

On the Front Lines of the Cold War: Documents on the Intelligence War in Berlin, 1946 to 1961

Preface

In the summer of 1945 the Allied powers—the United States, Great Britain, France, and the Soviet Union—began what was to be a temporary, joint occupation of the city of Berlin. Despite an optimistic beginning, by 1948 Cold War pressures had created two separate cities, East Berlin and West Berlin. In 1948 the Soviet Union blockaded Berlin, cutting off deliveries of coal, food, and supplies. The Soviets declared the Western powers no longer had any rights in the administration of the city. The Western allies responded with the Berlin airlift, in which Allied air crews flew 4,000 tons of supplies a day into the city. In May 1949 the blockade came to an end as the Soviets permitted the Western allies to resupply Berlin by land. Berlin, however, was to remain a divided city with two governments until the end of the Cold War.

The divided city became a distinctive feature of the harsh political landscape in post-World War II Europe. For the next forty-four years, Berlin played an enduring symbolic, and at times very real, Cold War role. The city, especially during the crucial early years, stood literally on the front lines of the Cold War. It was the recurrent focus of East-West confrontation. The division of Berlin also made it a focal point for high-level intelligence operations, espionage, exchanges of spies, and general international confrontation.

In November 1958 a second Berlin crisis flared when Premier Nikita Khrushchev announced that the Soviet Union intended to turn over its responsibilities in Berlin to the East German government. Although Khrushchev did not carry out this threat, tensions remained high for several years. With East Germans fleeing to the West in record numbers in August 1961, the government of East Germany sealed the border by building the Berlin Wall. On 27 October 1961 U.S. and Soviet tanks faced off at Checkpoint Charlie in the center of Berlin. In retrospect, the construction of the wall marked the end of the sharpest confrontations in the city.

Berlin continued, however, as a potential flash point in the Cold War until the collapse of the Soviet Union and the reunification of Germany in 1991. During all of this time, an intelligence war raged in the city. Especially in the early period, 1945-1961, both sides mounted major intelligence operations and sought intelligence advantages in Berlin.

The end of the Cold War has produced a window of opportunity for studying the intelligence dimensions of Berlin's role during this crisis period. The release of limited but significant documentary materials from both sides of the Iron Curtain now makes a scholarly discussion of intelligence activities in Berlin possible. The documents compiled in this volume by CIA historian Donald Steury add clarification to this intense conflict. Dr. Steury selected his material carefully to illustrate as fully as possible US intelligence activities in the city. The documents

cover various aspects of the intelligence war, from operational field intelligence memoranda to National Intelligence Estimates produced in Washington. Taken together, they represent a detailed picture of a side of the Cold War long withheld from the general public. Dr. Steury also offers an interpretative introduction and editorial notes on the documents to guide the reader and to place the materials in their proper historical context.

Although much material remains classified, this release brings to light a substantial part of the intelligence story in Berlin during the early Cold War. The CIA's Center for the Study of Intelligence offers this collection as a first step to a fuller understanding of this complex and dangerous time.

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Introduction

For nearly 50 years the German city of Berlin was the living symbol of the Cold War. The setting for innumerable films and novels about spies and Cold War espionage, Berlin was, in truth, at the heart of the intelligence war between the United States and the Soviet bloc. For the United States and its allies, Berlin was a base for strategic intelligence

collection that provided unequalled access to Soviet-controlled territory. For the Soviet Union and the captive nations of the Warsaw Pact, the presence of Western intelligence services in occupied Berlin was a constant security threat, but also an opportunity to observe their opponents in action, and possibly to penetrate their operations. Perhaps nowhere else did the Soviet and Western intelligence services confront each other so directly, or so continuously. It thus seems appropriate to refer to this situation as an “Intelligence War”; not because the conflict between the opposing services regularly erupted into organized violence, but because it was a sustained, direct confrontation that otherwise had many of the characteristics of a war.

“When I go to sleep at night, I try not to think about Berlin.”

—Dean Rusk, ca. 1961

The genesis of this unique situation lay in the agreements reached by the victorious allies at the end of World War II. Plans calling for the joint occupation both of Germany and of Berlin, its capital, had been agreed to by the Allied powers in November 1944. Thus, even though it was the Red Army that engulfed Berlin in the Spring of 1945, the Western Allies were able to claim a stake in the city. To this the Soviets acceded, but only after the Allied Supreme Commander, Gen. Dwight D. Eisenhower, agreed to withdraw American troops from Czechoslovakia. Berlin nonetheless remained surrounded by Soviet-controlled territory, with the Allies dependent upon their reluctant ally for access to the city.

These arrangements were formalized on 5 June 1945, in the course of a meeting between Allied representatives held in Berlin itself. “Greater Berlin” was divided into three occupation “sectors,” duplicating on a much smaller scale the division of prewar Germany into three occupation zones. British and American forces assumed control over the western half of the city, while the Soviet Union occupied the eastern half. At Anglo-American insistence, a fourth occupation sector was created in the northwestern part of the city, to be under French jurisdiction. Each of the occupying powers appointed a Commandant for their individual sector. Administrative control in the city as a whole was vested in an “Inter-Allied Governing Authority,” made up of the four Commandants, each of whom served in rotation as the Chief Commandant. For some reason, this was known as the Berlin *Kommandatura*, a Russian word sometimes anglicized to Commandatura. Berlin was simultaneously to become the seat of the Allied Control Council, responsible for the military government of occupied Germany.¹

In 1948 the Soviets walked out of first the Allied Control Council and then the Berlin *Kommandatura*, thereby unilaterally nullifying the arrangements made for the administration of Berlin. The arrangements nonetheless persisted as the basis for the Allied occupation of the Western half of the city until the end of the Cold War, even though both halves of Berlin had become self-governing in 1948 and West Berlin had become a Federal German *Land* in 1950. East Berlin was declared the capital of the Communist-controlled German Democratic Republic (*Deutsche Demokratische Republik*) in 1949.

Surprisingly, given Berlin's position deep inside the Soviet occupation zone, until 1972 there was no formal agreement guaranteeing the Western Allies continuous ground access to the city. This became profoundly important beginning in 1948, when the Soviets severed the road and rail routes leading from the American and British occupation zones into Berlin. Fortunately, concerns about air safety in November 1945 had led to a four-power agreement establishing air corridors linking Berlin to Hamburg, Hanover, and Frankfurt. Although the Western Allies subsequently demonstrated that they could supply Berlin by air, the lack of guaranteed ground access remained a weak point in the occupation of West Berlin.

The US intelligence presence in Berlin began in July 1945 with the Western military occupation and lasted for the duration of the Cold War. First to arrive were intelligence officers of the Office of Strategic Services (OSS), who awoke on 1 October 1945 to find themselves employed by the new Strategic Services Unit (SSU), itself assimilated piecemeal by the Central Intelligence Group (CIG) in 1946. CIG was replaced in 1947 by the newly created Central Intelligence Agency (CIA). Although just about every element of the Agency had some kind of stake in Berlin, the clandestine services were those principally interested in the city. For the early CIA, these were the Office of Special Operations (OSO), responsible for the collection of secret intelligence, and the Office of Policy Coordination (OPC), the Agency's covert action arm.² In August 1952 OSO and OPC merged to become the Directorate of Plans (DDP).³ The analytical arm of the CIG and early CIA was the Office of Reports and Estimates (ORE), which produced short-term, newspaper-like, current reporting and longer range, more predictive, intelligence "Estimates."⁴ In 1950, newly appointed Director of Central Intelligence Walter Bedell Smith broke ORE into three offices: current reporting was now produced by the Office of Current Intelligence (OCI), with longer range, estimative analysis the responsibility of the Office of National Estimates (ONE). A new Office of Research and Reports (ORR) initially concentrated on the Soviet economy—a gradually expanding mandate that eventually included strategic intelligence on the Soviet military.

For the early Cold War period at least, "Berlin Operations Base" may be said to have been one of the most active and productive postings for CIA intelligence officers in Europe. Its first Chief of Base was Allen W. Dulles. Richard Helms succeeded Dulles in October 1945. Following in the shoes of these two future Directors of Central Intelligence were some of the most successful intelligence officers in the Agency—most of whom must remain anonymous even today. CIA Berlin was never an independent entity, however, but always was subordinate to the Senior Agency Representative in Germany.⁵ Moreover, the CIA mission in Berlin was never more than a very small part of the much larger Allied presence.

Across the city, in their compound in the Karlshorst district of Berlin, the Soviet intelligence services—in their various guises—moved in about the same time as their Western counterparts. Their mission always was dramatically different from that of the CIA and the Western intelligence services, however. Whereas for the Western Allies, Berlin was and would remain an important strategic intelligence base, the city provided no equivalent advantages for the Soviet services. The main foreign intelligence target for the Soviets was the US military presence in Western Europe, a target the Soviets shared with their East German counterpart in the Normanenstraße, the *Hauptverwaltung Aufklärung* (HVA) of the *Ministerium für Staatssicherheit* (MfS, or Stasi). Nevertheless, both sides used Berlin as an arena in which they could challenge the intelligence services of the opposing side. Moreover, the high level of intelligence activity in Berlin meant that counterintelligence problems always assumed a high priority, sometimes even overshadowing the more important "positive" mission of intelligence collection.⁶ It was partly because of Berlin's value as an intelligence base for America and its allies that the East

German government eventually sealed off the western half of the city in 1961—a move that severely inhibited Allied intelligence operations there without incurring a similar disadvantage for the Eastern Bloc services.

What follows is a sampling of CIA intelligence documents dealing with Cold War Berlin from the beginning of the Allied occupation in the summer of 1945 until the construction of the Berlin Wall in 1961. This might be regarded as the classical period of the intelligence war in Berlin, when the relatively unrestricted access permitted between the eastern and western halves of the city facilitated the intelligence operations of both sides. It was during this period that Berlin earned its reputation as a “den of espionage,” a reputation that at least partly lived up to the romantic image created over the years by novelists and screenwriters.

In general, the documents included here may be divided into three broad categories:

- Internal memoranda concerning the conduct of operations or the establishment and maintenance of an American intelligence presence in Berlin.
- Intelligence reporting from the field on specific topics. These run the gamut from raw intelligence reports from the field to more finished products ultimately intended for dissemination to intelligence analysts and other recipients. In general, this kind of reporting would not be seen by policymakers until it had been subjected to some level of analysis and editing in Washington.
- Finished intelligence produced in Washington, DC, and intended for distribution to a widespread audience in the intelligence and policymaking communities. Included in this category are current intelligence reports, which keep policymakers and intelligence officers up to date on events as they happen, and National Intelligence Estimates⁷ concerning Berlin.

National Intelligence Estimates, or NIEs⁷ are at the pinnacle of the American intelligence process and represent the agreed position of the agencies responsible for producing intelligence on a given topic. They are designed to provide policymakers with regular, detailed analyses of diverse aspects of the world situation, including the policy objectives and likely actions of other nations and their military capabilities and potential. Although predictive in format, they frequently devote much space to weighing the merits of often conflicting pieces of evidence. Special National Intelligence Estimates (SNIEs) are shorter, more ad hoc analyses written when a more rapid response is needed. Both NIEs and SNIEs are coordinated throughout the Intelligence Community and released only on approval by a standing intelligence advisory board committee, chaired by the Director of Central Intelligence (DCI) and made up of his deputy, the DDCI, and the heads of the departmental intelligence organizations in the military and the Department of State.⁸

Also included in the category of finished intelligence are Intelligence Memoranda issued on the authority of the Director of Central Intelligence (DCI) in his capacity as head of the CIA and the President’s chief intelligence adviser. Unlike NIEs and SNIEs, these were not coordinated with the rest of the Intelligence Community, and thus frequently took stronger positions than would an NIE on the same topic.

A problem in selecting the documents for this volume derived from the sheer volume of the

material. Precisely because it was so important as a base for collecting intelligence, Berlin figured one way or another in most of the intelligence operations mounted in Europe during the first two decades of the Cold War, but often only tangentially. For example, both the Pyotr Popov and Oleg Penkovskiy cases—among the most successful of CIA’s operations against the Soviet Union—touched upon the Berlin question, but both were focused elsewhere and neither could be said to be tightly interwoven into the fabric of Berlin’s Cold War history.⁹ To keep the size of this volume manageable, only those documents focused on Berlin were selected.

Sadly, although the documentary record is voluminous, it is also in many respects incomplete for much of the period covered by this volume, so that a full accounting of many important events or periods in Berlin’s Cold War history simply is not possible from CIA records alone.¹⁰ Continuing security considerations have made it impossible to include many other important records. Some of those that have been reproduced have been redacted to conceal individual identities, or to protect still-sensitive sources and methods. Otherwise, the documents have been reproduced in their original state, without alteration or abridgment. This means that some of them are difficult to read, even though we have used the most legible copy available. The reader is further cautioned that some of the documents retain marginalia or handwritten comments that may have been added by researchers long after the fact. The historicity or accuracy of these additions cannot be guaranteed.

Footnotes

¹ For the relevant documents, see US Department of State, *Documents on Germany, 1944-1985* (Washington, DC: 1971).

² Michael Warner, ed., *The CIA Under Harry Truman* (Washington, D.C., 1994), pp. xvi, xx-xxi.

³ William M. Leary, ed., *The Central Intelligence Agency: History and Documents* (Tuscaloosa, AL: University of Alabama Press, 1984), p. 50. In 1973 the DDP was renamed the Directorate for Operations (Leary, p. 97).

⁴ Leary, p. 26. For a discussion of what an Estimate is, see pp. viii-ix, below.

⁵ See Document I-7.

⁶ In the parlance of the 1940s, “positive” intelligence referred to collection of information on the other side’s intentions and capabilities. “Negative” or (less often) “passive” intelligence referred to counter-intelligence activities.

⁷ Strictly speaking, National Intelligence Estimates (NIEs) did not appear until 1951. However, we include in this category estimative reporting written by the Office of Reports and Estimates between 1947 and 1951.

⁸ The name of this body has changed over the years. In 1946-47, it was the Intelligence Advisory Board (IAB); from 1947 to 1958 it was the Intelligence Advisory Committee (IAC). It was called the United States Intelligence Board (USIB) until 1976. Since that time it has been known

as the National Foreign Intelligence Board (NFIB).

9 Popov operated briefly in Berlin, but was most active in Vienna. Penkovskiy was active primarily inside the Soviet General Staff in Moscow and provided only a limited amount of intelligence material on Berlin, but it was very important and arrived at critical moments in the Berlin Crisis of 1958–61 (reproduced as Docs. VII-5 and VII-11, below). Fortunately, splendid studies already exist on these important subjects. On Popov, see William Hood, *Mole: The True Story of the First Russian Intelligence Officer Recruited by the CIA* (New York and London: W.W. Norton, 1982). See also the cogent article by John L. Hart, “Pyotr Semyonovich Popov: The Tribulations of Faith,” *Intelligence and National Security* (1997). On Penkovskiy, see Jerold L. Schecter and Peter S. Deriabin, *The Spy Who Saved the World* (New York: Charles Scribner’s Sons, 1992). See also Oleg Penkovskiy, *The Penkovskiy Papers* (Garden City NY: Doubleday and Co., 1965).

10 A comprehensive collection of intelligence records dealing with Berlin nevertheless would demand at least a dozen volumes of this size.

