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# KGB EXPLOITATION OF HEINZ FELFE

## Successful KGB Penetration of a Western Intelligence Service

12 April 1978

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TABLE OF CONTENTS

	Page
I. Introduction and Summary	1
II. Soviet Operations Against the Gehlen Organization in the Early Post-War Years	13
a. Background Information on Felte	15
b. Background Information on Clemens	18
c. Soviet Recruitment of Felte and Clemens	19
d. Alternate Versions of Recruitment by KGB and Hiring by Gehlen Organization	24
e. Early Stages of KGB Operation -- the BALTHASAR Deception	26
III. Operations of the Early 1950's	32
a. Efforts to Discredit the Gehlen Organization	32
b. Felte Settles In - the LENA deception	42
IV. KGB Work in West Germany as a Sovereign Country: 1956-61	52
a. Targeting of CIA, Provocation, Tactical Deception	55
b. Felte's Final Plot - the Busch Case	64
c. Support of Soviet Policy and Political Deception	72
d. Methods of Communication	76
e. New Directions?	79
V. Investigation and Arrest	81
VI. The Aftermath	90

SECRET/NO FOREIGN DISSEM

SECRET/NO FOREIGN DISSEM

ANNEXES

	Page
A. The HACKE Story	92
B. The LILLI MARLEN Case	96
C. The SOKOLOV Case	100
D. ZUVERSICHT Case	110
E. MERKATOR Case	113
F. Glossary of German Words and Abbreviations	115

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## I. INTRODUCTION AND SUMMARY

What happens when the KGB\* has a high level penetration of a Western intelligence service? How does the KGB exploit the voluminous information received on enemy operations, while at the same time protecting the security of its source? More importantly, does the KGB handling of such an agent leave tell-tale signs which would permit an alert and knowledgeable Western counterintelligence officer to surmise the existence of such a penetration? It would be presumptuous to generalize on the basis of one case, but study of the KGB handling of Heinz Felfe may provide some insight to these questions.

Of the identified KGB penetrations of Western intelligence and security services, Heinz Felfe was certainly one of the most successful. Felfe was an officer of the West German Foreign Intelligence Service (BND)\*\* for ten years, six of them as deputy chief of the section responsible among other things for countering Soviet espionage. He was a dedicated Soviet agent throughout this period, and he remained loyal to the Soviets even after his arrest in November 1961. He was detected as a result of a lead provided by a CIA-run penetration of the Polish Intelligence Service (UB).

Felfe was more than a simple penetration agent; he became, in effect, a consultant to the KGB on many of its operations in West Germany. Through Felfe, the Soviets pursued three objectives:

- a. To protect the security of Soviet installations and personnel in West Germany and in East Germany,

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\* For convenience, the term KGB will be used throughout this paper, even though during part of the period covered the proper terminology for the State Security Service was MGB or MVD.

\*\* From 1947 to 1956, when it had no legal status, this was known as the Gehlen Organization. In 1956, after West Germany had regained its sovereignty, it became the BND, which is the German abbreviation for Federal Intelligence Service. For convenience and simplicity it is frequently referred to as the BND even when the earlier period is meant.

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and to detect Western operations inside the Soviet Union. To this end, the KGB ran deception operations designed to expand Felfe's access to information not only from his own service, but also from other West German and Allied services including CIA.

b. To confuse, disorient and discredit the West German foreign intelligence service. The aim was not only to penetrate the service, but to manipulate it to serve Soviet interests.

c. To collect political intelligence on West Germany. This goal, and the equally important objective of political disinformation, assumed increasing importance as the case progressed and may have ultimately become the most important in Soviet eyes, as a support to Soviet foreign policy objectives.

The reader will not find here a complete history of the Felfe case; that would require a much larger volume. The broad lines of the story are here, and one chapter in particular is devoted primarily to background information, presenting the dramatis personae. That chapter describes how the KGB recruited First Hans Clemens, and then, thru Clemens, Felfe. They had been colleagues in Nazi intelligence during the war, motivated by revenge against the Americans, money, and a desire to be on what they considered the most powerful side. But the study is essentially a selective and interpretive account, for the purpose of illustrating KGB methods of handling and supporting a well-placed staff penetration of a Western service. The lessons to be learned lie in the various deception and diversionary operations run by the KGB to build up Felfe's reputation in the BND, expand his access, protect his security, and create an illusion that the German service was effectively fulfilling its CE mission, while the Soviets were generally ineffective.

There are many ways by which Felfe might have been unmasked earlier than he was. Even a thorough namecheck might have done the trick. He could also have been caught earlier if more weight had been given to analytical evidence which clearly indicated something was amiss, rather than waiting to be spurred to action by a report from our own sensitive penetration source. Indications of Soviet penetration of the BND were to be found in the deception and diversionary operations

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run by the KGB for the express purpose of supporting or protecting Felfe. Although support and protection of penetration agents in Western services is not the only reason the Soviets run deception and diversionary operations, it may be one of several principal reasons for such operations. Study of the Felfe case suggests that when a number of Soviet deception and diversionary operations are concentrated in one area, or against one service, these operations should be carefully analyzed to determine whether they may indicate Soviet penetration in that area or that service. Many examples of deception and diversionary operations are discussed in detail in this study; the most important are summarized in the following paragraphs.

The first KGB deception operation in support of Felfe was the "BALTHASAR" case. As far as the BND knew at the time, BALTHASAR was one of its better positive intelligence operations, producing information on Soviet mining of uranium in East Germany and its shipment to the USSR. The agent BALTHASAR was a wartime friend of Clemens who had re-initiated contact with him and then allowed himself to be recruited by Clemens for the BND. Actually, BALTHASAR was a KGB agent from the beginning. The KGB initiated the operation to provide Felfe's co-conspirator, Clemens, with an official reason for repeated trips to West Berlin (to meet BALTHASAR), from where he could easily cross to East Berlin to meet with his and Felfe's KGB case officer.

Another deception operation, the so-called "LENA" case, was the most important single contribution to Felfe's career as a West German intelligence officer, and probably also to his career as a Soviet agent. It gave him status and stature within the BND, and maneuverability as a Soviet agent. It was the vehicle for many gambits to broaden Felfe's access to collect information, especially political information, and sometimes to disseminate disinformation.

LENA was the BND cryptonym for an East German political functionary and publisher. He travelled frequently to West Germany, where he was well received in certain West German socialist circles as an apparently independent, outspoken East German. His role as a BND agent, doubled by the KGB, goes back to the early fifties. But in January 1954, shortly after Felfe's assignment to the BND Headquarters CE Group, LENA suddenly turned from what had been (from the German

point of view) a positive intelligence operation into a CE case. LENA reported to the BND that he had been introduced to a KGB officer, and that after a flurry of meetings he had been formally recruited by the Soviets and immediately assigned the task of creating a net of agents to produce information on the West German Foreign Office and the Chancellor's Office. The Soviet plan, as related by LENA, was highly ambitious. LENA was to be the "German net director," to recruit two principal agents, a political advisor and spotter, several support agents, and to provide names of potential penetration agents. As a developing CE case, handling of LENA was then transferred to the CE Group, where the newly arrived Felfe became the Headquarters case officer. His assignment to this case was probably not accidental; Felfe's immediate superior at the time is believed to have been another KGB penetration of the BND. With KGB assistance, LENA developed rapidly into the BND's most important CE case, and it made Felfe's reputation as an authority on Soviet counterespionage.

LENA's talkative KGB case officers revealed information on other Soviet operations in West Germany, compromising several bona fide Soviet and East German agents in the process. LENA was "such an intelligent man" that his KGB case officers ostensibly enjoyed talking politics with him, and these long conversations revealed occasional glimpses of the "true" Soviet policy on Germany. On the surface, LENA's operation to penetrate the KGB on behalf of the BND was far more successful than the Soviet operation using LENA to penetrate the Bonn Government. Although LENA reported many potential recruits to the KGB, the only real penetration actually recruited was an ailing and incompetent gentleman in the Press Office, who contented himself with the product of waste baskets as his source material. To some observers it seemed incredible at the time that the KGB should go through so many motions just for this. There was created an impression of KGB incompetence, and KGB failure to obtain important information from West German government offices.\* At the same time, LENA was passing the BND detailed and comprehensive information on personnel and installations at the KGB's East German Headquarters in Karlshorst. So that this information could con-

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\* Although this was the impression which emerged from the LENA case, on other occasions Felfe criticized the security of other German government agencies and voiced the conviction they were penetrated by the Soviets.

tinue, Felde decided it was necessary to provide the KGB with build-up material to keep LENA's faltering West German net alive. For this purpose, Felde pioneered procedures within the West German government for the clearance of build-up material. He obtained from the Federal Attorney General a statement that any material already demonstrably known to the opposition was automatically no longer secret. By extension, that which was no longer secret could be passed to the opposition as build-up material. Thus when a KGB case officer told LENA, or any other double agent reporting to the BND, that certain areas of information were already covered by the KGB, Felde could argue the value of providing this information to LENA as build-up, to satisfy presumed KGB cross-checking, or to smoke out the presumed Soviet source. In this way, Felde was able to maneuver a wide variety of information "legally" into Soviet hands. Discussion within the West German government of what could and could not be cleared for passage in response to Soviet requirements greatly broadened Felde's access to positive intelligence otherwise inaccessible to him; information which could not be cleared for passage as build-up material was passed clandestinely by Felde.

The LENA case also provided Felde -- and the KGB -- with a ready-made mechanism for investigating West German personalities of target interest to KGB. The KGB case officer would instruct LENA to try to obtain certain information concerning a West German official. LENA reported this to the BND, and the reported Soviet interest then provided Felde with cover for namechecking the official in West German and Allied files. The results went to the KGB directly, through Felde's own clandestine communications channels, and at a later meeting LENA would report that his KGB case officer was no longer interested. To make this exercise more thorough, Felde eventually arranged permission not just to namecheck the West German targets of interest to LENA's KGB handler, but to conduct his own detailed investigation of them. Felde argued that if the KGB was interested in certain West German officials and was seeking vulnerability data on them, then it was necessary in order to protect West German security for the BND to conduct its own investigation of these persons to determine if they were in fact vulnerable to Soviet recruitment. This was done, with the results of the investigation passed by Felde to the KGB.

The LENA operation also helped Felde break ground for

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liaison between the BND and CIA Berlin Base concerning operations against Soviet installations in East Berlin. BND information on these installations had been checked in Berlin Base files since 1954, but in 1958 Felte began a concerted campaign to collect detailed information from CIA on its operational program to penetrate KGB Headquarters in Karlshorst. The urgency of KGB attention to Berlin Base as a CI target was heightened by the arrest in late 1958 of a CIA penetration of Soviet military intelligence in East Germany (Lt. Col. Popov) run from Berlin Base. Two years earlier, CIA's Berlin tunnel operation had been detected, as well as an apparently successful CIA attempt to recruit a member of an RU GSFG\* intelligence point in East Berlin. It was clear to the KGB that CIA's Berlin Base represented a major threat to its security. LENA provided the BND with sizeable amounts of information on KGB offices, safe houses, and license and telephone numbers in the Karlshorst Headquarters compound. This information was then checked against information available to CIA Berlin Base, with the results going back to Felte -- and to the KGB. LENA also met a number of KGB officers under their full true name, and these too were nametraced by Felte with friendly services, providing the KGB with a mechanism for nametracing some of their personnel in CIA files. In addition to LENA, the KGB created other operations producing information on Karlshorst Headquarters, and arranged for these operations to fall under Felte's jurisdiction. Through manipulation of these operations, and his personal role in engineering a number of crises in CIA-BND relationships, Felte was able to force a reluctant Berlin Base to give him a general briefing on the status of CIA operations against Karlshorst. Over a period of several years, Felte, with the assistance of KGB operations, was able to achieve ever-closer BND-CIA cooperation in operations against Karlshorst. In one case when he - or the KGB - suspected CIA had an agent in an East Berlin housing office, Felte, with KGB assistance, boldly provoked confirmation of this fact by trying to recruit one of our agent's colleagues. He placed an ad in a West Berlin newspaper designed to attract

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\* An RU is a Soviet tactical military intelligence unit. In this case, it was the RU subordinate to the Group of Soviet Forces in Germany (GSFG). The RUs are distinct from the GRU, which is on the General Staff level and concentrates on strategic intelligence.

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secretarial help from the East Sector. Our agent's secretary answered the ad (presumably at KGB behest), and Felfe informed us that he intended to recruit her as a source. We then told him that we already employed her chief and asked him to stop his approach since it might endanger our agent. As a result of such activity by Felfe and the KGB, the hitherto unilateral Berlin Base program against Karlshorst was largely compromised.

There were also other cases of provocation to identify CIA agents. One involved a West German businessman, recruited by Berlin Base to report on Soviet trade contacts, then approached by the KGB and targeted against the West German and U.S. Embassies in Moscow. He was suspected by the KGB of Western intelligence contacts. Therefore, the KGB closed out all the agent's KGB requirements except one, namely to spot, recruit and maneuver into place a West German girl suitable to be a German Embassy secretary. By introducing a CE factor urgently affecting German security, the KGB succeeded not only in forcing revelation of the case to the BND, but an actual turnover of the case to the BND, with Felfe becoming the BND Headquarters case officer. In another case, a West German woman run by CIA, Felfe provoked revelation of our interest by sending us reports accusing her of seriously insecure behavior while in Moscow. Subsequently, she became the object of what we believe was a KGB-directed "dangle" operation -- a Soviet lover who appeared potentially recruitable.

Another integral part of the Felfe case is the "LILLI MARLEN" operation, which occurred in 1954, and the related case of Ludwig Albert the following year. LILLI MARLEN is the German cryptonym for a Soviet operation which involved the intentional compromise by the KGB of the fact that it had a source in the BND field base for CE operations. To carry out this operation, the KGB prepared a comprehensive report on the personnel, organization and some of the operations of the BND field base. In June 1954, a KGB agent was sent to place this report in a deaddrop in West Germany. A second KGB agent was sent to confirm that the drop was in place, then go to the local police and recite a pre-arranged story of observing a man hide something at this spot. (This agent was subsequently arrested and confessed his role in the deception.) Three days later, a third KGB agent was dis-

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\* The German designation for this base was GV"L".

patched on a mission to "recover" the drop, with the intention that he unwittingly walk into a police stakeout and be arrested. The KGB judged (correctly) that this particular agent would quickly confess to being dispatched by the KGB, thus confirming KGB control of the "penetration." Through astute police work, the operation was unmasked as a Soviet deception, but the fact remained that the Soviets did have a complete and accurate rundown on the activities of this field base and must therefore have actually had a penetration reporting this information. Subsequent investigation, in which Felfe played an important role, centered on identification of this agent. The report itself provided several clues, and a KGB provocation operation mounted a week after the report was found may have been designed to provide additional clues pointing to Ludwig Albert, a senior officer of this base. A year later, a confessed East German agent fingered Albert, among others, as an East German agent (who may have been originally recruited by the KGB). It cannot be proven that this "confession" was Soviet inspired, but circumstantial evidence suggests this was the case. Albert was arrested and later committed suicide; evidence found in his home confirmed that he was an agent of some Eastern service.

Although there are major gaps in our knowledge and hard evidence is lacking, the KGB purpose in the LILLI MARLEN and Albert cases appears to have been three-fold: First, initial impetus for LILLI MARLEN may have come from the defection of KGB officer Petr Deryabin. Deryabin had served in the German CE branch in KGB Headquarters and was partially knowledgeable of KGB operations against the BND.\* The LILLI MARLEN operation, which came just four months after Deryabin's defection, may well have been designed to divert Western investigation of his information. By creating circumstances and feeding information which eventually led to the arrest of Albert, the KGB apparently hoped to shield a more important or more reliable agent, Felfe, from investigation. A second purpose may have been elimination of Albert who, although an actual East German agent, had apparently become dispensable. (There are several possible explanations for this. One of them relates to the fact that Albert had become a bitter enemy of

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\* Deryabin knew the KGB cryptonyms ("Peter" and "Paul") for both Felfe and his co-conspirator, Clemens, but he was unable to provide details which would help establish their identities.

Felfe and had accused Felfe of being a Soviet agent.) And a third objective of these cases was to further the overall Soviet and East German program of demoralizing and discrediting the organization, and thus preventing its pending legalization as the West German government's official foreign intelligence service. Albert was not the first East German or Soviet agent in the BND who had been deliberately exposed for this purpose.

As the years passed, the deception operations became increasingly complex. The BALTHASAR operation was followed by the increasingly complicated LENA and LILLI MARLEN cases, discussed above. The final deception was the BUSCH case, which aborted in mid-plot as a result of Felfe's arrest in 1961. This seems to have been a convoluted triple-think, a plot within a plot, which is far too complicated to summarize here. It is discussed in detail in Chapter IV. Its purpose may have been to give Felfe access to security files on BND personnel, to deceive the BND about its own security or to support an operation with some other KGB agent in the BND, but since the operation ended prematurely the KGB rationale and specific objectives are by no means clear. Felfe exposed himself to many risks to get the operation started, so it must have been destined for an important role.

BALTHASAR, LENA, LILLI MARLEN and BUSCH are all cases run on Soviet initiative for the purpose of improving communications, increasing the access of Felfe, or otherwise deceiving the BND. There is also an entirely different category of cases which merits study. These are apparently clean operations, primarily double agent operations, initiated by some West German service, but which took curious turns after their compromise by Felfe. Two of these, ZUVERSICHT and MERKATOR, are described in annexes to this paper. ZUVERSICHT was an RU GSFG operation and MERKATOR an East German foreign intelligence (MfS/HVA) operation, both initially doubled by the BfV.\* They are selected from among many such cases because in these two instances we have confirmation from Lt. Col. Popov and an East German MfS/HVA defector (Max Heim) that

\* BfV is the German abbreviation for the Office for the Protection of the Constitution, the principal West German internal security service.

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their agents had been doubled by the West Germans. The KGB asked the RU and HVA to neither drop nor re-double these agents, but to continue running them for source protection or deception purposes. We know the date this happened and can trace the change in handling which occurred after this date. In the case of ZUVERSICHT, the RU continued running the case for four more years, but devoted minimum effort to carrying out the KGB instruction to keep the case alive. Because of this minimum effort, RU communications with ZUVERSICHT became more and more "insecure," from the agent's point of view. Felfe used this case to help create the impression within the BND that the RU is generally an incompetent organization.

The MERKATOR case illustrates more imaginative use of an agent known to be controlled by the opposition. It also illustrates how inaccurate reporting or faulty interpretation of information can frustrate Soviet Bloc exploitation of such an agent. When the KGB advised the HVA that MERKATOR was a double agent, responsibility for the case within the MfS/HVA Headquarters was transferred to a CI component which apparently also handled other cases known to be controlled by Western services. Subsequent East German handling, presumably under KGB supervision, indicated that the aim was to cause the BND to distrust its immediate supervisor, the State Secretary in the Chancellor's office, by making him appear to be a suspect HVA agent, and also to aggravate further the already existing distrust on the part of the BND toward the BfV by providing the former with evidence that the latter was penetrated by the HVA. This attempt failed, however, because the HVA assumed that the case was controlled by the BND when in fact it was controlled by the BfV. As a result, most of the presumed intended impact of the HVA manipulation was lost.

An interesting example of KGB exploitation of such an opposition-controlled double agent is the SOKOLOV case, also described in detail in an annex to this paper. This case involved extensive coordination -- with Felfe in the middle of it -- between the BND, BfV and CIA in a joint operation to investigate the operations of an RU officer named SOKOLOV in East Germany, and to induce SOKOLOV's defection at the time his agents were rolled up. The defection of SOKOLOV never materialized, but the West Germans did arrest five RU agents and identified about 200 additional security suspects. The case appeared to be a Western success, yet the KGB gave

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Felfe a rare bonus for his contribution to the KGB side of the operation. The KGB seems to have sacrificed willingly the RU agents in return for extensive information on the inter-agency coordination procedures and evidence leading to the arrest of SOKOLOV, who may well have been genuinely vulnerable to recruitment or defection.

In Summary, the Soviets achieved through their various deception operations a far broader exploitation of Felfe than would normally be considered possible. By rigging an operation especially for Felfe, the KGB could obtain answers from various elements of the West German government in the guise of build-up material. By having double agents report Soviet interest in certain individuals, Felfe was provided with a cover for namechecking them with other West German and Allied agencies. By creating various operational situations and complexities, the KGB could help Felfe in his bureaucratic manipulations. By introducing a Soviet CE factor into any BND case anywhere, the KGB could cause the case to be transferred to the protective custody of Felfe. By introducing a Soviet CE factor urgently affecting German security into the operation of any other agency, German or foreign, the KGB could hope to bring many another case under Felfe's scrutiny. When this valuable and versatile source was endangered by the defection of a KGB officer able to report on KGB penetration of the BND, the KGB protected, Felfe's security by mounting a deception operation which confirmed the existence of penetration and which was most likely intended to divert the investigation to a scapegoat selected by the KGB.

There are certain common denominators which run through all the major deception operations discussed in this study. These are as follows:

- a. In pursuit of its objectives, the KGB was willing to sacrifice agents (their own as well as GRU, RU and East German agents), case officer time, money, good information, and apparently new equipment and procedures.
- b. The KGB had a well-placed penetration, Felfe, in a position to monitor the target service's reaction to and handling of each deception. Frequently, this penetration benefited from the

deception.

c. The operations were aggressive, imaginative and at times grandiose in their conception and planning, but their execution was frequently inept by comparison. They worked only because of the naiveté of many BND officers and the rigid compartmentation within the BND, which in this case was a disadvantage as it prevented pieces of the puzzle from coming together in one place. Quite a few CIA officers in liaison with the BND felt at the time that these operations were "peculiar." The CIA liaison officer responsible for BND security during part of the period in question frankly thought they "smelled" and were indicative of penetration. Particularly in the light of current knowledge of KGB modus operandi (including this study of the Felde case), it is quite possible for an alert CI officer to detect such deception and diversionary operations.

The source material for this paper is voluminous and varied. Even though Felde never confessed to anything more than could be demonstrably proved against him, some of his statements have been helpful. He was supported throughout his agent career by two other agents who have been more frank and whose testimony has been found generally reliable. These agents were less important and less knowledgeable than Felde, but their information has been useful in reconstructing the case. CIA had intimate liaison with the BND and BfV concerning the operations discussed in this paper and was directly involved in several of them. Additional insight into BND handling of these cases was received unofficially through close personal contacts with several of the BND officers. This includes information on disagreements within the BND concerning the interpretation and handling of these operations, and the exact role played by Felde in the intra-service maneuvering. In several instances we know the facts from defectors or from a CIA-controlled penetration source. CIA was also intimately involved in the investigation of Felde both before and after his arrest. Thus, while there are some gaps in our information, our knowledge of this period of intelligence history in Germany is probably almost as complete as it ever could be without a full confession by Felde or a first-hand account from his KGB case officer.

II. SOVIET OPERATIONS AGAINST THE GEHLEN ORGANIZATION IN THE EARLY POST-WAR YEARS

The history of the Felfe penetration has its beginning in the early post-war years. The spotting of people like Heinz Felfe by the Soviet intelligence services was not accidental, but the result of a well-targeted, well-developed recruitment campaign directed against former police and intelligence officers of the Nazi Reich. The thesis was simple: old intelligence hands will flock together, will seek to return to the work they know best. Some of these people might be susceptible to a Soviet approach because of their general sympathies. Others, such as former Elite Guard (SS)\* and Security Service (SD) members, many of whom were now war criminals able to make their way only by hiding a past which had once put them among the elite, would be vulnerable to blackmail. The Soviet spotters were to be found almost everywhere in Europe - East and West - in the POW camps, in the war crimes screening commissions, in the courtrooms. The future West German intelligence and security services could be penetrated almost before they were created.

In the closing days of the war, General Reinhard Gehlen of the Fremde Heere Ost (FHO)\*\* had brought the remnants of his files and personnel to G-2, U.S. Army, for whom he presented a valuable and relatively unique source of information on Soviet order-of-battle. Under G-2's aegis his group burgeoned until by 1949 it had become recognized as the primary Western agency for the collection of Soviet OB and eventually of CI information in the Soviet occupied zone of Germany. It was a loosely knit organization made up predominantly of former military intelligence (Abwehr) and FHO officers who were held together by the officer's code of honor and individual bonds of friendship. From an institutional point of view, however, the problems of control, responsibility and security were serious. G-2 asked CIA

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\* See Annex F for a glossary of German terms used in this paper.

\*\* FHO - General Staff section dealing with information concerning armies of countries to the East of Germany, with special emphasis on Soviet forces.

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to assume the responsibility for the organization, and thus in July of 1949 began a trusteeship which was to last for seven years. To the outsider and to its enemies, the Gehlen Organization looked much more like an American puppet than it actually was.

By mid-1952, KGB work against various of Gehlen's field bases had been successful, but an agent working on Soviet operations inside the Headquarters organization in Pullach was reportedly still lacking.\* Particularly successful had been the KGB work against Gehlen's field base for CE and CI operations which was located in Karlsruhe. Within the Gehlen Organization this field operations base was designated as GV"L",\*\* and it will be referred to by that designation throughout this paper. GV"L" was especially attractive to the KGB. The major part of its work involved the recruitment and handling of informants in other German agencies for the ostensible purpose of protecting the security of these agencies. The same base was also responsible for running double agent operations against the Soviets, a function which brought its personnel into direct contact with Soviet controlled agents. It was especially vulnerable because it was heavily staffed by former SD and SS personnel who in order to maintain their jobs were obliged at least pro forma to conceal their background, and who still suffered to some extent from old social and professional caste rivalries which kept the former Abwehr and FHO officers in ascendency. In reaction to this situation there had gradually developed within GV"L" a sort

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\* Primary source of information on early KGB work in Germany is Petr Deryabin, who was assigned to the State Security Headquarters desk responsible for CE work in Germany from May 1952 to September 1953. He read the Headquarters file on the Gehlen Organization in July 1952 and has stated that as of that date there were Soviet agents in the field bases but no evidence of a Soviet agent in the Gehlen Headquarters; however, we cannot rule out the possibility that there may have existed restricted files to which he had no access. Ernst Worm, a Gehlen Headquarters officer working on Czech operations, came under very strong suspicion of being an agent for some Eastern service in the fall of 1952.

\*\* The GV stands for General Vertretung -- General Representation. The "L" is an arbitrary designation.

