarks of no significance.

f. General Taylor examined in detail ZIPPER coverage of the Oder/Neisse line.

g. General Taylor appeared to accept without reservation my recommendation that no effort be made to involve ZIPPER in a EUCOM-sponsored effort to coordinate, through the CO of MIS in Berlin, spot reporting in times of crisis.

h. Privately, Taylor advised me that he expects the period commencing in April or May will be one of constant crisis for intelligence organizations, and urged that we spare no effort to achieve the capability of more timely reporting by that time. He expressed the opinion that once the Soviet armed forces are out of barracks and back in the training areas, he does not feel that

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General Handy can possibly expect more than 12 to 15 hours' guarantee on imminence of action reporting.

i. EUCOM ODI is rapidly losing most of its experienced civilian intelligence researchers, who form the backbone of the EUCOM ODI Evaluation Section. General Tayler stated that ZIPPER would have to assume a greater responsibility in this field and pointed out that EUCOM access to much of the research work sheet material in Pullach would be requested by Col. Ottinger for use at EUCOM.

j. I expressed satisfaction with the performance of the Composite Group. I supported Colonel Vars' request that existing EM vacancies be filled; General Taylor stated they would be.

9. I was extremely pleased with the performance of the ZIPPER staff. The confident and sophisticated manner in which they handled the briefing was encouraging. Eyewash was kept to a minimum. Actual and very real problems were presented and discussed in a most constructive atmosphere. Only in a few instances did the ZIPPER staff resort to circumlocution and evasion, and only with regard to matters where General Taylor or a member of his party moved into areas in which EUCOM has no legitimate interest. Earnestness on both sides and a mutual recognition of the seriousness of the task distinctly provided the atmosphere in which the briefing and discussions were conducted.

10. I believe that the time has come when we can begin to think in terms of reducing our American personnel commitment to ZIPPER. Once we have gone through the process of recommending, explaining and demonstrating our solution to any one of the variety of problems facing ZIPPER, no useful purpose is served by repeating the cycle, once we are convinced that thorough understanding by ZIPPER has been achieved and that indoctrination, at least at the top policy making level, has been successful. During the next six months we will have passed a point of marginal productivity in continued detailed participation in many fields of ZIPPER activity. I will attempt to give you a more detailed discussion on this matter in the near future.

11. The problem of ZIPPER cover and legalization, (MOL-A-4060) pouched from here almost two months ago, is becoming increasingly difficult. During the next few days it is unavoidable that I cable for some reaction to this problem. Individual expenditures related to this problem are arising almost daily, and we have now almost completely exploited the possibility of meeting these costs by juggling of funds within the present budget. Administratively, this is the most serious problem facing us at this time.

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15 February 1961

MEMORANDUM

TO: ADBO
FROM: FDM
SUBJECT: Brief on ZIPPER for Mr. Dulles

Attached hereto are the notes on ZIPPER which were requested for Mr. Dulles in connection with his briefing of the JCS.

Richard Helms

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1. On 1 July 1949 CIA took over from EUCCOM at the Army's request a large German intelligence-gathering organization known in Army and Air Forces circles as MUSTY or TIB. General Vandenburg will remember that this operation was started in Germany at the time that he was Assistant Chief of Staff, G-2, of the War Department, and later came up for discussion and review when he was Director, CIG. (Mr. Dulles: You will recall the meeting held at your home in New York in December 1946 to discuss whether or not CIG should take over this operation at that time.)

2. MUSTY consists largely of former Abwehr and General Staff Corps personnel numbering approximately 1800. Currently it costs \$3,300,000 per annum to operate, this total being broken down as follows:

Cost to CIA	\$2,400,000
Cost to EUCCOM	300,000
Cost to German Economy	600,000

3. MUSTY is headed by Brigadier General Rheinhard von GHELEN, who was intelligence chief of the Fremde Heere Ost (Foreign Armies East) during the War. Also identified with it are General HEUSINGER, who was G-3 of the OKW; General WINTER, Chief of Staff of the OKW, and General von MELLESTERN, Commanding General of the VIII Korps and former Chief of the German Military Attaches' office. General HEUSINGER is now serving with General SPHINGL on the Bonn Government's Military Committee dealing with the Allies on German rearmament. His position as head of the Evaluation Group at MUSTY is carefully concealed since it would prejudice his current role if it were public knowledge.

4. MUSTY provides intensive coverage of Red Army Order of Battle in the Soviet Zone of Germany, new Poland, Czechoslovakia, and Austria. The reports from the hundreds of agents covering this area are funneled into the German Headquarters where the Evaluation Group pulls them together into consolidated estimates. In view of the tense international situation the principal problem confronting us is speed of communication, i.e., getting the information from the agent into American hands where it can be rapidly forwarded to EUCCOM and Washington. We are experimenting with the use of Very High Frequency equipment in an effort to see if this can be used in conjunction with airplanes flying up the corridor to Berlin (Mr. Dulles: This equipment is similar to the Joan and Eleanor device used by OSS at the end of the War.) Also in an effort to set up a system which can give advance warning on the imminence of hostilities, MUSTY is installing W/T sets along the Oder/Neisse line. This is a slow job, but four have been put in place at key points including Frankfurt/Oder and Eusestrin.