I: The Opening of the Intelligence War

The American and British forces that occupied their sector of Berlin on 4 July 1945 found a city that had been virtually destroyed. Germans everywhere were paying the price for the six years of aggressive war unleashed by their government, but none more so than the citizens of Berlin. The streets were filled with rubble: the destruction wrought by Allied bombers over the winter of 1943-44 had been furthered by the relentless advance of the Soviet Army in March and April 1945.¹ Berliners themselves were still reeling from the orgy of pillage, rapine, and murder that had followed the Soviet occupation. Soviet soldiers careened through streets in lend-lease jeeps in search of violence, booty, and liquor. Other Soviet detachments, sent off in pursuit of "reparations," stripped whole industrial districts and sections of the countryside. Kidnappings and sudden, often inexplicable, arrests were regular occurrences. As a result, Berliners often hailed as saviors the first American soldiers entering Berlin to take over the Western half of the city, yet the delineation of occupation zones and the regularization of Allied control mechanisms that occurred over the summer at first could only dampen the prevailing atmosphere of chaos, deprivation, and rampant violence.² The inevitable friction between the Berlin population and the occupying powers further eroded whatever initial enthusiasm Berliners may have had for the Americans. Not until the Berlin Airlift did some Berliners begin to see the Western occupying forces in a different light.

Late in 1945 the Soviets reined in their marauding troops, but they continued to exhibit a mixture of arrogance and brutality that made them detested as conquerors and lived on to undermine the credibility of the collaborationist East German regime.³ In Berlin, as perhaps nowhere else in Germany, the initial violence of the Soviet occupation permanently shaped popular attitudes toward the occupation forces. Over the next fifty years, Berliners might chafe at the presence of the Western Allies, but the contrast to the arrival of the Soviet forces in 1945 was never forgotten.

The contrast between the attitudes of the occupying powers marked the beginning of Berlin's role as a metaphor for the Cold War division of Europe as a whole. West Berlin itself became a haven for the stream of refugees that poured across the intracity sector boundaries until the Wall went up in 1961. All this only enhanced Berlin's value as a symbol of the United States' determination to maintain a presence on the Continent of Europe. Not incidentally, Berlin's status as an outpost deep inside Soviet-occupied territory and a gateway to and from East Germany made it immensely valuable as an intelligence base. As the lines were drawn in the postwar confrontation that ushered in the Cold War, these symbolic, political, and strategic considerations emerged as factors of permanent importance to US policy toward Berlin, Germany, and Europe.

Among the first Americans to enter Berlin was a detachment of soldiers and civilians assigned to the Office of Strategic Services (OSS), America's newest intelligence agency. Their presence was transitory: most would soon be demobilized and were looking forward to seeing their homes and families again, while the OSS itself would soon be gone. As a wartime agency, its *raison d'être* evaporated with the capitulation of Japan on 14 August 1945. On 1 October the agency itself was dissolved and most of its component parts absorbed by the War Department as the Strategic Services Unit (SSU).⁴

The creation of a postwar civilian intelligence presence in Berlin thus fell mainly to the

representatives of the newly constituted SSU. Some had wartime intelligence experience, but many did not. None of them had the kind of background that would prepare them for what they were to face over the next few years in Berlin: as civilian intelligence officers they would quickly discover that the SSU was not a popular organization with other government agencies. The very idea of an intelligence service was an anathema to most Americans, who equated it with the sinister dealings they identified with a police state. Furthermore, the Department of State and the military intelligence services who had resisted the OSS now resented what they regarded as an intrusion into their own spheres of operation. Since it was the military who ran Berlin—with the advice of the State Department—the SSU personnel assigned there found that they had to learn their new trade while they were establishing a niche in the military power structure.

It was far from clear what function the SSU would have in peacetime. Intelligence collection priorities were uncertain in the fluid situation that prevailed in the period immediately after the German surrender. Opinion was divided in the OSS (and later the SSU) between those, like Allen Dulles (Chief of the OSS Mission in Bern during the war), who were concerned about postwar problems dealing with the Soviet Union and others, exemplified by William Casey in Paris, who were more interested in working against the latent centers of financial and industrial power that still existed in even a defeated Germany.⁵ This level of uncertainty is reflected in the fact that, although Berlin would soon be of pivotal importance for the collection of intelligence against the Soviet Union, there was not even a Russian-speaking intelligence officer present there until 1947.⁶ Moreover, many American military officers felt that they could deal equitably with their Soviet counterparts in Germany and viewed the presence of an independent, American intelligence organization as symptomatic of the kind of political interference they saw being imposed upon the Soviet military from Moscow.⁷ Equally important, the US Military Governor in Germany, Gen. Lucius D. Clay, was determined to maintain good relations with his Soviet counterpart, Marshal Georgiy K. Zhukov, and discouraged any activities that he thought might be detrimental to good relations with the Soviet Union.⁸

Ironically, SSU Berlin's problem of finding a place for itself in the military power structure soon eased considerably because of the actions of the Soviet Union. Zhukov was recalled early in 1946 and replaced by the hardline Marshal Vassiliy D. Sokolovskiy. The Soviets subsequently did everything possible to isolate the Allied garrison in Berlin and cut off any access to potential sources of information within the Eastern bloc.⁹ American commanders and diplomats in Berlin soon found it necessary to rely on intelligence sources for even the most basic information on Soviet intentions or conditions inside East Germany. Although Clay apparently would have preferred to keep it at arm's length, he found himself increasingly dependent upon his SSU detachment for information. SSU Berlin frequently had to scramble to keep up with what was a rapidly changing situation, but in the process, established the administrative structures and lines of communication that would be in place for the next 50 years.

I-1: Damage to Berlin, 16 December 1943 (No MORI No.) [PDF Only 657KB*]

The transcript of a telephone call from OSS London to Washington, this document has been included to give some indication of the level of damage sustained by Berlin over the course of World War II.

Over the winter of 1943-44, the Royal Air Force's Bomber Command staged an all-out nighttime offensive against Berlin. For much of this period, Bomber Command's night attacks were supplemented by daylight raids carried out by the US 8th Air Force. This recounts the damage

inflicted by the end of 1943, at the height of the offensive. Berlin continued to be bombed until it was occupied by Soviet troops at the end of the war. The intense street-fighting between the advancing Soviet forces and the German defenders only inflicted more damage. Eventually the rubble from all this damage was collected in a huge pile in the Grunewald Park, to become the Teufelsberg.

I-2: Report on Berlin Operations Base, 8 April 1948 (MORI No. 144185). [PDF Only 10.89 MB*]

This excerpt from a much larger document chronicles the history of the SSU Detachment in Berlin from January 1946 until the end of 1947, a period in which many of the mechanisms for the collection and dissemination of intelligence were implemented.

The War Department's Strategic Services Unit (SSU) comprised the foreign intelligence and counterintelligence branches of the defunct OSS. In the spring of 1946, the War Department ceded the SSU to the newly created Central Intelligence Group (CIG), which incorporated its overseas operations into the Office of Special Operations that October.

The National Defense Act of 1947 transformed the CIG into the Central Intelligence Agency. OSO was the CIA office responsible for the clandestine collection of intelligence from human sources before 1953. A covert action organization as such did not exist in CIA until the establishment of the Office for Policy Coordination (OPC) on 1 September 1948 (although OSO undertook some covert actions in early 1948).

I-3: Intelligence Disseminations of War Department Detachment, APO 403; 24 October 1946 (MORI No. 145819). [PDF Only 108KB*]

I-4: Targets of German Mission, 10 January 1947 (MORI No. 144270). [PDF Only 148KB*]

I-5: Points for [DCI Vandenberg's] Discussion with General Clay, 16 January 1947 (MORI No. 144271). [PDF Only 141KB*]

I-6: Utilization of the Mass of Soviet Refugees, 19 April 1948 (MORI No. 144243). [PDF Only 348KB*]

I-7: Instructions [for Gen. Lucien K. Truscott], 9 March 1951 (MORI No. 144287). [PDF Only 197KB*]

I-8: Minutes of a Staff Conference in Munich, 26 October 1951 (MORI No. 144289). [PDF Only 321KB*]

Although the role to be played by SSU Berlin (and its successors) was essentially defined by the end of 1947, problems of definition and coordination persisted. These documents lay out some of the parameters defining the CIA's role in Germany. They reflect some of the bureaucratic difficulties the Agency had in establishing itself, as well as the problems experienced in formulating a postwar intelligence policy, given the prevailing tensions and uncertainties.

I-9: SMERSH Department of the Soviet Central Kommandatura, Berlin—Luisenstraße, 19 December 1946 (MORI: No. 46629). [PDF Only 117KB*]

I-10: Reorganization of the RIS [Russian Intelligence Services] in Germany, 11 September 1947 (MORI: No. 144169). [PDF Only 369KB*]

I-11: Memorandum [concerning Gen. Leonid A. Malinin] for the Director, Central Intelligence, ca.

At the end of World War II, the Soviet intelligence and security services began one of their recurrent periods of reorganization and change. This persisted until 1954, when what we know as the KGB finally emerged.

In April 1943, the Soviet intelligence service, the NKGB (People's Commissariat for State Security) had been made independent of the NKVD (Peoples Commissariat for Internal Affairs). In March 1946, both were raised to the status of ministries to become, respectively, the MVD (Ministry for Internal Affairs) and the MGB (Ministry for State Security). However, in October 1947 the foreign intelligence directorate of the MGB was combined with Soviet military intelligence (GRU) to form the independent Committee of Information (KI). This persisted until the summer of 1948, when the GRU was recreated as a separate agency under the control of the military. In November 1951, KI was reabsorbed by the MGB. On Stalin's death in March 1953, the MGB became part of the MVD, under the control of Lavrenty Beria. In March 1954 the MGB was removed from the control of the MVD and placed under the direct control of the Council Ministers and downgraded to a Committee, becoming the KGB.¹⁰

The dramatically named SMERSH (a contraction of the phrase, "*Smert Shpionam!*"—Death to Spies!) was an independent organization formed by Stalin out of counterintelligence elements of the NKVD in April 1943 and placed under his direct control. Theoretically responsible for counterintelligence operations, SMERSH in fact was Stalin's tool for eliminating "subversion" and collaboration in territories recaptured from the Nazis. After the war, it was primarily engaged in interrogating and executing returning Soviet prisoners of war.¹¹

American intelligence officers confronting the shifting labyrinth of Soviet security services for the first time at the end of World War II had difficulty in keeping track of all this. The Soviet Union was still a mystery to most Americans, and Soviet specialists were virtually nonexistent. The following documents describe early US efforts to understand the organization of the Soviet intelligence services. Interestingly, Document I-11 describes a dinner meeting with Maj. Gen. Leonid A. Malinin, identified as "Deputy to Marshal Sokolovskiy." Actually, Malinin was the KI *Rezident* (local head of operations) in Berlin and as such responsible for the collection of all foreign intelligence for the Soviets, a fact unknown in the West until after the Cold War was over.¹²

Footnotes

¹ The effects of one air raid are reported in Document I-1.

² Parrish, Thomas, *Berlin in the Balance, 1945-1949: The Blockade, the Airlift, the First Major Crisis of the Cold War*. (Reading, MA: Addison-Wesley, 1998), p. 52.

³ An analysis of the Soviet occupation may be found in Norman M. Naimark, *The Russians in Germany: A History of the Soviet Zone of Occupation, 1945-1949* (Cambridge and London: Harvard University Press, 1995).

⁴ SSU comprised the Secret Intelligence (SI) Branch—responsible for intelligence collection and the Counterintelligence Branch (X-2). The Research and Analysis Branch of the OSS (R&A) was

transferred to the State Department's short-lived Interim Research and Intelligence Service.

5 Stuart E. Eizenstat, et al., *US Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II* (Washington, DC: Department of State, 1997), pp. 39, 41.

6 David E. Murphy, Sergei Kondrashev, and George Bailey, *Battleground Berlin*, (New Haven, CT: Yale University Press, 1997), p. 20.

7 Jean Edward Smith, *Lucius D. Clay: An American Life* (New York: Holt, 1990), pp. 261-62; Robert Murphy, *Diplomat Among Warriors* (New York: Pyramid, 1964), p. 290.

8 Document I-2, *Report on Berlin Operations Base, 8 April 1948*.

9 David E. Murphy, et al., p. 11.

10 Details of the organizational metamorphoses of the KGB may be found in Christopher Andrew and Oleg Gordievskiy, *KGB: The Inside Story* (New York: Harper Collins, 1990), *passim*.

11 Andrew and Gordievskiy, pp. 342-343.

12 Murphy, et al., pp. 411-414.

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Esplanade - all windows, etc

the I.G. Farben has been heavily damaged. The Russian Embassy, the Ministry of Culture, the Hotel Bristol, ^{*Hotel Kaiserhof*} the Ministry of the Interior, the Hotel Victoria, ~~the Commerzbank and the Diskontogesellschaft (David Isaac Samuel King Olga Nora Tommy Olga George Edward Samuel Edward Louis Louis Samuel Charlie Henry Albert Frank Tommy)~~, and the palace of Kaiser Wilhelm the First, the Prussian State Library, the University, the State Opera House have all been heavily damaged and many of them entirely burnt out. In the Behrenstrasse (Bertram Edward Henry Robert Edward Nora) the Dresdner Bank, the ^{*Commerzbank*} Deutsche Bank, the Metropol theater and the Papal Nunciature have been heavily damaged. In the Leipzigerstrasse from the Leipzigerplatz to Dönhoffplatz (David Olga Nora Henry Olga Frank Frank) was largely burnt out, including Wertheims (William Edward Robert Tommy Henry Edward Isaac Mary). The Tietz (Tommy Isaac

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Edward Tommy zebra) establishment, however, did not suffer. On the Alexanderplatz the electricity works is out of order. The SS Kaserne on the Alexanderstrasse has been burnt out. The old Reichstag building also received incendiary bombs, and this time not placed there by Goering, but the building still stands. The freight station on the Lehrter (Louis Edward Henry Robert Tommy Edward Robert) Bahnhof (Bertram Albert Henry Nora Henry Olga Frank) was entirely destroyed and the well-known bakery von Wittler (William Isaac Tommy Tommy Louis Edward Robert) was very heavily damaged and the entire supply of flour burned. This bakery supplied almost half of Berlin with bread. The Hotel Eden and the nearby theater were destroyed. The Bahnhof Zoo had many hits and also the flak (Frank R Louis Albert King) tower in the Zoo was hit, but not destroyed.

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The Potsdamerbahnhof has collapsed. The Anhalter- (Albert Nora Henry Albert Louis Tommy Edward Robert) Bahnhof is still standing, but the tracks have been torn to pieces. The Stettiner-Bahnhof has partly collapsed. The Friedrichstrasse Bahnhof has been put in commission again for transit traffic. However ^{at the date of the report} persons going to the west take their trains in Potsdam and those to the east in the Bahnhof Ostkreuz (Olga Samuel Tommy King Robert Edward uncle zebra). para

In the workers quarters there was great damage and entire housing quarters were destroyed. According to the report the number killed is around 35,000, the number of homeless is over a million. para

It is difficult to describe the reaction of the population. The people are so busy trying to take care of themselves that they

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have not had time to draw conclusions. The Nazi leaders are busy spreading among the population such phrases as quote English cannibals unquote, requote British air pirates unquote, but my informant does not think this propaganda has had much effect and some of the people were even heard saying it would have been much better if we had never started anything.

para

Of course the list of factories hit is also long and will be sent separately.

1/17

GENERAL DISPATCH

TO: AIR FORCE
This document has been approved for release through the HISTORICAL REVIEW PROGRAM of the Central Intelligence Agency.