SECRET/NO FOREIGN DISSEM

of mutual aid society of ex-SS and SD personnel for self-protection and professional advancement. This group was particularly susceptible both to simple blackmail and to the somewhat more complicated appeals of revenge or vindication.\* It was through this base, GV"L", that the Felfe operation was launched.

a. Background Information on Felfe

Heinz Felfe was born in Dresden in 1918, the son of a criminal police inspector. He started his own police career at the age of 13 as a volunteer in a border unit. In 1938 he was inducted into an SS reserve unit, and from then on his schooling, legal training, and subsequent assignment to a job in the Criminal Police was guided and fostered by the SS. In 1943 he went into the foreign intelligence section of the Reich Central Security Office (RSHA), where he worked first in the Swiss section at Headquarters, then in Holland - for a while under Schreieder of "Nordpol" fame. He finished the war as a 1st Lt. (Obersturmfuehrer) in the militarized branch of the Nazi Elite Guard (Waffen SS) and as a prisoner of the British. He was an average looking individual with no distinguishing physical characteristics. Of the many recorded impressions of him from various stages of his career, certain personality traits dominate: a highly intelligent man with very little personal warmth; a person with a high regard for efficiency, and for authority, but susceptible to flattery; venal; and capable of almost childish displays of vindictive-

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\* A variety of formal and informal secret Nazi organizations have existed since the end of the Second World War. The KGB has reportedly had much success in penetrating and controlling these groups from their inception, and using them as recruitment pools and as propaganda weapons. One of the most interesting reports on this subject was provided by the senior Polish Intelligence (UB) officer Michal Goleniewski, and concerns an organization which he called HACKE. Information on HACKE is in Annex A. It shows how early and how thoroughly the KGB penetrated and manipulated hard-core Nazi groups, especially the former intelligence and security officers. These operations were the logical outgrowth of the KGB's wartime operations and began even before the war was over. They still have ramifications in areas of the world where former Nazis have settled.

SECRET/NO FOREIGN DISSEM

ness. Naturally a devious person, he enjoyed the techniques of engineering a good deception in his profession. He was brilliant as an elicitor of information, an excellent listener and an operations officer of such generally recognized capability that from time to time he was given special "vest-pocket" operations to manage for the chief of his German service. Infinitely cool and brazen in the face of danger, thoroughly aware at all times of what he was doing, Felte was the "ice-cold calculator" as he once admiringly described his favorite agent. The only emotions detectable in him are his enjoyment of the game and his disdain for his fellow man. These, together with his great admiration for Soviet power and efficiency, seem to have sustained him throughout his career and imprisonment. His attachment to his wife and two children seems to have been relatively perfunctory. As for his colleague in espionage for ten years - and friend in adversity of even longer standing, Hans Clemens - Felte found him in the end merely a convenient scapegoat.

As a British POW, Felte was interned at <sup>t</sup>Blauw Kappel, an interrogation center near Utrecht, which specialized in the interrogation of former German intelligence personnel. It is possible that his name came to Soviet attention through an agent among the Dutch interrogators. One of Felte's fellow-prisoners, a former SD officer named Helmut Proebsting, reported to Dutch authorities in 1946 that he and Felte had been approached by Max Wessel, one of the interrogators, to work for the Soviets. But Felte denied that any such incident had occurred, when confronted with this information after his arrest. This is one of a number of suspicious points in Felte's background which could have been uncovered by an aggressive investigation long before his arrest.

Felte returned from the war in November 1946 with the determination to settle in the Western zone of Germany, although his home had consistently been in Dresden, in the Soviet occupied zone. His wife and child joined him at the end of the year. Seven difficult months followed until he finally found work as an agent for a British military intelligence unit (Sixth Area Intelligence Office, BAOR). His task was to develop information on Communist student groups at the University of Bonn. Under British instruction he settled himself in the Bonn area, registered in the Faculty of Law and joined the Communist Party (KPD). In the course of his work he made several trips to East Berlin and to East

SECRET/NO FOREIGN DISSEM

Germany to observe student rallies, from which he took off on his own initiative to visit his mother in Dresden. Here again the possibility of Soviet targeting exists. Felfe says that on one of these trips, in 1948, his mother warned that someone in the town had recognized him and reported him as a former SS officer. On another occasion, he says, he was arrested by the police, but quickly released at the intervention of his host, an official of the East German Ministry of Public Education.

The British finally dropped Felfe in April 1950 for serious operational and personal security reasons, none of which, unfortunately, came to the attention of the Gehlen Organization in any very detailed or forceful form until long after Felfe was entrenched in it. British files on Felfe were received by the BND in 1961 and by CIA in 1962. These revealed that early complaints against Felfe included attempts to sell information collected for the British to several other intelligence agencies, two West German news services and to the East German Socialist Unity (i.e., Communist) Party (SED). They also contained an account of Felfe's attempt to involve the British in a double agent operation with the Soviets, as well as various agent reports showing that he had blown himself as a British agent to all and sundry, including the West German Communist Party he was supposed to be penetrating, and that he was guilty in general of "sharp practice" and "varnishing of the truth." As specific grounds for dismissal, the British told Felfe that his refusal to give up undesirable contacts with former SS personnel could no longer be tolerated. Specifically, they named Helmut Proebsting and Hans Clemens. Clemens was an old Dresden friend and former colleague from the foreign intelligence arm of the RSHA.

After leaving the British, Felfe continued to work against the West German Communist Party for the Land security office (LfV) in Nordrhein-Westfalen, to which he had already been reporting on the side while a British military intelligence agent. He incurred the wrath of this organization on at least two serious counts: for having sent a report on it to a contact in East Germany; and for having tried to peddle the plans for the BfV charter, which he had somehow acquired from someone in the Finance Ministry, to a West German newsman. From the LfV Felfe went to the Ministry for All-German

SECRET/NO FOREIGN DISSEM

Affairs\*, where he worked as an interrogator specializing in refugees knowledgeable on the East German People's Police (VOPO). He remained at this job, eventually writing a study of the VOPO for the Ministry, until his recruitment into the Gehlen Organization in 1951.

b. Background Information on Clemens

Anyone who has tried to understand Germany knows that bonds of common local origin are often far stronger than the larger national concept. The fellowship of former Dresdeners is a thread which runs very heavily throughout this story. Both Hans Clemens and Felfe were from Dresden, and their recruitment by Soviet intelligence was directed by the KGB office in Dresden.

Clemens had been chief of an SD field office in Dresden in the late thirties, when he had worked against the German Communist Party (KPD). Later he was posted to RSHA Amt VI (foreign intelligence), where he learned to know Felfe well, and subsequently he went to the SD command in Rome. At the end of the war he was captured by Italian partisans and interned in various British and U.S. POW camps. In 1948 he was indicted, and acquitted, during the well-publicized trial of his chief, the Nazi Police Attache Herbert Kappler, notorious for the murder of Italian hostages in the Ardeatine Caves. At some point during his captivity he learned that his wife Gerda, in Dresden, with whom he had been corresponding, had been sleeping with Soviet officers. He claimed that this knowledge severed his already weakened affections for her and decided him in favor of resettling in West rather than East Germany after his release from POW camp. He settled in West Germany in October 1949, but continued to remain in loose correspondence with his wife, through whom he had learned the whereabouts of some of his old friends. One of these was Erwin Tiesel, a fellow-Dresdener then practicing law quietly in a small town in the Rhineland. Tiesel had at one time been a confidential informant for Clemens in the Dresden SD. Later, he had been assigned to the Swiss Desk

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\* At the time, this organization was known as the Kaiser Ministerium. It became the Ministry for All-German Affairs when Germany regained its sovereignty in 1955. The latter name is used here for simplicity and clarity.

SECRET/NO FOREIGN DISSEM

of RSHA VI, where he had also known Felfe. He was to become a support agent for Clemens and Felfe in their work for the Soviets.

Felfe had already looked up Tiebel in 1947. Clemens wrote to him from POW camp in 1948 or 1949 and arranged to meet him after his release. A letter from Clemens's wife, dated Dresden, March 1949, addressed to the Felfe family and mentioning Tiebel, suggests that these old threads were knotted very soon after the war, perhaps with KGB cognizance. Tiebel was on a list of war criminals accused of killing hostages in Dresden, and there is some suggestion that Clemens was similarly listed. Gerda Clemens was working as a Soviet agent by at least December 1949, and probably had been since the end of the war, as Felfe later told his British case officer. Her cover name was "Erika". She reported to a KGB Colonel called "Max" in an office in the Soviet Command, Dresden, which, according to Clemens, was concerned with tracking down former police and intelligence officers from the Dresden area who were liable for war crimes.

Clemens had been every bit as much of a Nazi as Felfe, with the difference that he declared himself more frankly. Essentially a less complicated kind of person, coarse and probably brutal, Clemens' human attachments were more real and meaningful than Felfe's. Where one has the impression that Felfe never made a move without a reason or recompense, one can imagine Clemens making a gratuitous or spontaneous gesture of loyalty or friendship. Felfe considered Clemens his cultural and intellectual inferior which is correct in a certain sense. But after his arrest, Felfe pretended that the older man - Clemens is 16 years Felfe's senior - had exercised a dominating and pernicious influence over him by drawing him into the Soviet service and making him stay there. Throughout their BND careers, however, they remained good friends, and Clemens in his post-arrest statement claimed that there had never been any friction or rivalry between them in their Soviet work.

c. Soviet Recruitment of Clemens and Felfe

Within a remarkably short time after Clemens' return to Germany - about two months - Max sent Gerda Clemens to West Germany with a recruitment proposal for her husband. This occurred just at the end of 1949 or possibly in early January

SECRET/NO FOREIGN DISSEM

1950. Clemens claims that the situation was perfectly clear to him: comply or face charges. Moreover, he had no steady job, he needed money, and he was also intrigued by the idea of a secret contact. He discussed the situation with both Felde and Tiebel. While none of the three seems to have opposed outright the idea of accepting the Soviet approach, they did entertain the notion of trying to offer Clemens to someone as a double-agent. Clemens even talked to an official in the Ministry of Interior. Unfortunately, the latter brushed him off without giving him any concrete advice. Felde may have offered Clemens to the LfV; British files show that he told his British case officer in early 1950 that he intended to do so. Felde had already tried unsuccessfully in November 1949, upon Clemens' arrival, to sell him to the British as an agent. (He also tried to persuade them to recruit Tiebel.) This effort had merely earned him the admonition to stay away from his old SS friends, who were bad medicine for someone supposed to penetrate the Communist Party. In January 1950 Felde tried again, this time offering Clemens as a British-Soviet double-agent. A letter dated 25 January 1950 from Tiebel to Felde states that Clemens had already agreed in principle to cooperate with the Soviets in Dresden. The British files contain a memo of a visit by Felde to his case officer on 29 January 1950, during which he reported that Gerda Clemens had arrived two days earlier and was planning to return shortly to Dresden with her husband in order to put him in touch with the KGB. The British lingered only briefly over the decision of whether to play Clemens as a double-agent. Shortly after Felde's proposal, evidence of his double-dealing with the LfV became evident, and he confessed to having sent a report on that organization to an East German Communist Party contact in East Berlin. When Frau Clemens appeared in West Germany again in early April, and Felde tried once more to persuade his employers to undertake an operation, the British case officers came to the decision that they should drop Felde and list Clemens as a "security risk." By this time, of course, Clemens was no longer just a security risk; he had already gone to Dresden and become a Soviet agent.

In February 1950 Clemens went to Dresden, where he was led by his wife to meet Colonel Max in the Soviet "Waldschloesschen" Compound. Here, Max debriefed Clemens on his life history and present contacts, lectured him on his culpability as an SD criminal, probed his feelings of confusion and resentment, listened constructively while Clemens

delivered himself of a long pent-up statement of his hatred for the Americans. (They had been twice the cause of German defeat, etc., had smashed his home town and caused the death of at least five of his relatives.) Max at this point took Clemens on a tour of bombed-out Dresden and, at the tide of Clemens' emotional reaction, offered him an opportunity of revenge against the Americans. The proposal was clear cut and precise: as a Soviet agent Clemens was to return to the Western zones, seek out old police and SD contacts and through them try to penetrate the Gehlen Organization. The Gehlen Organization was an "Amiladen" (an American shop), and any blow aimed at it was a blow at the Americans. Clemens agreed: for money, for a personal cause, and to be on the side of power, but not, he insisted, because of any special sympathy toward the Russians. (Here, as in many other cases, are strains of the old Nazi theme of German superiority to Russians.) He signed himself on as a Soviet agent with the cover name "Peter;" later he used German girls' names. At this first meeting Clemens provided Max with a list of potential recruits in which he included the names of both Felfe and Tiebel. Clemens says he was very impressed by Max and by his psychological adroitness: Max was civil, sober, authoritative, knowledgeable, but most important - as both Clemens and Felfe have stressed many times - he never pushed or threatened directly. His watchwords were to proceed slowly and naturally.

When Clemens returned to West Germany he told Tiebel and Felfe the whole story and was able without much difficulty to recruit them, in turn, for Max. (Clemens states it was perfectly clear to his friends that Max's target was the Gehlen Organization. Felfe claims that he did not understand that this was the case until much later.) When Tiebel paid his first visit to Dresden some months later, he received much the same treatment as had Clemens, with perhaps greater emphasis on the threat of war crimes indictment. He received the cover name "Erich," which he kept throughout his agent career. Felfe, who by this time was working as a refugee interrogator in the Ministry for All-German Affairs, resisted making the trip east for another year. He did, however, submit reports to Clemens. Tiebel was later to be used as a courier.

Clemens was able to carry out his assignment for Max with amazing rapidity. In March 1950 he came across an old acquaintance from the Dresden police named Wilhelm Krichbaum

SECRET/NO FOREIGN DISSEM

who was then employed in a sub-unit of GV"L" in Bavaria. Through him Clemens was able to join the Gehlen Organization in June of 1950 as a registry clerk and courier for the same unit. (Clemens' Gehlen Organization alias was "Cramer.") Krichbaum himself was later to become highly suspect as an early KGB/Dresden penetration of the Gehlen Organization, but it is not known whether or not he wittingly maneuvered Clemens or Felte in the organization for the Soviets. Clemens remained in Krichbaum's unit for two years, during which time he reported on the organization and personnel of both the Bavarian unit and its parent base, GV"L", and on anything else that came his way. His reports were typed on thin paper and hidden in cans of powdered milk which he sent periodically to his wife in Dresden. He collected reports from Felte whenever they had the opportunity to meet and sent them on in the same way. (Since Felte is reported, in British files, as having made a trip to Southern Germany within a few days of trying to sell the plans for the BfV charter to a news service, it is a good guess that these documents might also have found their way into one of Clemens' milk cans.) There was relatively little communication from Max; what there was was handled by Gerda Clemens, who served as courier and mail drop.

When Felte's work for the Ministry for All-German Affairs drew to a close in September 1951, he agreed to make his first visit to Max in Dresden. At about the same time Clemens recommended him to Krichbaum as a reliable and experienced intelligence officer and Krichbaum arranged for his employment by the Gehlen Organization. Although Felte will not admit it, it seems likely that there was a definite cause and effect relationship between the timing of his availability for work in the Gehlen Organization and his trip to Dresden. Max was primarily interested in the Gehlen Organization as a target and presumably it was at the point when Felte was actually able to penetrate his target that Felte became of importance. There is some suggestion in our records - no evidence - that Felte might really have been recruited earlier, but even if this is so, his serious Soviet work probably did not begin until he was a properly accredited West German intelligence officer.

Around the first of September 1951 Felte flew to West Berlin, where he was met by Gerda Clemens, who conducted him to Max in the East Sektor. Max drove him to the Soviet Compound in Karlshorst, where he questioned Felte on his back-

SECRET/NO FOREIGN DISSEM

ground - Felfe said he appeared to be very well informed about him already - and gave him the general lecture on guilt. Felfe admits that he wrote a declaration of willingness "to work for peace," but claims he did not sign a pledge to work for Soviet intelligence as such. He received the cover name "Paul." He tells us very little about this first visit; he says he was well wined and dined in the Karlshorst safehouse where he spent the night and that Max made a great effort to establish a friendly, sociable atmosphere. He says Max gave him no instructions at this meeting. Whether this is true or not, subsequent events played themselves out exactly to Max's wishes.

On the 26th of October Felfe was called to Karlsruhe for a personal interview with the chief of GV"L". He made a good impression, was hired as an assistant to the GV"L" chief for Soviet CE operations, Oscar Reile, and requested to begin work on 15 November. (Felfe's Gehlen Organization alias was "Friesen.") Felfe and Clemens celebrated the event that night with a good dinner. Sometime shortly after this and before he actually began work, Felfe paid his second visit to Max. This time Max went more deeply into question of motivation and access. He took Felfe on the tour of Dresden and discussed at some length the need for Soviet-West German understanding. He stressed the theme of criminality of SS membership and the fact that Felfe would need Soviet protection to keep his new job and to keep his record hidden. Having maneuvered another agent into the organization, Max was now concerned to maneuver him to the most desirable spot. Significantly, he asked Felfe to try to get himself posted to the Gehlen Headquarters. Again, he stressed the need Felfe would have for Soviet penetration, warning him that *protection* even if his SS membership were not discovered he would always run the risk of losing his job in the intelligence service because of some flap which might not even be his fault. These words were somewhat more than prophetic, for even then were brewing in various parts of the Gehlen Organization, and particularly in GV"L" and its sub-units, the first in a series of scandalous "defections," "kidnappings" and security "incidents" which were engineered wholly or in part by the Soviets as part of a campaign to discredit and disorient the organization. While several of these scandals were to erupt in Felfe's vicinity, none was to endanger him during the period he was in GV"L".

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Felfe remained at GV"L" for the next 21 months - November 1951 to August 1953 - first as assistant to Reile and, later, after Reile's transfer to Headquarters in July 1952, as the main Soviet CE referant. Reile became very impressed with the young man's energy and ability, and when he himself moved to the Headquarters CE Group to work on Soviet targets he opened the door for Felfe's future career as a Soviet CE expert. Here again, as in the case of Krichbaum, stands a question mark: there is much conjecture and considerable evidence that Reile, too, was working on the Soviet side.

d. Alternate Versions of Recruitment by KGB and Hiring By Gehlen Organization

Up to this point in the story we have more or less accepted Clemens' and Felfe's own statements concerning their recruitment by the KGB. But there is a great deal in their own admissions concerning their early post-war years which suggests that Felfe might have been recruited by the KGB in East Germany in the late 1940's rather than the 1950's. The detailed reasoning behind this speculation is peripheral to the main story and is not included here, but it is interesting to note that when the defector Michal Goleniewski read Felfe's testimony he immediately came to the same conclusion. Goleniewski is the senior Polish Intelligence (UB) officer who provided the lead which eventually led to Felfe's arrest. He said he thought Felfe had probably been recruited while working for the British and traveling to the East. Our best guess is that this would have been in 1948, when he was allegedly arrested by the East German Police and released after intercession by a benefactor in the Education Ministry.\* But Felfe could well have been recruited even earlier than this. Goleniewski surmised that it may have been Felfe who spotted Clemens to the KGB, which then assigned the "recruitment" of Felfe to Clemens as a test. Clemens would never have been the wiser. Goleniewski thought the Soviets did not employ this

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\* This benefactor was Herbert Theuerkauf. Theuerkauf's boss in the Ministry of Education, Rudolf Boehm, was a notorious KGB spotter in East Germany. For example, when LENA ostensibly became a Gehlen Organization double agent against the KGB, he reported that it was Boehm who had put him in touch with the KGB.

technique of "concealed recruitment" (the writer's terminology) very often, but claimed to have seen it often enough to be completely familiar with the method.\* Certainly Clemens' account of his recruitment of Felfe makes it appear that Felfe had been waiting for it with open arms.

There are also alternate explanations of the circumstances surrounding the Gehlen Organization's hiring of Clemens and Felfe, circumstances which were probably unknown to Clemens and perhaps also to Felfe. Wilhelm Krichbaum, who was responsible for both of them being hired by the Gehlen Organization, was himself a highly suspect individual. Although it cannot be proven, there is a distinct possibility that the hiring was manipulated by the KGB. Krichbaum was a former chief of the Geheime Feldpolizei (Secret Military Police) who served as a witness at the Nuremberg trials from 1947 to 1948 and then entered the Gehlen Organization in early 1950. There is a report that he had some sort of contact with the KGB in Dresden as early as 1946. In April 1952 he was relieved of his job in the Gehlen Organization as a result of investigations which followed the arrest of KGB agents Ponger and Verber in Vienna. Ponger had been using Krichbaum as a source of information on the Gehlen Organization and had also

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\* An example of "concealed recruitment" which occurs in the LENA case is perhaps significant because the LENA case was in so many respects a sort of overt shadow play of Felfe's secret KGB career. LENA reported in early 1954 that he had spotted a close business colleague of his for the KGB. He said his KGB case officer told him he himself would recruit LENA's colleague and then instruct him to recruit LENA in turn as a subsource. LENA should pretend to accept the approach without admitting that he already was a Soviet agent and responsible for the other man's recruitment in the first place. In this way the KGB would have an excellent double check on the new agent and LENA himself would enjoy a slightly greater degree of security since he and the other man were very close professional colleagues. (Readers familiar with the LENA case will recognize here an episode involving Dr. Scuria of the "Verlag Der Nation.")

been trying through him to arrange for the hiring of yet another suspect KGB agent by the BND. After his arrest, Ponger said he had suspected Krichbaum of being a Soviet agent; Krichbaum, however, said he had not suspected Ponger. The result was the conclusion that Krichbaum had been an innocent incompetent who had been used unwittingly by Ponger.\* But when KGB officer Anatoliy Golitsyn defected in December 1961, he provided a description of a KGB agent whose background paralleled that of Krichbaum. In the interim, Krichbaum had died, so the case was never resolved.

The role which Oscar Reile may have played in the hiring and subsequent promotion of Felfe is equally suspect, as Reile too was probably a KGB agent. Reile was Felfe's first boss in the Gehlen Organization, and it was Reile who arranged for Felfe's transfer from GV"L" to the Headquarters CE Group. In 1956, Reile traveled to the United States with a group of CE experts, which included Felfe and four other BND officers. When Goleniewski reported that the KGB had two agents in this group, Reile and Felfe were considered to be the most likely candidates. There is also other information from Goleniewski and from Golitsyn which tends to point to Reile, but this is another lengthy story. Reile was investigated by the BND before and after Felfe's arrest, but no information could be found which qualified as legal evidence of treason. (Under German law a suspect must be caught almost in flagrante.) However, the BND and CIA officers concerned with Reile's case are personally persuaded by the circumstantial evidence available that Reile is a long-standing KGB agent. Because of this suspicion, Reile was retired from the BND in August 1963.

e. Early Stages of KGB Operation -- the BALTHASAR Deception

The late fall meetings of 1951 in Karlshorst and Dresden were Max's last appearance. At this time Felfe was introduced

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\* It is interesting to note that in the Gehlen Organization's report to CIA concerning Krichbaum, during the Ponger-Verber investigation, there is the statement that Krichbaum had not been responsible for the hiring of any staff personnel for the Gehlen Organization. It is not known whether this falsehood was deliberate or accidental.

to Max's assistant, "Alfred," and to another Soviet whom Felie and Clemens nicknamed "Big Alfred," for want of any other name. In 1952 Alfred took over the handling of Felie, Clemens and Tiebel. It is noteworthy that Alfred continued as their case officer for the next nine years. To judge from the composite reports of his three agents, Alfred was a very young man when he first took over the job - about 26. He spoke excellent German, also English, and had a thorough knowledge of his subject matter: the wartime and postwar German intelligence services. He seems to have impressed the older men by his general civility as well as his intelligence. Where they possibly expected to find the Russian bear, they found instead politeness and a greater degree of refinement than they had thought possible. They have all remarked repeatedly that Max and Alfred treated them in the right way psychologically, and that this treatment went a long way in influencing them to serve the Soviet cause.

The first problem which Alfred had to tackle as case officer for Felie and Clemens was to perfect the very shaky and dangerous communications system with his agents. At the moment, it depended on Gerda Clemens, an East Zone resident. Clemens had not reported to the Gehlen Organization that he was still in contact with his wife. On the contrary, he went out of his way to give the impression that he loathed her and had nothing to do with her. Most people had the impression that he was divorced. Actually he was not; the Soviets would not allow him, or help him, to get a divorce, since it provided them with a control in that his two children still lived with their mother. This constituted a shaky point in the security of the operation, because if his secret communications with his wife had become known, this could have caused suspicion of Clemens on the part of the BND. Unfortunately, however, it is just one of several potentially suspicious items about Felie and Clemens which did not come to official notice until too late. While Tiebel had been recruited as a courier, he could be used only occasionally, since as a lawyer in a small town he had only very rare excuses to go to Berlin. (He had relatives in East Germany whom he managed to meet occasionally in West Berlin, and Clemens twice managed to hire him for the Gehlen Organization for brief periods as a source on various general East German targets, using the East Zone relatives as sub-sources.) Gehlen employees were in an even more difficult position: no Gehlen employee could travel to Berlin without special permission -

in effect, without an official reason. The simplest answer, then, was to provide the agents with a good reason for coming to Berlin on a fairly regular basis. What was needed was a case which would specifically require the presence of Clemens in Berlin from time to time as the Gehlen handler.

Such a case was the BALTHASAR case (BND cryptonym), an operation engineered entirely by the Soviets for the purpose of providing mobility to their agent. BALTHASAR was Fritz Baltrusch, a Russian speaking Balt who at one time had been Clemens' superior in the Dresden SD. As of mid-1952 he was a doorman-receptionist at a Soviet-run uranium plant in Dresden and an agent for the KGB. At KGB instruction he wrote to Clemens, implying he had something of interest to discuss, and asking for a meeting in West Berlin. Alfred did not brief Clemens in advance that this would happen, nor did he tell BALTHASAR that Clemens was also a Soviet agent. Clemens rose satisfactorily to the occasion and on his own initiative seized this chance to work up a case which would provide him with opportunities to meet Alfred. In doing so he also showed his good faith to the Soviets. Clemens took a proposal to GV"L" headquarters (very likely to Oscar Reile) that he be allowed to go to Berlin to find out what BALTHASAR wanted and to see what he might have to offer for the Gehlen Organization.\* The convenient result was that Clemens was ordered officially to Berlin to see BALTHASAR.

BALTHASAR, of course, appeared to have excellent possibilities as a source on the uranium processing plant. At a second meeting a short time later, Clemens was able to recruit him for the Gehlen Organization. From something in BALTHASAR's manner, however, Clemens suspected a Soviet presence. He told Alfred about the case for the first time after recruiting BALTHASAR and learned that Alfred had indeed engineered the contact especially for Clemens. Alfred admonished Clemens never to let BALTHASAR guess that he, Clemens,

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\* The Gehlen Organization had a report dated in May 1952 that BALTHASAR was working for KGB Dresden as an informant on former SD members living in the area. Whether this report went unnoticed or unheeded, we do not know.