5. MUSTY also operated a monitoring system composed of three stations located at Bremen, Butzbach near Frankfurt, and Chiemsee near Munich. These stations cover air-ground voice traffic of the 24th Air Army and provide daily cabled reports to EUCCOM, USAFE, and Washington on this activity. They also monitor the traffic of the Polish Border Guard as well as that of Soviet agents operating clandestine radio transmitters in Western Germany. The speed of this service is particularly appreciated by the Air Forces since the individual German operators are able to handle air-ground voice traffic more rapidly than their American counterparts. CIA is in continuing contact with AFSA on the Communications Intelligence aspect of this German activity. Also, AFSA receives all the raw traffic resulting therefrom.

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WATCH NO. MGL-A-5755

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CLASSIFICATION

TO : Chief, Foreign Division M
FROM : Chief of Station, Karlsruhe
SUBJECT: GENERAL— Administrative
SPECIFIC— POB Personnel

DATE: 22 March 1951

Ref: MGKW-7994 (Para. 5)

1. We are all in agreement that all military personnel serving with POB should be assigned to our organization. Although the Composite Group has functioned more satisfactorily the past nine months, it has been rather unsatisfactory in the support rendered away from the Pullach Headquarters. [REDACTED] has spent most of the past year getting the support facilities and installations in the Frankfurt-Berlin-Bremen area in a condition where they can adequately support the operation. Through good personal relationships with individuals in USFA we have been able to solve our own support problems in Austria without reference to the Composite Group. The Group has, of course, maintained a Field Office in Berchtesgaden headed by [REDACTED] who individually handles day to day liaison with USFA, where he is considered the liaison officer from POB and not from the Composite Group.

2. Most of the Group is now concentrated in the Pullach Headquarters. At this level they do a very satisfactory job; particularly in providing administrative services to the American staff of POB and in operating the Nicolaus Compound which houses both POB and the ZIPPER Headquarters. Retaining the status of a "military unit" is of tremendous value in the conduct of our day to day affairs with the Munich Post. Also, a relatively senior field grade officer on our staff is of great assistance in conducting local liaison.

3. I recommend that we retain a fairly substantial military staff with POB and that an agreement eventually be made with the Army for a gradual replacement of 7821 Composite Group personnel with military personnel assigned to DAD. Insofar as is possible we would recommend the recruitment and orientation of military personnel in Washington. I suggest that this be initiated immediately and that military personnel be dispatched to Pullach as soon as available. As such individuals arrive we will assign them functions which will gradually permit the release of Composite Group personnel.

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4. As a second step I recommend that slots be made available which would permit us to offer selected members of the Composite Group the opportunity to transfer to our organization for a full tour of duty. It is probable that many of the enlisted men and some of the officers would avail themselves of this opportunity. At least half of the Group officers would, however, prefer to finish their present tours and then return to normal duty, troop assignments and schools. This would result in the Composite Group "withering away" until it would finally reach a point where we would consider its deactivation.

5. Actually, the situation developing with regard to the Group dictates that the assignment of officers and enlisted men to DAD for duty at Pullach be given some priority. General Taylor who, after a long struggle with us on the Comp. Group issue, appears to be making a sincere effort to render us real support through the Group, is now being reassigned. The prospect of having to educate and orient his successor on the particular problems of the Group is not an especially happy one. Also, EUCOM some months ago placed the Group directly under the Munich Post on personnel matters and the Group is now subject to personnel demands from the Post. During the past week EUCOM earmarked two EM sent to Munich for the Group to alleviate a pressing shortage of EM; at the same time the Post informed the Group they would have to make two NCOs available for a cadre unit returning for training duty to the US. With the Army in the throes of expansion it is clear that the personnel situation in the Group is not going to be a stable one. However, the nature of the duties of the Composite Group are so specialized that it takes months to orient and train a man to assume full responsibility in almost any of the EM slots in the Group. This and the security clearance problem dictate that we have some guarantee against a rapid turnover of personnel.

6. Finally, I would like to emphasize that any disruption of the Group support at this time would be disastrous since the Group and POB are going to be extended, personnelwise, to the limit this summer. Before even suggesting to EUCOM or the Department of the Army that we would consider dispensing with the Group, I feel that we should have the better part of a replacement staff on the ground.

7. We will again canvass the Group to determine which individuals would be of interest to us and to ascertain which would be interested in an assignment with DAD.

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KARL COMMENT: Strongly recommend suggested action as the only satisfactory solution to POB-Composite Group personnel problems.

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27 March 1951

MEMORANDUM TO: AD/SO

SUBJECT: German Leadership of ZIPPER *NR*

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This paper outlines the problem of the present German leadership of ZIPPER, which I mentioned to you briefly on Monday. After you and I have had an opportunity to discuss this problem, we can proceed to set up a meeting with Mr. Dulles, General Truscott, and Mr. Stewart, with a view to arriving at a decision prior to the departure of the latter two for Germany.