W/12
[Stamp] No. 3-226

Date 2/2/94
HRP 94-1

8 April 1948

TO : Chief, Foreign Branch W (EXES ONLY)

FROM : Chief of Station, Karlsruhe, Germany

SUBJECT: Transmittal of Report on Berlin Operations Base

1. Transmitted herewith is Report on Berlin Operations Base, January 1946 to March 1948. The report is submitted in two copies with the master ditto. One has been sent to Karlsruhe headquarters, two are retained here.

2. A word of explanation is necessary concerning the origin and development of this report. It was begun originally as a Chief, Berlin Operations Base, Progress Report for 1947. It soon became apparent that it was impossible to discuss 1947 without going into the background of the preceding year, for which no overall report had been submitted. Inevitably the preparation of the report stretched out over the first three months of 1948. In the meantime, the situation was changed by the proposal that I be transferred from Berlin Base. With this possibility in view, my concept changed from that of a mere progress report, to an overall statement designed to help and guide my successor. From this concept emerged the thought that the same report might be of general interest to Headquarters, and it was with this in mind that it was finally written.

3. I do not know whether the report as finally presented requires any general circulation in your office or other parts of OSO. For that reason I have sent it as per, leaving it up to you to decide how far it should be shown. I am aware that some very frank statements are made about American officials and agencies, and for that reason you may wish to keep it closely restricted, or you may decide to break it up and circulate individual sections, suppressing others. In any case, I have no pride of authorship in the document.

/s/ Dana Durand,
Chief, BOB

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PART I

INTRODUCTION

The basic element in the history of the Berlin Operations Base during 1946 and 1947 has been the maintenance of continuity as a unified Detachment, in what may be described as a semi-overt status. In this respect, no fundamental changes were made in the situation which had existed since the end of 1945. Throughout the two years of my regime, there have indeed been numerous occasions on which the advisability of maintaining this status has been questioned. Sometimes the question was raised by Heidelberg, sometimes by ourselves, but each time the answer was the same: the operational, administrative, and liaison advantages of a compact unified Base outweigh the security advantages of dispersal and deep cover. As long as our primary mission remains the servicing of the Theater Commander and other local customers, as opposed to the secondary mission of establishing a long range, permanent, truly clandestine coverage, the Army will have to know who we are and how to deal with us. Externally, the administrative and liaison connections which have been built up elaborately over two years are a precious asset which we are reluctant to liquidate. Internally, the cooperation between the Branches, the intimate connection between the case officers and the executive heads, the convenience of our building with its admirable facilities, all these have seemed to outweigh perfectionist conceptions of segregation and deep cover.

We have, in other words, maintained a middle course. We have avoided the "cordon sanitaire" [redacted] but we have also kept a substantial measure of anonymity. It is, of course, impossible to be sure that our security measures have been sufficient to divert the attention of the opposition completely. In a position such as ours, one does well to remember the Greek moral "Count no man happy (read unblown) until he is dead!" Nevertheless, we feel some confidence that our security position is radically different from that of the overt agencies, S-2 Berlin Command, CIC, and the Intelligence Office of Military Government in Berlin (OMGBS). All their executive and staff personnel are known and have become Soviet EEI's. Perhaps our personnel may also figure on those EEI's, but so far no case of major significance has come to our notice. Some 10 British and American agencies which would be in a position to report any major security break affecting us have provided at least negative confirmation of our practical anonymity.

Security-wise, our semi-overt status has caused us some unhappy moments. The most alarming flurry was that brought about by the Associated Press dispatch on the so-called underground railway,

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alleged to have spirited Mikolajczyk out of Poland. The unfortunate reference to "a War Department detachment" sent us into a prolonged tailspin, from which we gradually emerged, clinging to the hope that the difference between "a" and "the" WDD may have escaped the attention of unfriendly eyes. At any rate, we did the best we could to lock the barn door; we found out the identity of the culprit and got the matter into IG channels. We were able to derive at least a vindictive satisfaction from the fact that the indiscreet OMGUS official was abruptly returned to the States. We have never been able to ascertain whether the other offender, i.e. the AP correspondent, felt any remorse for his unethical release of false information, damaging to American security, or whether any deterrent effect was achieved.

This incident remains the only one of which we are cognizant affecting the security of our Detachment as a whole. The resulting decision to change the name of the Detachment would have been inevitable in any case, since the passing of the War Department has made our designation a rather conspicuous anachronism. We look forward in the spring of 1948 to a carefully planned change of name and cover, carried out by an officer specially designated by Heidelberg to explore all the manifold administrative complexities which such a move entails. We hope for once to have a thoroughly cogitated and relatively foolproof approach to a problem which in the past no one has ever confronted with sufficient thoroughness.

The other principal blow to our security through indiscretions by the press was the publication by Joseph Alsop of the substance of one of our secret reports entitled "Speech by Sokolovsky". We have never fully got to the bottom of this leak, partly because it has seemed inexpedient to press too hard. It seems almost certain that this report was shown to Alsop on instructions of the highest State Department authority in Berlin. Whether this action was, as one important official put it, "a deliberate leak" based on orders from Washington, we have not attempted to find out, but we have let it be known at the highest level concerned that our agency does not recognize the existence of any authority competent to release our classified material for publication without prior clearance.

In connection with Detachment security, we have made repeated efforts to develop outside cover positions for individual staff members. From the outset, however, we have been greatly frustrated by an obstacle which for the time being seems insurmountable, viz. the refusal of General Clay to permit the use of Military Government cover for clandestine operations. During the first half of 1947 we made a number of tentative approaches to the problem. With the full approval of the OMGUS personnel Officer, the Theater Director of Intelligence, and even the Chief of Staff, Brig. Gen. Charles

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Gailey, we actually installed Henry Hecksner, Chief SC, in the Public Safety Branch of OMGUS, under an alias. However, as the result of an unfortunate incident, Hecksner and the Chief of Public Relations, Hecksner, excellent arrangements were so badly disturbed that we were forced to withdraw him to the haven of our own Detachment. Since this incident raised the general principle to the level of the OMGUS Chief of Staff, we felt it advisable to push it to the final echelon, and clear up once for all the somewhat unknown quantity of General Clay's policy. The occasion could not have been more favorable for a strong presentation of our request, Brig. Gen. E. K. Wright personally presenting it on our behalf. General Clay's answer was a polite but unequivocal "No". He explained that his lofty concept of the integrity of the Military Government function ruled out altogether the practice of dissimulation and undercover activity. He was quite willing to extend the use of military or any other related cover available in the theater, but under no circumstances that of Military Government. We of course assured him we would comply.

This ruling puts us at a great disadvantage.

However, it has not put us completely out of business. Within OMGUS there exist facilities which are not strictly those of Military Government, notably within the administrative and logistic headquarters known as Berlin Command. Berlin Command is not ruled out by General Clay's decision, and we have already found at least one admirable niche in the Provost Marshal's office for George Bell. We feel that other places will be available as the need occurs, and we have been able to count on excellent cooperation from the commanding officer down.

Establishment of cover on a group basis, which would be required in the case of a dispersal of the Detachment, does not yet seem feasible. It was hoped that the proposed transfer of control from Army to State Department in July 1948 would open new cover possibilities, but the cancellation of the transfer set back those hopes indefinitely.

With the maintenance of our Detachment identity, unity, security, and cover has gone the retention of our physical property, especially our office building at 19 Foshrenweg. In the late summer of 1947 we were subjected to a rather serious attack, directed by the Chief of Staff of OMGUS, Brig. Gen. Charles Gailey, but actually inspired by General Clay himself. Since his accession to the Theater Command in March of this year, General Clay has repeatedly given evidence of the military man's (and engineer's!) fondness for tidying things up. He has showed

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a predilection for consolidating the numerous scattered flags and colored pins which dot the installation map in the S-4 office of Berlin Command. At times, indeed, this drive has had unfortunate results, as in the case of General Clay's personal order to pull all outlying MP detachments into a single central barracks. The effect of this order, as pointed out to him in advance by all the American law-enforcement and intelligence agencies, has been to denude of police protection the highly exposed areas bordering the Russian Sector, and to invite abductions and other Russian forays into our sector. General Clay admitted that he was taking a "calculated risk".

General Clay's order to consolidate all minor headquarters hit CIC, S-2, and ourselves at the same time, creating much consternation. CIC faced the threat of GI regimentation in barracks and the loss of its large billet and office compound. S-2 was confronted with the disadvantageous prospect of sharing a modest and completely public wing of Headquarters Command with the other S's. And we were invited to give up our building and move into the OMGUS area where it would be difficult, if not impossible, to operate our own motor pool, and maintain physical security. As a result the three agencies made a common front, and after some hesitation the Theater Director of Intelligence, Major General Robert Walsh, went to bat successfully for all. In our case, we invited a personal inspection by General Gailey, and succeeded in convincing him that our building was not only ideal for our purposes, but was much too desirable a property to turn back to the German economy. We were greatly helped, I might add, by the intervention of General Wright, whose visit to Berlin coincided with the crisis.

I should also add that we did not make the fight to retain the building, merely out inertia and reluctance to be disturbed. We examined carefully the alternatives which, besides dispersal, included the choice of two buildings within the OMGUS compound, more or less comparable in size to our own. We weighed the security advantages of a change of location and found them wanting against the equally obvious security risks of the physical move and the inevitable setback to the continuity of our intelligence production.

Perhaps the most important development of 1947 affecting the Base as a whole was the reversal of the personnel attrition which had taken place in 1946. When I arrived in January 1946, the strength of the Detachment was about 27 Americans, including enlisted men and secretaries. Shortly thereafter we were invited to submit a personnel estimate, based on an optimum T-9 for a self-contained operating and reporting Base. We arrived at the

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figure of 41 or 42 as the minimum for a fully rounded operation. However, the next few months marked a falling away from rather than an approach toward this goal. At the lowest point, which was reached in the summer of 1946, the entire strength of the detachment was 23 persons, civilian and military. However the tide turned, and gradually during the past year we have moved nearer and nearer to our T-O. As of the present writing our actual strength is 35 civilians, 5 EM. New recruits were sent out from the States and routine transfers were made from other parts of the Station. However, the greatest accession of strength occurred in the summer of 1947 through the dissolution of the Intelligence Branch at Heidelberg, and the transfer of its personnel to field bases.

The gain in personnel has been even greater in quality than in quantity. Washington recruiting, though limited in numbers, has produced an outstanding group of 6 young case officers, admirably suited to permanent careers in the organization. The breakup of Intelligence Branch gave us a new head for each of our operating branches () bringing to us the full benefit of their desk experience at the level of an intermediate headquarters. All in all, we may thank both Washington and Heidelberg for a generous and wise allocation of personnel to what we naturally consider the all important level of direct intelligence production.

A word should be said concerning problems of morale. Despite ups and downs I believe that the curve has mounted steadily during the past year and that the morale of the personnel at this Base has never been better than it is today. Mutual confidence between Heidelberg and Berlin obtains on every level. Our case officers have recovered from the dismay brought on by our security losses. As indicated below, the administrative picture, especially transportation, has improved, bringing relief from the chaos and disorganization inherited from the break up of the wartime organization. And finally, and not least, the influx of dependents has stabilized the personal lives of a considerable percentage of our staff, and brought an element of maturity and dignity as an example to the rest. The situation is indeed by no means perfect. There are still instances of immaturity, emotional unbalance and social inbreeding within our little community, but these are being treated with tact or firmness, as the case demands, and gradually eliminated. We have entered 1948 with a spirited yet disciplined staff, in the true sense an elite group.

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PART II

OPERATIONS OF BERLIN BASE

The principal executive responsibility of the Chief, Berlin Operations Base consists in the general supervision of intelligence operations. Although ultimate control rests in Heidelberg and Washington, immediate operational responsibility is delegated at the Base to the Branches, there remains a substantial element of intermediate responsibility which the Base Chief carries. In practice, because of the scope and extensive ramifications of FR operations, I have been able to exercise only the most general supervision, confining myself to matters of significant security or policy importance. In the case of SC, with its much more compact and intensive scale of operations, I have been able to maintain a correspondingly closer degree of interest even in small details.

I shall discuss the two Branches separately and then devote a section to the problem of their interrelations.

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The trend of FR intelligence production, as measured in number of reports, may be indicated by a few simple statistics. During the first eight months of 1946, the output of raw and disseminated reports rose from some 300 per month to an average of 500 and a peak of more than 700. With the reorganization of SSU into WDD on 20 October 1946, the present report series began with MGB-1 -- and almost a year to the day later the Berlin Base logged MGB-5000. (These included nearly three hundred SC reports.) In August 1947 a total of 525 reports was logged and forwarded, but a deliberate and vigorous effort to reduce the flow of useless or mediocre material brought the figure down to 213 by October and has kept it in that neighborhood ever since. Both case officers and reports officers were instructed to apply much more rigorous screening standards than before, so that we could concentrate on improving our output and free reports officers all along the line from a clogging weight of paper.

The statistics above are in themselves not particularly enlightening except as they indicate a phase of quantitative expansion, followed by one of contraction. In order to illustrate the real significance of this development, and comment briefly on the trends in scope and quality of FR coverage, I shall review in broad terms the historical development of FR operations since the establishment of the Berlin Base.

1. The development of the FR Branch of the Berlin Operations Base during the past two and a half years may be said to sum up the transition from the wartime operation of OSS/SI to the beginnings of the permanent long range organization of the post war era. This development has gone through four phases: a) July 1945 to February 1946, the attempt to convert the relics of wartime SI to the purposes of the occupation period; b) March to September 1946, concentration on military intelligence and the development of new chains, especially for extensive area coverage; c) October 1946 to June 1947, gradual shift to intensive coverage of fewer and more highly selected targets, beginning of liquidation of chains, and other security losses; and d) July 1947 to date, reconstruction and tightening of the FR agent system with a view to long range production.

a. July 1945 - February 1946. As was inevitable, the immediate postwar phase in Berlin was marked by the carry over of substantial parts of the wartime SI Branch. The Chief of the German Mission, Mr. Allan Dulles, brought with him from Switzerland a considerable group of high-level Germans, the so-called Crown Jewels, who had been recruited during the war.

But however impressive on paper, the Crown Jewel program in practice proved unsuited to the

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prevailing situation. Most of the individual members naturally made haste to get back to their personal affairs, law, politics, journalism, business. Even had they been interested in continuing to work for OSS, there was little that they could contribute in the way of clandestine intelligence. The chief concern of many was to capitalize on the credit they had earned by their services during the war, and in some cases their exaggerated notions led to embarrassing and painful incidents -- for example, in the long drawn out termination of our relations with [redacted]. Today three Crown Jewels remain on our books in Berlin, including [redacted], and our only remaining concern with him is to fulfill at long last our ancient promise to get him to the States.

The principal reason for the collapse of the postwar Crown Jewel program lay, however, in the disintegration of the OSS itself. After Mr. Dulles returned to the States in October 1945, a series of commanding officers and executives passed in rapid succession through the Berlin Detachment. Redeployment was swift, and in a few months the strength of the Detachment fell more than fifty per cent. SI Branch suffered heavily from this personnel attrition. Moreover it was split up into a number of separate operating units (Peter, David, etc.), physically isolated and with no control by the Berlin Chief -- control being everted (if at all) by Wiesbaden. In large part, it is the memory of this atomistic and undisciplined era which has deterred us from undertaking a new program of dispersal.