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was a Soviet agent. BALTHASAR only knew that Clemens worked for Gehlen. In addition, Clemens was to be very careful in his correspondence with BALTHASAR as the Gehlen case officer; he must always let BALTHASAR take the initiative in setting meeting times, so that no one at the uranium plant would have cause to suspect BALTHASAR's intelligence connections. By the same token Alfred claimed that any information produced by BALTHASAR for the Gehlen Organization would be good, and BALTHASAR would reply to any EEI to which he had logical access. (Clemens was very impressed when BALTHASAR was allowed to deliver to the Gehlen Organization in fulfillment of a requirement a piece of uranium in the state in which uranium was regularly shipped to the USSR for final processing.)\* Alfred said that Clemens would not need to report to Alfred about his contacts with BALTHASAR; Alfred would get this information from BALTHASAR himself. Thus Clemens would no longer

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\* It is probably no coincidence that of all possible varieties of operation which the KGB could have chosen as a vehicle to provide cover for Clemens' trips to Berlin, they picked one which produced information on a target which at the time was of number one importance to the West for positive intelligence collection, and to the East for security protection. At the time, BALTHASAR's information on uranium ore shipments was considered one of the few important successes of the Gehlen Organization. U.S. estimates of Soviet nuclear capability drew upon this type information. In addition to providing cover for Clemens' trips, BALTHASAR was obviously an ideal deception channel, but we do not know for certain whether the Soviets doctored the uranium sample and the ore shipment information for this purpose. There were other sources reporting on this field at that time. It is possible the Soviets were aware the information was already compromised and thus permitted BALTHASAR to pass good information. It is equally possible the other sources were also under KGB control and part of a multi-channel deception. Both explanations are consistent with known KGB modus operandi.

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need to communicate directly with his wife, as Alfred would learn of Clemens' plans to come to Berlin through BALTHASAR and would automatically expect to see Clemens immediately after the meeting with BALTHASAR.

For the next two and a half years this case was used as a cover for Clemens's trips from West Germany to Berlin to meet his Soviet case officer. He delivered both his own and Felde's reports on these trips and brought back instructions and money (often concealed in the lid of a candy-box). Clemens met Alfred about every two months in a Karlshorst safehouse, where their discussions were regularly recorded on tape. For the most part their reports were delivered in clear text or orally by Clemens. Not until later were more elaborate and technical methods of communication introduced. The BALTHASAR case provided the main method of communication until the fall of 1955, when it collapsed because of one of those unhappy flaps of which Max had spoken so prophetically to Felde. (Copies of BALTHASAR's reports to Clemens were found in the home of a Gehlen employee who had been accused of working for the East, and the case therefore was declared "blown to the opposition.") While the insecure link via Gerda Clemens had been eliminated, the BALTHASAR channel was slow and unwieldy. There were two accommodation addresses to bolster it and there was Tiebel with his automobile for emergency use, but neither of these methods was safe or satisfactory for regular communication.

During 1952 and 1953 Felde and Clemens reported extensively on GV"L" and on those of its field sub-bases which they knew. For a time they worked together in organizing a sub-base for the Rhineland in Duesseldorf, but for the most part their assignments kept them physically separated - Felde in Karlsruhe and later at Headquarters (Munich/Pullach), and Clemens in Stuttgart and later Cologne. The difficulties in local communication between Clemens and Felde remained throughout their careers a weak part of the Soviet operation; since Gehlen regulations officially discouraged social contact between fellow-workers. Thus, their frequent correspondence, long-distance telephone calls and visits were quite abnormal. For a while, in the fall of 1952, Felde had a case (Dolezalek) which allowed him trips to Berlin, but this folded for some vaguely defined security reason. In December 1952 Alfred provided Felde with a cover address and a carbon S/W system, and also with a KGB office telephone number in Karlshorst for

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SECRET/NO FOREIGN DISSEM

emergency use, thus giving him some measure of independence from Clemens. Nevertheless, Alfred's cardinal operating tenet was that his agents must do nothing outside of their ordinary working schedule; at all costs, contact with the Soviets must occur within the framework of officially sanctioned Gehlen business.

In August 1953 Felfe was able to transfer to the Headquarters CE group with the help of Oscar Reile. He was now definitely the more promising of Alfred's agents.

SECRET/NO FOREIGN DISSEM

III. OPERATIONS OF THE EARLY 1950's

During the period 1952 to 1955, the major theme on which Soviet CE operational planning in Germany revolved was the question of the Gehlen Organization's legalization as the official West German Intelligence Service, and - equally important - of Reinhard Gehlen's personal tenure as chief of that organization. 1952 marks the beginning of talk about an eventual restoration of West German sovereignty. Despite recurrent threats to Gehlen's tenure and powers, the KGB had apparently decided by the middle of the year that the Gehlen Organization was probably there to stay. As the creature of the strongest occupation power, it probably would one day become the official German service. From the Soviet point of view, it was no longer simply a vehicle with which to harrass and penetrate U.S. operations, but another place to seek a foothold in the future West German government. 1952 also saw the beginning of a serious, aggressive build-up in Soviet work against the West German target. In the early part of the year an extensive recruitment campaign was mounted in the USSR (among POWs) and in East Germany for agents who could be resettled in West Germany. In the latter part of the year a general reorganization of the Soviet State Security Service brought to East Germany a new, tougher, more tightly organized group of counterespionage officers.\* This was a period too of intense in-fighting among the nascent West German security and intelligence services - the BfV, the BND, and the Defense Ministry. These organizations rivaled each other for the supremacy of their service and many persons vied with Gehlen, both from within and without the Gehlen Organization, for his job.

a. Efforts to Discredit the Gehlen Organization

The KGB goals during the early 1950's were alternately, to weaken and discredit the Gehlen Organization by exposing it as riddled with Soviet agents, and to manipulate it through well-placed penetrations. General Gribanov, Chief of the KGB Internal Counterintelligence Directorate, is quoted reliably as having made the statement that between 1953 and 1955 the Soviet services deliberately exposed over 100 of

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\* Source: Petr Deryabin

their mobile agents and staff penetration agents in an effort to force changes in the Gehlen Organization leadership. The Soviets, he said, had two agents at that time in the organization's leadership. One of them was foreseen as "chief of the organization." But in the context of the statement it is not totally clear just what was meant by "the organization." Our source who heard the statement claims it referred to a KGB plan to replace Gen. Gehlen himself with a Soviet agent.\* This is certainly a logical KGB objective, and the KGB may have felt at that time that it had the assets to achieve such a goal. However, there is also a tenable argument that the actual KGB objective for its agent was the job as chief of one of the organizations, such as GV"L", rather than chief of the organization as a whole.

While Alfred was carefully devising a new and complicated modus operandi for Felfe, destructive scandals were already taking shape in various of Gehlen's field bases. At least one of them was seriously to endanger Felfe. In February of 1953 a section chief in Berlin, Wolfgang Hoehner, was apparently kidnapped and spirited into East Berlin. It later became apparent that this was a case of a long-time agent being recalled and that the kidnapping scene had been contrived both for cover and dramatic effect. (Felfe was detailed to investigate Hoehner's disappearance since he and Hoehner had been friends. He reported on the investigation to Alfred, and to his superiors in the Gehlen Organization he maintained consistently that Hoehner had been truly kidnapped and was not a Soviet agent as of the time of his disappearance. Hoehner was subsequently turned over to the East German Intelligence Service, for which he ran operations against Gehlen for several years.) In October of the same year another penetration of the Gehlen field base in Berlin, Hans Geier, was recalled to East Germany when he feared compromise to West German authorities. In November 1953 a third disappearance or defection took place - again a Berlin based officer - Werner Haase. The East German radio announced a massive roll-up of Gehlen agents in the East Zone following Geier's recall in October, and in December the East German press launched an exposé of the Gehlen Organization. The main substance of the East German material appeared to be on Gehlen's field bases,

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\* Source: Michal Goleniewski from Gen. Oleg Mikhailovich Gribanov.

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rather than the Headquarters, with a strong emphasis on GV"L" and its dependencies. Felfe recognized some of his own reporting and was somewhat uneasy. Analysts in the Gehlen Organization also found considerable portions of it attributable to Hoehner and Geier. The most immediate effect of all of this was to produce a reorganization of the GV"L" base. It was redesignated, reorganized and moved to another location. Cautious analysts assumed, however, that so destructive an exposé would not be deliberately undertaken unless some penetration asset remained safely behind to report on the organization.

Some of the scandals which shook the Gehlen Organization during this period were demonstrably KGB organized but others were quite naturally self-generated. The situation was over-ripe for scandal in the atmosphere of intense recrimination, suspicion, and character assassination which accompanied the West German political rivalries at this time. Some of the Gehlen Organization's security operations contributed heavily to this atmosphere. Most of these operations were run by Ludwig Albert, the CI Chief and later Deputy Chief of GV"L". Albert's CI branch was investigating the security of other West German agencies and, in the early 1950's, one of its most immediate objectives was to search out rightest elements in the government. For this purpose, Albert ran a number of "special connections" in nearly every Land and federal security agency. From time to time these special connections became known, with obviously scandalous results. While Gehlen was honestly worrying on the one hand about Nazi remnants and Communist infiltrators, his security operations, on the other hand, tended to give the impression of a widespread infiltration of police power, sometimes of ex-Nazi police power, throughout the West German government. Indeed, some of the investigators looked as fearsome as the things they said they were investigating. There was alarm on many fronts, not the least among American occupation agencies.

In fear of its unwieldy offspring, U.S. Army European Command asked CIC in 1949 to mount a similar security penetration of the West German government in order to test for rightest influences. The CIC effort, known as "Operation CAMPUS", lasted until 1953, by which time it had become politically embarrassing and had to be closed down. Among others, CAMPUS utilized two German principal agents, Heinrich Schmitz and Richard Schweizer, who in turn had their own "special connections" throughout the various federal and

SECRET/NO FOREIGN DISSEM

Land security agencies. The relationship between Schmitz and Albert was rather complex. In addition to sharing many of the same informants, Albert had hired Schmitz in early 1952 to report on CIC to the Gehlen Organization. Gehlen later ordered Albert to drop Schmitz because his reports on CIC were not of value, but Albert did not do so, ostensibly because of his close friendship with Schmitz. When the CAMPUS operation was terminated by CIC and Schmitz feared losing his job, Albert agreed to reverse the flow of information. He began giving Schmitz reports on the Gehlen Organization for passage to CIC. Albert's reports to CIC concerned derogatory information on Gehlen Organization personnel, with particular emphasis on Felfe, whom Albert labelled as a suspected Soviet agent.

The situation was vastly complicated, and in retrospect it is even more complicated than it appeared at the time, for we now know several very important additional facts. One of these is that Albert reported his "recruitment" by CIC to Gen. Gehlen, and that he was in effect run by Gehlen as a double agent against CIC. Another is that he was also an East German agent all the while -- an agent who, in the end, became expendable and was apparently deliberately fingered and denounced on KGB instructions. In the next several pages we try to shed some light on this complex situation and Felfe's role therein, but the reader should note that what follows is a speculative and interpretive account. There are important gaps in this aspect of our knowledge of the Felfe case, and it is possible to interpret the known facts in other ways.

The story as we see it begins with the defection of KGB officer Petr Deryabin in Vienna in February 1954. Deryabin had served in the German CE section in KGB Headquarters and had read a KGB file on the Gehlen Organization. Deryabin was able to report to his CIA debriefers the cryptonyms of three KGB agents in the Gehlen Organization, two of which were identified many years later as the KGB cryptonyms for Felfe and Clemens; the third remains unidentified, but may possibly have been either Geier or Haase, both of whom had gone to East Berlin and been surfaced there prior to Deryabin's defection. The KGB was perhaps uncertain of the full extent of Deryabin's knowledge of agent identities. In any case, the KGB had ample cause for concern about the security of its agents within the Gehlen Organization. Knowing that Deryabin's revelations would prompt another investigation of Gehlen Organization security, it became important to the KGB

SECRET/NO FOREIGN DISSEM

to divert the investigation in a way designed to protect the most important KGB agents.\* The KGB operation which appears to have been run for this purpose is known by its Gehlen Organization cryptonym, LILLI MARLEN.

In June 1954, just four months after Deryabin's defection, a German citizen reported to the local police in Ludwigsburg, West Germany, that he had seen a man place something under a certain lamppost. The man's furtive manner had aroused the citizen's suspicions. On inspecting the spot, the police found a deaddrop containing a role of microfilm. Several days later, having placed surveillance on the area, they caught a man trying to retrieve the deaddrop. This man quickly confessed to being a KGB agent.

The microfilm turned out to be a very complete report on GV"L" -- its organization, personnel, and many of its operations. It was signed "Artur," and clearly implied that "Artur" was actually in GV"L". Gehlen analysts felt that only the chief of GV"L" or his deputy could have such a comprehensive knowledge, yet the style in which it was written and certain incorrect nomenclature suggested that the report might have been prepared by an outsider. All things considered, the primary suspect was the chief of GV"L", Bensigner, as he had already been under investigation for various reasons for a long time. Albert was a second suspect.

Several days after the LILLI MARLEN deaddrop was found, a GV"L" agent whose first name was Artur -- the same name as was signed to the report in the deaddrop -- was approached by a Soviet agent who tried to persuade him to come to the

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\* When an important agent is known to be endangered, the KGB will try to set up a "false victim" whose arrest takes the heat off the actual agent. The "false victim" may be wholly innocent, or he may be an actual Soviet agent of lesser importance. Documents on State Security training show this "false victim" technique was being taught to trainees at least as early as 1939.

SECRET/NO FOREIGN DISSEM

East. When Artur refused, the agent tried to provoke Artur to call the local police and have him, the Soviet agent, arrested. Artur refused to rise to either provocation. This incident may have been designed to lead to Albert, who was Artur's GV"L" case officer, or it may have been meant to provide a handle to force the public surfacing of the LILLI MARLEN find for propaganda purposes.

Typically, and understandably in view of his position, Felfe was among those assigned to investigate the LILLI MARLEN case.\* No thanks to Felfe, an important break in the case did come several months later. A mail intercept on the man who had reported the deaddrop to the Ludwigsburg police revealed that he was in contact with the same KGB principal agent in East Berlin who had dispatched the agent the police had arrested trying to recover the deaddrop. Subsequent investigation confirmed what had previously been vaguely suspected -- namely, that the discovery of the deaddrop was a deliberate Soviet exposé. The document had been prepared by the KGB, hence the errors in nomenclature. One KGB agent had been sent to Ludwigsburg to emplace the report in the deaddrop, a second KGB agent had been instructed to tell the Ludwigsburg police that he had accidentally discovered it, and a third agent had been sent to walk unwittingly into the police stake-out and be arrested while attempting to empty the deaddrop.\*\*

This exposure of the LILLI MARLEN deaddrop as a Soviet deception operation only served to add to the mystery, rather than to clarify it. The KGB clearly had an excellent source of information on GV"L", and the problem of identifying this source remained. Moreover, several additional questions

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\* At the time, one of the Gehlen Organization security officers (alias Bernhardt) complained in veiled terms to his CIA liaison contact that Felfe's behavior during the LILLI MARLEN investigation was frustrating and curiously obstructive.

\*\* The second and third agents were both arrested and both confessed. See Annex B for a more detailed write-up of the role these agents played in the LILLI MARLEN case, including their spotting, development, and dispatch by the KGB.

rose: Why would the KGB want the Gehlen Organization to know GV"L" was penetrated? Would the KGB cause so much attention to be focused on GV"L" if it really did have good agents there? Might the KGB have had the intention (foiled for the moment) of trying to burn an old recalcitrant agent who was causing trouble? Or, might LILLI MARLEN have been an attempt to deflect attention from a valuable agent who had moved elsewhere?

These questions were asked at the time, but they have never been answered with any degree of certainty. In retrospect, the most plausible explanation relates to Deryabin's defection and KGB efforts to minimize the damage assumed to have been caused by his revelations. The KGB had nothing to lose by indicating it still had an active penetration of the Gehlen Organization -- Deryabin had already done that. But it did have a vital interest in creating a certain impression as to who or where that penetration was. By calling attention to GV"L" as the locus of Soviet penetration, both Felfe and the presumed KGB agent Reile were protected, as both had by this time already transferred from GV"L" to Headquarters. EGIS agent Albert, on the other hand, was caught in the middle, and we do not know what the Soviets intended should happen to him. As it worked out, Albert was promoted from Chief CI to Deputy Chief of GV"L" during the reorganization which followed the LILLI MARLEN investigation, so it could be that the Soviets intended that he benefit from the operation. It is more likely, however, that he had become expendable and was the intended target of the LILLI MARLEN exposure, a scapegoat to make it appear that the most important of the agents whose existence was known to Deryabin had been caught. If so, that part of the Soviet plan which was intended to finger Albert as the source of the LILLI MARLEN deaddrop either did not work (the provocation of Artur) or was aborted after the Gehlen Organization tumbled to the fact that emplacement of the deaddrop was a deliberately staged KGB scenario.

The KGB probably had cause for being discontent with Albert and wanting him out of the way. Since at least 1953, Albert had been voicing dissatisfaction with certain of Gehlen's personnel policies. Part of this dissatisfaction was undoubtedly justified; part surely stemmed from an old rivalry between GV"L" and the Headquarters CE chief, Dr. Kohler, and when GV"L" officers like Reile and Felfe "defected"

from GV"L" and went to work on Dr. Kohler's staff, they too became personal targets of Albert. But even apart from the influence of the rivalry with Dr. Kohler, there had been numerous instances when Felfe's behavior, operational and personal, had incurred Albert's particular wrath and even suspicion. Albert's main objections were to the closeness of Felfe, Reile, and certain of their friends in what he termed an "SD clique." He considered them "politically unreliable" and possibly dangerous. With few exceptions, Albert's complaints fell on deaf ears within the Gehlen Organization, but Big Brother must also have been listening. It is difficult to imagine that Albert's accusations against Felfe could have been made on KGB instructions or with KGB approval. It is more plausible that the KGB was considerably irked at the thought of EGIS agent Albert denouncing KGB agent Felfe, that Albert's actions cast doubt upon his loyalty to the cause, and that the KGB's hands were tied because telling Albert to lay off Felfe would mean in effect confirming that Felfe was indeed a Soviet agent. What motivated Albert to denounce Felfe is unknown. Professional jealousy may have played a role. Perhaps, too, he felt the signs of penetration of the Gehlen Organization's CE operations were so clear that it was necessary to develop a scapegoat; by focusing attention on Felfe, Albert may have hoped to divert suspicion from himself. The latter theory is supported by the fact that Albert intensified his accusations against Felfe after discovery of the LILLI MARLEN deaddrop, an incident which probably caused Albert many a sleepless night. In September 1954, Albert began passing information to CIC via Schmitz, and over a period of about six months he spelled out in very precise terms his suspicions that Felfe, among others, was an "enemy." He told CIC that he considered Felfe responsible for the betrayal of one of his sources who was named in the December 1953 press exposé on the Gehlen Organization; he thought Felfe's behavior in investigating some of the recent flaps was "suspect;" he described in detail several incidents in which Felfe behaved with suspicious curiosity in matters of no concern to him; and he elaborated repeatedly on the extent to which the Headquarters CE Group seemed to be an SD preserve, with Felfe one of the ringleaders.

At this point in the Albert story, we come to a major gap in our knowledge. As noted previously, Albert reported his "recruitment" by CIC to Gen. Gehlen and was run by Gen.

Gehlen as a double agent against CIC. Although Gehlen directed the case personally, there was one case officer involved who was never identified to CIA but who may have been Felfe. This phase of the Albert affair was meticulously kept secret from CIA by both Gen. Gehlen and by CIC. Gen. Gehlen has persisted in believing that CIA was the actual controlling service behind the CIC recruitment of Albert, and the Gehlen Organization files have been denied to us. CIC records on the case were also never revealed to us, ostensibly because of the hopeless task of attempting to retrieve the files. Therefore, we do not know when the "doubling" of Albert took place. We do not know whether Gen. Gehlen specifically approved Albert's passage of derogatory information on Felfe to CIC, nor, if so, why. We suspect, but do not know for certain, that Felfe was somehow involved in the case. We do not know whether Albert reported truthfully on this aspect of his activity to the East Germans, or whether he withheld this information. In view of these gaps in our knowledge, we are not certain that the KGB knew of Albert's denunciation of Felfe to CIC, but it seems reasonable to assume it did, as there were a number of ways in which it could have obtained this information. If the KGB was aware of Albert's allegations against Felfe, it could scarcely have been happy about the situation. Indeed, it would have had considerably more urgent reasons for trying to get rid of Albert than was the case at the time of the LILLI MARLEN operation.

The finger was put on Albert in May 1955, nine months after he began reporting to CIC. Herbert Weinmann, a former East German MfS case officer/courier, after having been arrested in West Germany on a charge unrelated to espionage, made a clean breast of his espionage past in return for immunity from prosecution. In so doing he reported Albert as an MfS agent who had probably been recruited first by the KGB, and he also compromised a number of other relatively insignificant MfS agents. According to Weinmann, the first part of Albert's MfS dossier, which he claimed to have seen, had been translated into German from Russian. He could not say when Albert had been recruited by the KGB, or when he had been turned over by the KGB to the MfS, except that the file went back a number of years. Albert was arrested on the basis of Weinmann's allegations, and during a search of Albert's house certain damaging evidence was uncovered, evidence never made available to CIA. According to alias

Bernhardt, senior security officer of the Gehlen Organization and a reliable source, part of the evidence was three sets of files pertaining to Albert's work for three employers -- CIC, the Gehlen Organization and the MfS/KGB. Bernhardt stated privately that he had no doubt Albert was an Eastern agent, a clear indication that the totality of the evidence on this score was convincing to the Gehlen Organization. But despite the evidence, Albert refused to admit to Eastern contacts until the night of 13 July, when his interrogators thought they saw signs he was ready to talk. Although his jailers were warned to watch him carefully, toward morning their attention wandered, and Albert was found hanged - an action as baffling still for many people as on the day it happened.

There is no doubt that Weinmann was an MfS agent of long standing, but it is suspected that his "confession" and denunciation of Albert was KGB inspired. Although part of his information was clearly valid, other parts were obviously fabricated. After his release from jail in November 1955, he was the object of some East German attention which looked very much like an attempt to support his bona fides as a source of information. A very well blown double agent allowed the Gehlen Organization to come into possession of a letter addressed to Weinmann by his MfS case officer. In it the MfS officer expressed surprise that Weinmann had been released from prison so soon and concluded that he must have conducted himself well. A few months later Weinmann was contacted again, but this time through a more securely managed contact which may not have been intended to come to Western attention. At this time, Weinmann received instructions to "continue" giving information in the way he had been giving it, with a few specified exceptions.

The Albert and the related Weinmann and LILLI MARLEN cases have been the subject of considerable analysis and speculation over the years. There are many questions which remain unclarified, but one thing is clear. The net effect of the Albert case was to solidify, rather than weaken, Felfe's position. It brought the nagging derogatory data on Felfe out into the open, and somehow the doubts were resolved in Felfe's favor. That he was cleared is evidenced by the special trust placed in him by Gen. Gehlen, who from that time forward pushed in his direction the special "sensitive" cases in which Gehlen had a personal interest. To be sure, in belated consequences of Albert's accusations,

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Felfe was subjected to a security review on charges of "SD and Eastern connections," but this was a perfunctory matter. In February 1956, Felfe was asked formally, "officer to officer," whether he had been a member of the SD. He replied with a brazen "No, sir," despite the fact that his SD past was known to a number of Gehlen officers and could have been readily proven by a check of wartime records under Allied control at the Berlin Documents Center.\* The results of this "investigation" were "inconclusive." Although the BND's security file on Felfe was kept up in a desultory fashion for the rest of his career, nothing much was to come from it alone. By this time, Felfe was already well on the way to becoming one of the more energetic and productive CE experts in the BND. His professional reputation was growing, and Felfe's corner was a disheartening place in which to look for additional treachery.

b. Felfe Settles In - the LENA deception

While all these storms were breaking, Felfe was carefully settling in to his new job as a senior case officer in the Soviet Operational Section of the CE Group. He had his first personal meeting with Alfred as a Headquarters officer in the fall of 1954, almost a year after his transfer. He reveals only very generally what they discussed at this meeting: problems of access, his and Clemens'; and questions of how to hinder the legalization of the Gehlen Organization. He gives no further detail, but under these headings one

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\* Felfe worked hard on several of his CIA liaison contacts to get him an "informal" copy of his Berlin Documentation Center dossier. He was clearly concerned that it might contain evidence to prove he had lied about his background. He may have hoped that he was lucky and that, as happened in many cases, his file had been lost or was incomplete. Another indication of his concern was a comment to a CIA liaison officer in March 1956. He said he had heard that Albert had asked Schmitz to investigate him, and that while he had received a vote of confidence from Gehlen, he hoped that there wasn't anything derogatory about him hidden away in some American file.

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assumes that the basic modus operandi and a certain number of specific cases must have been discussed. The basic operating plan was that Felte should have one general meeting with his Soviet case officers each year. Communications from him would be via Clemens as courier and via S/W letters to an East Berlin accommodation address. Communication from Alfred would be via Clemens or directly to Felte via microdot. (Felte and Clemens disagree in their testimony as to who was to receive the microdot. Clemens's statements seem more plausible, namely, that it was Felte who handled the microdot communications, retrieving and reading the film and sending to Clemens only those EEI which pertained to him.) Training in S/W and microdot was given to Felte in 1954 and, in addition, he was presented with a Minox. These technical innovations in the operation provided yet greater compartmentation between Felte and Clemens and reflected the fact that Felte was now seen as the senior of the two agents.

From the fall of 1954 on, Felte photographed Gehlen registry cards on a regular basis for Alfred; he also performed specific name checks for the KGB. Other file material he photographed on a more selective basis. As an example of his enormous sangfroid (or perhaps of the ease with which a spy can operate even in a highly compartmented agency), Felte says that he used to photograph file material in his office, with a tripod, during the twenty minute interval between the official closing time of 5:00 p.m. and the beginning of overtime when special registration of one's presence in the building was required. He says he never photographed after this hour, even if he worked late officially, for fear of being controlled when leaving the building. When leaving the building he hid the film under his clothing next to his skin. Sometimes he handed the film directly to Clemens, sometimes he sent it to him by registered mail. On other occasions he checked files out officially and took them with him when he had official business in Clemens' vicinity. Then he would photograph the material in Clemens' apartment, to which he had his own key. He was a keen amateur photographer (and in general a lover of gadgets) and later on built himself a darkroom in his weekend cottage where he could do some of his KGB work.