1. Background of the Problem: On 10 January 1951 we informed the Deputy Director (Plans) of a major outburst by Reinhardt Gehlen, the German head of ZIPPER, against U.S. interference in the internal affairs of that organization. We described the manner in which the problem had evolved (See Tab A), and discussed the possibility of removing Gehlen. Ten days after Gehlen precipitated this problem he chose to ignore his own position, and agreed to the suggested reforms which had occasioned his tirade. Since then he has maintained a comparative equilibrium, but he still has not directed his major energies to ZIPPER's intelligence mission, he has been unable to approach the problem of ZIPPER's relations with the Bonn Government from a statesmanlike point of view, and we continue to suspect him of bad faith in some of his relations with us. His latest plan (See Tab C) for a working relationship of ZIPPER with the Bonn Government amounts to an attempt to sell himself by bringing full access to ZIPPER with him. This is an impetuous move calculated to get the recognition and sponsorship of the government at a price which we are not prepared to pay at this stage. As a result of all these considerations we are reopening the question of taking the risks involved in removing Gehlen as the head of ZIPPER.

2. Gehlen's Unsuitability:

a. Gehlen's motivations, his inflexibility, and his preoccupation with military and political questions to the detriment of his intelligence responsibilities, have materially hampered our mutual cooperation. Many of Gehlen's undesirable qualities

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would be reflected in any successor we might select for him, since some of the qualities are a part of the responsibilities of the position, of background, and possibly of nationality. Nevertheless, it should be possible to choose a successor measurably more cooperative, less concerned with the future of the German general staff, and with motivations inspiring better faith in relations with us (See final paragraph Tab A).

b. The major flaws which have not yet been ironed out of ZIPPER trace back to the motivations we have ascribed to Gehlen. Tab B discusses these motivations in some detail; basically they are probably, in priority: self interest, the reconstitution of the German general staff, and the establishment of ZIPPER as the German Intelligence Service. Gehlen's efforts to realize his major ambitions have frequently led him to disregard our complicated interests in sensitive fields. This has been particularly true in connection with his relations with other Western intelligence services, with the Bonn Government, and in connection with strategic operations.

c. It is significant, with regard to the eventual conversion of ZIPPER into the future German Intelligence Service, that Gehlen envisages a future GIS with the structure, prerogatives, and size of that of a major power on a war footing.

3. The Probable Effects within ZIPPER of Gehlen's Dismissal:

a. We cannot be certain what the effect of Gehlen's dismissal would be on the ZIPPER staff. Gehlen was largely responsible for organizing ZIPPER and for keeping it a going concern, and since through ZIPPER a great many intelligence and military officers were able to salvage their self respect and living standards, personal gratitude and loyalty are rendered Gehlen. However, his staff also knows that he is not exclusively responsible for ZIPPER's creation. It very likely would have come into existence without him, and it is United States funds, protection, and effort which have made it possible.

b. Gehlen's wartime chief of operations, Lt. Col. Hermann Baun, was actually the one who sold ZIPPER as such to G-2, USFET, in late 1945. Due to this and to Baun's very strong personality, he, rather than Gehlen, appeared for some time to claim the personal allegiance of most of the ZIPPER staff. When we discovered Baun to be dishonest and unreliable, we hesitated for several months before having him removed. The reaction to his eventual dismissal indicates the allegiance of ZIPPER personnel is to their jobs and to ZIPPER rather than to any leading individual; no personnel

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followed Baun out of ZIPPER, and we can probably use this as a basis for estimate in Gehlen's case.

4. The Probable Effects outside ZIPPER of Gehlen's Dismissal:

a. The probable reaction of prominent Germans outside ZIPPER in the event of Gehlen's dismissal is being determined in Germany. Top leaders such as Chancellor Adenauer, and Kurt Schumacher of the SPD, have a legitimate interest in the leadership and future of as important an organization as ZIPPER. Consequently, we are sounding out influential German governmental opinion on Gehlen through HICOG, and we plan in early April to include this question in a discussion between Adenauer, Commissioner McCloy, Mr. Shute, and our representatives. Schumacher will be asked discreetly and directly.

b. Estimating in the meanwhile, it seems likely to us that Adenauer would not object if we removed Gehlen, appointed a head unobjectionable to the Chancellor, and simultaneously made appropriate ZIPPER intelligence available to the German government. Adenauer is too wily a politician to go out on a limb for Gehlen with nothing to gain by it. Schumacher, for his part, has consistently shown respect for our intelligence methods, and has indicated that he considers ZIPPER our business; it is difficult to believe he would take a position against Gehlen's removal. Former German officer factions are too split among themselves to form an influential body of opinion in this matter. The reaction of top level government officials in the Chancellery and the Ministry of the Interior is harder to predict, but we would expect no serious opposition if our good intentions toward the remainder of ZIPPER and toward the government were clear. Furthermore, we could expect German officialdom to follow Adenauer's lead.

5. Recommendation: I propose that a tentative decision be made as to the desirability of Gehlen's retention or removal, taking into consideration the relative possibilities of damage to our relations with the ZIPPER staff and with influential factions outside ZIPPER. Preferably Mr. Gordon Stewart should take this decision back to him for the orientation of our key field personnel and as the CIA position in the discussion in early April between Mr. McCloy, Chancellor Adenauer, and our representatives. A final decision would then be made in the light of Adenauer's reaction. It should be considered whether we, in our discussion with Adenauer, should restrict ourselves to a completely neutral sounding out of the Chancellor or should convey to him the impression that we would prefer to remove Gehlen.