During this period the presence of Mr. Dulles -- and for some time after his actual departure, the impact of his personal prestige -- enabled the Detachment to operate on a very high echelon. Intelligence reports were delivered personally to General Clay and Ambassador Murphy, and direct access to the "presence" was frequent. This was undoubtedly gratifying, but in the long run it produced unfortunate results for which we are still paying. The fact seems to be that SI production in the last quarter of 1945 was actually of low quality, and the effort to sell it directly to General Clay had the boomerang effect of giving him a low opinion of the organization. Indeed, he showed an indifferent if not hostile attitude to intelligence in general, during 1946 and 1947; an attitude which applied primarily to the G-2 agencies, but in part also to ourselves. Much of our effort during the past two years has been aimed at counteracting this negative view by steadily improving the quality of our service for Theater customers, so that the merits of our positive intelligence speak for themselves without special salesmanship. There is reason to believe that we are beginning to succeed.

Two other shortcomings were apparent in the SI production of this early period. In the first place, too much attention was paid to rumors, high level gossip, political chitchat. Lengthy

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reports from highly placed agents were purveyed as intelligence, whereas in many cases they represented mere are-grinding or Jammerberichte. It is not surprising that material of this type soon elicited a negative reaction for the principal customers.

The second defect resulted from a mistaken judgment of target priorities. During this period an unduly large share of our attention was given to Poland and New Poland. This area was naturally a major target, but effective coverage was (and has remained) impracticable. We were never successful at recruiting agents who combined professional intelligence skills with the necessary knowledge of the area, courage to run the great risks, and dependability. Those whom we did recruit were motivated by overweening personal interests: business in Upper Silesia, indiscriminating agitation against the Oder-Neisse frontier, or smuggling and the black market. Further, this concentration on Polish-held areas distracted attention from our target of primary interest, viz. the Soviet Zone.

b. March-September 1946. This initial phase of post-war positive operations came to an end during the first two months of my regime. I do not take any credit for the transition, since it was largely directed from higher headquarters. *RICHARD HELMS* who had been the last chief of the Berlin Base prior to my arrival, was now in charge of the responsible desk in Washington bringing to headquarters his direct operating experience. Wiesbaden and later Heidelberg had shaken down the swollen wartime growth and set up the strongly staffed intermediate SI organization which culminated in the so-called Intelligence Branch. My own role in the conduct of SI operations was distinctly limited during this entire phase by the Heidelberg policy of strong intermediate control. Most of my attention was accordingly devoted to establishing liaisons and to coping with the inherited administrative disorder of the Base, leaving positive operations more or less to themselves.

The basic event of this second phase was the announcement of the Grail Program in June 1946, which had been anticipated by an urgent shift to military targets for G-2 USFET (General Sibert) in March 1946. First Frankfurt requested, and then Washington required, that we elevate military intelligence, especially Order of Battle of the Soviet armed forces, to the highest priority, at no matter what cost to our other operations. The effect on our positive operations was of course sweeping; in some respects it was disastrous. It was obvious that SI operations had to be greatly expanded, and with great speed. The only way to do this was to build up large agent chains, reaching out and covering the Soviet Zone throughout its length and breadth.

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SI Branch embarked on this expansion with great vigor and enthusiasm. Under the guidance of the energetic but methodical Henry Sutton, its operations office became a center of intense activity. Chains thrust out like rapidly forming crystal fingers. Reports flowed in and new briefs were issued, the great majority written by Sutton himself, in response to the ever increasing impact of the Grails. It was a dynamic and exciting period as report numbers mounted and sub-agent chain numbers steadily proliferated.

In retrospect it is easy to criticize this free and easy period, but at the time everyone -- our customers, Heidelberg, Washington -- was immensely pleased and kept on demanding more. There was a certain gratification in being able to pinpoint a target anywhere in the Russian Zone, and dispatch an agent to cover it almost at a moment's notice. Perhaps the classic operation of this type was the surveillance of a large cache of uranium salts at Ludwigslust, which we carried out for the Manhattan Engineering District. We could put a man into the warehouse almost at will, and from afar we watched with satisfaction the elimination of the dangerous salts by their use in tanning white leather!

Although the production of military intelligence enjoyed top priority at this time, it did not preclude a vigorous expansion of our political and economic coverage. It was during this period that Peter Siebel, then Chief of the branch and Sutton, developed clandestine intelligence reporting on the Soviet Zone to the point of routine, and established the basic penetrations into the Central Administrations in Berlin which constitute the staple of FR Branch today. Although taken in detail this type of production was less spectacular than the Grail work, in the aggregate it has produced a more lasting impression. By the beginning of 1947 FR economic and political coverage was clearly established as the best produced by any intelligence agency in Berlin. Our prestige with ODI, COMSUS, reached a high peak from which it has never declined. So great was ODI's confidence in our Soviet Zone coverage that the Chief, Colonel Rodes, requested us to set up what amounted to a clandestine organization of resident intelligence agents, comparable to the overt intelligence officers of Military Government in the American Zone. The project, of course, was unfeasible, but it indicates the extent to which standing coverage through agent networks had come to be taken for granted.

c. October 1946 - June 1947. The transition to the third phase of positive production was gradual. Even at the height of the second phase there were misgivings, both in Berlin and in Heidelberg, that chains were being pushed beyond the danger

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point. The old Vetting Desk of X-2 had broken down under the load of new recruitments, and the Agent Control Branch which had been set up under SI Steering was attempting to shoulder the responsibility for checking background and security. The Intelligence Branch was divided between the desire to continue the wave of expanding production and fear of the eventual consequences of the boom. My own position also was beginning to change. In October 1946 the Chief of Mission, Crosby Lewis, officially instructed me to assume a part of the supervisory responsibility for FR operations, which hitherto had been fairly closely held by SI Steering. I was glad to accept, and indeed had solicited this extension of my responsibility, but to a certain extent danger symptoms had already emerged which it was too late for me to check. Moreover an element of tension had developed between Berlin and Heidelberg in which personality factors were at times a grave source of friction. In response to the Washington directives, SUTTON had driven the expansion phase of our program with all the energy and zeal of his powerful character. By the fall of 1946 he was, so to speak, caught in his own momentum. The pressure of change SUTTON could hardly think any longer in terms of cutting down. The system was moving fast, if not hectically.

It would be a mistake to think that FR Branch in Berlin lost the faculty of self criticism. It is true that Mr. SUTTON appeared at times to lay himself open to the charge made by Mr. Lewis of being an "intelligence broker". NEVER THE LESS one must remember two things. In the first place SUTTON who has a strong strain of military discipline in his nature, was acting on his interpretation of higher orders. On the other hand, even at the height of his campaign to produce at all costs, he never lost sight of long range objectives, and indeed defined them more clearly and thoughtfully than almost anyone else in those days when the future of SSU was so tenuous. His fertile imagination and powerful intellect were repeatedly brought to bear on the long range problem, and produced much of our most stimulating thought on the subject. Thus it was not from an excess of "boyish enthusiasm" on the part of its directing personnel that FR Berlin eventually found itself in serious difficulties.

The bill for overexpansion was presented at the end of 1946, and we have been paying it in instalments ever since. The arrest of a large part of the chain in the last two weeks of December 1946 established a pattern which with many variations was followed in 1947 by the compromise of the chains, and in March 1948 the chain. Generally a single weak link was detected by Russian

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counter intelligence: sometimes by chance, perhaps as the result of a routine pick up for blackmarket or other charges, and sometimes through an agent gone sour and bought over. Only rarely if ever does the initial break seem to have come from a deliberate penetration.

Usually the Russians avoided direct action until they had learned almost all the details of the chain's makeup. Sometimes we were even able to follow their progress through attempts at kidnaping, luring agents into the Russian Sector or Zone, and arrests which were followed by attempts to double the agents and their subsequent release to work against us. Accordingly we were sometimes given advance warning and were able to save some of the wreckage; this was especially true in the case of the [redacted] complex. But once the Russians had a sizeable group of men within their grasp they were usually able to make effective concerted swoops. As we learned to our cost, the time margin was extremely small; once the trap was sprung, it was usually too late for us to rescue the more remote agents. We have since learned something of the cost to the agents themselves; sentences of five to twenty five years in Siberia, misery and even destitution among the families left behind.

All these losses have been fully described in reports by the case officers concerned. The classic document of this type is [redacted]'s comprehensive study of the blowing of [redacted], tracing its causes back to the very origin of the chain and the operational handicaps in terms of physical facilities and security protection which characterized the Grail expansion. As a clear historical resume of an important characteristic case it should constitute a valuable training document. We may also mention [redacted]'s memoranda on the [redacted] complex and [redacted] on [redacted] not only as demonstrations of the conscientiousness and energy with which FR case officers have faced their baptism of fire, but also as products of FR's steadily increasing effort to achieve full and candid reporting on its operations. We have been gratified at the understanding reaction of higher headquarters to these reports.

Several lessons have emerged from this third period of our operations: 1) Operation of complex agent chains is risky and in the long run unprofitable. It is only worthwhile in a fluid tactical situation, where expense, measured in terms of human life, must be disregarded. 2) Chain operations, though achieving the wide coverage necessary in a tactical situation, yield on the whole low level and ephemeral results. 3) It is difficult, if not impossible, to accomplish hermetical compartmentalization within chains, when the physical location of the sub-agents allows the case officer no contact with them. Paper segregation of sub-agents

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seldom works out in practice, especially when physical facilities for housing and meeting are severely limited. 4) Operation through cutouts, though admirable in theory, does not work out in practice under the conditions so far prevailing in Germany. 5) No amount of coaching is likely to develop a real security consciousness in a German agent unless he has already had some taste of professional conspiratorial experience. 7) Cutting down a chain automatically brings forth additional security weaknesses. Dismissed agents either go sour or attempt to get recruited by another agency, or drift into black market and other illegal activities where they eventually expose themselves. There is no such thing as pruning or consolidating a chain with safety. When it has to be cut down, it had better be liquidated altogether -- and even then we and the dismissed agents remain in almost as much danger as ever. Many of our casualties were agents whom we had dropped many months before they were captured, and they in turn implicated other dropped agents and some who were still active.

The ultimate moral, and it is a painful one, seems to be that any successful productive operation must eventually be paid for by an even greater outlay of effort in disposal and liquidation. For that reason, perhaps the most important outside development of 1947 affecting FR operations was the organization of the disposal unit at Heidelberg. Their responsibility is a heavy one, for they have to suffer dismal headaches long after the shouting and the tumult have died away.

d. July 1947 to date. The transition from the third to the fourth phase of FR operations was gradual, but was well under way by 1 July 1947, when a shift of personnel took place. Both SUTTON and SICHEL had arranged to return permanently to the States, and SUTTON arrived in Heidelberg to become the new chief of the Branch. But SICHEL, who had been chief since the fall of 1945, at that time changed his long-standing plan to enter his family business, and SUTTON ishly agreed to remain as FR Operations Officer in SUTTON'S place. Naturally his decision was more than welcome, not only to SUTTON and myself, but to the case officers he had trained and to all others who knew how much of Berlin's success in positive intelligence was due to his unceasing energy, skill, and aggressive imagination.

This change in personnel was in part a result of an important reorganization carried out at Heidelberg. In the spring of 1947 it was decided to dissolve the Intelligence Branch at Headquarters and assign most of its staff personnel to the Operations Bases. The change, of course, greatly strengthened

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the staffing of the bases, but in addition it bestowed upon them a much broader measure of operating autonomy than they had hitherto enjoyed. Although the Chief of Station has continued to maintain full files of agent operations and exercise overall supervision, he has in effect delegated all the detailed supervisory functions of the Intelligence Branch, retaining only the general policy control and the supervision of financial and supply accounting in Headquarters.

In terms of organization and operations, Berlin's most important benefit from the dissolution of IB was the transfer to our own office of Agent Control. Not that the agent control function had been neglected by IB; on the contrary, first [redacted] and later [redacted] had carried it out with admirable thoroughness and objectivity. The Agent Review prepared by [redacted] in the spring of 1947 was a masterpiece of analysis and criticism. Although at the time, there was some resistance to the sweeping house-cleaning which [redacted] recommended, in retrospect all of us will agree that it marked the beginning of a new era in FR Berlin. The wholesale dismantling of chains and liquidation of non-productive, marginal, and insecure agents eventually (and sometimes with the help of the RIS) followed [redacted] blueprint fairly closely, though here and there certain points of overemphasis have had to be corrected.

[redacted]'s agent review was the swan song of outside agent control. The transfer of the function to Berlin was accompanied by two other new developments which made genuine and effective agent control possible for the first time:

1. [redacted] came from IB to set up and maintain Agent Control in Berlin. During the past eight months [redacted] achievement has been truly monumental. The whole system of FR agent files has been revised and filled out so that it is now far more comprehensive, complete, and rational than ever before. Service records have been prepared for the hundred-odd agents who have been dropped. By daily contact with the case officers [redacted] has instilled a new sense of discipline into their preparation of operational reports, which in turn has reacted favorably on their whole technical approach, especially in matters of security and completeness of personal information on the agents. The typical agent dossier is now clearly organized, with summary and detailed statements of personal background, record of contacts, supplies issued, reports received, etc.

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2. The monthly progress reports by the case officers have also helped to keep Heidelberg and Washington far better informed on the exact status and scope of Berlin operations than had ever been possible before. At first the reports, which were initiated on instructions from Heidelberg, were written by the overburdened case officers under dismayed protest. Gradually, however, they have been accepted as an essential part of the case officer's duty, invaluable not only to higher headquarters but to the executive staff of the Base, and indeed to the case officer himself.

A further systematization of our work resulted from the reduction of agent operations to project form in July 1947. Although this task seemed at first a mere bureaucratic nuisance, we finally came to welcome the additional insight it gave us and other headquarters into the whole FR picture. The first weeks of [redacted]'s tenure were profitably, if hectically, spent in combing the files, talking with the case officers, and condensing the facts about each agent into a compact project summary. We were gratified by the favorable reception and wholesale approval by Heidelberg and Washington; we thought that the job had perhaps been done once and for all, and that for future accounting periods a statement of change or no change would be sufficient. When it came time to restate our projects as of 1 January 1948, however, [redacted] felt that so much had changed, and so much else needed to be amplified and clarified, that mere revision would not suffice. Therefore his second project statements, almost without exception, represented completely new formulations, fuller and more realistic in general, especially with regard to costs and eventual disposal problems. We have begun to face the eventuality of a currency reform, and have called attention to the inevitable rise in hard cash and supply costs which it will bring into our hitherto phenomenally economical mode of operation.

Another basic achievement of [redacted]'s regime has been the reorganization of the Reports Board and its procedure. The dissolution of the Intelligence Branch bestowed upon us a greatly increased responsibility in reporting, but a gain of only one person ([redacted] soon to return to the States). [redacted]'s office was given entire responsibility for the handling of FR intelligence reports from the moment they leave the case officers until they are put into the pouches, by-passing the screening which they used to receive in the Operations office at a cost sometimes of considerable delay and duplication of effort. One result of our increased local responsibility, especially for screening out mediocre or useless material at the earliest possible stage, has been a speed-up in reports handling all along the line.