SECRET/NO FOREIGN DISSEM

What Felfe does not tell us about this 1954 meeting with Alfred was, however, probably infinitely more important. Within a very short time after his arrival in Headquarters, Felfe had been put in charge of a double agent through whom he was soon to make a reputation for himself as an authority on Soviet CE matters. This was called the "LENA" case and was unquestionably the most important single contribution to Felfe's career as an intelligence officer. Felfe claims he never discussed this case with Alfred, that it was a "clean" BND operation. This is generally accepted as being inconceivable, and Felfe's attempted deception only confirms the case's importance. The LENA case gave Felfe maneuverability as a Soviet agent and status as a BND officer; it provided him with a channel to receive and to fulfill EEI; it broadened considerably his access both to collect information and sometimes to disseminate disinformation. It fits the basic formula of the BALTHASAR case, only with a much greater conception and much greater complexity. For the years 1954 to 1958, it moves like the shadow play of Felfe's real Soviet career.

LENA is the BND cover name for Guenther Hofe, an East German political functionary and publisher. Hofe was a member of the Central Committee of the NDPD (National Democratic Party of Germany - an ostensibly independent political party), director of its publishing house, "Verlag der Nation", and editor of the party paper, Nationale Zeitung. He had a minor reputation as a political analyst, traveled frequently to West Germany and was well received in certain West German Socialist circles as an apparently independent, outspoken East German. LENA's story to the BND was that he had joined various Communist front groups in order to "bore from within," and that very soon after the war he decided for ideological reasons to volunteer his services to a Western intelligence service. Through an old Luftwaffe comrade in West Berlin he came into contact with French intelligence, the SDECE, in 1948. The French ran him for several years as a political source and were apparently highly satisfied with him. By early 1953 it had become apparent that the ex-Luftwaffe comrade was working as a principal agent for both the SDECE and the Gehlen Organization, and for a year or so LENA was in effect run jointly. In mid-1954 the case was officially transferred to the Gehlen Organization. Somewhat prior to the turnover, the Gehlen Organization asked CIA to evaluate

some of LENA's intelligence product for them. Without naming the source, they presented us with a copy of a study of the NDPD written by LENA. CIA's branch for the study of international communism wrote an evaluation which said in part: "This study is a biased collection of overt and semi-overt knowledge of the NDPD, missing several essential points pertaining to the organization, purpose and utilization of the Party by the Soviets in Eastern Germany...the extensive use of NDPD members by Soviet intelligence for missions in West Germany is not mentioned." A prophetic note, but easier to read with hindsight.

Despite this one negative evaluation, LENA became highly regarded by the Gehlen Organization as a political source. Within five months of Felte's transfer to headquarters, however, LENA abruptly became a CE case. Through the NDPD Party Chairman, LENA had been introduced in January 1954 to a Soviet intelligence officer. After a flurry of meetings, he was formally recruited in early March and immediately assigned the task of creating a net of agents to produce information on the West German Foreign Office, the Chancellor's Office, and the Federal Press Office. The plan was grandiose: LENA was to be the "German net director," to recruit two principal agents and a sort of general political advisor and spotter, and several support agents, and to provide names of potential penetration agents. As a double-agent in contact with the Soviets, whose activities were directly to affect West German security, the LENA case now properly belonged to the CE Group of the Gehlen Organization. Felte was made the Headquarters case officer. He directed LENA through a field case officer whom he met regularly each time the field handler saw LENA. Felte met LENA personally only two or three times. There is no firm evidence that the field handler or any other Gehlen personnel besides Felte who were connected with the LENA case were Soviet agents, although, since all analysis of this case insists that it was a KGB "set-up" from the beginning, one is strongly tempted to assume at least the presence of a helping hand in the Gehlen Headquarters to ensure that Felte would be made the responsible case officer. The highly suspect Reile was Felte's immediate superior at this time; perhaps he helped steer the case.

LENA was cast as the perfect agent: intelligent, cool, a demonic worker ("needs only four hours of sleep a night")

with a phenomenal memory (he claimed to find it relaxing to memorize the license numbers and makes of the Soviet automobiles he saw in Karlshorst!). Felfe took great pains to point out LENA's excellent personal qualities and to emphasize the indications in his reporting that the Soviet also had a very high respect for him. In contrast to LENA, however, the Soviet handlers seemed somewhat naive. Indeed all his Soviet case officers in succession had the shocking fault of being chatterboxes and through them LENA was ostensibly able to pick up a great variety of information about other Soviet agents and operations in West Germany which were unrelated to him. Furthermore, the KGB officers enjoyed talking politics with such an intelligent man, and from these long conversations the BND was now and then given an apparent glimpse into the "true" Soviet policy in Germany. Much of the information that LENA delivered to the Gehlen Organization was excellent. Several bona fide RU and MfS agents were identified for the BND in this manner; the KGB apparently had little compunction about throwing away the assets of its sister services, although it did give away some of its own assets too. The license plate numbers, telephone numbers and addresses of KGB safehouses were all accurate; that is, there were traces from other cases on them. Unfortunately, it was not completely clear in 1954 and 1955 that these other cases were blown cases of the KGB/CE section working against the Gehlen Organization and the other German security services. Looking back on this fact, one can say that it should have been disconcerting to find so many traces from blown CE cases in a case which the KGB pretended was a political intelligence collection operation. Similarly disconcerting was the fact that one of LENA's case officers, Vladimir Shchukin, had been described to us in early 1954 by Deryabin as a former colleague working on West German security and intelligence agencies. Deryabin described him as incompetent, one fact at least which seemed to be corroborated by LENA. In addition to their talkativeness, Shchukin and his colleagues were unusual and puzzling in another respect: they dealt with their agent under their full, true names.\* They were thus readily checkable.

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\* Note by way of comparison that neither Felfe nor George Blake were ever given full names or true names of their Karlshorst KGB handlers. The purpose of revealing full true names to LENA was presumably to give Felfe cover for an all-agency namecheck on them.

Technical discrepancies abounded too: for example the KGB gave LENA a false West German identity document in August 1954 which was so obviously falsified that they said they were obliged to apologize, and that unfortunately they were unable to produce anything better.

On the surface, LENA's operation to penetrate Bonn on behalf of the Soviets seemed less spectacular than his operation to penetrate Karlshorst on behalf of the BND. The leads he gathered for the Soviets were numerous, but they often petered out. Many potential recruits were reported to the Soviets (with the Gehlen Organization standing by to make a double recruitment in case the Soviets followed up), but only one real penetration was actually recruited: an ailing and incompetent gentleman in the Press Office who contented himself with the product of waste baskets for his source material. To some observers it seemed incredible at the time that the KGB should go through so many motions just for this. And, indeed, it did not. The KGB was in fact very interested in information on the Foreign Ministry and Chancellor's office: personnel rosters, tables of organization, internal directories and other memoranda, compromising information on leading officials, etc. These EEI were all given directly to Felfe by Alfred. Felfe admits that at his 1955 and 1956 meetings with the KGB officer they discussed these targets. In addition, Alfred asked him to identify Gehlen informants within the other government departments. Felfe denies that he was able to fulfill Alfred's requirements; he claims he told Alfred he had no access to such information. In a certain sense this was true, but the fact is that the LENA case did work for him.

The singular and especial importance of LENA's net of agents in West Germany was that it forced the Gehlen Organization to produce "build-up" material on the target agencies on a systematic basis and to a greater extent than had ever been done before. It caused answers to be produced to Soviet questions, while at the same time creating the impression within the BND that the Soviets did not have other agents in these targets. Because of the comprehensive nature of LENA's targets and because of his detailed reporting (described by CIA officers as "more than necessary"), LENA quickly became tagged as Gehlen's most important CE case. Felfe begged for permission to pass appropriate build-up material to keep LENA's faltering net alive: the theory was that one had to please the Soviets so that a source of importance both for West

German security and possibly for an eventual penetration of the KGB might remain viable. Felfe's principal problem was that at this time there was no provision for clearing build-up material in the German government. Felfe tried to persuade various security officials in Bonn, then he went to a CIA liaison officer, hoping that we would intervene in some way. Eventually he went to the Federal Attorney General and obtained a statement from him to the effect that any material already demonstrably known to the opposition was automatically no longer secret. By extension, that which was no longer secret could be passed to the opposition as build-up material. Finally, Gehlen himself briefed Adenauer and the State Secretary of the Federal Chancellery, Dr. Hans Globke, on the case and obtained Globke's agreement in the matter: specifically, this included permission to pass information on Foreign Ministry personnel to the Soviets.\* Thus armed, Felfe was able to maneuver a wide variety of information "legally" into Soviet hands. All that LENA's Soviet case officer had to do was to declare that certain areas of information were already known or already "covered" by them, and then Felfe could argue the virtue of providing that information to LENA as build-up, or to satisfy presumed KGB cross-checking on LENA, or as a way of trying to smoke out the presumed Soviet source. Any number of Soviet targets could be traced in Bonn and in BND files simply by working them into LENA's EEI in some way. In the LENA case, there are many examples of persons or subjects of Soviet interest which flash into the limelight for a moment - perhaps long enough to be checked out in Western files - and then disappear from the LENA case with the Soviet case officer's remark that he is no longer interested.

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\* Here is a quote from remarks about Felfe's technique written at the time by the CIA liaison officer responsible for security matters: Felfe "very cleverly played the Oberbundesanwalt (Federal Attorney General) against his own superiors. He obtained access to the Chancellor's office through Gehlen's own access. Then he used (the Chancellery's) approval of his wishes to insure the approval of Gehlen. Along the way he made references to the uncooperative attitude of various other officials, including the BfV and security officers in the Foreign Office. All in all, he made fools out of everybody in the name of the security of the Federal Republic."

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To make this exercise more thorough Felde eventually managed to get permission to conduct his own investigation of personnel known to be under study by the Soviets, and on whom the Soviets were seeking information on vulnerabilities for recruitment attempts. Even more brash is the incident when Felde asked a CIA liaison officer if CIA could provide leads, from lists of dropped agents, to persons who might be employed at a relatively high level in different Bonn ministries whom he could then recruit and "feed" to the KGB via LENA.

Through the LENA operation, the BND became intimately involved in the security of the West German Foreign Ministry, checking on targets of interest to the Soviets, passing build-up and deception material, etc. This established an important precedent at a time when the nascent West German intelligence and security organizations were still engaged in intensive in-fighting over the precise definition of their functions and responsibilities. The BfV, which has formal responsibility for the security of government offices, was not yet sufficiently well-organized to fully exercise this responsibility. Using the LENA case, the BND moved into the vacuum and established a precedent which still holds. The BND still exercises certain de facto responsibility for Foreign Office security, despite the BfV's formal authority in this field.

There was another interesting gambit in the LENA operation which was used by Felde to exacerbate the already existing friction between the BND and the BfV. On Felde's instructions, LENA expressed concern to his Soviet case officer about operating in West Germany as a Soviet agent and about the danger that the BfV might get on his trail. The Soviet case officer allegedly advised LENA to have no fear, as the BfV had only two files on him and they contained only routine information on LENA's party activities. When Felde got this information from LENA he checked the BfV on an appropriate pretext and found that their files were exactly as described by the Soviet case officer. This was proof, Felde then said, that the BfV was penetrated. This point was cited rather widely by Gehlen, Felde and other BND officers to their American colleagues and presumably to other elements of the German government.

Felde discovered during the course of the LENA operation

that CIA could be useful to him in various ways. In the LENA case as in many subsequent ones, his contact with CIA was of enormous value as a kind of super-liaison, since the various German services would sometimes tell their foreign confidantes more than they would tell each other. When LENA's KGB officer wanted him to recruit a laborer working on the new Chancellery office building in 1955 so that a transmitter might be concealed in it, Felfe came to CIA with the complaint that there were at least seven different German agencies to which a workman might report a recruitment approach and that his organization could be sure of hearing automatically from only two of them. He feared that if he did not have timely warning of such an approach he might lose the opportunity to double the worker securely: would we please monitor the situation for him? Typically for the LENA case, nothing came of this plan to recruit a workman and to plant an audio device. In retrospect, we speculate the Soviets were planning to approach such a workman independently of LENA, and that they used this tactic to insure that Felfe would learn of it if their actual target reported the approach. Thus, if Felfe did not learn of any such approach, the KGB could be confident of the workman's bona fides and feel free to use its best (and most sensitive) type of audio equipment.

The LENA case, while dazzling for a while, produced many questions and suspicions in the minds of analysts in both the Gehlen Organization and CIA. The unnatural talkativeness of the KGB case officers, the endless and inconclusive backing and filling in the setting up of his net, the lack of Gehlen control (LENA came and went at his own initiative, and always in a hurry, to the West Berlin home of his old Luftwaffe friend, where he simply recorded what he wanted to say on tape and left); all these features were puzzling even while the case was new. One colleague of Felfe's, alias Dr. Herder, was puzzled enough to write a review of the case in late 1955. He decided it was a fraud, but he was not yet quite certain why. Felfe's CIA contact felt the same way: there seemed to exist the possibility of a deception, but the obvious take for the Soviets did not appear to pay for output in terms of good leads given to the West. There was no internal logic to the case. This of course was the correct conclusion. There was no internal reason for running the case as a deception, but there was a very good "external" one: Felfe, whose benefits far outweighed the loss of any information to the West from the LENA operation. These stirrings of

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suspicion about the LENA case constituted the second obvious major danger signal - after Albert's denunciations - to Felfe. The LENA case would have to alter its course.

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IV. KGB WORK IN WEST GERMANY AS  
A SOVEREIGN COUNTRY: 1956-61

The years 1955-1956 mark a major change in KGB operational policy in West Germany. The post-war period was over and West Germany had become a sovereign nation. By spring 1956 the Gehlen Organization had become the Federal Intelligence Service (Bundesnachrichtendienst - BND), a dependency of the Chancellor's Office, the legal foreign intelligence collection agency of the Federal Republic of Germany. Formal CIA trusteeship had ended. The BND was considerably reorganized and its relationship with CIA gradually began to normalize, although CIA has never really lost its "favored" position. To meet the new situation, new units were created in the BND and BfV for the penetration of the Soviet installations which were set up following the restoration of sovereignty and establishment of diplomatic relations with the USSR. CIA bases in Frankfurt and Bonn also turned their efforts on these targets and in doing so found the need, and the obligation, to operate closely - but as liaison equals - with the newly independent German agencies. In Berlin, CIA's operations base redoubled its efforts against the Soviet "extra-territorial" headquarters - Embassy, Trade Delegation, KGB and GRU - in East Berlin, producing in the process a fairly comprehensive body of documentary and biographic material, which, along with the CIA German Station's library of CE case histories, became widely used for cross-checking new information as well as for trading purposes in the new liaison relationships.

For the KGB, the BND was no longer a target for possible destruction; far more, now, it was an object to be manipulated. The opportunity to replace Gehlen had been lost, but he could still be embarrassed. It was no longer possible to make use of his complicated jockeying with political rivals, but he might still have certain political dreams which could be played upon. The fundamental theme of Soviet policy in Germany, now stronger than ever, was neutralization, and as West Germany's economic and military status increased the KGB moved correspondingly to support its own government, not simply with the collection of information or the parrying of its enemy's operations, but by mounting a number of "influence" or "inspirational" operations, some of which filtered through Felfe's fingers.

SECRET/NO FOREIGN DISSEM

With the help of the LENA case - and in spite of its potential dangers and the distrust of alias Dr. Herder (who was also an ex-SD officer) - Felfe had established himself in the Headquarters organization fairly solidly by 1955 as the most energetic, aggressive case officer working on the Soviet intelligence target. In late 1956 or early 1957 he succeeded Reile as deputy chief (in practice the real chief) of the Soviet Operations Section of the CE Group. Broadening of Felfe's access became a primary objective. Alfred's factual EEI for the period 1956-59 reflect the KGB need for detailed organizational and personnel information on the BND and its liaison partners: the internal security service, the military security service, the Foreign Ministry, the Chancellor's Office and, among the Americans, primarily CIA. Alfred's purpose was mainly protective: of Soviet installations in Bonn and East Berlin and of the operations run from them. USSR internal security requirements were reflected, too, in requests for Felfe to develop information in the BND section running penetrations into the Soviet Union and to outline Foreign Office security procedures for the German Embassy in Moscow. In general, Felfe and Clemens were expected to warn the Soviets of any projected operation against them. They were also given specific names to check.

With a better bureaucratic position and the allure of being an "expert," Felfe had considerably more maneuverability in his own right after 1956. In addition he was enterprising and his talent for elicitation was phenomenal. He made a practice of winning a personal contact in every important Federal and Land Security Office: more than one security official has ruefully admitted that he used to brief Felfe regularly and informally on his cases in order to get the expert's opinion. And where he could not develop an already existing contact he would try to insert one in the guise of

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a "special connection."\* Whenever Felfe had to visit another government agency on BND business he would look up other contacts in the area just to keep up with what was going on. After a while he devised the practice of taking along a tape recorder so that he could cover more ground efficiently. Soon BND colleagues found this a handy way of having him take care of some of their liaison for them, and he was eventually relaying questions and answers on various matters concerning Soviet, satellite and Communist Party operations of the BND and BfV which otherwise were not of official concern to him. From the BND's own damage assessment we have the characterization of Felfe during this period as "shamelessly curious."

Clemens in the meantime had been transferred to Cologne to work in one of the new units targeted against the Soviets in Bonn. His unit was designed to penetrate (primarily by audio installation) the Soviet Trade Delegation, and it worked in tandem with a corresponding unit directed by the BfV against the Soviet Embassy. Felfe could learn much about these operations from Clemens, and in any case, as a

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\* An interesting example of this kind of maneuver by Felfe involves a man named Max Klemm, a former SS officer and late returner from Soviet PW camp. Felfe was instrumental in having Klemm taken on as an agent by the BND and in having him get a job in the Office of the Federal Chancellor. Felfe argued that such a person as Klemm on the Chancellor's payroll would probably attract a Soviet recruitment attempt. The BND (Felfe) could then monitor the operation for "security purposes". Somehow Felfe succeeded in selling this idea to his superiors, but there was never any sign of a Soviet approach. (There are various possible explanations of Felfe's motive for inserting Klemm into the Chancellor's office. It may have been simply to use him as an unwitting source on this office. A more onomous speculation is that Klemm was a KGB agent, and that Felfe devised the BND operations utilizing Klemm as cover for moving him into a sensitive job and ensuring all concerned of his "security.")

SECRET/NO FOREIGN DISSEM

CE staff officer, he had the right to review certain relevant cases from time to time. Felfe's involvement with these operations increased steadily, so that by late 1959 he was officially responsible for the Headquarters supervision of nearly all BND operations against the Soviets in Germany. The KGB could well congratulate itself. At the same time it had to be willing and nimble enough to counter the Western efforts on a broad scale without endangering its source.

a. Targeting of CIA, Provocation, Tactical Deception

The LENA case also helped to break ground for liaison with CIA on operations against Soviet installations in East Berlin. The CIA Berlin Operations Base, which handled these operations, still enjoyed the possibility of working unilaterally. The BND naturally wanted badly to have its share of sources in Karlshorst, the seat of KGB Headquarters in East Germany, and Felfe strove with a variety of ploys to further both the BND's and the KGB's cause. In September 1956 Felfe and Reile visited CIA Headquarters in Washington as members of a BND CE orientation group. During this visit Felfe gave a talk on the LENA case, describing it as clean, one of the best operations the BND had, and practically a penetration of the KGB itself. The LENA case had at this time begun to produce sizeable amounts of information on KGB facilities in Karlshorst - safe house addresses, license plate numbers, telephone numbers, etc. - and in June 1956 the Berlin Base Soviet operations chief had discussed the case with Felfe, offering full support in evaluating and checking out LENA's information. Felfe agreed to supply all the positive operational detail obtained by LENA through normal BND-CIA channels, and he also offered, off-the-record, to pass whatever sensitive information he received affecting West German security if we would agree to be very discreet about it. We responded with alacrity. Not only did we wish to keep our foot in the door now that the newly legalized BND was often eager to dispense with us, we hoped that through this case we could induce the apparently clumsy and unprofessional KGB case officer, Shchukin, to defect. Even more important was the need to have as many sources as possible within Soviet controlled territory such as Karlshorst who could give us "early warning" information on any major Soviet retreat or redisposition in East Germany. (The Soviets showed their goodwill in this respect by letting LENA give a whole twenty-four hour advance notice of the East German-USSR Troop Agreements, and again by giving some spurious indications of alleged Soviet withdrawals from the Karlshorst Compound in 1957.) The

by-product of cooperation on the LENA case was to indicate more or less unavoidably that CIA had a certain coverage of the Karlshorst Compound. A similar process was repeated in another operation which had been run by the BND against the Soviet Trade Delegation Polyclinic in Karlshorst and which produced an enormous quantity of personality information on the Trade Delegation and on some intelligence officers under Trade Delegation cover. In late 1956 Berlin Base offered full support to this operation, which was eventually to follow the almost classic pattern of suddenly turning into a CE case and being put into Felfe's hands.

In 1958 Felfe began a concerted campaign to collect detailed information from CIA on its Karlshorst penetration program. To this end he engineered a series of crises in CIA-BND relationships which resulted in his being briefed by CIA on the status of its effort. The first of these briefings occurred in May 1958. In October 1958 Felfe tried unofficially, without BND approval, to get another briefing from the chief of Berlin Base, but was turned down. A second official briefing followed in February 1959 and a third in July 1959. At this point a mechanism was created for close, continued official BND-CIA cooperation against Karlshorst. A BND case officer was placed in the U.S. Army Berlin Compound and worked closely with Berlin Base liaison officers. This was an important and delicate step since the BND representative had to be documented as a U.S. Army Berlin Command employee, supplied with an automobile with U.S. Forces license plates and other American Army support facilities. Felfe in turn became the BND Headquarters' supervisor for the now official BND Karlshorst penetration program and the immediate supervisor of the BND case officer in the Berlin Command compound.

At a meeting with Alfred in Berlin in December 1959, Felfe discussed the CIA operations against Karlshorst. He said he had been making some headway in discovering what the Americans were up to, but as yet they were not revealing their sources to him. Alfred proposed that he "help" the Americans by sending some sources for them to recruit, but Felfe claims, as he naturally would, that he tried to discourage this. Some cases of planted recruits were of course uncovered by CIA, but not through Felfe's admissions, so we have no evidence that they were manipulated in direct support of Felfe. In other cases, Felfe's role seems somewhat clearer.

In mid-1957, Felfe had discovered through our trace replies on some of the KGB safehouses in the LENA case, that Berlin Base had an excellent source in the Karlshorst Housing Administration. (A source in this spot was able to provide considerable "order of battle" information on a variety of Soviet agencies, including the intelligence services, through regular monthly reporting on Soviet billeting assignments. This source had been one of Berlin Base's major Karlshorst assets for some years.) By 1959 the Soviets had apparently succeeded in identifying the CIA source. At that time one of Felfe's colleagues succeeded in recruiting this source's co-worker in the Housing Administration. After this, we began to note that our source's access to information was slowly diminishing. We presume the KGB decided to leave her alone in order to protect their source (Felfe), but restricted her access in order to minimize the amount of harm she could cause. We know her activities were closely monitored. Although we know East German surveillants watched her come to West Berlin for meetings with her CIA case officers, she was not arrested and was eventually allowed to escape to West Berlin. Shortly after she fled, the BND recruit, who may well have been KGB-controlled, claimed to have received an anonymous warning and also fled to West Berlin. Thus the Housing Administration was purged.

In several other cases we have been able to determine that within a certain period of time, ranging from two to nine months after an agent or prospective recruit had been identified to Felfe, the agent was either arrested, or simply disappeared from sight, or lost access to our target. In one case when Felfe came to suspect CIA had an agent in another East Berlin housing office, Felfe, with KGB assistance, boldly provoked confirmation of this fact by trying to recruit one of our agent's colleagues. He placed an ad in the West Berlin newspapers designed to attract secretarial help from the East Sector. Our agent's secretary answered it (presumably at KGB behest) and Felfe announced to us that he intended to recruit her as a BND source on Karlshorst. We then told Felfe that we already employed her chief and asked him to stop his approach since it might endanger our agent -- who already covered the target in any case. As a result of such aggressive manipulation by Felfe and the KGB, the hitherto unilateral Berlin Base program against Karlshorst was largely compromised. Until the Berlin Wall was erected on 13 August 1961, however, the Soviets refrained from arresting or

doubling many of the agents involved, presumably to avoid generating suspicion or any risk to Felfe. After the Wall, however, when these agents could no longer visit West Berlin for personal meetings with their CIA case officers, the Soviets and/or MfS did move in and bring these agents under control. The agents who were able to maintain clandestine communications with Berlin Base after the Wall soon showed definite signs of hostile control.

The KGB also manipulated Felfe in support of its investigation of other suspected CIA operations inside the Soviet Union. One case, which occurred in 1960, involved a West German businessman recruited by Berlin Base to report on Soviet trade contacts during his frequent visits to the USSR. This businessman was subsequently recruited by the KGB, independent of the Berlin Base recruitment, and targeted against the West German and U.S. Embassies in Moscow. When the KGB suspected him of having Western intelligence contacts, they reacted by closing out all the agent's KGB requirements except one, namely, to spot, recruit and maneuver into place a West German girl suitable to be a German Embassy secretary. By this maneuver of introducing a CE factor urgently affecting West German security, the KGB succeeded not only in forcing revelation of the case to the BND, but an actual turnover of the case to the BND. Felfe became the BND Headquarters case officer, and the KGB continued to play the operation for the purpose of identifying other BND assets inside the USSR. In another case, that of a West German woman run by CIA, Felfe provoked revelation of our interest by sending us reports accusing her of seriously insecure behaviour while she was in Moscow. Subsequently, she became the target of an apparent KGB "dangle" operation -- a Soviet lover was introduced who appeared to be potentially recruitable.

