

# OFFICIAL DISPATCH

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DISPATCH NO.: MGL-A-595

CLASSIFICATION

DATE: 13 October 1949

TO : Chief, Foreign Branch M  
FROM : Chief of Station, Karlsruhe  
SUBJECT: General — ODEUM - Operational  
Specific — NEY, Karoly, alias KIRCHBERGER, Karl  
REF : MKK-W-2809; PIR 3736 3763

1. Subject is a Hungarian of German and French origin (claims to be a direct descendant of Napoleon's famed Marshal Ney), about 42 years old; has brown hair graying at the temples, blue eyes, 5'9" tall. He was a director of a Chemical Factory in Hungary before the war. As a First Lieutenant in the Hungarian army during the first years of World War II, he fought on the Russian Front until 1942 when he suffered a head wound from a shell splinter. Returning to Hungary, he organized a secret group known as the "Union of Eastern Front Fighters", a sort of "Waffenpartei", a secret organization of the extreme right dedicated to violent action rather than to political activity. Its purpose was to combat all Communist tendencies in Hungary and to purge Hungary of all pro-Russian elements, in the event even of Russian victory, after the cessation of hostilities.

2. Some of those associated with Subject in this organization were:

Count Franz KAROLYI  
Lieut. Lajos WACHE  
Captain Lara ZADOR

Captain Paul VADON  
Captain Karl SCHUERNER  
Captain Lara BOLHOY

Most prominent associate, however, was the former Hungarian Prime Minister, Bela IMREDI. Although Subject became the leader of the Union, IMREDI is alleged to be more properly the founder; however, he was unable to participate actively in the Union since his mother was Jewish, and he was therefore reputedly persona non grata with the Germans. Subject, on the other hand, as a former director of a chemical factory which had strong business ties in Germany and as a fairly well-known, though somewhat fanatical, soldier, was better able to lead the Union and give it its primarily military and crusading character.

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3. Subject and his Union of Eastern Front Fighters were intent on seeing that Hungary did not drop out of the war. Hence, Subject worked against Admiral Horthy, the Regent, and began to strengthen his connections with the German authorities. Conversations were held with WESENMEYER, the German Minister to Hungary, with the SS Leader, Otto SKORZENY, and with the German SS General WINCKELMANN. That HORTHY was unable to take Hungary out of the war is allegedly due in substantial part to Subject and the military support he lent the SZALASI regime in the Putsch of 15 October 1944. Subject became "Obersturmbannführer NEY," head of "Kampfgruppe NEY," subordinate to the German SS Totenkopf Division.

4. "Kampfgruppe NEY" was composed of three Regiments (so-called) of about 1500 men. ~~It was made up~~ chiefly from the former 1st Hungarian Sturmjäger-Regiment, later known as the Totenkopf-Regiment, and was outfitted in German uniforms and subordinated to the German Command. (A circumstance, by the way, which has served to alienate a great many Hungarian DP's away from Subject.) KAROLYI, VADON, WACHE, SCHOERNER, ZADOR, and BOLHOY were all officers with the rank of Hauptsturmführer in the group. For a long time the activity of this "Force" seemed to be mainly political with more concern for leaning to the Nazis than to last-ditch resistance to the Russians. In the spring of 1945, however, it was too late for intrigue alone, and the formation had to fight at ROHOUC, STUHLWEISSENBERG, and finally between GRAZ and BRUCK an der MUR in Austria, with the mission of carrying on fanatical resistance to the Russian horde. Although purportedly of combat-team strength, the group was little larger than a Battalion. In an attempt to engage a Russian unit of far greater size, it was almost completely annihilated. In the capacity of its leader, however, Subject, who was still just a 1st Lieut., became a self-appointed Lt. Colonel which rank at times he still claims. After the disaster that befell his abortive attempt at final resistance, Subject fled before the Russians and finished up the war in the western part of Austria where he was interned by the United States Forces. During his internment, Subject was brought to trial, convicted, sentenced to death (later commuted to life imprisonment) for alleged participation in the slaying of a U.S. flier in Hungary during the war. Subject pleaded "Not Guilty" to the charge and still later (about Jan-Feb 1948) was released from internment after his conviction was reversed. This is supposed to have come about on the intervention of the then Secretary of the Army, Kenneth W. ROYAL.