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Summing up the past two years' development in positive intelligence coverage, certain achievements and certain failures stand out. Broadly speaking our political coverage has remained at about the level it began to reach with our reports on the Hermes-CDU crisis of December 1945; all but exhaustive on the CDU, as much as necessary on the LDP, much less on the SPD

and fragmentary but occasionally good on the SED and its ancillaries. The increasing coverage by other agencies and by the press has tended more and more to duplicate our own, and, because of the unique political situation in Berlin, the classic distinctions between clandestine and overt political intelligence, between straight news and behind-the-scenes information, between truth and deception, have broken down completely. Our present function in the political field has therefore become uncertain and confused, and we have tended to neglect current spot coverage in favor of long range penetration. In the case of one important target, the CDU, we had occasion at the end of 1947 to point out to our local customers (some of them amateur rivals in the matter) that the party was so redundantly covered by a variety of agencies that we were forced to protect our long-range interests by withdrawing from the spot-news field. In the main, however, we have supplied a steady stream of information on party politics, with a fair trickle on the political maneuvers of the Russians.

In the economic field our coverage has shown solid progress. Our long statistical reports based largely on documents purloined from the Central Administrations now constitute the bread-and-butter output of the Base. We are rifling the confidential files of the Reichsbahndirektion and the Derutra trucking network systematically, and our disseminations on freight shipments recall staple issues of SI during the war. It is in the field of Russian Zone manufactures, quotas, allocations, shipments, and accounting that we have provided our best and fullest information on Soviet aims and actions. The [redacted] chain alone would suffice to give us a near monopoly of this field among Berlin agencies.

Finally we may point to the increasingly thorough coverage of scientific and technological developments -- perhaps the most creative expansion of FR production. [redacted]'s keen eye for intelligence opportunities has been nowhere more penetrating, and several case officers (particularly [redacted]) have developed considerable flair in exploiting new leads. We have been greatly encouraged in this effort by the support of Washington, which has promptly answered briefing requests and has given us a sense of the value of our material. We have also been gratified by the occasional impact which we have been able to make on ONGUS, notably in the [redacted] affair, which largely as a

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... strictly clandestine intelligence initiative by Mr. Sichel was carried through to the successful prosecution of the case against directors and engineers of the Askania plant.

On the debit side of FR production we must place our disappointingly small headway with [redacted] where our penetrations are proceeding very slowly; and the almost complete lack of Russian and other non-German sources. FR has developed no important Russian case, defection or penetration, since its temporary and limited participation in [redacted]. It is only fair to point out that FR has been handicapped by lack of personnel specifically qualified to handle Russian cases. Moreover, it is inevitable that SC Branch should have taken the lead in this field, since automatically all Russian cases in their initial stage must be handled as suspect penetrations. I shall return to this question below, but I wish to emphasize at this point the importance of assigning Russian-speaking case officers to FR as well as to SC Branch.

Though there have been tenuous and inconclusive lead into Yugoslav groups, and occasional scraps on the alleged recruitment of various nationals for fighting in the Balkans, FR's non-German production has been uniformly meager. Our withdrawal from the Polish operation, mentioned above, was an acknowledgment that with our present type of staff and recruiting possibilities, and under the conditions now prevailing in Poland and New Poland, penetration from Berlin was ineffectual and unprofitable.

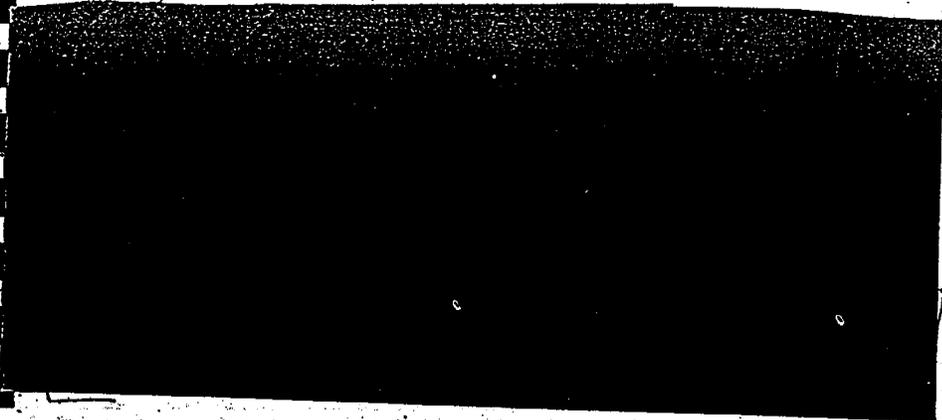
In concluding this highly generalized survey of FR Branch, I should like to emphasize what seems to me its most tangible and enduring achievement, viz. the training of intelligence officers. The case officers and the executive staff of the Branch, not to mention SC and myself, have profited enormously from the past two years' experience in positive operations. The self-criticism inspired by the Agent Review, the self-discipline and restraint which were required to meet and cope with our security problems, the extension of our sphere of experience with the contraction of our target areas--all these are grounds for sober satisfaction. In my opinion the FR Branch in Berlin can view the prospect of the future with confidence and optimism.

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B. SC Branch



There have been no fundamental structural changes in the organization of the SC Branch since its activation. Naturally there have been the inevitable changes in personnel. The most important of these changes occurred in June of 1947; with the dissolution of IB in Heidelberg. ~~HECKNER~~ was transferred to Berlin replacing TOM POLGAR as chief of the branch.

The intelligence production of the SC Branch has been relatively steady throughout 1946 - 1947, though the number of reports has constantly decreased. This was due to several factors: a) elimination of reporting on certain topics, such as former GIS members, Nazis in hiding, low-level RIS operations, etc.; b) elimination of operations reports unless the contents had direct bearing on intelligence; c) higher standards of reporting required from case officer. From a technical point of view, the only change in reporting technique occurred with the introduction of BSC Ops reports in late 1946; otherwise the standard RIR of old X-2 days was preserved with minor changes. Numerically, our reports were divided as follows:

	<u>1946</u>	<u>1947</u>
RIR	647	254
BSC Ops	<u>10</u>	<u>193</u>
Total	657	447

In operations as in personnel there has been both continuity and change. Our principal targets have been confirmed and priorities assigned by Washington directives. Our shifts in operational

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emphasis were in part a response to directives, in part the natural outgrowth of the changes in personnel and the lessons of experience.

The primary SC target remained in 1947 as in 1946 the Russian Intelligence Service. But the method of approach has undergone a marked change. 1946 may be described as the period of endeavor through the classic method of the double agent, working on the tactical level. 1947 brought about a gradual disillusionment with this method, and a shift of emphasis to defection and straight penetration.

This disillusionment has grown out of a candid re-examination of our two principal endeavors in the double agent field, the case and the case of SAVOY which later was taken over by [redacted] alias [redacted]. In both our effort had been to turn agents back against the Russian case officer and headquarters which had given them either counter-intelligence penetration or kidnaping assignments, in the U. S. Sector. We hoped by doubling the agents to obtain the following: a) the identity and personal description of all Russian officers directly handling the agent; b) the location and order of battle of the controlling office; c) general knowledge of Russian methods at least in Berlin; d) security protection for FR operations; e) an "intoxication" of the Russian case officer, through which we might eventually be able to force him to work for us; f) a channel for passing deception material of either positive or counter intelligence importance if that should be required at a later date. The practical result of the [redacted] and lesser cases has led us to the reluctant conclusion that our tactical double agent program has not rewarded our expenditure of effort. We are not sure, however, whether this generalization from our own experience in Berlin can be expanded to other situations, here or elsewhere.

The principal reason why our double agent work has fallen short of expectations seems to lie in an underestimate of Russian security and an overestimate of their ambition. In the case of [redacted] it is our belief that our handling was sound, and that Major SKURIN is still not aware that his agents have been doubled. Nevertheless, he evaded the trap we carefully laid in April 1947 in the hope of forcing him to continue working for the Russians but under our control. As far as we can determine, the fact that he did not fall was not owing to any fault in our arrangements, but to an instinctive wariness, plus a last minute reversion to the sensible decision not to try a coup de main in the French Sector. Indeed, if we may generalize from SKURIN's general operational methods, Russian case officers are fully experienced in all the tricks of agent handling: neutral meeting points, aliases, red herrings, keeping the agent in blinders so

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far as concerns the location of headquarters and identity of other agents or staff personnel. Moreover, we seriously doubt whether the Russians are in the habit of promoting their agents, i.e. shifting them to bigger and better assignments as a reward or recognition of successful performance. In other words there seems little likelihood that the successful cultivation of a double, even with the most promising build up material on our side will ever lead him into broader fields. Instead the prospect is one of diminishing returns in fairly tightly closed areas.

The meagerness of reward in our double agent operations has been emphasized by contrast with the fruitfulness of defection cases. The two principal counterespionage defections of 1947 (SAILOR and KRAVCHENKO) were neither one the achievement of SC Germany though the former was debriefed by ^{GEORGE BELK} and though we participated as equal partners with GIC in debriefing the latter. In any case, they illustrate the point that a single defector can, with a minimum of effort on our part, provide incomparably better and more abundant CE information than any double agent whom we have yet been able to groom.

We may add that our experience in Berlin has been confirmed by the British, so far as we are able to estimate from their production. Our principal opposite number cultivated with great skill and persistence a promising double operation during a period of eight months. At the end, the order of battle on the RIS which he obtained covered only half a page. But in the meantime through a series of carefully encouraged low level defections (interpreters and secretaries) the same officer had paved the way for interrogations covering in great detail all the principal RIS headquarters in Berlin and the Soviet Sector, with names and descriptions of hundreds of staff and agent personnel. At least in this stage of our approach to RIS, the defection method seems overwhelmingly more profitable than the double agent.

It is of course true that the defection approach has its drawbacks. Defections are nearly always spontaneous and unpredictable. It is difficult to get word of an impending defection, of one who is wavering or who has already made up his mind but does not know what steps to take. In other words it is a method based less on systematic effort than on patiently waiting for windfalls. It is not a method which, over a long period of time, will produce vigorous counterespionage officers and an efficient organization.

In addition to these two approaches: intensive cultivation of individual double agents and patiently extending a net for potential defectors, a third type of activity is open, viz. the systematic development of auxiliary CE coverages. In our opinion this third approach has proved the most profitable during the

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past year, though we do not maintain that it will always continue to be.

The principal objectives of auxiliary CE operations in Berlin have been the penetration of the German police, the Soviet and Soviet-licensed press services, and the collection of background information on overt Soviet officials at the Allied Control Authority level (Project [redacted]).

The police coverage, indeed, may almost be regarded as a basic rather than as an auxiliary operation. In the early stages of the operation, which was initiated by [redacted] in April 1946, our primary concern was our own defence. The Russians as the result of their exclusive position in Berlin from April to July 1945, had established a strong hold on the police service of the entire city. This hold, or at least a powerful influence, was maintained for some time after the arrival of the other three powers, among other reasons because of Soviet occupancy of the central Polizeipraesidium in Linienstrasse. There was serious danger that they might continue to exercise police control in the three western sectors, thereby not only impairing our sovereignty but also greatly handicapping our intelligence activities. Fortunately this hold was broken by vigorous British and American action in the Kommandatura. Throughout the critical stage in late 1946, SC was in close touch with American Public Safety official [redacted] and can claim credit for providing confidential reports on Russian and Communist machinations, which greatly strengthened the American counteroffensive. It is no exaggeration to say that the service we rendered Public Safety at that critical stage has been rewarded many times over in the material support and valuable leads they have given us (e.g. the initial tip on the British defection of Tokayev).

With the victory of American Public Safety, our interest in direct penetration of the police diminished. But in the meanwhile a new, and potentially more significant target arose, the Central Administration of the Interior in Wilhelmsruhe. The penetration of that agency, when it was still in cadre stage, was accomplished by [redacted] and his basic report on the CAI was the first major impact of an SC dissemination on the higher echelons of Military Government. Our coverage has continued to be fruitful. We have kept a sharp eye on any signs of a latent political police within the CAI, and are confident that we will be among the first to detect and penetrate any such insidious agency.

Thus while it cannot be said that our police and CAI coverage has yielded us much information of strictly CE nature, we can feel satisfied that it has kept us in position to spring upon a

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covert German law enforcement agencies which the Russians may set up with the hopes of gaining a stranglehold on a future German central government.

In the second field of auxiliary coverage -- the Soviet and Soviet-licensed press services -- the counterespionage yield has admittedly been small, but something has been gained. By recasting the [redacted] operation, [redacted] with relatively small outlay of time and energy, has accomplished a very thorough penetration of the two principal Russian controlled news agencies, ADN and SNB. Through operation [redacted] we hoped to extend our penetration beyond the German fringe, into the inner sanctum of Russian press and propaganda. SC interest in this group of operations was greatly stimulated by a report from London that Soviet Intelligence was using the facilities of the press services for the transmission of espionage reports and directives in western Europe. So far, we have not been able to confirm this report; but our instinct tells us that the "total espionage" principle, under which the Russians operate, makes it highly probable that they have not overlooked this convenient communications channel. Moreover, having scrutinized the activities of the Soviet journalists, both in the American and the British Zones, we have obtained conclusive proof that journalism and espionage for the Russians are complementary functions. Through [redacted] we obtained our first glimpse of the cloak and dagger activities of Russian correspondents on their tours of the American Zone. [redacted]

[redacted] Ironically, it was [redacted] who called our attention to the fact that Amzon CIC had also entered the field, and was creating havoc by an excess of zeal -- obvious shadowing, rifling the baggage of the Russian correspondents, etc. We brought the matter to the attention of General Walsh, who instructed CIC in no uncertain terms that the correspondents were to be treated with the respect due "honored visitors".

Our third effort, Project [redacted] started rather casually, as an effort to build up background personality information on Russian officials who appeared on the quadripartite level. The arrival of J BELIC gave impetus and direction to this program, and we soon realized that [redacted] afforded an excellent lead into echelons where promising defections or penetrations might be developed. In order to regularize our project, we concluded two working agreements. We arranged with Ambassador Murphy to have personality and background reports on Russian ACA personnel submitted by the Chief of Liaison and Protocol directly to Mr. BELIC. SC thus was in a position to distribute this type of

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information both to the State Department and the Army. At the same time, we concluded an agreement with General Walsh, whereby ~~HEIC~~ would have a monopoly of operations on the ACA level, while S-2 would handle the lower echelon of the Allied Kommandatura, information being e-changed on both. Both these agreements have been carried out satisfactorily. ~~██████████~~ has produced a substantial sheaf of solid, if unspectacular, personality information. It has contributed to the build-up of ~~██████████~~ and ~~██████████~~ as unofficial collaborators of the Political Advisor's Office, and has given us the kudos and the entree which enabled us to mount the ~~██████████~~ operation.

To sum up the significance of these auxiliary CE operations, we feel that the following accomplishments may be recorded: a) support of American interests by penetration of sensitive Russian-controlled agencies; b) picking up numerous by-products of positive FR type information; c) delimiting and plotting areas of potential subversive Russian activity; d) establishing channels for receiving defection leads; e) confirming the habit and practice of CE briefing as an integral part of the approach to any positive intelligence target.

SC Branch enters 1948 with the conviction that its combination of approaches will pay off abundantly. After a rather dull beginning ~~██████████~~ operation took on the aspect of a classical delayed defection with interim penetration. Although ~~██████████~~'s target, the MVD, is no longer the heart of the RIS in Germany, it still is a part of the basic organism, and an important one. The ~~██████████~~ operation, if it can be continued, has carried us into the highest echelon ~~██████████~~ where intelligence, deception, and policy converge in a single (or perhaps dual) personality. A large point of uncertainty still lies in the question whether the classical double agent operation, typified in the ~~██████████~~ case, can also be made to pay off. We have our doubts, but wish to give it further trial.