Richard Helms

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SUMMARY

The attached paper describes a recent outburst by Reinhardt Gehlen, the German head of ZIPPER, against US interference in the internal affairs of that organization, and outlines the nature of past US-ZIPPER agreements. It describes the way in which our interpretation of control, strategic operations, and of attaining future position for ZIPPER have conflicted with Gehlen's, and the reservations we would have on seeing him become the head of a future German Intelligence Service. The dispensability of Gehlen to ZIPPER, and the questions of removing him and of choosing a successor are discussed.

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On 28 December 1950 Generalmajor Reinhardt Gehlen, German head of ZIPPER, speaking from prepared notes to our senior representative with ZIPPER, delivered a three-hour harangue against American interference in ZIPPER internal affairs. He defended all those activities of his to which we have taken exception in the past year and a half, attacked "Washington" policy, and several times threatened to resign. Our representative, beyond a few comments for the record, did not enter into a discussion with Gehlen. A record of this meeting is being pouched. The following day Gehlen called one of the senior US assistants to his office and in stronger, sharper, more explicit terms covered the same ground. Our representative intends to allow a ten day cooling off period at the end of which he will instruct Gehlen to set out his views in detail and in writing for consideration in Germany and Washington. When these written views have been received and studied here, we believe that we should consider the advisability of a visit to Germany by a high-ranking CIA official for a detailed discussion with Gehlen leading to an unambiguous definition of our concept of the role which the German head of ZIPPER should play. Such a conference should lead to a showdown on whether Gehlen remains on our terms or resigns.

The following paragraphs sketch the background of our disagreement:

Although the tone of Gehlen's dissertation was unnecessarily tactless and embittered, the general strategy of an ultimatum from him was not entirely unexpected. It fits in with the attempts of leading Germans just now to bargain for position, and is not untypical of Gehlen's past approaches to his American superiors. Gehlen has risen since 1945 from the position of a relatively obscure member of the German General Staff to the position of a prime political strategist enjoying the support of conservative political factions, of certain German industrialists, and of the influential remaining portions of the German military. At the same time he enjoys semi-diplomatic relations with the major intelligence services of Western Europe, and he has the advantage of his prolonged association with US intelligence on which to base an accurate estimate of our major strategies and our strength.

Gehlen's present ultimatum, with its rejection of "American interference" harks back to ZIPPER's earlier contractual relationship with the United States Army in Europe. Gehlen's first working arrangement with the Army was based on an oral arrangement between General Edwin Sibert and himself. This was an agreement which gave Gehlen broad personal responsibility for the organization and conduct of the operation, and involved a pledge by Gehlen that he would at all times assume full responsibility for the operation vis-à-vis the Americans. The agreement was reduced to writing in October 1948 in the form of a directive from EUCOM to the US military commander with ZIPPER which, although it placed ultimate direction and control in the hands of the Americans, granted a wide latitude of operational freedom to the German chief. In practice the US Element of the operation was viewed as there only to provide the German Element logistical and liaison support, and the loose control and minimum accountability of this period created a body of precedent against which Gehlen views our position, which is that our financial outlay alone entitles us to intimate knowledge and control of the ZIPPER operation.

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Even when Army control of ZIPPER was from ZIPPER's viewpoint least onerous, Gehlen gave frequent voice to discontent and dissatisfaction with the degree and type of support and supervision. Administrative interference with ZIPPER's lower echelons by inexperienced US intelligence officers, inconsistent financial support, and lack of policy direction, were all criticized by Gehlen, and he frequently, particularly in 1948 and early 1949, supplemented his criticisms with threats to resign and dissolve the operation. It is clear that basically he was dissatisfied with the lack of timely financial planning and of trained US intelligence personnel. He at one point expressed himself as so disillusioned with the lack of US participation in the operational activities of the project that he threatened to resign unless ZIPPER were taken over by CIA. This desire for closer operational supervision had been expressed by Gehlen as early as 1947, when he was having some difficulty in consolidating his personal supremacy in the operation. He claimed at that time to distrust his first deputy's anti-Soviet fanaticism as the basic motivation for the operation, and promised to convert ZIPPER into a strict alliance of German with US interests. It was his suggestion then for the future that enough US personnel be assigned to the operation to supervise and guide it at every point.

In discussions with a CIA investigating officer in November 1948, Gehlen blamed Army pressure in 1946 and 1947 for stimulating unplanned and uncontrolled growth and the resultant violation of most sound operational rules. After our takeover, however, it became apparent that Gehlen intended to maintain the status quo both of organizational and operational procedures, and vigorously to defend ZIPPER practices of loose control, maximum delegation of agent and operational supervision, and minimum accounting and operational reporting. In defending these practices during the period of our examination of ZIPPER's proposals for strategic operations—which later were demonstrated to be more than ninety percent worthless—he bitterly attacked Washington "inflexibility, overcentralization, and lack of operational understanding". His first threat to resign came at this time when, despite previously consistent assurances that he wanted only a stable budget no matter whether large or small, he asserted that it was impossible to continue operations under the budget we proposed for the following year.