5. Shortly after his release from U.S. Internment, connection with Subject was taken up by the former SD Major Wilhelm HOETTL who was then building up various intelligence activities for CIC in Austria.

6. Subject was first introduced to the undersigned by Dr. HOETTL about April 1948. After several discussions concerning the possibilities open to Subject for the construction of a penetration network to cover Hungary, it was decided to set up a project under HOETTL's general guidance and NEY's immediate control. Subject proposed and then proceeded to gather together a group of ex-soldiers who would be willing to drop everything, join with him and enter upon a period of training for service as couriers and residents in and into Hungary. Accordingly, prospects were screened as to intelligence, idealism, loyalty, physical courage and condition, as well as experience, if any, in intelligence operations. Candidates were then put through a period of training to develop them physically (good food, plenty of sleep, temperance, exercises, judo, etc.),

mentally (map reading, border crossing techniques, current affairs, memory training, etc.), and spiritually (indoctrination, loyalty oaths, religious services, pledges to combat Communism and to tell nothing in the event of apprehension, etc.).

7. Consequently, in July 1948 some 18 candidates, all young (20-25 years) and single, and a staff of 5 consisting of a Camp Director, Judo instructor, map-reading and current affairs instructor, a Chaplain, and a Cook were established in a privately-owned hunting lodge hidden away high in the mountains behind Gmunden, Austria. Under the guise of a CIC rest center for American and Indigenous members of the Vienna Detachment, the camp functioned under the supervision of an American Agent on duty at all times. All inhabitants wore U.S. Army OD's, shoes, etc., and ate Army rations. For exercise, they held Judo classes, chopped trees, and cut wood (supplied CIC Gmunden for ten months), played volley ball, catch, badminton and touch-tackle; and learned how and when to use a certain amount of "GI" language both good and bad for the edification or mortification of any interlopers. (None were ever encountered however since the site was completely isolated - a small clearing in the woods, accessible only by one narrow footpath at the bottom of which an unarmed, casual-appearing sentry was at all times maintained. Firearms were never allowed in the area.) For specific operational training, they read maps, studied insignia and designations of Hungarian and Soviet uniforms and equipment, learned methods of crossing borders, etc.

8. Meanwhile, Subject and his staff (including wives), eleven persons in all, were established in a CIC operational billet at Lambach, a small town about 15 miles from Gmunden on the Linz-Salzburg highway. From here Subject worked out to Linz, Steyr, and Salzburg setting up contacts, refugee screening teams, etc., to handle Hungarian traffic.

9. About 15 September 1948, the project and training had developed sufficiently to warrant the dispatch of its first couriers to take up contacts with previously known residents in Hungary. The affair moved along slowly at first and not entirely satisfactorily. Meanwhile, the allotted monthly dollar costs for 25,000 schillings had risen due to the rise in the cost of schillings. Moreover, it soon appeared that the selection of Subject, a soldier, to head up a fair-sized and complex intelligence network was not too wise a choice. Subject in turn also selected some very poor risks as members of the organization, from the point of view of security as well as ability. Consequently, after a few flaps arose demonstrating that Subject had been insecure (i.e., revealing the location of the training center, misrepresenting his mission for CIC in his recruiting activities as one including resistance and sabotage), the loss by capture of two couriers, a proven attempt to impress two likely looking prospects into service with his group under threat of force, adverse reports from many sources, as well as a snail's pace of production, plus Subject's utter disregard for economy, it was decided to make a change in leadership. While it was true that Subject had the ability for recruiting and winning followers on the basis of a somewhat demagogic appeal (i.e., liberation of the Fatherland from the Communist yoke, etc.), when it came down to the administration, management, and direction of an intelligence collection group, he did not have a clue.