C. Interrelation of the Branches

The fundamental question of the future is the closer integration of FR and SC Branch. Whether they should be formally merged at all levels is of course a question for Washington to decide. At our level, we have done a great deal of thinking and experimenting, and have reached a few tentative conclusions. I shall attempt to synthesize what I hope would be a minimum of agreement among ourselves in Berlin.

The basic difference between counter and positive espionage seems to be irreducible, as far as product is concerned. For that reason, no unified system of reporting or filing seems feasible. On the other hand the operational approach and method, though

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distinct, tend to converge. There can be no doubt, in my mind, that every career intelligence officer should be equally grounded in both fields. Training techniques must be developed, both theoretical and practical, which are independent of branch distinctions. Eventually, the individual case officer may specialize in one or other of the two directions, but he must always keep up his skill in both.

It is no criticism of FR Branch to say that some of its shortcomings in Berlin have been owing to the fact that none of its officers went through the wartime or postwar X-2 discipline. Moreover the high pressure of their work during the past two years has made it impossible for them to achieve any degree of self-training in the counter field. The nearest to an exception was [redacted], who took the occasion of the blowing of the [redacted] chains, to embark on what might be called an FR counter program of his own. [redacted] assembled several survivors of the blown chain, trained and organized them into a sort of surveillance and strong arm squad to assist him in protecting the other remnants and tracing down the source of the original blow. Although this was an interesting experiment, and yielded certain tangible results it was not in the long run a practicable venture for FR.

Two principal fields have emerged in which cooperation between the two Branches is essential, viz. [redacted] and [redacted] the [redacted] project. Considerable progress has been made in each project.

The [redacted] Desk at Heidelberg has now been in existence for more than a year, and for the past six months it has had a representative in Berlin, [redacted]. Since [redacted] is primarily an FR case officer, he has been able to devote only a fraction of his time to specifically [redacted] work. He has maintained a close liaison with the Political Advisor's Office (Mr. Brewster Morris) and the Political Section of CIC (Mr. Gutman). Since the former is non-operational and the latter has achieved only a limited and dubious penetration of the SED, the total yield through this liaison has been small. Our own failure to initiate profitable penetrations is not to be blamed solely on the FR Branch, since [redacted] by its very nature, is equally a concern of SC. The heads of both branches have agreed to work closely on all cases, and to place the highest priority for 1948 on getting results in this field. We plan in the near future to hold conferences with the head of the [redacted] Desk and other members of Heidelberg Operational Base, and to set down a sharply focused list of specific targets which will be immediately assigned to individual case officers. We shall no longer be content with the leisurely, long range approach of working likely young candidates up through the Party schools and hierarchy [redacted].

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The problem of covering the SPD as a joint target has been dramatized by a number of recent developments. The affair of the notorious Protocol M, on which this Base reported in considerable detail, carried us into a field in which we had hitherto had only glimpses. Although it has been clearly established that the document itself was a forgery, it has not yet been determined what the motives were, both in its concoction and in its rapid distribution in SPD circles. Through our penetration of [REDACTED] Protocol M our attention was directed to

[REDACTED] the so-called OSTSEKRETARIAT of the SPD. This clandestine agency, which is run from the immediate entourage of the SPD Party leader, Dr. Schumacher, includes elements of espionage, black propaganda, and potential sabotage. It is achieving increasingly large dimensions and now claims to have over 2000 agents or informants. Various British and American agencies have latched onto it with varying measures of partial support, but the institution seems to emerge as something which may be beyond the power of occupying allies to control.

[REDACTED]

To conclude this discussion, I believe that Berlin Base could operate under either a continued separation or a merger of the Branches. In spite of the process of concentration and self-criticism, we shall have to continue an extensive program of straightforward, bread and butter coverage, for our customers in the Theater and at home. We shall need a strong panel of case officers specializing in "straight" methods, and a sizeable reporting staff to screen, edit, and disseminate their reports. On the SC side we shall continue the specialized counterapproach to our primary target, the Russian Intelligence Service. These activities can be carried out within the present Branch structure, provided steady pressure is exerted by the Chief of Base to insure the cooperation of the two. We have already taken certain internal steps to insure close working harmony. Cable traffic is routed to both Branches, except in the case of Eyes Only. The Base Chief's daily staff conference includes the two ranking officers of each branch and the Executive Officer. Important cases are discussed fully at these conferences, irrespective of Branch. The reporting procedure is constantly checked to make

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sure that subject matter rather than branch origin is the criterion of distribution.

If, on the other hand, Washington should decide to abolish Branch distinction, we would be prepared to operate on a different basis. A single operating Branch would be feasible at this Base, though a new differentiation would undoubtedly be called for within that Branch. Such a differentiation might be grounded in the distinction between operations using German agents on the one hand and non-German, specifically Russian, on the other. The counter as opposed to the positive type of operations could be broken down satisfactorily on such a basis, within the framework of existing personnel. Thus the group of German agent specialists would handle such cases as the SPD OSTSEKRETARIAT with an eye to both their positive and counterintelligence content. Similarly, the Russian group would handle straight RIS penetrations, such as [redacted], together with positive information cases of the type of [redacted]. The facilities of the present Reports Board could be adapted to the needs of both groups.

In effect, the problem is fairly simple, and is susceptible of two solutions. The current operating strength of the Berlin Detachment is about 15 case officers. This is a large group to be operated without an internal division. Whether the split should be made on the traditional lines of counter and positive, or on the lines of German and non-German, and whether it should include specialized desks such as [redacted] is a matter for further discussion. In either case, the two Branches or groups can and must be made to function as a single entity. In my opinion, no matter what measures of dispersal may be adopted, the continued unity of the Berlin Base should be preserved.

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LIAISON RELATIONS OF BERLIN OPERATIONS BASE

The conduct of liaison at the Berlin Operations Base has constituted one of our major activities, second in importance only to the supervision of operations. I feel that the progress in our liaison has been one of our principal achievements during the past two years, and has contributed more than any other single factor to the stability and future prospects of our Base. We have tried to govern our liaison by the principle of developing our sphere of usefulness and our prestige, while maintaining the "passion for anonymity". In all cases, the basic liaison is the responsibility of the Chief of Base, but day to day working liaison is extensively delegated.

A. Executive Liaisons

Four major executive echelons of the European Command are housed in the Director's Building of OMGUS, with each of which we have occasion to maintain direct contact. The first and highest echelon is that of the Commander in Chief and Military Governor (CINCEUR), General Lucius D. Clay. It is only on rare occasions and in matters of the greatest moment that we have had direct contact with General Clay. In 1946 there were two such occasions. The first was in March when the General requested the Deputy Chief of Mission, [redacted] and myself to transfer administrative attachment of this Base to Berlin District. The second was in October when the Chief of Mission, Mr. Lewis, notified the General of the changeover from SSU to CIA and solicited a request to continue our services. This request was drafted for General Clay by ODI OMGUS and passed by us to Washington where it was accepted. In 1947 our only significant business with General Clay was on the occasion of the visit of Brig. General Edwin K. Wright, at which time our request for Military Government cover was presented and refused. We were also indirectly in contact with General Clay on the occasion of the London Conference of Foreign Ministers in December 1947.

The second echelon is that of the Deputy Military Governor who is the Commanding General, OMGUS. On the whole our contacts at this level are rare, our business being conducted chiefly through the Office of the Director of Intelligence (ODI, OMGUS, see below, III D). The present incumbent is Major General George P. Hays. Our introduction to General Hays took place on the occasion of the visit of Mr. DONALD GALLOVAY 9 November 1947. GALLOVAY represented the role of our detachment to General Hays and solicited his support for our administrative needs. This impact was reinforced by the December crisis, when our information on Russian reparations policy changes was submitted to General Hays personally, on his instructions, at the same time that it was transmitted to London.

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It is difficult to say what has been the impact of our organization on these echelons. In the past General Clay has been regarded as hostile, or at least indifferent, to intelligence. But, we believe, this hostility has largely been confined to Theater agencies, going back to the bitter feuds between Frankfurt and Berlin in 1945 and early 1946. Toward our own organization, his attitude has been correct and courteous. As representing an independent Washington agency, we have been accorded freedom and material support. As an integral part of the Theater Command, we have been able to enjoy the confidence and respect of the Commander and his Director of Intelligence, without having to submit to the full measure of command control.

General Hays like General Clay also appears to be somewhat negative in his attitude toward intelligence. As Commanding General of the 10th Mountain Division in Italy, he harbored a considerable personal grudge against OSS for claiming, as he felt, undue credit for bringing about the Italian surrender. As General Hays puts it, the Germans surrendered not because of OSS but because of the victorious advance of the ground troops. General Hays fortunately has not allowed this attitude to prejudice his judgment of our agency which as Mr. Galloway explained to him, is not the OSS.

The third directing echelon, that of the OMGUS Chief of Staff, Brigadier General Charles Gailey, is the highest with which we deal on basic administrative and executive matters. General Gailey performs for General Clay and General Hays routine staff functions without which a large and complex headquarters speedily tends to disintegrate. Some of our principal encounters with the Chief of Staff have been mentioned elsewhere in this report, viz. approval and subsequent withdrawal of ~~documents~~ cover in Public Safety, sporadic pressure to move out of our building, clearance of travel orders for Germans, etc. In all these matters we have had to face a certain degree of initial negativeness. In part General Gailey's antipathy toward "Cloak and Dagger" may have been motivated by the fact that he was formerly Chief of Public Relations, and as such was one of the principal proponents of General Clay's famous "Goldfish Bowl" policy. In part, it may be a reflection of General Clay's real or imputed antipathy toward intelligence. My policy has been extremely cautious with General Gailey. I have personally invited him to inspect our motor pool and building, and have, I believe, convinced him that our logistic requirements are reasonable. I have emphasized the service which we render to CINCEUR and OMGUS as customers, and have made every effort to enhance our prestige in his eyes. The effort, I believe, has paid off. A single instance may illustrate our present good standing: when the American Overseas Airlines introduced a Commercial service, Berlin to Frankfurt, for Germans, General Gailey without solicitation on our part included us in the very limited group of agencies which were to enjoy Priority I, an invaluable privilege in carrying out agent movements.

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The fourth component in the directing echelon is the Assistant Deputy Military Governor, Brigadier General W. Fesketh. The function of General Fesketh is that of Commandant of the American Sector of Berlin. As such, he is the American representative in the quadripartite Berlin Kommandatura, and makes the highest level political decisions affecting the City of Berlin. We have relatively little occasion to contact General Fesketh, since most of our business affecting the American sector is conducted in the Office of Military Government, Berlin Sector (see below III, G). We did however negotiate with him in connection with the mounting of Project [redacted] and were received in a cordial and friendly manner.

Other elements in the "front office" include the Office of the Secretary General and the Office of the Staff Secretary. Since we are not an integral part of OMGUS, we do not appear on the routing of official cables and do not attend the weekly staff meeting of the Military Governor. We do maintain informal personal contacts through which we are informed of any correspondence or cable traffic affecting our interests. We also obtain an unofficial account of the weekly staff meeting through the Office of the Director of Intelligence. In this way, we keep ourselves informed of the principal local developments without exposing ourselves by public appearance.

Another important section of headquarters is the Office of Management Control, a sort of super planning and coordinating agency for the command echelon. We maintain close contact through Dr. David G. White, formerly of OSS R & A.

[redacted]

Finally mention should be made of the battery of special assistants and advisors in the Director's Building of OMGUS. General Clay has at various times had special advisors on German politics, who for the most part have been distinguished figures from academic life. The most influential was Dr. Walter Dorn, formerly of OSS, R & A, who served as special advisor on denazification until September 1947 when he returned to his professorship at Western Reserve University. Another distinguished advisor was Dr. Carl Friedrich, Professor of Government at Harvard University, who was in Berlin on three occasions during 1947, twice to advise

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General Clay, on the establishment of civil liberties in Germany, and the third time as consultant for the House Foreign Affairs Committee. Dr. Friedrich will return at General Clay's personal request in April 1948. Both of these special advisors were personal friends and professional colleagues of mine. We frequently found them useful as a source of background information on OMGUS and German political developments. However, we were careful to avoid giving them the status of intelligence customers, which, particularly in the case of Dr. Dorn, they occasionally tried to establish.

In addition to these academic advisors, General Clay also established an office known as "The Special Advisor" which since the middle of 1947 has been filled by Mr. Anthony J. Panuch. Mr. Panuch is a professional organizer, trouble shooter and public relations man, whose chief concern has been as he puts it to "sell" the American Public on Military Government in Germany. Despite his undeniably great influence, we have felt that no useful purpose would serve by making ourselves known to Mr. Panuch.

B. Director of Intelligence, European Command

During 1947, Berlin Operations Base has been in constant direct contact with the Office of the Director of Intelligence, European Command. The accidents of jurisdiction have forced onto our lower echelon the burden of day to day contact with an echelon to which we have not been strictly opposite. We trust that we have acquitted ourselves of this responsibility to the satisfaction of our higher echelons.

The first act of General Clay, on taking over the command of the European Theater from General Mc Narney, was to transfer all policy-making echelons from Frankfurt to Berlin. In the case of Intelligence, this resulted in a compromise solution of the problem which had split the Theater ever since the establishment of the two major headquarters. The bulk of the old USFET G-2 remained in Frankfurt, and continued to direct all the principal operations, such as CIC, Civilian Censorship, and such specialized institutions as the Interrogation Center at Oberursel and [redacted]. The policy control of intelligence was moved to Berlin in the person of first Major General W. A. Burress and later Major General Robert Walsh (March 1947). A small staff, never more than four or five officers and a half dozen clerical and enlisted personnel, supported this office. Our contact in this office has always been directly with General Walsh. It has been governed by the simple lines of the USFET directive of January 1946 which established SSU as a special staff section of the Theater under the "general staff supervision" of what was then G-2.

General Walsh has frequently stated his policy of establishing clear jurisdiction, according to lines of competence, so as

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to avoid conflict or duplication. In the case of the agencies directly under his command (CIC and S-2 Berlin), he has consistently ordered them to cooperate with us wherever we were entitled to the initiative (e.g. confirmation of the Koval cable, Project [redacted] on the ACA level). In cases where the dominant operational role obviously lay with one of his own agencies, he has kept me personally informed, and requested us to cooperate as far as possible or at least avoid interference. An example of the latter was the major alert of CIC beginning on Christmas Eve, 1947, and continuing with top priority until after the New Year, and on lower priority to the present. This alert, which was in response to a Washington order, involved the external surveillance of principle Russian headquarters in Berlin, with a view to detecting signs of any unusual activity. (The results of the alert were largely negative).

Inevitably, with its small staff, the office of General Walsh has not required a detailed intelligence liaison contact. All intelligence reports of sufficient importance to pass over the Theater Commander's desk are transmitted through that office, and we may, so far as we desire, have access to them. General Walsh has offered to show us regularly the daily Top Secret summary which is prepared for General Clay and which contains a large amount of ESD material. General Walsh has also been extremely frank and open in his discussion of such matters as the position of [redacted] his relations with his British opposite numbers, etc.