The Berlin Wall made KGB CI work in Berlin considerably easier, but it did nothing for the Soviet diplomatic and trade installations in West Germany. In the West the problems of negating German and American counterintelligence operations without revealing the existence of a major leak were more difficult. Paradoxically, Felfe himself had been largely responsible for promoting an operation to tap Soviet Embassy telephones in Bonn. The KGB regarded this situation in a fairly relaxed manner, however; Felfe kept them supplied with

information from the transcripts.\* Presumably it gave the KGB a good security check on the Embassy employees as well as a convenient deception channel; and, of course, they knew precisely which Soviet offices were not tapped and, therefore, safe. The Kirpichev case, described below, contains examples of the deliberate use, as well as the careful avoidance, of tapped wires for operational purposes. For different, and obvious reasons, the KGB was also quite unconcerned about the joint BND-CIA audio operation against the New China News Agency. Felfe reported to the KGB on this operation and it remained moderately successful from our point of view. But, while the KGB seems to have been willing to allow us a passive coverage of their official installations through telephone taps, it was somewhat more energetic in trying to counter microphone operations against their own installations and personnel, and in frustrating Western agent operations mounted on the basis of the audio product. By procrastinating bureaucratically Felfe could foil many a plan. If this did not work, then the audio equipment would often fail technically for some unexplained reason, although in no given case could the failure be positively ascribed to anything but accident. In other cases, the target of the audio operation would suddenly be moved to another billet at the last minute, after the audio installation had been completed, and an employee of no great interest to us would be assigned to the wired apartment in his stead. In some cases, however, the defensive ploys had to be more complicated, and sometimes they did not succeed. Two of the best known examples concerned the Soviet intelligence officers, Kirpichev and Pripoltsev.

Dmitriy Ivanovich Kirpichev was a KGB operations officer assigned to West Germany under cover of the Soviet Freight and Transport Office, SOVAG, in Hamburg. Kirpichev had been in contact with a Soviet emigre residing in West Germany, who, in turn, was reporting on his contact to the BfV. Kirpichev had been under surveillance by the BfV in an effort to establish some legally incriminating material which might serve

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\* Golitsyn reported that he learned in 1959 or 1960 that the KGB had many reports on the monitoring of conversations in Soviet installations in West Germany. He conjectured that these must have come from a KGB agent connected with BND audio operations.

SECRET/NO FOREIGN DISSEM

as the basis for an arrest. Felfe says he learned of this case and of a plan to arrest Kirpichev at a routine BND-BfV conference sometime in the first half of February 1961. On 11 February he had a meeting with Alfred in Berlin, at which time he informed the KGB about the Kirpichev case. Alfred then asked Felfe (according to Felfe) if he thought it would endanger Felfe if the Soviets "undertook something" to protect Kirpichev. Felfe says he replied in the negative, as long as the Soviet counter-operation were carried out "with the necessary finesse". He suggested the idea of having Kirpichev pretend to fall sick while on a trip to Berlin.

Immediately after this, on 16 February, Felfe had a conference with the BfV referent for work on the Soviet Embassy. From him he learned the details of Kirpichev's emigre operation, including the emigre's KGB covername, "KRITIK," and the fact the arrest was to take place soon. Felfe reported this to Alfred in secret writing. At the time, he knew that the police planned to interrogate KRITIK formally on 21 February for the purpose of preparing the legal basis for the subsequent arrest of Kirpichev in Hamburg. He may or may not have been aware that the arrest was definitely planned for the 23rd.

On the afternoon of 21 February Kirpichev left Hamburg and travelled to Bonn, where he spent the night in a hotel near the Soviet Embassy. Prior to his departure, various Soviet officers indicated that Kirpichev was about to leave on a business trip to Berlin, but would return to Hamburg on the 23rd of February. The BND phone tap on the Trade Mission produced this information, as the KGB knew it would, and Felfe sent it on to the BfV. Kirpichev proceeded to Berlin on the 22nd. The 23rd came and went with no arrest. A few days later Kirpichev's wife in Hamburg made some remarks on the SOVAG premises, where a BND agent was employed, which "explained" why her husband had not returned to Hamburg. Presumably this agent was known to the KGB; in any case, Kirpicheva took care that he overheard her saying that her husband was severely ill in Berlin. Two more days passed and the BND agent in SOVAG was able to report the receipt by that agency of an official announcement from Berlin that Kirpichev had been stricken by an inflamed appendix and confined to a Berlin hospital. Felfe sent this report to the BfV in a routine manner. On the 16th of March this report was "confirmed" in a telephone call between the Soviet Embassy in East Berlin and the Soviet

60

SECRET/NO FOREIGN DISSEM

SECRET/NO FOREIGN DISSEM

Trade Mission in Cologne. Now all that remained for the KGB to do was to give the BfV and the BND a specific reason on which to pin the entire failure of the Kirpichev operation, and which at the same time might head off any potentially dangerous general inquiry. Kirpicheva let the BND source in SOVAG hear her remark that she had been under surveillance in Hamburg by an unknown person. Meanwhile the BfV's double-agent, KRITIK, received a secret message from Kirpichev warning him that they had been under surveillance during their last meeting and that Kirpichev had fled West Germany for security reasons. Felfe informed the BfV of the SOVAG penetration agent's report; the BfV sent him the item about Kirpichev's message to KRITIK, and it seemed as though the operators had only themselves to blame for everything. Although after his arrest Felfe tried to give the impression that he had not given this operation away in the first place, he was obviously interested in seeing it work out well for the KGB. According to Clemens, Felfe asked him some time in 1961 to ask Alfred "if everything worked out and Kirpichev got out all right." Clemens said Alfred answered in the affirmative.

An interesting side light on the modus operandi in this case is that in its earlier stages (before Felfe had reported to the KGB that KRITIK was a double-agent), the KGB provided KRITIK with an emergency contact whom he could reach by telephone in the Press Section of the Soviet Embassy. The significance of this is that the Press Section was housed in a separate building from the rest of the Embassy and the KGB knew, through Felfe, that it was not tapped, unlike the offices of KRITIK's regular case officer.

Not so successful was the Pripoltsev case. Valentin Aleksandrovich Pripoltsev was an engineer assigned to the Soviet Trade Mission in Cologne. The BfV had uncovered Pripoltsev's role as case officer in three cases which it was monitoring. Felfe learned of this first in May 1961 at a routine interagency conference. In July, at a second conference, he learned that the BfV was thinking of making an arrest. The date of the planned arrest was, however, a closely guarded secret. Felfe learned it on 24 August, only two days in advance of the arrest date. The result was that he was unable to warn Alfred in time. Pripoltsev was arrested and sentenced to four years in prison on charges of espionage. Felfe in turn received a reprimand from the KGB. (This event became

SECRET/NO FOREIGN DISSEM

another cause for the KGB's subsequent insistence on a faster communications system through the use of an Illegal.) Felfe made some sort of effort, however. As soon as he heard of the date for the arrest he sent a telex to the Cologne office of the BND suggesting, on his own initiative, that it have a Russian linguist standing by. In doing this he used a cryptographic reference in a strange way which revealed the name of the Soviet to be arrested. The BND subsequently surmised that Felfe could have done this to alert Clemens or simply to extend the range of knowledge of the planned arrest in order to cover himself in the event that Pripoltsev disappeared before his arrest.

Another operation, known as the Sokolov case, demonstrates KGB exploitation of a Soviet agent known to have been doubled by the opposition. This case is summarized below but discussed in some detail in Annex C. The case started as a U.S. Army CIC double agent operation. The case officer on the Soviet end of the operation was an RU GSFG Major (who used the alias Sokolov) in East Germany. In 1959, after several uneventful years, CIC turned the case over to the BfV, at which point CIA replaced CIC as the American liaison partner. Study of the case revealed that Sokolov was a drunkard, an insecure talker, and a flamboyant and promiscuous type, and inducing his defection became an important objective of the Western services. At some point, investigating Sokolov and obtaining evidence for his arrest seems to have become a corresponding KGB objective.

Approximately six months after the BfV took over the case, the BND also developed a lead to one of Sokolov's agents, and thus Felfe, as the designated BND representative, was cut into the operation. It seems likely that the KGB learned of the operation even before this time, either through Felfe who may have learned of it informally from the BfV, or through another source. If so, this would have enabled the KGB to feed the lead to Sokolov's agent to the BND in order to get the latter involved as a partner in the Western double agent operation and thus facilitate close KGB monitoring through Felfe.

From the Western point of view, the case eventually came to involve several interrelated double agent operations which produced leads to roughly 200 security suspects, a seemingly attractive operational lead to an RU Major (Sokolov) in East Germany, and the participation of the BfV, two LfVs, the BND,

CIA and, in an indirect capacity, CIC and OSI. A CIA case officer worked nearly full time, for six months, exclusively on this case. CIA provided traces, guidance, and information on RIS modus operandi and organization.

Felfe's behavior vis-a-vis the other services was uncharacteristically passive, which suggests that the KGB was apparently content to sit back and watch the Western services make their moves. At one point he made a strong plea for the BfV and CIA to be more forthcoming in the exchanges of traces on the various suspects, but most of the time Felfe simply sat back and allowed himself to be briefed by all participants.

The executive action phase of the operation proceeded smoothly: five RU agents arrested, many more suspects identified and investigated, considerable espionage equipment, including one of the newest Soviet W/T sets confiscated. Although Sokolov was not recruited or induced to defect, the operation was considered a success by the Western services. But the KGB was apparently also very pleased; in fact Felfe admitted having received a rare cash bonus for his work on the case. The KGB obtained a wealth of information on the operational and liaison procedures of Western services, as well as evidence which, according to Alfred, would "certainly" lead to Sokolov's arrest.

This investigation of Sokolov may have been one of the KGB's principal objectives. Felfe's co-conspirator, Clemens, who was slower and less sophisticated in his thinking than Felfe, was shocked that the KGB deliberately allowed an RU agent from East Germany to walk into a West German trap and be arrested along with four other RU agents in the West. Felfe, on the other hand, admitted after his arrest that he had observed this case with some glee and had been amused to deliver derogatory information to the KGB about another Soviet intelligence officer. Felfe's West German prosecutors thought it strange that he should receive a bonus in a case which had actually been a Soviet "failure", e.g. the five RU agents arrested. Perhaps Felfe was also amused by his prosecutors' bafflement, as when asked to explain the bonus he replied merely that he had been compensated for hard work despite the "losses" suffered.

Annexes D and E describe two other cases -- ZUVERSICHT and MERKATOR -- which show what happened when the opposition

learned that one or more of its operations has been doubled. In one of these cases, the operation limped along in desultory fashion for quite a few years, and Felfe used the case to support his contention of opposition incompetence. The other case was exploited more aggressively as a channel for passing both political and counterintelligence disinformation.

b. Felfe's Final Plot -- the Busch Case

The last major counterintelligence plot before Felfe's arrest was the Busch case. Felfe was arrested in the middle of it, so we do not know exactly where it was supposed to take him. If the risks he was willing to take to manipulate this operation are a valid indication, however, it seems to have been destined for an important role. The ostensible purpose, as planned by the BND (i.e. Felfe), was to set up a BND staff officer for KGB recruitment, as a BND deception against the KGB. The screening of candidates would have given Felfe access to the personnel and security files of a number of BND officers. From the KGB point of view, we conjecture, the case may also have been connected in some way with the planned recruitment of another real staff penetration of BND Headquarters.\*

We would like to describe this operation in detail because at nearly every stage of its development, it was replete with signs of danger, which should have been heeded by an alert Western service. Unfortunately, the use of multiple cryptonyms to disguise sources and agents and the fierce compartmentation in the BND in this, as in the LENA and many other cases, prevented anyone from putting two and two together for a long time. To make sure that no one could arrive at the proper conclusions in this case, Felfe charged out all the pertinent file material to himself, and no one else had access to it.

Friedrich Busch was another old Gestapo friend of Clemens

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\* A macabre touch of humor in the files is a remark by a BND security officer, made before Felfe's arrest, to the effect that Felfe's handling of the Busch operation was so strange it wouldn't even be surprising if Felfe were to suggest himself as the eventual target for KGB recruitment.

from wartime days in Italy. He was also an old acquaintance of Oscar Reile and the protege of Carl Schuetz - Clemens' former chief in Cologne. Clemens recruited Busch for the Gehlen Organization in 1951 - as he had Schuetz - and subsequently Busch worked for a time in GV"L" with Reile and Felfe. His professional history is cloudy at best: while a GV"L" case officer he appears to have tried to run a Soviet double agent case without informing his BND superiors.\* When the deception was uncovered he gave a rather lame excuse and was transferred to a non-sensitive job in a field debriefing office. He is described as a weak man who cries under pressure and who is not particularly "quick on his feet." Our files contain a note that Felfe tried at some point to get him a staff position in Headquarters, but was unsuccessful.

In early 1956 Oscar Reile brought Busch into an extensive KGB deception operation known by the BND cryptonym "PANOPTIKUM." The first player to fill the lead role in PANOPTIKUM was General Friedrich Panzinger, a former senior officer in the RSHA. He had been in charge of Rote Kapelle investigations for a while, later Chief of SD Ostland (Baltic States and Belorussia). In 1947 he had been captured by the Soviets in Vienna and imprisoned in the Soviet Union on charges of war crimes committed against a Soviet officer. In 1956 he was released on the promise that he would work for the KGB "to penetrate the BND and to report on political events in the Federal Republic." Upon his return to Germany in early 1956 he went directly to an old friend, the President of the

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\* Busch's double agent operation was a typical Soviet operation for the period and possibly significant for the early history of the case: the brother-in-law of a Gehlen employee had run a sort of service in the immediate post-war years assisting former SD personnel to cover their tracks and to find gainful employment. The KGB in Vienna caught on to him and with this compromising knowledge recruited the Gehlen employee. The Gehlen man reported the Soviet recruitment and found himself with Busch as a case officer. Why Busch really tried to play him back without telling anyone is not in CIA records, nor is any description of the content of the play-back, which lasted nearly two years.

SECRET/NO FOREIGN DISSEM

Bavarian LfV, to whom he reported the KGB recruitment and who in turn passed him on to the BND in the person of Reile. Reile's plan was to put Panzinger in contact with an ostensible BND net (real people, fabricated activity), about which he could then report to the KGB. When Panzinger happened to become reacquainted with Busch, whom he had known before the war, Reile allowed Panzinger to mention this to the KGB. Panzinger did not know Busch was a BND man until the KGB wrote back telling him to be wary of Busch. Reile then made Busch Panzinger's BND case officer and a deliberate sitting duck for recruitment by the KGB. The case was handled in a desultory fashion by Reile for a while, then by another colleague, until the fall of 1958, when it was given to Felfe. During this two year period nothing much happened. Indeed, Panzinger's KGB case officer, "Heinz," exhibited all the reactions of a very suspicious man. Panzinger met him only once during the two years (in one of the LENA case safehouses in Berlin!), and the whole proceeding had come to a near standstill when Felfe moved in.

At this point the case picked up spectacularly. Felfe proposed to the CE section to make Panzinger more attractive to the KGB: he had Panzinger tell Heinz that Busch had asked him to serve as a letter drop for the BND and also that Busch had been made chief of a special BND office handling Baltic and North Sea operations. In February 1959 he had Panzinger ask the KGB for a meeting. As reason for the meeting, Panzinger was to discuss the war crimes charges which hung over his head. The Soviets had released Panzinger without giving him an amnesty and the old General lived in fear of arrest. Actually, sometime previously the BND had arranged with the Bavarian LfV President to brief a high official of the Bavarian Justice Ministry so that no action would be taken against Panzinger without prior warning to the BND. Unfortunately, as it later turned out, only one such person in the Justice Ministry was briefed. The KGB may have known of it, however, since once before when Panzinger had discussed the charges with his KGB case officer, the latter had assured him that his case would never come up. Nevertheless, under Felfe's direction Panzinger asked the KGB case officer for a meeting to discuss this problem. He traveled to Berlin on 22 February 1959. The KGB case officer told him he would see what he could do about the charges, but did not offer much hope for an amnesty. At the same time, he said he thought Panzinger's case merited a more "secure" communications arrangement and instructed him in the methods

SECRET/NO FOREIGN DISSEM

of OWVL reception. (Felfe told his Western colleagues with great interest that this was the first BND double agent to receive OWVL from the KGB.)

Now strange things began to happen in Panzinger's operation. In July he received a KGB instruction via OWVL to find out if the East German HVA defector Max Heim had been a BND or a BfV agent prior to his defection. This was in many ways a very indiscreet question on the part of the KGB. The CIA liaison officer for security matters, who was already on Felfe's trail at this time, wrote the following comments in August 1959: "Unless Panzinger has grossly overstated his BND connections to the Soviets it is strange that the KGB seems to think he might have access to this information. If the KGB actually asked the question this could be an indication that the KGB knows Panzinger has been turned and calculates that the BND will supply a true answer. On the other hand...consider the possibility that (Felfe) has been asked this question..."

In the meantime Panzinger had innocently carried out his KGB case officer's instruction to ask Gehlen, whom he knew slightly, for a job in the BND. He wrote a letter of application and, after an appropriate interval, Felfe drafted an answer for the signature of one of Gehlen's deputies. Felfe's draft was nothing short of a death blow to the Panzinger operation, and indeed there was speculation even at the time that it was for some reason a deliberate blow. Felfe and his colleagues in the BND and CIA had discussed the type of answer which should be prepared to Panzinger's letter of application and had decided together that a sort of non-committal reply suggesting "no present vacancies" but still holding out some hope would be the best. It appeared strange, then, when Felfe produced the signed reply which stated that Gehlen could not employ Panzinger until the matter of war crimes charges was settled. The CIA liaison officer reporting on this episode wrote: "Considering the fact that the charge was a very painful thing to Panzinger - as time proved - it seems somewhat unusual and a bit grotesque that Felfe should have written a letter to Panzinger on such a literal basis. Felfe, a fellow alumnus of the RSHA along with Panzinger and Busch, could have prepared a less cold-blooded reply...We can only speculate as to the reason for the change. At any rate it would seem that (the) other approach would have served to keep the KGB more hopeful and interested and at the same time would not have rubbed salt in old Panzinger

wounds."

Four months later a warrant of arrest for war crimes was served on Panzinger, and as the police officers waited for him to collect his belongings he committed suicide by poisoning himself. This occurred on a day in early August 1959, when both Felfe and the one man in the Bavarian Justice Ministry who had been briefed to forestall an arrest were absent. Felfe's comments to a CIA liaison officer made shortly after this are interesting. He said he thought Panzinger had been depressed for some time (this was true) and had shown signs of emotional instability. He had been clearly worried about the war crimes charges. As to the operation, Felfe thought that perhaps the KGB might not regret having him out of the way since in a sense, even though he had been the KGB channel to a BND officer, he was also an obstacle between the KGB and the BND officer and now the KGB could approach the latter more directly. The KGB would reason, said Felfe, that through Panzinger they had been able to gather enough evidence of Busch's "indiscretions" to enable them to make an approach - an approach which earlier they might not have believed possible. In fact, said Felfe, the KGB might now be expected to move against Busch and in doing so they might even go so far as to reveal their knowledge that Busch, too, was a war criminal. (This was the first time this information about Busch became known to CIA.)

While making wise surmises about the KGB to his American colleagues, Felfe set about frantically in the BND to cause the very contact with Busch which he had been predicting. Shortly after Panzinger's suicide Felfe and Alfred met in Vienna, where, Felfe admits, Alfred asked him how they could keep the operation going and extend it to Busch. Felfe hit upon the effective and simple plan of having Panzinger's brother write to Panzinger's old KGB accommodation address saying he had found the name and address among Panzinger's effects and was informing them of Panzinger's death. The brother invited the addressee to write back either to him or to Panzinger's "closest friend during his last days," i.e. Busch. In this way Busch began corresponding directly with the KGB. A meeting was arranged to take place in Rome in August 1960 during the Olympic Games. An urgent OWVL message from Alfred admonished Felfe to remember that he was responsible for the safety of the KGB officer, who was coming from Moscow for this meeting. The KGB officer, Heinz, told Busch he had been sent from Moscow especially to recruit him, but on BND

instructions Busch played hard-to-get, challenged the KGB officer to provide bona fides, and refused to accept recruitment by anyone but the "boss." They parted with an agreement to meet again in Geneva in early 1961.

Felfe presented this turn of events to the BND as being very remarkable, and he immediately set about the creation of a deception unit on which Busch could report in the event of his recruitment. Some people found this a bit premature, but Felfe kept moving and during the next few months gave the impression of great activity surrounding the Busch case while he collected all the necessary approvals for Busch to accept a KGB recruitment, to nominate a (real) candidate for KGB recruitment in the Headquarters, and for the release of deception material. He set Busch up in Heidelberg in an office consisting of Busch, one colleague and a secretary. His theory was that Busch would report freely on this office, thus giving the KGB the impression that they had reached their goal of penetrating the BND. He reasoned that in this way the BND could keep the KGB busy while fending them off with deception and monitoring the extent of KGB knowledge about the BND! The files show fairly universal feelings of incredulity at the time Felfe propounded his plan. Unfortunately the incredulity did not extend to Felfe's immediate supervisor, the BND CE chief. He was fairly well hoodwinked by Felfe in this case, and in several others, to his intense embarrassment later. Each time the security section officers wanted to review the case, they found that the material was inaccessible; finally, in July 1961, one of them was able to get into Felfe's safe and discover, to his amazement, that contrary to all impressions, absolutely nothing had happened in the Busch case since the meeting in Rome a year earlier.

The KGB simply did not appear for the meeting with Busch in Geneva, and no word came from the case officer Heinz suggesting a new meeting. At the same time, Felfe knew from Alfred that there would be no meeting. Via Clemens, Alfred sent the message in early 1961 that Busch's KGB case officer was having difficulty in obtaining documents for a trip to Switzerland. The KGB's Heinz was hard to push around, however. One surmises that he was already quite suspicious of Busch and prepared to drop the case. (According to Alfred, Heinz was unwitting of the true circumstances of the case. This was a bad situation in some ways, as it meant Alfred was unable to control Heinz's reactions.) Alfred told Felfe that Heinz would

SECRET/NO FOREIGN DISSEM

have to be prodded from the West, so in May 1961, Busch wrote him a letter saying he was sorry they had missed each other and that if Heinz was still interested he should set a new meeting date. Busch stipulated that the place should be anywhere but France, since he was blacklisted in that country. Slightly more than two months went by before Heinz replied offering to meet Busch - in Paris! Now Busch had to write another letter. (A tap on Felfe's telephone which was already operating by this time, reveals that Felfe informed Clemens about this time that the BND would not give Busch permission to keep a KGB meeting in Paris. Since Clemens had absolutely no official reason to know this information, one assumes that he was supposed to pass it on to Alfred.

Another six weeks were used up in negotiation for a new meeting. Finally, Busch and Heinz agreed to meet in Vienna on 11 September 1961. At a meeting in Berlin on 10 August, Felfe's own KGB handlers informed him privately of the new meeting plan. They urged Felfe not to let the BND countersurveil Busch's meeting with Heinz, since if Heinz, "who doesn't know the real situation," were to spot the surveillance he would simply break contact. Nevertheless, the BND was insistent about the surveillance, various sections for various reasons. The CE section wanted to identify Heinz; Felfe wanted an excuse to get Clemens (now in the surveillance unit) a chance to meet with Alfred and to countersurveil Felfe's own meetings with Alfred, and the Security Section and CIA wanted to surveil Felfe! To this it must be added that the KGB Heinz had his own counter-surveillance; the only man we do not know about is Alfred - possibly he would have done well to have had some surveillance of his own - if he didn't.

When Busch arrived in Vienna, Heinz told him that he was the KGB "boss" for this operation; that he had come again especially from Moscow and was prepared to offer Busch \$10,000 if he would work as a source on the BND. (The money would be paid later into a Swiss Bank account, for which Busch should make his own arrangements.) Busch modestly replied that he doubted if he could be a very good source since he was not a Headquarters case officer; had been in a debriefing unit (ignoring the previous fabrications about his work) for some years as a result of earlier difficulties, and actually knew no more about the BND than that which had been published in the East German and Soviet exposes of GV"L" at the time of

SECRET/NO FOREIGN DISSEM

the great flaps of the early 1950's. Heinz assured him (Felfe wrote in his report to the BND, "swore to him") that, incredible as it might seem, the content of these old exposes was in fact the sum total of KGB knowledge about the BND and they were hungering for more. He said that Busch was a most important man for the Soviets, and he gave Busch a list of requirements on the BND: true names and pseudonyms of case officers; identification of agents in the East; all information about the Headquarters, about bus routes to the Headquarters, BND license plate numbers; political and operational information about Berlin. In addition to these penetrating EEI, Heinz made several interesting political observations - much in the old LENA style. Felfe wrote them up as follows:

"It was said that the Soviets do not understand Adenauer. Because Adenauer doubted the determination of Soviet demands concerning Berlin, and was not ready to negotiate sooner, now, after the 13th of August, his negotiating position is appreciably less favorable than it was before.

"The Americans in Moscow were said to be of the same opinion. From them it became known to the Soviet intelligence service that they wanted to force the victory of Brandt in the Bundestag elections or in a general victory of the SPD. In this case the Soviets would then try to see that Brandt would not become so powerful as Adenauer.

"Khrushchev reportedly will stand on his word: a peace treaty with the 'DDR' can still be signed this year and Berlin become a free city. Otherwise, one can reckon with further difficulties in Berlin."