We had considered, when we took over ZIPPER on 1 July 1949, the advisability of supplanting the basic EUCOM directive with a written agreement or charter, and our senior representative with ZIPPER did in the Summer of 1949 discuss with Gehlen the tentative draft of such an agreement. It was explained at the time that the draft was solely for purposes of exploratory discussion and had not been approved by Karlsruhe or by Washington. It was in any event an innocuous document, playing heavily on ideological and patriotic themes, and less specific than the EUCOM directive. It was decided in Washington that it would serve no useful purpose to reduce the terms of our relationship to writing, and would very probably put us in the legalistically difficult position of a more binding legal and moral trusteeship than we cared to assume toward ZIPPER. As a consequence we have deliberately attempted to hold our directives to ZIPPER to questions of actual operations, organization, or administration, and have considered philosophical discussions of the US-ZIPPER relationship as unrelated to the main task.

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Our insistent probing into ZIPPER operations and our pressure for administrative and organizational changes, as well as Gehlen's activities outside the ZIPPER framework, have steadily been building up to a major difference of opinion between ZIPPER, or more specifically Gehlen, and us. Gehlen's political aims have been to secure a measure of governmental recognition from Bonn for ZIPPER, to consolidate ZIPPER's position as the dominant contender to become a German Intelligence Service, and to secure positions of influence for ZIPPER staff members and friends in the impending rearmament of Germany. His activities in these directions have included continuance of ZIPPER's influential military contacts, direct contact with the Bonn Government and the US High Commissioner, intensified liaison with various Western intelligence services, and bitter opposition to Gerhard Graf von Schwerin during the latter's tenure as Chancellor Adenauer's military advisor. Much of the impetus for these activities has coincided with our interests; we too have long range interest in the development of ZIPPER into a German Intelligence Service, and we have both long and short range interest in the eventual legitimization of ZIPPER by the Bonn Government. Sharp disagreements have arisen only because of Gehlen's sometimes freewheeling methods, which have often appeared to be evasive and have certainly not considered the complexity of our many intelligence interests in Germany and in Western Europe. Our belief that Gehlen has interested himself in the pursuit of these goals to the detriment of the intelligence mission of ZIPPER is shared by thoughtful top ZIPPER staff members.

ZIPPER's extremely low capabilities in terms of strategic, long range, high level, and deep penetration operations, in large measure the result of Gehlen's neglect of fundamental intelligence issues, were amply documented in the first year of our supervision of the operation. By mid-Summer of this year it was the opinion of all US staff members working with ZIPPER affairs that the organization was a creditable tactical collection and military evaluation agency, but that it was, with some exceptions, definitely second class in intelligence activities of a more difficult or sophisticated nature. This opinion, shared by many of the ZIPPER German staff, was conveyed to Gehlen by our representative with ZIPPER in July 1950, and he was bluntly informed that unless we were to accept and support ZIPPER only as a tactical agency Gehlen would have to institute radical changes in personnel, procedures, and attitudes. After some reflection Gehlen appeared to accept this decision with good grace, and even initiated some organizational changes for the improvement of strategic coverage.

Although his current outburst is the first strong resistance Gehlen has demonstrated for some time, it has long been apparent that Gehlen's frequent evasions and intransigence in the face of our guidance might at some point make it desirable to remove him from ZIPPER. We are in general agreement that, over and above the occasional difficulty now in handling Gehlen, he would prejudice the quality of a future German Intelligence Service of which he might later be head. Although he has been a strong and effective leader of ZIPPER in those fields where his personal interests lie, he lacks an emphatic interest in controlled, strategic intelligence operations, and much of the administrative corruption still present in ZIPPER is directly attributable to Gehlen's neglect of that field. Clearly, also, it is Gehlen's desire

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as head of a future GIS to combine internal security coverage with external intelligence, and we have no desire to encourage such a development.

In December 1950 we exchanged views with the field on means of dispensing with Gehlen if the need ever arose, and decided then that we should overlook no opportunity to kick Gehlen upstairs into the service of the Bonn government. Particularly if such a post were military, there is little doubt that Gehlen would cheerfully accept, and in all probability would not continue to exert an undesirable influence on ZIPPER.

The question of his successor was also discussed, and it was decided that the best solution would be a temporary replacement by a forthright Army general with no political ambitions. There is such a general now on the ZIPPER staff who has impressed our staff with his direct and honest approach to certain administrative investigations he has conducted. The other possibility, General Adolf Heusinger, because of his impressive character and intellectual stature a more obvious candidate to head ZIPPER, is not personally interested in a career in intelligence, and we believe he would serve Allied interests better in his new capacity as military advisor on German rearmament.

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Gehlen's Personal Motivations

1. Basic Motivation:

From the beginning of his intelligence cooperation with the United States, Gehlen has described his motivation, and that of ZIPPER, in terms of an ideological alliance against the common foe of the West. Obviously, there is much more opportunism in Gehlen's motivation than he would admit. The record of his opportunism begins with his offer to Walter Schellenberg, in March 1945, to organize a postwar resistance around Himmler. Psychologically, Gehlen's present motivation could hardly fail to be selfish. Through his position as head of ZIPPER he has enjoyed a living standard, freedom, and prestige virtually unique in postwar Germany. Intimately connected to these strictly private considerations are Gehlen's two other main goals in life: the reconstitution of the General Staff and the establishment of ZIPPER as the German Intelligence Service.