C. Office of the Political Advisor

In terms of echelon, the Office of the Political Advisor should be placed ahead of the office of the Theater Director of Intelligence. USPOLAD, during the two and a half years of its existence has indeed had a somewhat anomalous position. In effect it has been an epitome of OMGUS some 100 strong, paralleling its major functional divisions but without its executive authority. It has been the State Department's cadre for a future embassy, and as such includes the staffs of economic, legal, financial, and political (and at one time under Col. Fohenthal, military) attaches. It has consistently reported to the State Department through its own independent channels, and has preserved the integrity of its special mission.

On the other hand, its very presence as an OMGUS within OMGUS, has in part been on sufferance. As General Clay once said, he put up with these "political commissars" largely because "Bob Murphy was such a swell fellow." POLAD, indeed, is Ambassador Murphy, the political advisor, in the fullest sense, of the Military Governor of Germany. Those who have had a glimpse of the day to day relationship of General Clay and Ambassador Murphy have no doubt that it is a relation of friends and equals, and possibly of incumbent and successor. But it is also a relation of two very

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different organizations, the Army and the State Department, the one in control, the other awaiting its turn. Inevitably, the effects of this purely passive function are noticeable in the atmosphere of the POLAD staff. A large number of its members are relatively junior regular Foreign Service officers, who normally would be components of an embassy or consular establishment. Here they are supernumeraries or sideliners, in an active and powerful functional headquarters, several thousand strong, which looks upon them primarily as a necessary evil. The effect of this sense of accessoriness cannot be overlooked in discussing our dealing with the Political Advisor's office.

Stated in our own terms, POLAD is our second major customer. It receives all our reports on the same level of distribution as ODI, OEGUS (see below, Section D). But that is where the similarity ends. Usually nothing happens to our reports on the working level in POLAD. We receive almost no evaluations; we do not see any summaries issuing from the office, in which our material is incorporated, except the Brewster Morris reports on [redacted]. Doubtless, some of it gets back to Washington, but presumably not everything, since POLAD assumes that the State Department will receive reports directly from our own headquarters. We maintain virtually no direct contact with the individual Branches of POLAD, especially the Economics and Political Branches. It is true that in 1946 we did maintain such contact, but that has gradually dwindled, as we mutually recognized its non-functional nature. In short, the working staff of POLAD as an intelligence customer is receptive but unresponsive.

When we turn, however, to the higher field of policy relations, the story is different. As I have already stated, Ambassador Murphy is a power behind the throne with some of the aspects of an heir apparent. Moreover, from our viewpoint, he is the most powerful completely friendly figure on our horizon. General Clay, to us as to all, is aloof and Olympian. With General Walsh we cannot completely ignore the presence of a competitive or at least divergent interest. With Ambassador Murphy, we suffer no such difficulties. He has been eminently approachable. Moreover, in Ambassador Murphy's own background lies an important era of cloak and dagger work, which bit him with the same virus as ourselves. To put it in a nutshell, he understands what we are doing and enjoys occasionally taking part in it himself. He is the highest level to which we in Berlin can turn for the sanction of such delicate operations, as the evacuation of [redacted] or the approach to [redacted].

For day to day affairs, as I have said above, we have stopped turning to the intermediate and lower echelons, because of their remoteness from the actual conduct of affairs. There are two principal exceptions. First is the office of the Director of Political Affairs, which is the number two position in POLAD.

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Until October 1947, the incumbent of this office was Mr. Donald Heath, a career State Department official, who is now Minister to Bulgaria. Mr. Heath was one of our friendliest supporters, and gave us an important boost by approving in principle the attachment of WDD personnel [redacted] in the Theater. But, in general, his experience was somewhat along conventional State Department lines, and did not include any special indoctrination in clandestine intelligence work. Our one principal effort to interest Mr. Heath in this field was a visit by [redacted] then Deputy Chief of Mission, who offered Mr. Heath the benefit of our contacts with the SPD, as a channel for conveying unofficial points of view from the State Department to the Party leadership. Mr. Heath expressed appreciation of our offer, but felt that it lay beyond present POLAD scope, and preferred that we confine ourselves to the reporting of inside developments within the SPD, rather than the transmission of sub rosa policy hints. This was, of course, an understandable reticence on Mr. Heath's part, in view of the limited scope of POLAD initiative.

In October 1947 Mr. Heath was succeeded by Mr. James Riddleberger, formerly head of the Central European Division of the State Department, and a good friend of our organization. Mr. Riddleberger brought a more dynamic approach into POLAD, particularly in regard to intelligence matters. He has been fully conscious of the interrelation between intelligence and policy, and has welcomed and acted upon our suggestions. A good example of his receptiveness was his prompt and effective action on the request of Gordon Stewart that he meet Dr. Gerstenmaier, chief of the Evangelische Hilfswerk. Largely as a result of Stewart's initiative and Riddleberger's reception, Gerstenmaier became completely persona grata in OMBUS, and was able to secure most gratifying offers of political and financial support from OMBUS officials.

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The principal functional desk of POLAD is the Political Branch. The chief of Branch, Mr. Warren Chase, has been uniformly cooperative and friendly. However, it has been our practice almost invariably to deal with his superiors, Ambassador Murphy and Mr. Riddleberger. We have working contacts with the members of Mr. Chase's staff, especially with Mr. Louis Fiesner who handles Labor matters; but because of certain inadequacies in both his intelligence experience and security we have maintained considerable detachment toward Mr. Fiesner, and have, indeed, tactfully suggested to both Ambassador Murphy and Mr. Riddleberger that a little supervision and training might be in order. Both fully agreed, and Mr. Riddleberger informed us that he intended to exercise a much closer control over the entire Political Branch than his predecessor Mr. Neath.

From our viewpoint, the most important contact in the Political Branch is Mr. Brewster Morris, who over the past two years has firmly established his position as the State Department's authority on Communist activities in Germany. Although the bulk of his reporting has been based on overt sources, its real merit derives from the clandestine material which he has received principally from us and the Political Section of CIC. Morris himself has no operational facilities, but he is in a position to contact and entertain German officials and members of the SED party. Through him we can plant and receive operational leads of great value. We

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In the economic field, our liaison with POLAD is very slight. Although the present chief of the Economics Branch, Mr. W. C. Haraldson and his predecessor, Mr. Lloyd Steere, have both expressed interest in our economic reports, the fact remains that the interest has been largely platonic. This is inevitable, since the Economics Branch of POLAD in its present status is the epitome of frustration, vis a vis the huge and omniscient Economics Division of OEGUS.

We have had little occasion to maintain official contact with the American Consulate General. ~~_____~~
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On the counter intelligence side, we maintain contact with the security officer of POLAD, Mr. John Reager. However, the bulk of Mr. Reager's activity concerns State Department personnel and physical security, and therefore does not fall in the sphere of interest of SC Branch.

Somewhat more useful to us is the Exploitation of German Archives Branch. The chief of branch, Mr. Wendell Blancke, was formerly in the Embassy at Buenos Aires, and has remained a specialist in the Latin American field, which is of relatively little concern to us in Berlin. He does, however, control the unit which houses and exploits the captured archives of the German Foreign Office. Although these documents are primarily of historical interest, they occasionally yield bits of currently useful information. Our chief operational contact with Mr. Blancke occurred in connection with the ~~_____~~ operation. Mr. Blancke and Mr. Morris were the two State Department guests of Mr. Murphy on the occasion of the dinner ~~_____~~. Mr. Blancke cooperated with ~~Mr. Heenan~~ in drafting the official report of that memorable occasion.

We may summarize our experience with POLAD during 1946-47 by saying that we have lifted ourselves almost completely from the lower to the higher echelon. We have interested and we believe instructed them (and ourselves) in the problem of putting clandestine intelligence at the service of policy while maintaining effective security. We have converted a passive customer into an active co-worker, and enlisted, I believe, the support of what may eventually become the governing agency of the American occupation.

D. Office of the Director of Intelligence, OEGUS

By far the most active outside relationship of the Berlin Base is with the Office of the Director of Intelligence, OEGUS. In order to understand our present position with ODI, it may be worthwhile to review briefly the history of that office.

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In the early stages of OMGUS, ODI was conceived and set up with the intention of making it the principal intelligence agency of the occupation. It was originally to have been headed by Brig. Gen. T. E. Betts, and when the latter was incapacitated, it was still headed in 1945 by a general officer, Brig. Gen. Bryan Conrad. It had a generous T/O, and actually was staffed at the top with four or five full colonels. In the fall of 1945 an ambitious staff study was drafted, which would have made ODI fully operational, with a panel of some 150 American special intelligence agents in Berlin and the American Zone. This plan was, however, quickly shelved, and ODI was prohibited from undertaking any operations, a prohibition which is still in force. Meanwhile, under the vigorous leadership of Brig. Gen. Edwin Sibert, the G-2 Section of USFET blossomed into the principal intelligence agency of the European Theater, and took over virtually all of the operational functions, except those exercised by SSU and minor agencies such as ONI. Further inroads were made into both the functions and the prestige of ODI by the ambitious political intelligence program of the Information Control Division. As a result, ODI in the spring and summer of 1946 declined rapidly, both in staff strength and in prestige. In September, it came within an ace of extinction, or at least of being taken over by ICD. The turning point came in October with the appointment of the present Director, Col. P.P. Rhodes. Col. Rhodes revitalized the nearly defunct office, appointing as the head of its Analysis and Research Branch, and later as Deputy Chief, Mr. Lawrence de Neufville, a former member of X-2 Branch, OSS. Col. Rhodes, recognizing the limitations imposed by the prohibition against direct operation, placed the full emphasis of his office on the analysis of intelligence reports produced by other agencies. By gradually strengthening Mr. de Neufville's staff, he has been able in the course of a year and a half to develop his basic publication, the ODI Weekly Notes, into a massive and comprehensive intelligence summary, averaging more than 50 closely packed pages a week. The old rivalry with Army Intelligence has been largely resolved, ODI receiving from ODDI, EUCOM, the bulk of the latter's research and analysis functions. This transfer of responsibility has eliminated a major point of duplication and competition in the Theater intelligence, and has resulted in the development of an efficient, well-informed equivalent of the old R & A Branch of OSS, meeting a need which had been felt by all the agencies of OMGUS ever since R & A had been dissolved in Europe. Under present arrangements, ODI now prepares all except the purely military sections of the weekly intelligence cable to the Office of the Director of Intelligence, Department of the Army. The ODI Weekly Notes have been officially commended by the Department of the Army as the most valuable single intelligence publication from the Theater.

Our relations with ODI have naturally been influenced by the pattern of its own development. At the time I took up this post in January 1946, ODI had at times appeared to have a certain super-

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visory role in our relations with OKGUS. Our own status was still somewhat unclear. The publication of the basic directive of 30 January 1946, placing SSU under the general staff supervision of G-2 USFET, reduced our relation with ODI to a simple one of producer and consumer. From the viewpoint of the Berlin Base, this was, however, the primary local relationship. As a result, we were to a certain extent committed to what might be called the Berlin side, in the rivalry between G-2 and ODI. We represented to Heidelberg the desirability, while remaining neutral as between Frankfurt and Berlin, of strengthening ODI and placing it on a parity with G-2 in all except military intelligence disseminations. At the low point of ODI's prestige (in late summer 1946) our defense was to a certain extent interpreted by Feidemberg as perhaps excessive partiality for a local customer. However, as events have shown, it was a sound policy, and has won us the firm friendship and solid support of ODI in its present prosperity.

ODI remains, indeed, the second rather than the first echelon of Theater Intelligence. Col. Rodes in theory is one of two deputies to General Walsh, and as such is on a parity with the head of ODDI Col Robert Schow, though of course Col Rodes' organization is of a very much smaller scale. But Col. Rodes at least de facto is only to a limited degree subject to the jurisdiction of General Walsh. In practice his function as the chief intelligence officer of OKGUS entitles him to direct access to the Deputy Military Governor, General Fays, and at least in OKGUS staff meetings and through the ODI Weekly Notes, he speaks directly to General Clay.

We may state our own policy and practice in Berlin as follows. On all political and economic intelligence of a routine nature, we distribute through channels to ODI and to POLAD and leave to them the responsibility of further use of our material. On major matter affecting Theater or Washington policy, we usually take the intelligence direct to General Walsh, and to Ambassador Murphy, if the matter is of unusual political interest. If it requires the attention of General Clay, it is presented to him by whichever of these two officials is more directly interested or competent. In practice even on the most important matters (as the Koval reparations cable) we keep either Col Rodes or Mr. de Neufville informed, but we usually do not ask them to approach General Fays or General Clay for us.

Although ODI's use of our material has generally been quite satisfactory, we have recently been obliged to reconsider certain aspects of our relationship. It has long been my personal conviction that the mushrooming of the ODI Weekly Notes has resulted in a dilution of its content and an increase of security risk. The Notes are classed Secret, and given what might be called a limited distribution: 80 copies reproduced of which some 60 are actually distributed to regular listed customers. There can be little ques-

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tion that all the customers of the ODI Notes are, in terms of their position and their theoretical security, entitled to be on the list. There is, however, a very serious question, whether each one is entitled in terms of his special field of interest, to read all the various unrelated items which are included in that variegated digest. To put it more bluntly, I have been somewhat disturbed by the journalistic tendency of ODI to include something of interest to everybody. Inevitably, I think, this leads to a weakness of security, which gives us some ground for apprehension.

It is only fair to say that there has, to our knowledge, been no instance in which our material has suffered in security through publication in ODI Notes. There have, however, been two or three scares, all of which proved groundless, but which have left us with an increasing concern. Col. Rodes has agreed to give our secret material Top Secret classification whenever we ask, thereby excluding it from the Notes but we are naturally reluctant to adopt such a strong measure, which would result in a perhaps excessive restriction on its use. My own suggestion has been to split the Notes into two publications. The larger, which could be graded secret or even confidential, would include semi-overt material bearing on the American Zone and Trizonia. The other which would be classed Top Secret, though still given approximately the present distribution, would center chiefly on the Soviet and Polish Zones. Although I have repeatedly made this suggestion to ODI, both Col. Rodes and Mr. De Neufville express themselves as satisfied with the present state of affairs. And, as I have said, I have been reluctant to force the issue unless an actual security break can be proved.

With this exception, our relations with ODI have been completely satisfactory. Col. Rodes has shown the highest deference to our organization, and stated officially to General Wright that he regards us as the elite among the Berlin intelligence agencies. On the two or three occasions when we have had to call on him for support or intervention with the Deputy Military Governor or the OMGUS Chief of Staff, he has taken our side vigorously. He has expressed satisfaction with our product, and has always said that he wishes there were more of it. On the other hand, when we have had to withdraw from a field of production, as in the case of the CDU, he has respected our motives for doing so, while regretting the loss to ODI.

With Mr. de Neufville our relations are extremely close. As a result of his OSS background, Mr. de Neufville fully understands all aspects of clandestine operation. Although ODI is non-operational, he is frequently able to exploit his overt status as a sort of informal cut-out, thereby providing us with a major point of cover in the otherwise prohibited area of OMGUS. It would be impossible to do justice to the innumerable tips, leads, follow ups and ideas which we owe to him. In addition he has been our most valuable single source on OMGUS itself, providing us with regular

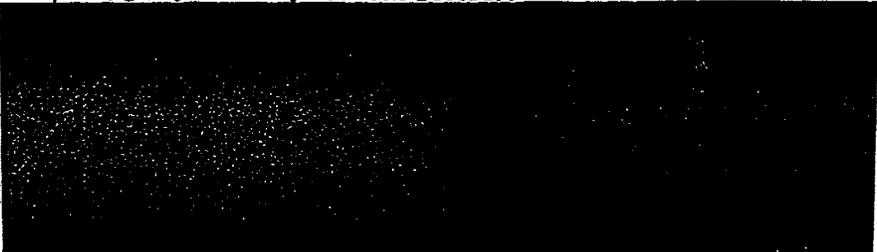
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accounts of General Clay's weekly staff meeting, which because of our position, we have not felt it was advisable to attend. We also keeps us informed on inside developments which may affect our position or our operations, for example the progress of the secret negotiations on currency reform, etc.