Heinz sent Busch home with an S/W system, some developer and a test to practice on, and the agreement to meet again in Vienna in April 1962. In the meantime Felfe prepared his report on the case, assessing it as follows:

"The continuing patience of the Soviets over the years and their careful procedure underline the repeated statements that everything had been stopped (referring to the hiatus between the Rome and Vienna meetings) for security reasons, since our agent was especially important to them. The S/W system given him and the money paid (500 DM) without receipt support this interpretation. The interest of the Soviets is undoubtedly in this case to penetrate Headquarters or at least

to develop the possibilities for doing so. For the future handling of this case it is decisive to determine if, and to what extent, build-up material on the BND, especially about the Headquarters, can be passed, and if it would be possible to find an ostensibly witting source in the Headquarters for our agent, whom our agent could describe in at least a few details."\*

When Busch got home he tried out his new S/W: the practice text was in Russian, which he couldn't read and the code consisted of several number groups for which he had no key. His first communication then to the KGB was a rather stinging complaint. As of early November 1961, when Felfe was arrested, there was no reply to Busch; indeed none came until well after it was clear that Felfe's operation was at an end. In January 1962 a routine letter for Busch arrived asking why nothing had been heard from him. This was the end of the Busch case. Busch was interrogated by the BND just after Felfe's arrest and the conclusion resulted that Busch had been operating honestly in respect to the BND.

c. Support of Soviet Policy and Political Deception

While Felfe could serve admirably as watchdog for KGB assets in Germany, Soviet needs after 1955 had also created for him a private role on the political scene, which in some ways might have provided him an even greater sense of importance than did his bureaucratic omniscience. LENA - as ever - provides a clue. During the period of legalization and re-organization in the BND, the LENA case had been dormant, possibly sleeping off alias Dr. Herder's probing criticisms. In mid-1956 it suddenly awoke, but this time in the guise of a political case. Shchukin told LENA to forget temporarily about his net to penetrate the Foreign Office and to concentrate on investigating the existence of a possible neutralist faction in West Germany. Shchukin said that the Soviets were doing everything in their power to establish a neutralist party which

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\* Felfe's report dated 28 September 1961 on the Busch case: "Bericht ueber Gegnertreff am 11.9.61 in Wien." Had the operation continued and been pursued in the direction proposed by Felfe, Felfe would have become involved in screening personnel and security files of BND officers on whom Busch might be allowed to report.

would make some dent in the 1957 vote for Adenauer. (When election time came, however, he admitted that the Soviets did not have this capability: he said they had no assets for starting a political party!) Soviet interest in LENA's task waxed and waned several times during the year between the summer of 1956 and the summer of 1957, but as tension began to grow in the West about the imminent unveiling of a Soviet ICBM and over the East German troop agreements, LENA's case officer spoke more urgently of the neutralist assignment. In the summer of 1957, Felfe came to a CIA officer with a report from LENA which he said he considered very significant: the KGB wanted LENA to find out if there did indeed exist in the West German government a faction advocating closer rapport with the East German government and with the USSR. Nothing very much came of this item of "intelligence". It was not treated significantly for a variety of reasons, not the least of which had to do with CIA's increasing bafflement with the LENA case as a whole and increasing speculation that it might be a deception. As an indication of KGB operational intent, however, it is interesting. After this, LENA returned briefly to work on the Bonn penetration project, but in early 1958 was told definitely by the KGB to ease out of it and to devote himself entirely to political reporting.

Simultaneously, Felfe was involved in another KGB attempt to support its government's policy. The Rapacki proposals for a nuclear-free Central Europe had come to naught with the successful passage by the Bundestag in March 1958 of a resolution favoring U.S. nuclear weapons in West Germany. Nevertheless, Soviet clandestine feelers for some kind of rapprochement were still out. We can see a small example in one of Felfe's operations. Since the early 1950's, the Soviets had been interested in the ex-Wehrmacht officer, Boguslav von Bonin. Von Bonin was a well-spoken, and out-spoken, neutralist, with excellent social connections, strong idealism and rather little political acumen. He had been chief of the military planning section of the Amt Blank, the predecessor organization of the Defense Ministry, and in 1955 he had been dismissed from the Defense Ministry for publicly propounding his neutralist views. At that time the KGB, through Colonel-General Aleksandr Pavlovich Tarasov, Chief of Staff of the Soviet Forces in Germany, invited him to come to East Berlin to discuss the German problem. He went, was delighted with General Tarasov, left him his notes on his thoughts, but violently repudiated a direct recruitment pitch from a KGB representative. Gen.

Gehlen, who had been in touch with von Bonin on and off for several years, backed him in his trip to East Berlin. Although he realized von Bonin's basic political naiveté, he had hoped to use him in some way to further an old personal dream; that he could somehow be instrumental in bringing about a rapprochement, if not a reunification, of his country through a personal channel to the other side. Felfe was Gehlen's personal representative in dealing with von Bonin.\*

In the fall of 1958 the von Bonin case was raised again from the Soviet side. In that year Felfe had three important meetings with the KGB. The first, in Berlin, was with Alfred, and was designed primarily to introduce a faster communication system by means of OWVL. Through the new radio system Felfe was summoned to Vienna in September 1958 to meet a new and imposing person introduced simply as "the director." The following month he met the director again in Berlin. Felfe will not tell us in detail or in any kind of organized fashion about these meetings, but he does convey that the basic operational reason for them was to discuss von Bonin. Felfe says the director asked his advice about what to do with this case; if Felfe thought it would be advisable for the Soviets to extend another invitation for talks to von Bonin. These meetings seem to have made a great impression on Felfe. He speaks of the director almost with reverence. Certainly this man appealed to Felfe intellectually, and he obviously cultivated Felfe's not insignificant ego. Felfe told Clemens when he returned from the Berlin meeting that he and the director had talked at length of many "deep and important" things. To his interrogators, Felfe presented the topic of the director's talk as though it were a kind of policy statement. Actually, we should, under the circumstances, consider it also in terms of a kind of propaganda outline. The director

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\* Felfe stated to his American interrogators after his arrest that he thought the von Bonin case was a good example of a Soviet "political operation run by CE methods." He added his opinion that the Soviets, in running this type of operation against the BND, were under the impression that the BND played a far more important role in the German political scene than it actually does play.

SECRET/NO FOREIGN DISSEM

began with a discussion of historical Russian respect for Germany. He said that Soviets realized the impossibility of making West Germany into a Communist country, but that this was all the more reason why everyone should try to seek agreement, to find some guarantee of peace. The Soviets were disappointed, he said, that the contacts started by Adenauer on his trip to the USSR in 1955 had not been followed up. There now seemed little likelihood of success on the official diplomatic contact. Now the Soviets must try to seek unofficial contacts. Intelligence chiefs should maintain satisfactory contact with each other. There were distinct possibilities in this and "the doors were always open." This is all Felfe tells us but in the context of the von Bonin operation it suggests much. It also looks as though information passed in the one case, LENA, namely that the Soviets were sincerely interested in a peaceful solution in Germany, was produced to confirm the rightness of Gen. Gehlen's intentions in the other case, von Bonin. These are but small details - one would expect to find many more - of the peace message which has often been played against the louder themes of more warlike Soviet statements. (About three weeks after the director's meeting with Felfe on the von Bonin case, the Soviet government made its first threatening statement of the Berlin crisis - Khrushchev's statement of 10 November 1958.)\*

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\* Eight years later, the von Bonin case was dredged up by the Soviets on yet a third occasion, this time as a propaganda weapon to discredit Gen. Gehlen and the BND. In December 1965, the Moscow correspondent of Der Spiegel magazine, the West German equivalent of Time or Newsweek, was, on Soviet initiative, given an interview by a Soviet Colonel Karpov. The ostensible purpose of the interview was for Col. Karpov to provide derogatory information on Penkovskiy whom he claimed to have known personally, and to attack the book "The Penkovskiy Papers." Near the end of the interview, however, Col. Karpov casually mentioned that he was not unknown in West Germany, and in response to questions from the correspondent (who is reportedly a KGB agent), Karpov then proceeded to reveal that he was the individual who had met with Gen. Gehlen's personal representative (von Bonin) when Gehlen initiated contact with the Soviet military leadership in East Germany in 1955. Karpov's account of this operation was tailored to give the impression Gen. Gehlen had initiated secret discussions with the Soviets on the German problem without the knowledge of either the West German or the U.S. governments. The interview, together with BND rebuttal, appeared in the 10 January 1966 issue of Der Spiegel.

SECRET/NO FOREIGN DISSEM

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Felfe says that the director urged him to develop his political reporting - even to join the Foreign Office (although this last comment might be one of Felfe's own embellishments rather than a real KGB idea). The director also urged Felfe to speed up his political reporting, particularly the transmittal of BND and BfV weekly and monthly situation reports, which he had begun to send regularly in about March 1958. He also asked for information on the BND offices concerned with political intelligence collection on areas other than the Soviet Union.

d. Methods of Communication

In addition to increased concentration on the political scene, the 1958 meetings between Felfe and Clemens and their KGB mentor also brought about important developments in the agents' method of communication with the KGB. It will be recalled that in 1952 Alfred set up the BALTHASAR case to provide cover for Clemens to make regular trips to West Berlin on BND business, and that during these trips Clemens went over to East Berlin for meetings with Alfred. After the BALTHASAR case collapsed in the fall of 1955, Erwin Tiesel, who had been more or less in reserve since his recruitment, took over as courier between West Germany and Alfred in Berlin. Upon occasion, however, Felfe and Clemens also travelled clandestinely to Berlin, despite the risks which such trips entailed. For these trips, Alfred supplied all three agents with West German identity documents in other names (completely valid documents, unlike the obviously forged product in the LENA case), and suitcases with a false panel to conceal reports and film. The agent would then drive through the East Zone, holding a quick meeting with Alfred at a pre-designated kilometer marker (Km. stone 107) on the Helmstedt-Berlin Autobahn inside East Germany, to pass him documentary or other incriminating material. The agents then proceeded normally into West Berlin and met Alfred later for a lengthy meeting in Karlshorst. Clemens at this time (1956) had also been given an S/W system and a code system for using one-time pads. This procedure was fairly satisfactory, but Clemens had less and less chance of lengthy oral reporting to Alfred, while at the same time the volume of reporting increased. Felfe had begun to rely more and more on the tape recorder (he was apparently very lazy about composing written reports, and several instances of Alfred's impatience with him in this respect are documented), and his reporting consisted primarily of a handful of rolls

SECRET/NO FOREIGN DISSEM

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of Minox film and several spools of tape on which (according to Clemens) he recorded situation reports and the latest changes in BND personnel and T/O. Sometimes he would visit Clemens in Cologne, where he would dictate a report in cipher which Clemens would then transpose into S/W. This worked well enough until March 1958, when Clemens was unexpectedly relieved of his post in the Cologne penetration unit and demoted to a surveillance team. Clemens' superiors in BND Headquarters had apparently been dissatisfied with his work for some time. Now his usefulness to Felde and to the KGB was sharply curtailed. He claims that Alfred was uninterested in the information he was able to develop from most of his surveillance activities (primarily against members of the Algerian independence movement in Germany). At this point OWVL was introduced. Clemens acted as the receiver and decoder. Communication was made once a week, with one alternate per week as well. After a while, a "burst" transmission method was introduced, for which Clemens had to use a tape recorder hooked to his radio. After recording the high-speed transmission, he would play the tape at slow-speed and then decipher the message. At one time Alfred wanted to introduce a system of rubbing metal shavings onto the tape so that the impressions would become visible, but Clemens and Felde found this method too messy and too unreliable and refused to use it.

Clemens says that from 1958 on he received very few personal instructions from Alfred and that the majority of the messages were for Felde. In short, he had become largely a support agent for Felde. When he did go to Berlin after this date it was not on BND business (until 1960, when Felde was able to bring him back briefly to an operational role in a double agent case). Alfred tightened up the security by refusing to let Clemens come to the East Sector of Berlin any longer. All their meetings were merely brush meetings on the street, useful only for exchanging material, but not for discussion. Felde tried repeatedly - with only occasional success - to bring Clemens into a case in order to give him legal excuses to go to Berlin, but the problem of quick, secure communications remained a serious one.

It was as much to this problem as to political matters that the director addressed himself in his September and October 1958 encounters with Felde. He announced that he wished Felde and Clemens to sever personal contact with Alfred and the East Berlin Rezidentura and to work from then on solely

SECRET/NO FOREIGN DISSEM

SECRET/NO FOREIGN DISSEM

through an Illegal Resident in West Germany. They would be introduced to the Illegal, but their primary communication with him would be via dead drops. Each man would have his own set of dead drops and it would no longer be necessary for Felde to communicate laterally so often with Clemens on KGB business. The director said that any communication via this system would reach Karlshorst within 24 hours. The immediate reaction of Clemens and Felde was dismay. Their refusal to comply with such a proposal was adamant. They claimed that the introduction of an unknown intermediary between them and Alfred would merely provide more risk of exposure or accident over which they would have no control. The director and Alfred tried to reassure them, saying that the Illegal Resident was an absolutely reliable person, a Soviet citizen, but the two agents continued to refuse. For the next few years the Soviets allowed them to have their own way.\*

Sometime in 1959 Felde received a new KGB cover name: "Kurt." Clemens became "Hanni," and, along with Tiebel, was referred to in KGB files as part of "Kurt's Team" or of "Operation Kurt."\*\* In 1960, during one of his rare visits to Berlin, Clemens was presented with a citation by the KGB in honor of his ten years of service: a letter from the then KGB Chairman, Shelepin\*\*\*, and a bonus of 2,000 DM. Felde also received a letter from Shelepin, and we presume also a bonus, although he did not confess to this.

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\* The KGB use of Illegals to handle West German CE operations goes back a long way. Deryabin told us in 1954 that while he was on the German Desk in Moscow in 1952-53, there were plans afoot to set up two such Residents, one in Duesseldorf and the other in Munich.

\*\* Source: KGB defector Golitsyn.

\*\*\* A BND comment on this subject conjures up a humorous scene in which Clemens "in the purest Saxon dialect" innocently asked his KGB case officer "who this Shelepin might be." Alfred apparently was really shocked, and Felde claimed to be annoyed with Alfred for not orienting Clemens better.

SECRET/NO FOREIGN DISSEM

SECRET/NO FOREIGN DISSEM

Alfred held his last meeting with Felfe and Clemens in Vienna in September 1961. At this time he informed his old agents that at the end of the year he would leave Germany for good. This time there was to be no question of whether or not they would work with an Illegal Rezident. Alfred informed Felfe and Clemens that at their next meeting later in the fall they would meet the Rezident, and that after this they would work through dead drops. Each man was to select and set up drops for himself: Felfe in the Munich area, Clemens in the Cologne area. From time to time they would have personal meetings with a KGB case officer in a third country, and if they should ever feel themselves in danger they could go to the Soviet Military Attache in some Western European country other than Germany.

A very rough estimate of the frequency of personal meetings between Felfe and/or Clemens and their KGB case officers during the course of their KGB career is once every three months. But this frequency varied greatly during different stages of the operation, depending upon the availability of cover for travel and the intensity of the operational developments at the time. The personal meetings were, of course, heavily supplemented by impersonal communications.

e. New Directions?

We have seen how Felfe, as chief Soviet counterespionage referent in the BND, was able in the last years of his career to cover Soviet requirements on a variety of levels and a variety of topics. By rigging an operation especially for Felfe, Alfred could force answers from almost any element of the West German government in the guise of "build-up" material. By creating certain operational situations or complexities, Alfred could help Felfe in his bureaucratic manipulations, indeed even promote the formulation of helpful bureaucratic regulations or precedents. By introducing a Soviet CE factor into any BND case anywhere, the KGB could cause the case to be transferred to the protective custody of Felfe. By introducing a Soviet CE factor urgently affecting German security into the operation of any other agency, German or foreign, the KGB could hope to bring many another case under Felfe's scrutiny. Finally, Felfe, because of his own personal qualities - brashness, inquisitiveness, aggressiveness - was able to broaden his access to information in areas in which he had no official excuse to be interested. (In this

SECRET/NO FOREIGN DISSEM

SECRET/NO FOREIGN DISSEM

respect he is reported in one of the BND security investigations as having tried to meddle in a BND operation involving a West German nuclear scientist - probably in response to a specific request from Alfred.) In the end, Felfe had become much more than just a simple servant of the KGB. (It's doubtful if he ever thought of himself as such.) Evidence from intercepted OWVL broadcasts - as well, of course, as Felfe's own statements - shows that Alfred often asked Felfe for advice about the Soviet handling of certain operations. This included advice on the Soviet handling of BND-KGB double agents and the timing and tenor of KGB propaganda operations. Felfe had become in many ways something of a consultant to the KGB, as well as an agent.

In spite of the fact that in many ways Felfe had an almost ideal position, there is evidence that in 1960 he was instructed by the KGB to move on to a new job. This was the post of security officer for the BND Communications Unit. At this time, discussions were underway for the establishment of the BND as the German communications intelligence (COMINT) authority. Felfe knew that the post of communications security chief was shortly to become vacant, through the retirement of its incumbent, and he probably knew that the job would assume greater importance once the COMINT agreement was signed. He submitted his application for the post early and worked hard to sell himself as the next candidate. In many respects, however, this is a job which might not have interested him as much as his old one, and it is curious that he tried so hard to get it. In his post-arrest statements, he went to great pains to claim that the KGB was definitely against having him transfer, but there is sufficient evidence (including intercepted telephone comments between Felfe and Clemens) to suggest that the opposite is true. If so, then the obvious question springs out: Would the KGB have asked an agent who was de facto chief of the BND Soviet CE Section to give up this job unless it had a replacement with equal or better access?

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#### V. INVESTIGATION AND ARREST

For almost every year of Felfe's post-war existence an item of derogatory information was entered in the files of some Western agency. Unfortunately, no one agency, much less the BND, had it all until shortly before his arrest. Both Clemens and Felfe have praised Soviet security practices as greatly superior to those of the BND, and their account of the KGB handling shows a continuing concern with operational security. The weakness of the Soviet operation cannot be laid so much at Alfred's door as at Felfe's and Clemens'. The weakness, of course, was built in: the clannishness and susceptibility of the ex-SD officers which drew them to KGB attention in the first place, also bore the seeds of an eventual breakdown. Felfe and Clemens refused the discipline of maintaining contact via an Illegal, insisted on keeping up their lateral communications and their trips East to meet the KGB officers. One can at least understand what psychology might have motivated the two agents in their refusal of the impersonal and mechanical communications system, but their stubbornness was disastrous, and as time passed their operational practices became more and more lax. What saved them for so long was the fact - over which they had little or no control - that no thorough investigation was ever made of either Felfe or Clemens by any one agency. The BND, hamstrung between the requirements of "respectability" and the need for experienced personnel, did not (at the time Felfe and Clemens were recruited) perform background checks on new employees and did not routinely trace them with other agencies. Instead it tried to rely on rigid internal compartmentation as its primary security technique.

As early as April 1950, British files contained sufficient derogatory information on Felfe to make anyone wary at the very least. Aside from information on such general and common post-war sins as the falsification of personal history statements, "insecure" talk, and information peddling to several agencies at once, the British file contained: (a) Felfe's report on Gerda Clemens' attempt to recruit her husband for the KGB in Dresden, an indication that Clemens might have accepted recruitment, and Felfe's offer of Clemens to the British as a double agent; (b) Felfe's admission that he had sent a report on a unit of the LfV Nordrhein-Westfalen to a contact in the SED in East Berlin; (c) a report that Felfe had attempted to peddle to at least two West German news

SECRET/NO FOREIGN DISSEM

agencies the charter of the proposed BfV which was about to be presented to the Ministry of Finance for approval. The history of Felfe's possibly dangerous contacts with Max Wessel and Helmut Proebsting was also recorded in some detail, as well as indications of untrustworthiness, possible theft and general "varnishing of the truth". Some of this information was made available in general terms to the BND in January 1958, when the BND requested traces on Felfe in the course of their 1956-57 investigation of him.

CIC had a certain amount of derogatory information on Felfe by the fall of 1954, mostly from Ludwig Albert, who had become aware of the existence of black marks against Felfe in the BfV and the Federal Criminal Office through his own early CI work. CIC also had the report of Max Wessel's alleged approach to Felfe.

By 1956 CIA had what CIC had, although in condensed form, without source description. It also had Deryabin's information in early 1954, which indicated the existence of two KGB agents in the Gehlen Organization with the cover names "Peter" and "Paul" (Clemens' and Felfe's cover names at the time), but unfortunately Deryabin was not able to provide details to help identify the agents.\* After 1957, when CIA officers began to work more closely with Felfe, the file of suspicious, or at least puzzling, items about him grew. For example, in February 1957 a CIA officer from the liaison base in Munich/Pullach accompanied Felfe on a trip to Berlin. The purpose of the trip was a special meeting with LENA, at which, Felfe said, he hoped to obtain additional details concerning an earlier LENA report that the KGB was targeting a homosexual officer of the U.S. Department of State stationed in Berlin.\*\*

\* Nevertheless, Deryabin's report on the fact of penetration should have led to a review of personnel security practices within the BND, but it did not. At that point in West German and BND history, almost any type of investigation into the backgrounds of BND personnel would have turned up derogatory information and possible indications of Soviet connections on the part of a number of BND employees.

\*\* This was a typical diversionary allegation. CIA's Berlin Base and the State Department security office expended considerable effort to investigate LENA's report. The investigation lasted well over a year, until it was dropped with no conclusive result.

SECRET/NO FOREIGN DISSEM

After Felfe and his CIA liaison officer had already arrived in Berlin, and separated, Berlin Base received a cable indicating that Gen. Gehlen was concerned about Felfe's safety and had requested that he be under CIA's 24 hour-a-day protection. (Was this one of Gehlen's flashes of intuition, and could he have suspected the truth even then? This possibility cannot be rejected out of hand.) After this cable was received, the CIA liaison officer, remembering a remark Felfe had made earlier in the day that he intended to go to a movie at 1830, telephoned Felfe's hotel at 2030 hours. Felfe was not there, nor had he returned by four in the morning when our sleepy officer decided to abandon his vigil. Located in his hotel at 0800 the next morning, Felfe invited our liaison officer to breakfast. Without being asked to account for his time, Felfe volunteered that he had gone to the movie at 1830, had had something to eat and a drink, and had then gone to another movie at 2230. Again without being asked or challenged, he exhibited two movie tickets. This voluntary display of props to support a story struck the liaison officer as quite unusual. Equally unusual was the fact that the stub was torn off only one of the tickets, and that even if Felfe had in fact attended the second movie it would not have lasted until some time after four o'clock in the morning. The liaison officer did not reveal his suspicions to Felfe, but he did prepare a report on this disappearing act and suggested that Felfe be investigated.\*

The BND had Ludwig Albert's denunciations of Felfe as early as 1953, but these went unheeded. Albert made a practice of denouncing many of his colleagues who transferred from GV"L" to the Headquarters CE units and, furthermore, was not entirely above suspicion himself. The first concerted investigation of Felfe of which we have record was begun by the BND in 1956 on the official grounds of "Suspected SD and Eastern Connections." When the BND traced the British in the course of this investigation, they received a memo on 21 January 1958 generally outlining Felfe's insecure and deceptive practices as a British agent and specifically pointing out suspicious contact with Helmut Proebsting and "the RIS attempt to recruit Clemens." The memo did not contain an account of Felfe's having offered Clemens to them as a double agent. In addition,

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\* It was later confirmed that Felfe met with the KGB in East Berlin that evening.

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the British pointed out that as late as August 1957, Felte had attempted to establish an unofficial connection to a British intelligence officer in Duesseldorf. None of this seems to have stirred the BND particularly. Felte was called in and asked, in a pro forma manner, about his SD connections. Felte, equally pro forma, denied having been an SD officer. The "investigation" seems to have petered out at this point, despite the fact that the falsity of Felte's statement could have been proven very easily.

In the meantime, during 1956 or 1957, the CIA security liaison officer to the BND had been making a review of the horrendous GV"L" flaps of the early 1950's. He reasoned quite simply and accurately that if the KGB had deliberately sacrificed a number of agents in the GV"L" bases, it did not do so without leaving some penetrations in place to report on the subsequent CE and CI organization and operations of the BND. To find the remaining penetrations, one should look primarily in the Headquarters CE section and in the Frankfurt-Cologne field base, which had absorbed a number of the old GV"L" officers after the dissolution of that base. In a memo dated in early 1957, this officer suggested several candidates for investigation, among whom were Felte, Reile, Clemens and Schuetz. His conclusions were given to the BND security section, where they were added to the general suspicions of Felte and his coterie, but again, unfortunately, did not succeed in sparking any sort of investigative action which might have tested out the logical analysis.

The security situation continued to fester quietly in this way until early 1959, when finally a report from a high-level penetration source shot us into action. In March 1959, Michal Goleniewski, a senior officer in the Polish Intelligence Service reported to us that the KGB had had two agents in the BND group which visited the U.S. in September 1956. The KGB also had an agent, Goleniewski reported, who was in position to obtain information on a joint American-BND office running operations against the Soviet Embassy in Bonn and against the Soviets traveling in the West. The KGB had guidance papers used by this office and prepared by the Americans in 1956. The original source of this information was the highest level of the KGB: Gen. Gribanov, the Chief of the Internal Counterintelligence Directorate, who revealed this information in a briefing of

SECRET/NO FOREIGN DISSEM

SECRET/NO FOREIGN DISSEM

the assembled satellite intelligence chiefs in 1958.\* On the basis of this information and several other leads from Goleniewski, and despite some questions concerning Goleniewski's bona fides, CIA began a quiet, closer investigation of suspect KGB agents in the BND. This investigation centered on Felfe. As a first step, file information was pulled together on Felfe and on the stranger of his operational activities - the LENA and Busch cases. He was placed under unilateral CIA surveillance on several of his trips out of town, and a unilateral phone tap was put on his Munich telephone. The BND was not immediately informed because of the extreme sensitivity of the source, Goleniewski, who was still in place.

By early 1961 the circumstantial evidence against Felfe, the positive evaluation of Goleniewski's information in general, and especially the fact that Goleniewski had by then safely defected to the West, brought CIA to the point where it felt it could inform the BND. When General Gehlen was told in February 1961 of the specific report about two KGB agents in the group which visited the U.S. in 1956, he immediately agreed that his heretofore favorite case officer - Felfe - was the major suspect! He set up a small special task force to investigate Goleniewski's leads to penetration of the BND. Now, with the impetus of information from "the horse's mouth," their investigation of Felfe picked up rapidly where it had left off six years previously. The BND noted that Felfe had a weekend house built, suspiciously it seemed, right on the Austrian border, and in mid-March a tap was put on the telephone on this house. This was difficult to achieve because the house was located in an area with virtually no other residents, but as soon as this tap began producing, the KGB's operation "Kurt" unraveled rapidly. The first lead came from a remark by Clemens, who complained to Felfe about the high cost of his phone calls to Felfe: if these had been official calls there would have been no need to complain. The BND then began to look at Clemens more closely and discovered that he was in correspondence with his daughter in Dresden via a third person (Tiebel), even though he went to great pains to give the public impression that he had no connection with his East German family. The BND security team also discovered that Felfe had been falsifying his expense accounting, and they noticed his relatively high

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\* Revelation of such information even to the chiefs of the satellite services was a major KGB mistake.

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standard of living. In the summer of 1961 Felfe began dropping remarks about having received a large bequest from a recently deceased aunt in the U.S. CIA checked and found the aunt very much alive and that there was no record of her having made any foreign money transaction. Indeed, a few weeks later she applied for a passport to make a trip to Germany to visit Felfe, and Felfe then began mentioning a loan instead of a bequest.