2. Affect on ZIPPER:

The major flaws which have not yet been worked out of ZIPPER trace back to the motivations which we have ascribed to Gehlen. His personal passion for prestige has certainly been at the bottom of much of his intransigence and freewheeling. His insistence on the retention of the general staff protective aspects of ZIPPER has impeded administrative reform and the efficient reorganization of ZIPPER. His fear of allowing ZIPPER to become Americanized has interfered with ZIPPER's acceptance of intelligence principles which senior subordinates would welcome.

3. As Cause of Bad Faith:

Gehlen's efforts to realize his major ambitions take more than a passive form. They have led him into extravagant disregard of our complicated interests in the most sensitive fields: specifically relations with other Western intelligence services, the Bonn Government, and strategic operations. His most common maneuver to justify these activities is to tell us too little and too late, but he is also a master at interpreting our encouragement in one direction as blanket authorization in another. Our encouragement to him, for example, to make his own peace with the German Government has served him as an excuse

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for presumptuous unilateral approaches to high United States officials, political espionage within Germany, shameless bargaining with German officials as to their receipt of the intelligence product of ZIPPER, and the promotion of the professional ambitions of a general staff clique. Aside from the half truths and evasions by which Gehlen has advanced his causes, a number of bald falsehoods are on record. Only in very few instances can the lies be proven beyond question, but the cumulative weight of partial evidence now makes a presumption of witting deception unavoidable.

4. Contradictory Positions:

Gehlen's lack of emotional balance and his private motivations have filled his stated position with contradictions. He insists, on the one hand, on the German integrity of ZIPPER and resists "Americanization", but insists, on the other, that it is our duty to undertake to sell ZIPPER to the Western German Government. His retreat in defense to the honor of a German officer contrasts poorly with his mischievous record of deception. His frequent threats to resign lack reality in the light of the obvious fact that he must appreciate his dependence on us for the continuance of his position in life. His emotionalism and contradictory stands have made our progress in ZIPPER a slow and painful process in which we propose, he stormily opposes, and ultimately a synthesis evolved which represents an unsatisfactory step forward.

5. Views on the GIS:

A final consideration of moment is the shape Gehlen envisages for a German Intelligence Service. It is clear from the record of his statements that he thinks of a service which would combine internal and external collection activities with executive power and a strong military influence, and that for this service he desires prerogatives, budget, and facilities equivalent to those of a major power on an all out war footing.

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1. On 23 March 1951 Gehlen handed to our senior representative with ZIPPER a draft proposal which, subject to our concurrence, he planned to present to the Bonn Government on 28 March. Briefly, the proposal indicated that as the result of the urging of his U. S. intelligence collaborators he proposed that he be appointed official intelligence advisor to Adenauer. ZIPPER, he pointed out, would continue under U. S. trusteeship and ostensibly separate from Gehlen's control. Gehlen provided, however, that he would in fact retain his influence over ZIPPER. These steps, Gehlen pointed out, would place a well rounded, professional intelligence service at the disposal of Chancellor Adenauer.

2. We interpreted this proposal as an attempt by Gehlen to gain immediate governmental recognition and status for himself by offering ZIPPER to the Bonn Government at United States expense. Eventually, of course, we would look with favor on the inclusion of elements of ZIPPER in the German government, but we offered the following specific objections to what we believe to be a premature maneuver:

- (a) This official recognition of Gehlen as the personification of ZIPPER and, in effect, the constitution of him as the AIS liaison channel to Bonn, would increase his prestige and control to the point of removing any possibility of our replacing him if we deemed desirable.
- (b) As a government official, Gehlen would have the green light on liaison with other Western intelligence services, and would involve ZIPPER beyond our control in this very delicate field.
- (c) Gehlen's proposal would open the way for information and operational briefs from Bonn which could put an excessive strain on ZIPPER facilities at our expense.
- (d) The plan foresaw a de facto union of internal and external German intelligence, and we have repeatedly, and in good faith, assured the Germans and the Allies that we would oppose this development in German intelligence.

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3. In addition to our objections on intelligence grounds, we felt that the proposal simplified itself into the question of whether or not we were ready now to turn ZIPPER over to Bonn and retain only the financial obligation, a thin advisory capacity, and political responsibility vis-a-vis other governments. In view of the uncertain future of Germany, the buildup of our military commitments in Germany and Western Europe, and the political implications of such an arrangement, we took the position that the time was not ripe for turnover at least until we could examine the problem further.

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1. Clarification of Gehlen's Proposal for Bonn:

We have received clarification of what appeared to be a sudden and complete reversal, in Gehlen's recent proposal (See Tab C) that he enter government service, of ZIPPER's previously held position that the time was not ripe to enter the government. According to our latest information, Gehlen definitely does not regard his proposal as representing a move of ZIPPER into the government, nor does he consider that it would either alter his present relationship with us or make ZIPPER any more available to the Bonn Government than it now is.