10. Thus, it was that in early November 1948 HOETTL was called in to rectify the situation, tighten control, straighten out administration, and gradually ease out Subject and all insecure and incapable personnel. This HOETTL did quite efficiently and readily. Within the month, by pointing out to Subject his many indiscretions, mismanagements and extravagances, HOETTL forced a voluntary resignation and installed KERNMEYER, Erich, as the Chief Operator of the project in place of Subject. HOETTL himself then took a deeper interest in the organization of the project, weeded out the weak members, recruited some new ones, and set it to functioning full time with all traces of Subject's influence eliminated. At the time of its termination in September 1949 (due to HOETTL's being dropped by USFA), it had become generally rated: good to excellent, both in production and evaluation.

11. Naturally, after his dismissal in November 1948, Subject felt resentful against CIC and especially HOETTL. For a time Subject bounced around in the American Zone of Austria attempting to make a connection with some other U.S. Agency. It was thought that he made some connection with TIB, based on the fact that TIB soon came to know many details of HOETTL's connections and activities which only Subject could have known. However, it is not felt that Subject went to work for TIB or any of its outlets. Failing to secure any solid connection with any U.S. agency, Subject then traveled (Nov-Dec 1948) to the French Zone of Austria and Germany allegedly to see General KOENIG in Baden-Baden. Reportedly this resulted in Subject's return to Innsbruck and employment in some capacity with the French Intelligence Service. While in this connection, Subject traveled to Italy a couple of times where he contacted various intelligence personalities. On his return to Innsbruck from one of these trips about Feb 1949, he was allegedly jailed by the French (reasons unknown). Recent news on Subject is that he is working in the Munich Area with a Lieutenant KEITEL, supposedly the son of the famous General KEITEL. In this regard, he is reportedly operating under the name of KIRCHBERGER (name and false documents supporting same furnished by CIC Austria), and is allegedly in connection with some American Agency and Italian Military Intelligence. At another time the undersigned heard that Lt. KEITEL was in possession of information concerning the whereabouts of several million dollars worth of hidden wealth belonging to the Nazis which was allegedly hidden somewhere in the Munich-Salzburg-Tyrol area. (Note: Checks on this information concerning activities in the Munich area are being conducted presently by ODEUM). The very latest news (unconfirmed) heard by the undersigned from fairly reliable sources is that Subject has most recently been seen in Bari, Italy.

12. The lawyer who defended Subject in his U.S. War Crimes trial, Dr. Tamas BUZELLA (a Hungarian refugee in Austria), a close friend of Subject's describes him as a man of high moral qualities, a demagogue who is able to inspire confidence in his followers but an extremely poor judge of character; a good soldier but a poor diplomat and administrator. He relates how after the end of the war when Subject was named by the U.S. authorities to be Camp Commander of the Hungarian prisoners of war at Camp Ebensee and later at Camp Steyr in Austria (this was prior to Subject's arrest on the War Crimes charge), he made some very injudicious selections in personnel to help him in the administration of the Camp. This is supposed to have turned most of the officers and the enlisted men of the "Hungary" and the "Hungaria" Divisions against him. There were charges that Subject and his staff siphoned off foodstuffs destined for the

general mess to supplement their own rations. HUZELLA feels that although probably not personally guilty of this petty corruption, Subject was nevertheless responsible for the situation that prevailed because of (1) his implicit confidence in the integrity of assistants who were by reputation unworthy of such trust, and (2) because of his injudicious selection of personnel for these positions. HUZELLA claims that the resentment thus stirred up still prevails among a large part of Hungarian refugee circles in which the Hunyadi and Hungaria groups continue to wield considerable influence.

13. In conclusion, it may be said that the undersigned considers Subject to be a dreamer to an extreme, an anti-Communist idealist to the point of fanaticism (or Nazism), a security risk to a most dangerous degree, a man of many words but few, often foolish, actions, of great ideas and ambitions but little practicable application, of much inspiration but slight perspiration. He is a fire that sputters but never really flames, a light that glimmers but never really shines, a second (perhaps first) rate soldier but a fourth, at best, a third rate intelligence operative. The undersigned knows, for he found out the hard way.

(Note: See attached annex for information on MEJDOUB, Abdul Hadi, personality mentioned in PIR 3736).

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