During the course of the spring and summer of 1961, telephone coverage on Felfe's weekend house revealed that he and Clemens were definitely in clandestine contact with each other on matters which could not be identified with official Gehlen operations.\*

They spoke quite openly - very "insecurely" - about Gehlen affairs on the telephone, but double-talked certain other matters. It was also evident that they were corresponding with each other on operational matters of some kind although they had no official BND reason to do so. Mail coverage was placed on Felfe. By piecing together various scraps and shavings from the taps and from close observation of Felfe, the BND security officer was able to establish a significant pattern of action on Felfe's part. It became clear that Felfe was always curious and aggressive just after his bi-monthly trips to Cologne. (The investigator drew up an impressive analysis showing how Felfe pushed for information on a subject not normally of direct concern to him - namely the whereabouts of an engine recovered by the BND from wreckage of a Czech owned IL-18 which had crashed in Bavaria - at a time when normal interest in the air crash had died down, but just after one of Felfe's trips to Cologne. Felfe later admitted that the whereabouts of the IL-18 engine had been an urgent EEI from Alfred.) The investigators reached the conclusion that Felfe was receiving his EEI in Cologne via Clemens, who served as a communications link to the East. In August three very damning telephone intercepts revealed that Clemens had been "called" and asked to find out from Felfe what had happened in the Pripoltsev affair. Felfe told Clemens that he had written something about it the previous day, which would be "over there" the following day. By early October it

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\* The phone tap on Felfe's Munich residence remained generally unproductive. Felfe knew this phone was easy to tap, and he apparently instructed Clemens to always call at the country home on Saturday evenings.

SECRET/NO FOREIGN DISSEM

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was clear to monitors that Clemens was receiving OWVL, and they were able to establish his frequencies and schedules (every Saturday at noon, alternate repeat on Mondays at 1700 hours). Several messages were subsequently broken when Clemens relinquished his one-time-pads.

In addition to this form of observation, Felfe's more extraordinary operational behavior was being scrutinized as never before. In the LENA case a full scale security review was ordered - the reviewer unaware of the pressing reasons for it, however. Within two months after this order was given the slippery principal of the LENA case, Hofe, announced that the Soviets had lost interest in him and turned him over to the East German service. In Felfe's safe, evidence was found that he had falsified official Registry records on the LENA case. In the Busch case, both CIA and BND investigators watched nervously as Felfe and Clemens prepared to accompany Busch to the 9 September 1961 meeting with the KGB in Vienna.

CIA surveillance of Felfe in Vienna revealed that he took extreme evasive tactics when leaving his hotel at a time when no activity was scheduled in the Busch operation. It was a Sunday morning, when the Vienna streets were quiet. Felfe drove very fast, made several U-turns and crashed a red light. The surveillance team was under instructions to let Felfe go rather than risk being detected. It was later learned that Felfe met with Alfred barely ten minutes after the surveillance had been broken off. Clemens was in his hotel room with a bad cold and could not make the meeting with Alfred. (This was unfortunate, as after his arrest he would have given an honest account of what happened at this meeting.)

By October 1961, the evidence from telephone intercepts was convincing enough to prompt the BND to seek the opinion of the Attorney General's office as to the chances for taking executive action against Felfe. On 19 October the Federal Attorney advised that none of the tapping evidence was juridically useful so far, but he advised that the investigation be continued. On the 28th of October, a series of very provocative telephone calls was recorded between Clemens and Felfe. From these calls it emerged that Clemens was having difficulty deciphering a "call from Alfred." Clemens said, "They must have called when I wasn't here," since "several pages seem to have been skipped." When Clemens was at last able to read Alfred's message, he reported to Felfe that Alfred wanted Felfe's advice for the continued direction of a press

SECRET/NO FOREIGN DISSEM

campaign then being directed by the KGB against the BND regarding the murder of the Ukrainian emigre leader, Stefan Bandera.\* The KGB had already learned from Felfe about planned American and German publicity on this case, and on the basis of Felfe's information and with his guidance were preparing to steal the show with counter publicity of their own. Alfred also wanted Felfe's opinion about the further handling of Fritz Busch's operation. Most important for the investigators, however, was Felfe's news for Clemens that he had just made arrangements for Clemens to accompany Busch to Berlin in mid-November as a counter-surveillant for a meeting Busch was to have with a double agent. Clemens could, therefore, have an opportunity to see Alfred again. Felfe remarked that the double agent didn't know yet that there was to be a meeting, but that Felfe was about to write (to Alfred) to arrange a meeting on the 13th or 14th of November. At last it looked as though there would be an opportunity to catch one or the other of the agents with incriminating evidence on him. Furthermore, it seemed certain that Felfe's request to the KGB to make a specific meeting arrangement would produce a response from the KGB in the next scheduled OWVL broadcast. This was to be on Saturday noon, 4 November, or alternately on Monday afternoon at 1700 hours, 6 November. Furthermore, it was likely that Clemens would be telephoning to Felfe immediately after the receipt of the OWVL message to report its contents. Perhaps at this point the much needed legal evidence would appear.

The expected OWVL message was picked up on Saturday noon. During the afternoon Clemens made three telephone calls to Felfe, the gist of which was that Alfred's message contained more about the press conference, nothing as yet about the new meeting in Berlin, in fact "nothing special;" consequently, Clemens would just send it along to Felfe by registered mail. Thus the weakest link in the KGB's communications channel was presented to us. The opportunity was ideal. The following day, Sunday, saw hurried legal conferences between the BND security chief and the Federal Attorney's office and between CIA and the chief of the mail intercept service (which is under Allied control). The coordination and planning among these offices for Felfe's arrest

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\* Shortly before this, the KGB assassin Bogden Stashinskiy had defected to the West and confessed the murder of Bandera. To counter the adverse publicity the KGB disinformation group in East Germany mounted a campaign to discredit Stashinskiy and place the blame for the assassination on the BND.

SECRET/NO FOREIGN DISSEM

was superb - not a simple matter, since Felfe's own "special connections" had to be circumvented without arousing ire or suspicion.

At 1030 on Monday morning, 6 November, Clemens' registered letter to Felfe was officially handed to the BND and the Federal Attorney. By 1130 the appropriate police officers with BND escort were assembled at the BND Headquarters building in Pullach; Felfe had been summoned to the office of a senior BND official on an unalarming pretext; the compound gates were locked, the telephone lines cut; all principals were armed, and the BND doctor was standing by for any emergency. A few minutes later, the arresting officers entered the office in which Felfe was conferring and served their warrant. Felfe's first reaction was to grab for his wallet and attempt to destroy a scrap of paper which was in it. There was a small scuffle; the officers retrieved the paper, subdued Felfe. By an enormous stroke of luck the captured notes turned out to be Alfred's typewritten EEI which Felfe had received in Vienna in September. Felfe refused for several days to make any admissions. Clemens, whose arrest had been carried out in Cologne about eight minutes after Felfe's, began talking immediately and led his arrestors to the place where he had hidden his code pads. Erwin Tiebel was arrested the following day in his home town. Thus ended, nearly ten years to the day, Felfe's career as a West German intelligence officer and a KGB penetration agent.

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## VI. THE AFTERMATH

By 8 December 1961 news of the arrests was generally known throughout the West German government. By 12 December it was in the newspapers. The trials took place after lengthy (and from the counterintelligence officer's point of view, unsatisfactory) interrogations in July 1963. Felfe received a sentence of 14 years in prison, Clemens nine years in prison, and Tiebel two years at hard labor. Through his mother in Dresden Felfe managed to re-establish contact with the KGB and continued to correspond with the Soviets even from his prison cell. Ever resourceful, Felfe first prepared an S/W system from the alum in his shaving kit; later, he undoubtedly received a better system. From time to time he "recruited" criminals about to be released from jail to smuggle letters out for him. Some letters were intercepted, but others apparently got through, and it is evident that Felfe asked the KGB to send him, suitably concealed in laundry, reading matter, a chess set, etc., various paraphernalia for escape and for clandestine communications. He also asked for poison to be taken in the event the KGB was unable to spring him. He also gave the KGB a fairly comprehensive and self-exonerating damage report -- blaming as much as possible on Clemens.

Over the years the Soviets repeatedly attempted without success to gain Felfe's release in exchange for prisoners in the East. Felfe, meanwhile, remained confident that sooner or later he would be pardoned, exchanged, or would manage to escape. His optimism eventually proved to be justified: on 14 February 1969 the West German government, through the Ministry of All-German Affairs, announced tersely and without further detail that Felfe had been exchanged for three West German students imprisoned as intelligence agents in the Soviet Union. The KGB, at long last, had redeemed its servant.

Unpublicized provisions of the Felfe exchange agreement, negotiated through East Berlin lawyer Wolfgang Vogel (a Soviet-trusted veteran of previous agent swaps), included the ransom of 18 BND agents imprisoned in East Germany. The price to the West German government was double that of former ransom cases: 80,000 DM (\$20,000) for each West German agent released. These agents were turned over on 13 February. The next day Felfe was taken to a West German border post (reportedly at a crossing into Thuringia) where Vogel was waiting on the other side with car and driver. There was no visible Soviet presence. After East German release of the West German students who had been held in the USSR, a formal

70

release order was read to Felfe. He had but two questions, the first concerning whereabouts of his West German identity card. Answer: "We have no idea." He then asked if he could ever return to the Federal Republic. Answer: "Anytime, right now if you wish." Vogel stepped forward with a formal offer of asylum which Felfe accepted. As the KGB agent crossed the border, suitcase in hand, he muttered a partly unintelligible parting shot which one observer said was "I'll make enough trouble for you yet" or words to that effect. It was noted that once across the border, Felfe was told to sit in the front of Vogel's car, next to the driver, while Vogel occupied the rear seat alone. One cannot help speculate whether the driver, perhaps, was Alfred.

In Felfe's two major deception operations, LENA and Busch, the KGB endeavored to act as naturally as possible after his arrest. Fritz Busch received a routine message in early 1962 asking why he hadn't corresponded lately with the KGB. LENA went to elaborate lengths to misconstrue or simply to ignore the danger signals which the BND kept sending him, and he insisted on sending "political intelligence" back to his West German case officers. The KGB even went so far as to let him come to West Germany on one of his regular business trips, at which time he was arrested and interrogated on charges of espionage. He refused to admit KGB control; however, there were enough inconsistencies in his story to bolster the earlier analysis that he had been KGB directed from the beginning. After a brief period in prison, LENA was returned to East Germany in a prisoner exchange agreement. The manner in which the East Germans conducted these negotiations was evidence in itself that LENA was regarded by the East as a person of special importance, whose return was urgently desired. The entire prisoner exchange agreement, which was a big thing and involved well over 1,000 prisoners, was made contingent upon the release of LENA.\*

The BND has taken to heart the sad lessons learned from this case and has made vigorous efforts to improve and protect its security. Although historical developments of the last 25 years inevitably make the German services more vulnerable to penetration than other Western European services, one should note that since Felfe's arrest the BND has faced this problem squarely. The determined efforts of a small group of the BND's most competent younger officers have been focussed on this problem, and much progress has been made in detecting and removing officers who because of their wartime background or for other reasons fall into categories classed as security risks.

\* Persons knowledgeable on this case have speculated that LENA could be a long term KGB illegal.

ANNEX A:

The HACKE Story

At the end of 1943, Nazi Party boss Martin Bormann foresaw the approaching defeat of the Third Reich and reportedly began to build up a secret Nazi cadre organization unknown to Hitler and other Nazi leaders. This organization has come to be known in Western intelligence circles under the codeword HACKE.\* According to Bormann's plan, HACKE was set up according to the "V" pattern (5 persons): members of one "V" became leaders of further "V"s, and the leadership was anonymous to the lower circles. It was to be numerically limited, but expanded as needed. Its objective was to exercise clandestine influence over affairs of the Third Reich, and to prepare the groundwork for continued activity after the defeat. In early 1944 there were allegedly only 35 members; by the end of that year, a half million dollars in concentration camp booty had been smuggled abroad and clandestine bases had been set up in Spain, Portugal, Argentina, Japan and Italy. HACKE members were quite different from those who opposed Hitler on more or less moral grounds and who organized the attempted assassination of Hitler on 20 July 1944. They were war criminals, fanatics and far-sighted opportunists who saw the handwriting on the wall and moved early to assure their personal future. To the extent that ideology as well as opportunism played a role, their militance and authoritarianism brought them far closer to Communism than to Western democracy. After the war, HACKE kept alive the old Nazi slogan, "Fight the Jews and plutocrats in the USA," and its goal was the founding of a Fourth Reich.

Typical of Soviet capabilities in this milieu, is the fact that the Soviets learned of HACKE at its inception. Bormann consulted with Gestapo Chief Heinrich Mueller concerning the

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\* This codename was originally coined by Michal Goleniewski for use in reporting on this subject while he was still in place as a CIA penetration of the Polish Intelligence Service. Since we do not know the actual name of the organization, the codeword HACKE has stuck and is still used for want of any better term.

organization, both for advice on conspiratorial organization and to gain Mueller's protection vis-a-vis SS Chief Himmler, who was an enemy of Bormann and who Bormann feared might learn of the organization. Gestapo Chief Mueller, in turn, was reportedly already in contact with the Soviets at least as early as the beginning of 1944, and he informed them of Bormann's plan.\* The Soviet operation with Mueller was directed personally by Gen. Abakumov, then Chief of SMERSH (Military Counterintelligence) and subsequently head of the entire MGB, predecessor of the KGB. Abakumov immediately recognized the importance of HACKE and did everything possible to penetrate the organization and direct it toward long range Soviet goals. Mueller's knowledge of HACKE was limited. He was only used by Bormann; he was not fully trusted nor was he a member of HACKE himself. But his knowledge was sufficient to identify other members of the organization, and without waiting for the end of the war, Abakumov allegedly recruited several HACKE members by blackmail and threat of denunciation to Hitler and Himmler.

One member of HACKE with whom the Soviets reportedly were in touch during the war is SS Colonel Otto Skorzeny, who is famous for leading the airborne rescue of Mussolini from Allied imprisonment. Skorzeny was under active development by Abakumov's unit as early as 1942. He was suspected for a while of playing a double game, but was reportedly firmly recruited by the Soviets in mid-1944. For a brief period shortly before the end of the war, Skorzeny was maneuvered into position as chief of Nazi military intelligence.

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\* Mueller was well-known as a student and admirer of the NKVD, and this apparently led him to general sympathy with the Soviet cause. In his memoirs, Gen. Walter Schellenberg, a senior SS and SD officer, quotes Mueller as saying in Spring 1943: "I cannot help it; I incline more and more to the conviction that Stalin is on the right road. He is immensely superior to the Western heads of state, and if I had anything to say about it we would very quickly come to an agreement with him." It was not long after this that Mueller apparently did make his own personal accommodation with the Soviets. The Soviet contact to him was reportedly arranged by Maj. Loelgen, the Gestapo chief in Danzig, who had been recruited by the Soviets sometime in 1943. Mueller's post-war whereabouts is a much-debated mystery. It was first believed that he died in the siege of Berlin, but there have been a number of reports that he escaped successfully to the Soviet Union.

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Through Skorzeny, Abakumov hoped to catch in time and exploit for Soviet purposes the Nazi Abwehr agents in the U.S. and South America.\* It is not known whether Skorzeny is still a Soviet agent. Deryabin tells us the KGB was trying to locate him in 1952, perhaps to reestablish contact. He is presently living in Spain, from where he maintains active contact with wartime friends and associates.

After the war, the Soviets concentrated on maximum investigation of HACKE and maximum infiltration of agents into its membership. The organization expanded in 1947-48, and this opportunity was exploited. Several war criminals who were knowledgeable on HACKE were located in various Eastern European jails. Goleniewski, for example, has described the two-year effort to break HACKE member Foerster, the former Nazi Gauleiter of Danzig, who had been sentenced to death as a war criminal in Poland. It was Goleniewski himself, who in mid-1952 after six months of patient debriefing and persuasion, finally induced Foerster to reveal what he knew about HACKE. In this case, as in a number of others, Goleniewski operated on direct instructions from the Soviets, wholly independent of his own Polish service. As soon as Foerster began to talk about HACKE, he was immediately removed from prison and flown to Moscow in a special plane. Our only source of direct knowledge on HACKE is Goleniewski, and most of Goleniewski's knowledge comes from his involvement in the Foerster case and subsequent discussion with KGB officers who specialized in German operations. Deryabin has provided circumstantial confirmation, however. He reports that the voluminous files on Abakumov's wartime operations against high level Nazis were known in the KGB as "Abakumov's legacy," and that they read like a novel. There was renewed interest in these files about November 1952 (i.e. after Foerster began talking about HACKE); at that time the files were removed from the Austro-German Section to a separate location, and a high degree of compartmentation was put into effect with regard to all files pertaining to former Nazi officers.

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\* One of the reasons Abakumov rather than Merkulov became chief of the MGB in 1946 was that Stalin agreed with his demonstrated policy of maximum emphasis on intelligence operations against the United States.

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The HACKE story is regarded by many knowledgeable persons as an important backdrop to understanding post-war German security problems, and particularly to an understanding of Soviet penetration of German intelligence and security services as illustrated by the Felde case. It shows how early in the game and with what apparent success the Soviets moved to penetrate and exploit the various formal and informal groupings of former Nazis. Former SS and SD officers were particularly vulnerable to Soviet blackmail, as the Soviets systematically sought out and exploited the evidence of their war crimes guilt. In this group for which conspiracy had become a way of life, the Soviets could also make an ideological appeal -- continued hatred of the United States combined with respect for authoritarian Soviet power. Many of these former Nazi officers, including some with a record of hushed-up war crimes, obtained important or sensitive positions in the West German government. This group exercised a particularly fatal attraction on the re nascent West German intelligence and security services, which had an obvious need for experienced personnel to counter the growing threat of Soviet espionage.

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ANNEX B:

The LILLI MARLEN Case

Using information gathered (we believe) by several penetrations of Gehlen's CE branches, the KGB prepared a comprehensive document on the personnel, organization and operations of GV"L". The document had the appearance of a report from an agent in place in GV"L" or near the chief of GV"L" and was signed with the name "Artur." The content was genuine and implied a real Soviet penetration or penetrations, but there were some discrepancies in the use of organizational terminology which suggested that the document itself might be a fabrication. The document was photographed on microfilm and the microfilm placed in a dead drop at the base of a lamp post in the West German city of Ludwigsburg by an agent whom we have never identified.

The document was brought to the attention of West German police by a KGB agent who was briefed to report to the police that he had accidentally discovered the dead drop. Another KGB agent was briefed to empty the dead drop and in doing so, unwittingly, to walk into the police stake-out, be arrested and thus provide confirmation of the existence of a Soviet penetration in GV"L". The account of the recruitment, preparation and handling of these two agents (drawn largely from their confessions) provides some excellent examples of tactical deception techniques. In general it should be noted that both agents were of very low calibre - too low to be used in any real intelligence operation; both had already been blown in one capacity or another to various Western intelligence agencies. The KGB presumably used them in the LILLI MARLEN operation not only in spite of their low agent quality, but because of it!

The Agents:

"The Informer": Bodo Fromm, born in 1915, was a former Wehrmacht Lieutenant from the Dresden area. He joined the Western-sponsored Fighting Group against Inhumanity in early 1951, was caught distributing leaflets in East Germany and recruited by the KGB in Dresden. Fromm continued to work for the Dresden KGB office as a penetration of the Fighting Group and staged a "flight" to West Berlin when the Soviets arrested his colleagues. Subsequently he tried, on Soviet instruction, but without success,

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to get agent work with the French, the British and the Americans in West Berlin. Later he was able to operate as a penetration of the Committee for Liberation from Totalitarianism, a group which was eventually taken over by the Gehlen Organization. At this point Fromm was introduced to a new case officer in Berlin who told him that his targets were the BfV and the Gehlen Organization. In the fall of 1953 all the West German agents whom Fromm had been able to identify to the Soviets were arrested in the Soviet Zone (except one - so that Fromm might not be suspect), and Fromm was ordered to move from West Berlin to West Germany where he was to await further instructions.

"The Throw-Away": Walter Kunde, born in 1908 in Berlin, was a periodically unemployed salesman. In 1950 and 1951 Kunde worked for British intelligence in Berlin, but was dropped on charges of being a swindler and a fabricator. While employed in a West Berlin department store in 1951 and 1952, Kunde made the acquaintance of an East Berlin customer named Rolf Rhodin. Rhodin was an old German Communist Party member from Dresden, a long time Soviet and MfS principal agent, spotter and recruiter. He was already documented in the files of various Western intelligence services. (Of interest in connection with the LILLI MARLEN case is the fact that Rhodin had also appeared in the case of Wolfgang Roehrer, a Soviet penetration of one of GV"L"'s sub-bases in Berlin who had returned to the East through a staged kidnapping in 1953, and who could very well have provided some of the information contained in the LILLI MARLEN document.)

Kunde lost his job in mid-1952 and was destitute for the next year and a half. In late November 1953 he accidentally met Rhodin on the street; he told Rhodin his troubles and accepted Rhodin's offer of help in return for "favours," to be specified at a later date. Kunde thought at the time that Rhodin was referring to matters connected with East-West trading. Between November 1953 and mid-May 1954, Rhodin met Kunde fairly often without making any specific points, but was apparently assessing him closely.

The Operation:

As of spring 1954 both Fromm and Kunde were on call for the KGB's CE section. Fromm was a completely initiated Soviet agent and was in direct contact with KGB officers. Kunde knew only Rhodin and had no precise idea of whom or what Rhodin represented. Neither agent knew the other.

In mid-May 1954 Fromm received a summons from the KGB to come

SECRET/NO FOREIGN DISSEM

from West Germany to Karlshorst for a meeting. Rhodin at the same time called on Kunde and told him to prepare himself to make a trip to West Germany. (Kunde had to apply for the appropriate travel documents.) On 24 May Fromm met his case officer in Karlshorst and was told that in the near future he was to receive instructions to do something (not specified) within a 50 km. radius of his home in Stuttgart. The case officer gave Fromm instructions in S/W, a cipher, and open code signals to be used for making meeting arrangements.

On the 10th of June 1954, Fromm received a telegram summoning him again to Karlshorst, but Fromm was unable to travel until the 17th. He let four days go by, however, before he informed the KGB of this fact. In the meantime Rhodin had told Kunde to keep in very close touch with him since he was waiting daily for a telegram from West Germany which would give him some idea of when Kunde could make his trips. Kunde had his travel documents ready by the 11th of June.

On 17 June 1954 Fromm arrived in Karlshorst for his meeting with the KGB case officers. They were annoyed that he had not been able to come earlier and said that Fromm's task concerned a very important matter which had "already cost many thousands of marks." It was crucial that Fromm be in Ludwigsburg on 18 June at precisely 0700 hours. Fromm was then given his mission: he was to look for a minox box concealed at the base of a certain lamp post. If he found it he was to leave it there and go punctually at 0800 to the Chief of the Ludwigsburg police and tell him the story of seeing a man put something near the base of the lamp post. He was to give a plausible excuse for being at that spot himself early in the morning and was to say that the man had acted suspiciously, making Fromm suspect some spying activity. The Soviets also gave Fromm a physical description for the man, which they said was notional and which he could relay to the police. Fromm was to be sure to report only to the Chief of the Ludwigsburg Police, since he was known to be very pro-American and would certainly inform American agencies and have the dead drop surveilled.

The Soviet case officers further explained that another man would empty the dead drop, would be arrested and would confess that he worked for the Soviets in Karlshorst. (Here they relied on Rhodin's personal assessment of Kunde's character.) As soon as Fromm had completed this assignment he was to send a report to Rolf Rhodin.

98

SECRET/NO FOREIGN DISSEM

SECRET/NO FOREIGN DISSEM

While Fromm was being thus briefed, Kunde was meeting with Rhodin. Rhodin explained that the matter of Kunde's trip to West Germany (task still unspecified) would become acute two days later, on the 19th of June. Rhodin would meet Kunde on the morning of the 19th and give him the exact details of his mission.

On the 18th of June Fromm arrived in Ludwigsburg, found the minox in its cache as predicted and reported to the Chief of Police at 0800 precisely as instructed. Later in the day he returned to Stuttgart and sent his report to Rhodin. On the 19th Rhodin informed Kunde how to travel to Ludwigsburg and where to find the dead drop. He instructed Kunde to empty it between 0600 and 0700 on Monday, 21 June. He then told Kunde that he should wrap up the film capsule and mail it to his own address in West Berlin, then return to Berlin and give the package to Rhodin on either the 22nd or the 24th of June, when Rhodin would meet him. He promised Kunde a reward of a new suit, a pair of shoes and full set of dentures. Kunde was given no advice about what to say if he was picked up by the West German police. The bewildered man was arrested exactly according to Soviet expectations and willingly told all he knew about his contact with Rhodin.

Not according to KGB plan, however, was the fact that Fromm was an unconvincing actor and aroused the suspicions of the Ludwigsburg police when he made his first report about accidentally finding the dead drop. Also contrary to Soviet hopes was the initial Gehlen Organization reaction to the LILLI MARLEN document; owing to errors in the use of organizational terminology, it suspected Soviet deception. Surveillance and mail intercept coverage was instituted on Fromm, and he was detected mailing a letter to Rolf Rhodin in East Berlin. This was evidence of a direct link between Fromm and Kunde and the KGB. Fromm was eventually arrested and confessed his role in the Soviet deception.

SECRET/NO FOREIGN DISSEM

ANNEX C:

The SOKOLOV Case

The Sokolov case illustrates how the Soviets were able, through Felfe, to monitor a double agent operation against the RU involving the interests of a number of German and American services and necessitating rather elaborate liaison coordination arrangements. At the same time, the KGB was able to monitor a Western attempt to induce the defection of an apparently inept, insecure and disaffected RU case officer (Sokolov). There is reason to suspect that the Soviets manipulated the case (a) so as to make it more attractive to the Western services and thus prolong its life, and (b) to involve the BND which was not originally connected with the case in order to enable the KGB to monitor it closely through Felfe. In the end, the KGB was willing quietly to observe and permit the roll-up of an RU net in West Germany consisting of five agents and a Soviet high speed W/T transmitter.