2. Gehlen's Major Concerns:

a. Three main causes of concern to Gehlen have determined for him the objectives toward which his proposal was aimed. Primarily he is concerned by the emergence within the Bonn Government of two intelligence agencies which are, of course, independent of ZIPPER. The first of these, the Bundesverfassungsschutz, or Office for the Protection of the Constitution, is charged by law with the responsibility for collecting counter intelligence affecting the security of the Bonn Government. Although it is still to an extent dependant on ZIPPER counter intelligence coverage, as an official agency it can also tap a multitude of official and quasi-official sources which have always been closed to ZIPPER. Since this fits in generally with ZIPPER's avowed intention of gradually withdrawing from the internal German counter intelligence field, and since ZIPPER's liaison with the Verfassungsschutz is excellent, this is of somewhat less concern than the activities of former Lt Col Friedrich Wilhelm Heins.

b. Heins, [REDACTED]

[REDACTED] has succeeded in establishing himself without benefit of law as the de facto head of an intelligence office under Chancellor Adenauer's coordinator of military and security matters. The latter, Theodor Blank, has the resounding title of Head of the Office for the Accommodation of Occupation Troops, and is actually charged by the Chancellor with the responsibility for military planning. Heins, operating in a confidential capacity on his staff, has shown remarkable talent for preparing impressive and fairly accurate situation reports from odds and ends of information collected from scattered sources. A brilliant intelligence politician, he is regarded by Gehlen as his deadly rival, and Gehlen is to a degree justified in pointing out the dangers of Heins' reporting without benefit of ZIPPER's excellent OB evaluation machinery. ZIPPER could to a very great extent counteract Heins'

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influence by making their high quality OS intelligence available to the Bonn Government, but only if they could do so without having Heins receive the credit, and if they did not profess grave doubts as to the state of security within the government. These last two considerations have brought them to a stalemate which they feel probably can only be broken by inserting a ZIPPERite into the government framework somewhere above Heins.

c. The third major cause of concern to ZIPPER is the increasing sovereignty of the German government and the increasing difficulty of maintaining ZIPPER's claim to being a German organization while existing outside the government framework. This position is made more acute by our pressure on them to resolve on their own the necessity for some governmental administrative, legal, and logistical support such as housing, documentation, travel, and police intervention.

3. ZIPPER's End Objective:

The field points out that these considerations should be read with the thought in mind that ZIPPER has never deviated from their end objective of becoming the German Intelligence Service. None of the top level ZIPPER staff, including Gehlen, believes that this ambition can or should be realized within the near future, but they are anxious to prevent or to counter developments within the government which would make its eventual achievement difficult or impossible.

4. Interim Solutions:

Looking at the problem from ZIPPER's standpoint as one of finding simply an interim solution, it appears that they think in terms of four possible solutions, only one of which was embodied in Gehlen's recent proposal.

- a. The appointment of Gehlen, with a small staff drawn from ZIPPER, as the official intelligence advisor to the Chancellor. ZIPPER would continue under U.S. trusteeship ostensibly separate from Gehlen's control. Gehlen would, however, actually retain his influence on ZIPPER, and thus in effect place ZIPPER at Adenauer's disposal.
- b. ZIPPER is not very sanguine about this plan simply because Gehlen is so exposed as an AIS man, and they think of a second alternative as being the same plan with someone other than Gehlen carrying

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the ball. This man would have to be someone most sympathetic to ZIPPER, but untainted publicly by AIS, ZIPPER, or military connections.

- c. The third possibility is essentially the same as the second, with the difference that the man selected would go into Theodor Blank's office above Heins rather than being directly responsible to Adamauer.
- d. Settle for the eventual status of G-2 Section when the German army is organized. There is little doubt that this status could be realized with comparatively little effort; ZIPPER has no competitors in this field. Obviously, however, this would fall far short of ZIPPER's dream of becoming the German Intelligence Service, and it would be considered by them strictly as a last resort.

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29 March 1951

MEMORANDUM FOR THE RECORD

SUBJECT: Conference on ZIPPER

1. At 1430 on 29 March 1951, Mr. Dulles convened a meeting in his office with General Truscott, General Wyman, Mr. Stewart and the undersigned in attendance. The purpose of this meeting was to discuss certain policy questions relating to ZIPPER, i.e., Gehlen's continued leadership of ZIPPER and the timing of proposed moves to incorporate elements of ZIPPER into the Bonn Government.
2. In discussing the question of Gehlen's continued leadership of ZIPPER, it was agreed that upon his return to Germany, Mr. Stewart would take up with Mr. McCloy the desirability of approaching Chancellor Adenauer in an effort to establish what the Chancellor's views of Gehlen are. It was further agreed that such an approach by Mr. McCloy to Chancellor Adenauer should only be made if Mr. McCloy himself felt that it was desirable. It was also agreed that the problem should be presented to Adenauer purely as a question of his present opinion of Gehlen rather than in a broader sense which might invite Adenauer to propose a takeover of ZIPPER by his government within the immediate future. Mr. Stewart said that he would attempt to see Mr. McCloy within a reasonable period of time after his return but that he doubted that he would be able to arrange the final meeting between McCloy and Adenauer prior to General Truscott's anticipated arrival in Germany around the middle of April.
3. On the question of ZIPPER's desire to move toward the incorporation of certain of its elements into the Bonn Government, including the desirability of having Gehlen himself undertake to become an intelligence adviser to Adenauer, final decision was set aside until the outcome of the talk between Mr. McCloy and Chancellor Adenauer was known and fully studied by Washington and our station in Germany. The general feeling evidenced at the meeting was that any takeover of ZIPPER by Bonn was premature and that a good yardstick of the proper time would be found in the extent to which the Western German Government decided to participate with militarized units in the defense of Western Europe. Mr. Stewart stated that he was going to discuss this whole question with Gehlen and see if he could not persuade him that the urgency of a tie with Bonn is not sound and that he would be better advised to put off any formal approaches. He promised to keep Washington advised of his progress in this regard.