The case involved considerable expenditure of time on the part of the American and German services affected, and if one of the Soviet aims was to divert the efforts of the Western services to non-productive activities, they must be credited with having succeeded. In addition to the extensive liaison involved in the unsuccessful attempt to induce Sokolov's defection, the West German services investigated approximately 200 security suspects. We have only two items of collateral information which offer some insight into the objectives of the case as seen from the KGB point of view. Clemens told his interrogators that when he expressed to Alfred his concern that the Soviets would deliberately allow an agent from East Germany to walk into a trap and be arrested in West Germany, the KGB officer shrugged and said "...this has nothing to do with my office, ...Sokolov will certainly be arrested." This suggests that at least by the end of the operation, the investigation and arrest of Sokolov, who may have been genuinely vulnerable to Western blandishments, had become a principal KGB objective justifying the sacrifice of the GRU agents and the bonus Felfe received for his role. A second indication of KGB objectives is from the UB officer, Michal Goleniewski, who reported on a briefing given to Soviet and satellite CI officers in late 1958 and early 1959 by General Gribanov, chief of the KGB's Internal Counterintelligence Directorate. Gen. Gribanov stressed the need to collect information and

75

documentation on "coordination" among the Western services, as this information could be exploited in propaganda against these services. Thus fostering and monitoring the elaborate inter-service coordination mechanism which was set up to handle the Sokolov case may have been one of the specific KGB objectives.

We do not know whether the KGB apprised the RU that Sokolov's net was penetrated. If it did, this would have enabled the KGB to direct the RU's further handling of the case and would have facilitated greatly its manipulation. On the other hand, if the KGB suspected Sokolov from the beginning, it may have kept the RU in the dark about the status of Sokolov's agents. In this event, it would have been considerably more difficult for the KGB to manipulate the case, and some of the developments which appear to have been the result of KGB manipulation may have to be regarded as not the result of KGB direction or control.

The central figures in the Sokolov case were:

- (1) Major Sokolov, a GSFG RU Transborder Intelligence Point officer at Erfurt, East Germany, who ran a network targeted against an American airfield at Sembach;
- (2) Karl Heinz Kiefer, a German railway employee, member of Sokolov's net, who was doubled first by CIC and later turned over to the BfV;
- (3) Bruno Droste, a refugee from Erfurt who is suspected of having been played into CIA by the Soviets;
- (4) Lore Poehlmann, a long-time Soviet and MfS agent who served as principal agent and safehouse keeper for Sokolov, with her husband;
- (5) Waldemar Poehlmann, an RU Transborder Intelligence Point agent; and
- (6) Wilhelm Haller, a BND agent who reported on MfS activities but who is suspected of having been under Soviet control.

The Soviet case officer, Major Sokolov, had been running agents to collect OB data on various US air bases since the early 1950's. Numerous traces on him, under various names, rested in

SECRET/NO FOREIGN DISSEM

CIC files. The consensus of information indicated that he was an almost unbelievably careless operator: a drunkard, an insecure talker, a flamboyant and promiscuous type, well-known around Erfurt for exactly what he was.

One of Sokolov's longer-lived operations involved a net of low-level West German agents whose main target was the collection of information on the American airfield at Sembach. When one of these agents, a railway employee named Kiefer, confessed and volunteered his services to CIC, the latter promptly doubled him. CIC's handling of the operation can perhaps best be characterized as defensive; there was apparently no particular CIC interest in Sokolov's vulnerabilities. (Kiefer, himself, complained that CIC dalliance was causing the Soviets to become suspicious.) Nevertheless, CIC continued to run him from 1954 until March 1959, when, after five years of relatively unproductive activity, they turned the case over to the BfV and the local LfV with the recommendation that the case be terminated and the network rolled-up.

However, since the operation appeared still to be viable, the BfV was in no hurry to roll it up. In keeping with BfV philosophy that W/T agents should be doubled if at all possible rather than arrested, they were particularly interested in one agent in the net who happened to be Kiefer's brother-in-law and who was reported by Kiefer to have been issued a W/T set by the Soviets. (Although this agent was later judged to be unsuited for a D/A role, he continued to be of key interest.) The BfV was also intrigued by the relatively large number of fringe personalities who appeared in the case as agent suspects. They felt that further investigation of these individuals would make for a more effective roll up if this line of action were to be taken later. Finally, they also felt that more positive handling of the case including the release of more build up material, might lead to additional interesting developments.

CIC had requested that all action be closely coordinated with them. Although the main RU targets were U.S. Air Force installations and activities, OSI had not been apprised of the case by CIC. The BfV now felt obligated to coordinate with OSI. In order to preclude simultaneous coordination with several American agencies on one case the BfV requested CIA to act as coordinator and represent the total American interest vis-a-vis the Germans. CIA agreed to do this. After reading into the case CIA also became strongly interested in Sokolov as a recruitment/defection target.

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At this point, the case began to take on greater interest. Sokolov gave Kiefer an OWVL system; and he engaged him operationally with two Erfurt-based agents previously known to Kiefer who were to help him recruit a source at the Sembach airfield. These agents, a married couple named Lore and Waldemar Poehlmann, acted as principal agents and safehouse keepers for Sokolov. Frau Poehlmann was already a long-time Soviet and MfS agent; her husband had for some time been listed in CIC files as an RU Transborder Intelligence agent. From Sokolov's action, it appeared that he did not consider Kiefer to be under Western control.

There maybe special significance to Kiefer's being given OWVL just after the BfV took over the case from CIC. We now realize (although we did not at the time) that it is normal for the Soviets to supply agents whom they know or strongly suspect have been doubled by the opposition with more elaborate communications systems.\* If we presume that this development in the Sokolov case is related to the fact that the KGB had discovered by this time that Kiefer

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\* At least as early as 1958, the RU was deliberately continuing to run such cases with increasingly elaborate communications. This is indicated by information from our former penetration of the GRU, Lt. Col. Popov. In July of that year, Popov was discussing with an RU colleague several Transborder cases aimed at Holland. The Soviet remarked to Popov that his "entire Dutch residency had been compromised." Significantly, it was after this conversation that the RU trained one of these agents (DUTCH Cryptonym PARKER) in OWVL. In considering the reasons why the RU gave their agents OWVL after they knew them to be controlled by Western services, we surmise that this action served several purposes. It was a new development which whetted the interest of the doubling service and indicated that the agent was well-regarded by the Soviets. At the same time, it provided a measure of protection to the RU, as it allowed them to keep the cases running with a minimum of direct personal contact between case officer and agent. It also allowed a formal contact to be dragged out for a considerable length of time without any real substantive content. For example, the number of Kiefer's OWVL broadcasts consisting simply of a call-up signal and a negative message indicator is impressive. So is the number of broadcasts which were unintelligible for technical reasons.

SECRET/NO FOREIGN DISSEM

had been doubled, then it must also be presumed that the KGB shared this knowledge with the RU perhaps including Sokolov. However, adequate information to support this premise is lacking; in fact, some of Felfe's statements after his arrest suggested that the KGB may not have informed the RU.

During the summer of 1959 Kiefer's information was investigated more fully and a plan was devised for the roll-up of his net sometime in the fall. In September, however, two developments delayed this action: (1) CIA came upon what appeared to be an independent lead to Sokolov; and (2) a BND agent appeared who was in a position to provide information on the Poehlmann's.

The new CIA lead was through one Bruno Droste, a refugee from Erfurt of obscure loyalties, who was then giving music lessons to Americans in Frankfurt. To one of his pupils, an American officer, he offered information about a Soviet intelligence officer named "Starov" with whom he was in contact in Erfurt. Droste described "Starov" as a remarkably insecure drunkard, who ran operations against US installations in Wiesbaden. Contrary to CIA orders to disregard Soviet attempts to contact him, Droste met "Starov" in a safehouse in Karlshorst, East Berlin, in September 1959. From Droste's description of this encounter, "Starov" was identified as Sokolov. At the same time, it was also discovered that Droste had earlier reported having seen blank East German residency permits in "Starov's" safehouse which were signed with the name "Kiefer." This information led to speculation that Droste and Kiefer might be part of the same net. Droste, consequently, was turned over for handling to the BfV. Droste continued to meet with Sokolov under BfV direction, and it was decided to use him in an operation to induce Sokolov's defection at the time of the planned roll-up of the Kiefer net in December.

The other development involved a resident of Erfurt named Haller. Haller had been spotted by another BND agent in Erfurt who reported that Haller would be amenable to recruitment and that he could provide information on MfS activities. Haller was easily recruited and proved to be a prolific source of information on Frau Poehlmann. In September 1959, Haller stated that the Poehlmann's were both MfS and Soviet agents. A short time later, he reported that Frau Poehlmann was working for a Soviet intelligence officer named Sokolov, and that the two were having an affair. This report that Frau Poehlmann was being run by the Soviets rather than by the MfS caused her case to be turned

SECRET/NO FOREIGN DISSEM

over by the BND's MfS section to the direct control of Felde in the Soviet CE section. In mid-November, Haller reported that Frau Poehlmann was going to West Germany for a "holiday." The BND, under Felde's direction, then began to plan an operation against Frau Poehlmann, to use her as a means of access to Sokolov.

Until this time, there had been no official coordination between the BND and the BfV on this case although it is possible that Felde learned about the case informally through his contacts within the BfV. It was not until the BND submitted a priority namecheck request on the Poehlmanns to the BfV and CIA that it came into the open that all services were working on the same target, Sokolov. If we presume that Felde learned about the case informally from the BfV and reported this to the KGB, or that the KGB had already learned about the case from another penetration of Western intelligence, then a further interesting premise presents itself, i.e., that the lead to the Poehlmanns through Haller was contrived by the KGB and fed to the BND in order to bring the latter into the case and enable the KGB to monitor all further developments through Felde. The KGB could have done this without cutting in the RU.

By the time the BfV and CIA learned of the BND lead to Frau Poehlmann, she was already in the Federal Republic taking a rest cure. A BND man, Richard Schweizer, acting on Haller's information, had contacted her on her arrival in West Germany and had easily established a liaison with her.\* He reported that he found Frau Poehlmann more than approachable; that, in fact, she seemed to go about the business of being promiscuous as though it were a duty. This lead to Frau Poehlmann gave the BND a significant equity in the operation against Sokolov, as both the BfV and CIA agreed that she offered the best access to him.

At this time, the case took on some additional interest when the BfV/LfV reported that Kiefer had been able to improve his previously somewhat strained relations with his relative, the W/T operator, and it seemed that he might be able to develop some additional information on the network's communications system.

With all of these developments it was agreed that a thorough

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\* Schweizer will be remembered for his participation in the CAMPUS operation.

SECRET/NO FOREIGN DISSEM

reassessment of the operation was essential. A general coordinating conference was scheduled, and on 11 February 1960 representatives of the BfV, BND and CIA met in Cologne to discuss further procedures. It was decided that coordination at the respective headquarters would be supplemented by working level operational coordination by the various case officers from the three services. The rather elaborate coordination mechanism on the German side (BfV/LfV and BND) as well as on the American side (CIA, CIC, OSI) plus the large number of investigative leads developed, resulted in one CIA officer being engaged virtually full time for about six months on this one liaison operation.

As developments unfolded throughout the spring and early summer, coordination activities continued at a rather brisk pace. The basic agreement was that "no service will undertake any action... without coordinating...with the other services concerned...(and)... there will be a free and full exchange of information..." By July 1960, the number of suspect agents among the fringe personalities radiating from Kiefer, other members of his net, from Droste, the Poehlmanns, and from Haller, amounted to some 200 people located in 11 West German cities and in East Berlin and East Germany. Moreover, the crisscrossing of trace information seemed to imply overlaps with GRU, KGB, East German and Polish cases, and even with one or two Algerian FLN operations in West Germany. With rare exceptions, however, these people were of no interest except as security suspects and of little or no relevance to the goal of recruiting Sokolov.

In mid-July, Sokolov again sent Frau Poehlmann to West Germany. There, she came into close operational contact with Kiefer, who thought that she was susceptible to defection. More important, he reported that she had quoted Sokolov as being willing to accept American asylum rather than return to the USSR for retirement in September. The coordinating committee decided to move to recruit Frau Poehlmann at once. If she would refuse to cooperate with the Western services she would be arrested, Sokolov would be approached by letter, and his West German agents would be arrested.

Frau Poehlmann was detained on 23 July. Under questioning she indicated, among other things, that she considered Sokolov to be immoral and insincere, and claimed that he had expressed "Western tendencies." Although she agreed to work as a double agent, her interrogators suspected strongly that she was confessing only to those matters with which she was confronted. Thus, being

judged unreliable, she was arrested formally on 25 July. She agreed to write a letter to her husband enclosing another letter for delivery to Sokolov which contained our defection proposition.\* The letters were written and mailed shortly after her arrest.

On 27 July the roll-up of Sokolov's net began, starting with a tentative list, including suspects compiled on the basis of Kiefer's information, of 23 persons. The W/T operator was among the first. Some ten days later, both Kiefer's OWVL and the W/T operator's communications system were still producing messages from the East - indicating, to all appearances, that the RU was still in the dark. The ensuing interrogations revealed that the evidence against most of the suspects was not as firm as had been concluded from some of Frau Poehlmann's earlier statements to Kiefer. In the end only five agents were convicted in court. Under questioning Frau Poehlmann admitted that some of her statements to Kiefer concerning the involvement of some of the suspects had been exaggerated. She attributed this to a compulsion to exaggerate and boast about the importance and scope of her activities and of the agent net of which she was a part.

In early August, Haller reported that Herr Poehlmann had been unable to deliver the letter to Sokolov because the latter was out of town. Meanwhile, when Frau Poehlmann didn't return from her trip to the health resort, her husband opened the letter, thinking it might offer some clue to her whereabouts. Although he couldn't read the Russian text, he recognized that a telephone number in it (the one through which Sokolov was to contact an American officer) was located in West Berlin. Accompanied by Haller (who claimed he was helping Poehlmann because Poehlmann was partially deaf), Poehlmann traveled to Berlin, called the number, and by this means came into direct contact with CIA's Berlin Base. Poehlmann agreed to cooperate with the West. He and Haller reported that Sokolov had been in an auto accident, but that he was due to be released soon from the hospital. CIA gave him a second letter for Sokolov. Three weeks later Poehlmann reported that Sokolov still had not reappeared.

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\* Extracts of the official West German protocol containing Lore Poehlmann's derogatory statements about Sokolov were sent by Felte to his KGB case officer.

SECRET/NO FOREIGN DISSEM

At this point, whatever hopes had originally existed for persuading Sokolov to defect had pretty well faded. The Berlin Base officers concerned with the case had begun to become somewhat chary of both Haller and Poehlmann. Although they felt that Poehlmann was probably sincere in his relations with us, they doubted the truth of his story about the letter to Sokolov, and they thought that the Soviets might be monitoring his actions. With regard to Haller, the Base concluded from their discussions with BND case officers that the latter had not investigated him very thoroughly, and that their control over him was very loose. Although they had no firm evidence that he was controlled by the MfS or the Soviets, they felt that he was perhaps lying about his personal affairs.

On 17 September, Frau Haller appeared in West Berlin and reported to BND officers that Poehlmann had learned that Sokolov had gone to Moscow, but was expected back in two months. Sokolov, of course, never reappeared. On 2 October, the Hallers requested refugee status in Berlin. Haller reported that Herr Poehlmann had been questioned in late September by the MfS about his relations with Sokolov. He claimed that he himself had also been questioned by the MfS about his Western connections, but that he had been released for lack of evidence. Later, after receiving word from his brother that the MfS no longer considered him a "Western spy," Haller returned home. CIA opposed this move, but the BND, thinking that he might provide further leads to MfS operations in Erfurt, encouraged it.

Felfe's role in the Sokolov case was unusually passive (for Felfe). His first official exposure to it occurred in the fall of 1959 when he received an official briefing on it from the BfV.\* As already stated it is possible, however, that he had learned about the case informally some months earlier, when Kiefer was first turned over to the BfV by CIC. In February 1960, Felfe was one of the three officers who represented the BND at the coordinating committee meeting in Cologne. His German colleagues later remarked that his behavior on that occasion, as well as in subsequent liaison meetings, was somewhat unusual. Instead of railing at them for their incompetence, as was his custom, he appeared content to allow the BfV free rein in handling

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\* Felfe at that time sent some pertinent documents on the case to Alfred.

SECRET/NO FOREIGN DISSEM

the Kiefer side of the affair. The Poehlmann contact was run solely by the BND Frankfurt field office. In his directives to this office, Felfe represented as BND consensus his opinion that the handling of the Kiefer net should be such as to best serve the primary goal of recruiting Sokolov or inducing him to defect.

Although the operation in the end did not result in the recruitment or defection of Sokolov it was, nevertheless considered a Western success, in that a net of RU agents, albeit low level, had been rolled up and two W/T sets, one of them a Soviet high speed transmitter\* and cipher material confiscated. In addition the BfV gained some favorable publicity from the case.

It was only after Felfe's arrest that we learned (from Felfe himself -- a man who couldn't resist bragging occasionally) that the KGB was apparently also pleased with its outcome; it had paid him a rare 1,000 DM bonus for his contribution to the KGB side of the operation.

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\* The high speed transmitter was supposed to have been the "newest" kind, but by this time the GRU knew this equipment had already been compromised by Popov.

SECRET/NO FOREIGN DISSEM

ANNEX D:

ZUVERSICHT Case

This case summary illustrates certain problems of source protection. The KGB learned from Felfe, or possibly from another penetration of the BND, that an agent of the RU had been doubled. The KGB informed the RU of this fact, but requested that the RU continue to run the agent in order to protect the KGB source. Our source for this information was Lt. Col. Popov, a CIA penetration of the GRU. The RU did continue to run the operation as requested, but only in the most nominal way. Not having quite the same operational interest in the matter, its handling was reduced to the barest minimum so as to comply with the KGB request yet provide protection of their own assets.

ZUVERSICHT (BND cryptonym) was a West German Merchant Marine Captain, who was recruited in 1951 by the then RU Naval Point in Karlshorst while on a visit to his family in East Germany. When he returned to West Germany he reported the recruitment to the Criminal Police and was eventually turned over to the BfV. For four years, 1953 to 1957, ZUVERSICHT was run by the BfV (which used the cryptonym SEEBAER) as a double agent. MI-6 (cryptonym ILLUSTRIOUS) acted as advisor on the case from about May 1954 on. During this period ZUVERSICHT joined the West German Navy (Bundeswehr Marine) at RU urging. The RU gave him S/W, dead drops, OWVL and promised to instruct him in a new kind of W/T. When it was determined, however, that ZUVERSICHT would not be able to obtain a commission in the Navy (because of his agent status), he decided to resign and enter the Merchant Marine. At this point, since the agent's activities would undoubtedly take place outside the Federal Republic, his case was transferred to the BND. This occurred formally in September 1957, but the BND received detailed operational briefings on the case in mid-July.

In July 1957 the RU case officer requested ZUVERSICHT to meet him in Vienna in August. On 24 July the BND held a conference with the BfV on plans for the meeting. The BND offered the use of its Vienna-based surveillance personnel to the BfV and proposed the photographing of the RU case officer. The BfV later decided to reject this offer and to use its own personnel. Shortly before the meeting the BfV surveillance personnel were instructed not to attempt to photograph the RU officer. The BfV and BND also agreed

that ZUVERSICHT should not yet inform the RU officer that he was transferring to the Merchant Marine, because they feared that the RU might lose interest in giving him the new W/T training if they knew this. The meeting took place as scheduled, but, contrary to BfV hopes, the RU officer informed ZUVERSICHT that he would not have W/T training after all, but would henceforth work through a dead drop, which would be serviced by a W/T operator he never met.

Shortly after this, in September 1957, Lt. Col. Popov informed us that this RU officer was Captain Yuriy Pavlovich Sklavets of the Naval operational group in Karlshorst, and that his case had recently been discussed at a routine meeting of RU officers. At this meeting it was announced that the KGB had recently informed the RU Naval group that Sklavets' agent was doubled and that Sklavets had been photographed by a Western CI service during his meeting in Vienna.\* The KGB requested the RU to keep on running it in order to protect the KGB source.

After ZUVERSICHT's return from Vienna, he informed the RU of his impending transfer to the Merchant Marine. He told them that his office in the Bundeswehr Marine was undergoing a security review and that he had taken fright and decided to resign and go back into the Merchant Marine. This story had been concocted - an actual security review was staged - by the BfV and the BND in order to avoid giving the RU the real reason for the transfer, and in order to provide an excuse for the abrupt notification. The RU replied to ZUVERSICHT by ordering him to stop operating and to send his family to East Germany, but by the time the letter reached ZUVERSICHT's home address he was already on the Atlantic bound for a year's duty in Mexico.

After the meeting with Sklavets in Vienna in 1957, ZUVERSICHT had no further personal contact with the RU; he received no EEI. Messages were few and far between and inevitably timed to arrive in his home port just after ZUVERSICHT's ship had put out on a

<sup>BfV or BND</sup>  
\* This was a clear indication of staff penetration, as only a penetration could have known of the original plan to photograph the case officer, which was in fact never implemented. It also gave some indication of the position and knowledgeability of the penetration, i.e. he knew of the plan but was unaware of its cancellation.

\* i.e. that he could not get a commission in the Navy due to his court martial (1954)

SECRET/NO FOREIGN DISSEM

cruise of many months. The method of communication became more and more "insecure" from ZUVERSICHT's point of view. The RU officer simply wrote a letter using ordinary postal channels and a very simple open code. The only sign of assertiveness was one request that ZUVERSICHT try to get a berth on a ship putting in to Baltic ports! Felfe kept his end of the game up with characteristic style. He frequently elaborated on the theme that the RU is generally an incompetent organization (as indeed it seemed in this case), and he had ZUVERSICHT write a letter of complaint to his RU case officer criticizing him for the insecure communications and generally shabby treatment. The ZUVERSICHT case ran in this manner until 1961!

112

SECRET/NO FOREIGN DISSEM

ANNEX E:

MERKATOR Case

Whereas ZUVERSICHT illustrates a situation in which the GRU continued to tolerate a doubled agent at KGB request and did it with the least effort possible, giving itself the appearance of incompetence, the MERKATOR case shows a more creative reaction to the presence of a double agent. The more purposeful handling is perhaps attributable to the fact that MERKATOR was an agent of the East German foreign intelligence (MfS/HVA) and as such more directly controllable by a KGB advisor.

MERKATOR was a student at Bonn University in 1957 and worked part time as a waiter at state receptions. He was spotted by an MfS/HVA agent in the CDU/Ost (Section of the Christian Democratic Party for East Germany) and recruited for the East German service in East Berlin in January 1957 (HVA cover name OFEN) to report on security precautions at state receptions in Bonn, and to spot agent candidates among personnel concerned with the organization of receptions, handling of hotel accommodations (for the purpose of making audio installations), etc. He was put in contact with an HVA principal agent in West Germany. MERKATOR turned himself in to security authorities and the BfV subsequently ran him as a double in what was considered a good and productive operation.

Not long after MERKATOR's doubling, Felde paid a visit to some BfV colleagues and was briefed off-the-record about the case because it was so interesting. Felde was told he could mention the case informally at BND Headquarters. About six months after this, about mid-1958, the operation underwent a major change. What happened was subsequently explained to us by MERKATOR's HVA case officer, Max Heim, who defected to the West in May 1959. Heim reported that just when he thought his operation was going very well, the Soviet advisor to the HVA approached him and informed him that his agent had been "doubled" by Gehlen" (sic). Heim had then been instructed to turn his agent over to another section (Heim specialized in operations against the Christian Democratic and Christian Social Union parties) which would continue to run the case as an operation known to be controlled by a Western service. At this point the HVA objectives in the operation were changed, the HVA principal agent who had been supporting MERKATOR in West Germany was withdrawn, and future communications were

handled through personal contacts in East Berlin.

The revised objective of the operation was to pass diversionary leads and disinformation to the BND, which was thought by the HVA to be the controlling opposition service. The HVA endeavored to sow seeds of distrust within the BND concerning the governmental office under which it functioned, i.e. the office of the State Secretary in the Chancellor's Office, by generating the suspicion that the senior official in this office was an East German agent. The HVA also tried to further aggravate the distrust between the BND and the BfV, by giving the BND "proof" that the BfV was penetrated. MERKATOR was given the assignment to obtain information about a specific BfV officer, and in the course of discussing the assignment the HVA case officer implied the BfV officer was already cooperating with the East but was not fully trusted. Political disinformation was also channeled through MERKATOR. The operation was far less effective than it might have been, as the KGB erred in telling the HVA MERKATOR had been doubled by "Gehlen." The doubling service was actually the BfV rather than the BND, so some of the disinformation missed its mark.\* For example, the BfV reaction to MERKATOR's report that one of its officers was an HVA agent was far different than the BND reaction would have been to the same report. Although the BfV was concerned about the implications of MERKATOR's reports and investigated them, it viewed the sudden changes in the MERKATOR operation with some reservation. The operation was broken off after Heim's defection in May 1959.\*\*

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\* There are several possible plausible explanations of the KGB error.

\*\* In connection with Heim's defection, there was an interesting development in the PANOPTIKUM case, which Felfe had taken over about that time. In July 1959, the PANOPTIKUM double agent, General Panzinger, received a KGB requirement via OWVL to find out if Heim had been a BND or a BfV agent in place prior to his defection. This was a totally unrealistic requirement for General Panzinger, as it was not the type of information he had access to at all, but the requirement could serve Felfe as an excuse to inquire into the Heim case.

ANNEX F:

Glossary of German Words and Abbreviations

Abwehr.....	Intelligence service of the Supreme Command of the German Army.
Amt Blank.....	Predecessor organization of the West German Ministry of Defense.
BfV.....	Federal Office for the Protection of the Constitution, principal West German internal security organization.
BND.....	Federal Intelligence Service, the organization responsible for foreign intelligence, but which also has some internal security and offensive CE functions.
DDR.....	German Democratic Republic, i.e. East Germany.
Fremde Heere Ost (FHO).....	General Staff section dealing with information concerning armies of countries to the East of Germany, with special emphasis on Soviet forces.
Gestapo.....	Political police.
GV"L".....	Gehlen Organization's field base for CE and CI operations, located in Karlsruhe.
HVA.....	Foreign intelligence component of the East German Ministry of Security.
Karlshorst.....	Section of East Berlin where the large East German Headquarters of the KGB was located.

Kaiserministerium.....Predecessor organization of the West German Ministry for All-German Affairs.

Land or Laender.....Political subdivision(s) of West Germany, roughly equivalent to a province or state.

LfV.....A Land security service. While not directly subordinate to the BfV, it cooperates closely with it.

MfS.....East German Ministry of State Security.

RSHA.....Central Security Office of the Reich; in 1939 it took over control of the Gestapo, SD, and criminal police.

SD.....Security Service of the SS, in effect the intelligence service of the SS and the Nazi Party.

SED.....Socialist Unity Party, the Communist Party of East Germany.

SfS.....Predecessor organization of the MfS, the East German Ministry of Security.

SPD.....West German Socialist Party.

SS.....Elite Guard of the Nazi Party.

Waffen SS.....Militarized branch of the Elite Guard of the Nazi Party.