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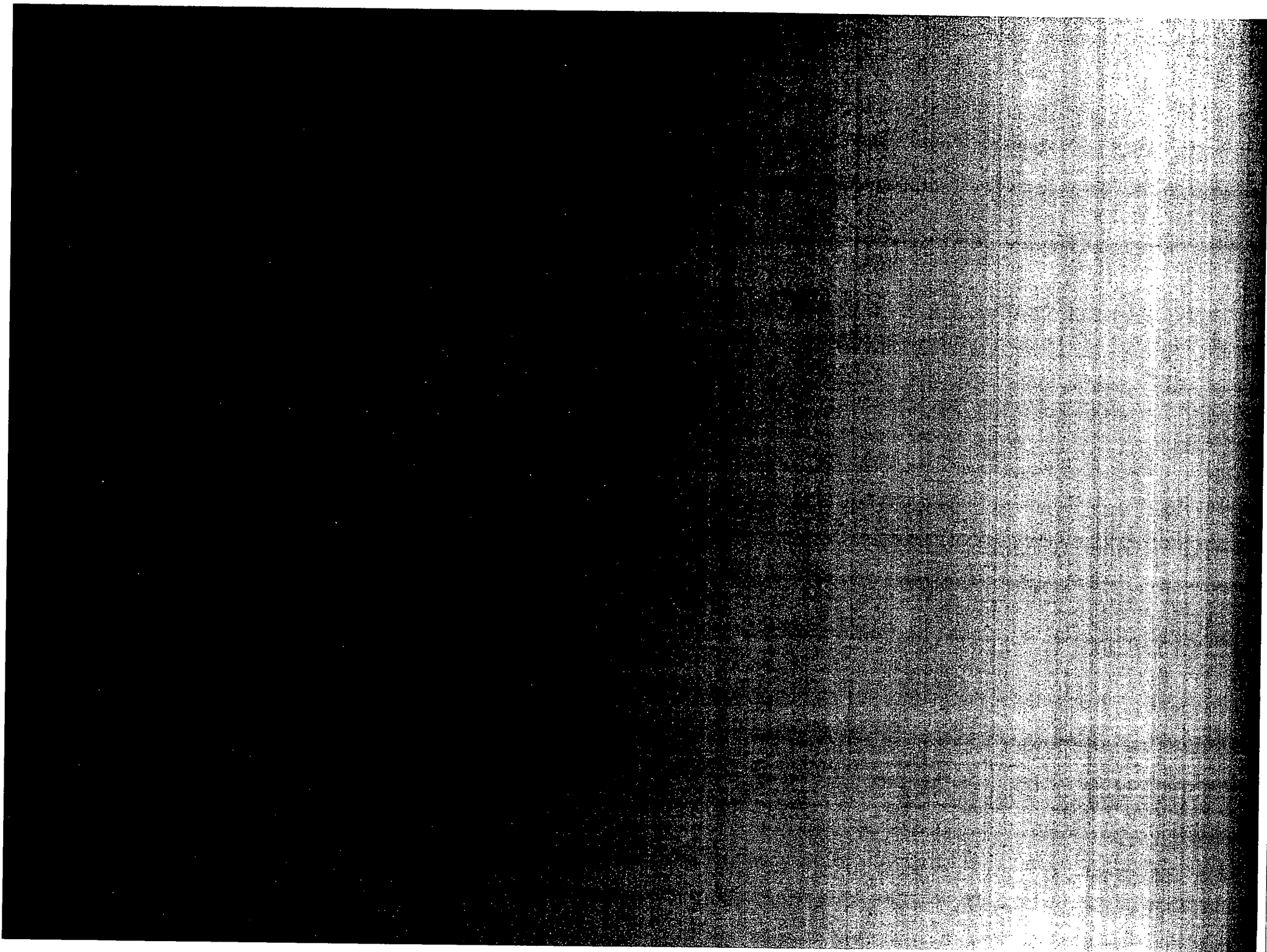
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4. The meeting adjourned at 1510. This was the first time that Mr. Dulles, General Truscott and General Wyman had had an opportunity to discuss the ZIPPER problem, and it served to bring about a meeting of the minds on the general policy lines to be followed in the predictable future.

RICHARD HELMS
Special Assistant
to the AD80

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Kevin C. Ruffner compiled and edited this collection of documents and supporting material as a companion volume to *Forging an Intelligence Partnership: CIA and the Origins of the BND, 1945-49*, published in 1999 and subsequently declassified in 2002.

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