We also maintain extensive day to day contacts with the working staff of ODI. The principal analysts visit and are visited by members of our Reports Board, commenting on our submissions and showing us reports from other intelligence agencies which we do not ordinarily receive. Certain policy matters affecting the functional divisions of OMCUS may be channeled to or from us by the Security Branch, which was recently formed by merging Liaison Counter Intelligence and Censorship Sections (Chief Mr. Campbell). This more or less catch-all office handles, among other things, the reports from the Berlin Documents Center, which frequently give us leads to newly uncovered documents, such as the RSFA anti-Comintern files. We have also concluded a useful working arrangement with Mr. J.F. Orr in Mr. Campbell's office for the sponsoring of requests to the Combined Travel Board, which results in the complete elimination of our agency from any written records.



E. Office of the Naval Advisor, Intelligence Officer

Although small in size, the Office of the Naval Advisor, in terms of echelon, stands on a par with the Office of the Political Advisor. It is headed by a Flag Officer, Rear Admiral R. E. Schuirmann, who enjoys privileges of honor parallel to those of General Clay (military guard at his personal billet, etc.). Its principal overall functions are representation on quadripartite naval discussions, and carrying out special missions for the Chief of Naval Operations in Washington. Its two principal day to day functions are the procurement of naval intelligence for ONI (Capt A. F. Graubart) and the study of naval technological questions (Capt J.S. Crenshaw).

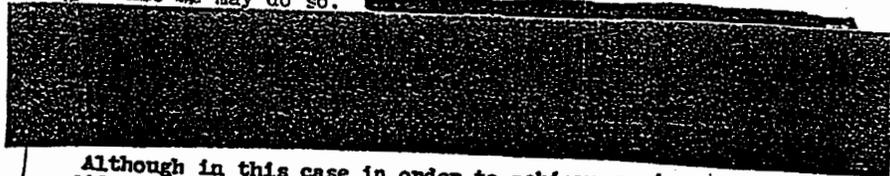
Our relations with ONA from the beginning have been extremely cordial. Admiral Schuirmann was formerly head of the ONI in Washington and is fully conscious of intelligence interests. Although we seldom have occasion to deal directly with Admiral Schuirmann we have the satisfaction of knowing that on occasions of great

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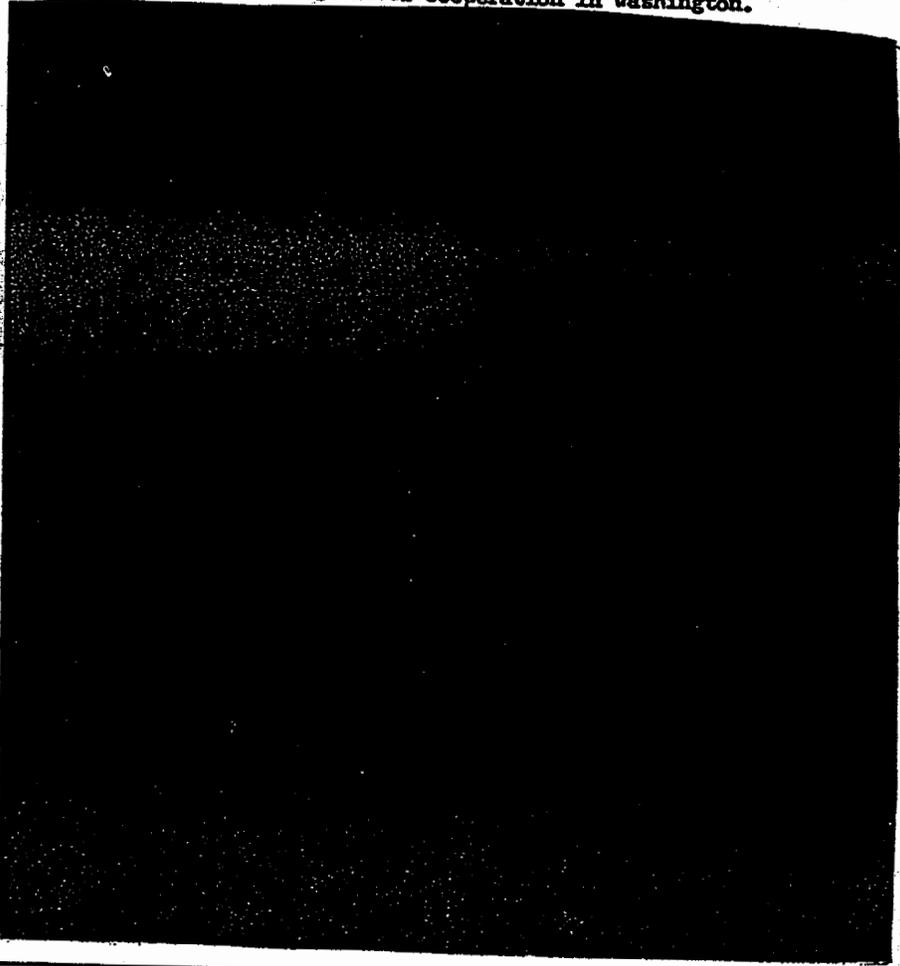
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important we may do so.



Although in this case in order to achieve maximum security, we did not go through Capt Graubart, in general we conduct our business with him directly. Graubart, himself is a line officer with previous intelligence experience as assistant Naval Attache in Berlin before the war. It lies beyond the scope of this report to present an estimate of his operations, especially since they involve matters of high level cooperation in Washington.



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Although we have declined to participate in several of Graubart's major projects, we have taken part or taken over altogether one or two limited individual operations. It must be said that the results have not been satisfactory. In the case of [redacted] we were finally obliged to turn him back, with thanks, allegedly on grounds that we were no longer interested in his targets, actually because he seemed more and more like a penetration agent. In the case of [redacted] whom Graubart runs directly, even to the extent of giving him a small room in the office of the Naval Advisor, we have repeatedly had to decline the offer of collaboration.

In spite of these relatively unsatisfactory experiences, I have not felt that it was wise to criticize Graubart directly, or to detach ourselves completely from operational contact. Graubart, in spite of a rather jaunty approach, is a shrewd and competent officer. He is completely relaxed in his personal attitude toward his official position, with the result that he is quite willing to expose himself, where others would shy away at the risks. Graubart is willing to exploit his overt position to draw the fire of Russian blasts against American intelligence, or to decoy potential defectors. In the defection field, he has had a certain measure of success. In general, however, when he has drawn a nibble, he has turned the case over to the British largely because he has been under the impression that they alone have the "facilities". I recently took occasion to disabuse Graubart of this notion, and to suggest that, within limits, we would be interested in examining his catches before he disposed of them to a non-American agency.

On the whole, though we have moments of apprehension over the free and easy character of Navy intelligence operations in Berlin, we make every effort to keep a warm and cordial relationship. And in the long run, it has paid off, and will continue to do so in even greater measure.

F. S-2 Berlin Command and 970th CIC Detachment, Region VIII

The principal operational liaison of the Berlin Base is with the two intelligence agencies of Berlin Command, S-2 and CIC. Strictly speaking, these are connected agencies, but the history and present status of their connection are rather complex. In the fall of 1947, by what amounted to a command decree of General Walsh, CIC was subordinated to S-2, thereby carrying out the wish of the Theater commander that all local CIC units be subordinate to local commands. But the situation remained in many ways unchanged, CIC Region VIII retaining its direct channel to the FC of 970th CIC Detachment in WUCOM Frankfurt, and owing only a rather nominal obedience to S-2. This ambiguous relationship can be clarified further by an examination of the history and present status of each agency as a separate entity.

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1. ~~S-2~~ Berlin Command.

The present S-2 is the lineal descendant of the original army intelligence agency in Berlin, which was known from July to November 1945 as G-2, 1st Airborne Army, and from then to October 1946 as G-2 Berlin District. Until September 1946 the head of this section was Lt. Col. William Feinlich. Feinlich, who was a former radio executive, has described one of his primary qualifications for intelligence work as consisting of a remarkable "joie de vivre". Unfortunately, it has not been our experience that that quality is an adequate substitute for discretion and security.

The first stage in our relations with G-2 Berlin District reached a crisis in the summer of 1946. As a result of a number of security lapses which came to our attention, we represented to Col. Quinn our serious misgivings about the extensive espionage work of that agency. These criticisms in turn were relayed to Brig Gen Edwin Sibert, and produced a result somewhat more drastic than we had anticipated. General Sibert in a letter to Col. Feinlich instructed the latter to cease all espionage operations the political and military fields directed against the Russian Zone since this was the province of SSU. There was a saving clause permitting Feinlich to coordinate his existing operations with us and there was also a major joker in the failure to mention economic espionage. Feinlich immediately consulted us, and we of course all initiative in bringing forth this bombshell, and assured him of our reluctance to see his activities impaired. Nevertheless, the handwriting was clearly visible on the wall, and Feinlich drew his own conclusions. In effect, he decided to retreat from his untenable empire, and to found a more modest one remote from direct competition with SSU. This decision was perhaps encouraged by the shift which took place in October 1946, by which Berlin District from the status of an autonomous major command was brought under OMGUS as a subordinate agency known as Berlin Command. In the process, the reduction of echelon brought about the down grading of G-2 to an S-2, which it has remained ever since. Feinlich on his own initiative was transferred to the position of deputy to the chief of the Civil Affairs Branch, Office of Military Government, Berlin Sector; there he continued to function as an intelligence officer until February 1948 when he became head of the radio station in the American Sector (RIAS).

The past year and a half of our relations with S-2 Berlin Command have been a continuation of variations on the basic theme of the Feinlich era, polite non-cooperation, with a gradual reduction to the point of virtual elimination of the "non". There have been no less than four S-2s during that period: Lt. Col. John Merrill, Lt. Col. Wilbur Wilson, Col. G. W. Busbey, and Lt. Col. Harry Pretty. Each has imparted a slightly different personal character to S-2, without changing the basic setup. Col. Merrill delighted in playing a personal cloak and dagger role. It was he who originally recruited and operated ~~our principal~~ our principal

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experiment in taking over an S-2 operation. The climax in our relation with Col. Merrill was reached in the affair of Lt. Jacques Saunder. Saunder was perhaps the most colorful operator in the gallery of motley figures in S-2, and certainly the most insecure. When it became evident that Saunder's ambitious ventures had gone beyond even the most generous margin of safety Berlin could tolerate, we made common cause with CIC in representing the danger to Col. Merrill. Merrill interpreted our action correctly as an effort to handle dirty linen strictly within the Berlin community, and took the necessary steps to get rid of Lt. Saunder.

Col. Merrill was succeeded in the summer of 1947 by Lt. Col. Wilson on an interim basis and then by Col. Busbey, formerly Provost Marshal, Berlin Command. Col. Busbey is a staunch cavalry officer, who had had no intelligence experience, but had made an excellent personal reputation among Berlin law enforcement and intelligence agencies, by his earnest efforts to bring about cooperation and good will. His career in S-2, however, was brief, owing, among other circumstances, to the regrettable near scandal of Mr. Michael Tscherbinine. Tscherbinine, who subsequently achieved wide publicity through his role in the Prince Schoenaich-Carolath jewel case, attempted to interest us in what he claimed was a high class penetration of a dissident group within the Berlin EVD. Having been somewhat impressed with the initial lead which Tscherbinine had given us in the case of [redacted] we followed his EVD lead in a conscientious and hopeful fashion, only to find that it ended squarely in the person of a pathological liar. Our presentation of the facts unfortunately led to the wrong action being taken; Col. Busbey was relieved as S-2 (though presumably on other grounds) while Tscherbinine still hovers as stormy petrel in Berlin.

With Col. Wilson who succeeded Col. Busbey, our relations were somewhat less dramatic, but even with him, we had at least one serious crisis. In the spring of 1947, the Russians arrested a group of CDU youth leaders, who were held for a long period and subsequently convicted of espionage for the Americans. Immediately after the first arrests, S-2 came across evidence which showed that one of the victims was an agent of ours, who in violation of all security had some of our briefs and questionnaires in his apartment. Without consulting us, Col. Wilson presented these facts in a highly derogatory and colored report to G-2 USFRT. We neglected to mention, or perhaps did not know, that two of the arrestees were agents of S-2, who were guilty of at least equally great indiscretions. Col. Wilson's invidious action brought the whole matter to the attention of Col. Weimlich's office and even of ODI, creating a major display of dirty linen. We remonstrated with Col. Wilson, contrasting his action with our correct procedure in bringing the case of Lt Saunder directly to the attention of S-2. The results were salutary, and the remainder of Col. Wilson's stay in Berlin was marked by generally friendly relations.

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The fourth and current S-2, Lt. Col. Harry Pretty, has been the most satisfactory, from our viewpoint. Col. Pretty, like his predecessors, came to the job unencumbered by intelligence experience, but he has shown marked discretion and willingness to learn. In part his position has differed from that of his predecessors, in that he has been directly subjected to the day to day supervision of General Falsh. He has thus been the object of a greater degree of attention than any other subordinate agency of the Theater Intelligence. In addition, he has had thrust upon him, rather than seized, the jurisdictional control over CIC, which had in theory existed in 1945 under the regime of Col. Feinlich, but which had never been carried out de facto under Feinlich's successors.

Col. Pretty inherited a fairly large going concern, but one which was in dilapidated condition. At the time that G-2 was demoted to S-2 in Berlin, a paper T/O was established at considerable generosity, viz. 27 officers and some 80 enlisted men. To what extent this T/O has been met, we are unable to say with precision. In any case, S-2 has gradually lost most of its old stand-by officers, and has received replacements of junior and inexperienced regular Army officers, with which it is largely staffed today. As a result of this turnover, the productivity of S-2 has been lowered considerably.

The Berlin Base has not had a direct exchange of reports with S-2 since October 1946, when at the request of General Clay we agreed to use ODI as our intelligence channel within OEGUS. There have been occasional gestures of rapprochement initiated by S-2, as we have responded courteously, but without modifying the basic policy. As a result, we are not really in a position to assess the actual scope and value of the S-2 output. We do, however, see their work reflected in the same medium as our own, viz. the ODI Weekly Notes. From this we infer that they are reasonably productive in the economic field, which they continue to cultivate largely in virtue of the fact that it was not included in General Sibert's prohibition. They appear to be totally out of the political field, except for such work as is done by the Political Section of CIC (see below, para 2). We are quite unable to evaluate their work in the field of military intelligence, since that is all processed in Frankfurt. We have, indeed, been invited to maintain liaison with their Order of Battle specialist, but in view of our own slight interest in this subject, we have not made much of the contact.

In recent months our principal liaison with S-2 has been over the question of Russian defectors. The principal S-2 specialist, Capt A. Sogolov, approached us in the summer of 1947, with an offer to cooperate in the handling of Russian defection leads. His own semi-overt position exposed him to numerous propositions which it was beyond his capacity or that of S-2 to handle. For our part, we welcomed his offer to turn over promising leads, but insisted on two basic points: a) all such cases must be pre-

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sented to us at the earliest possible moment in their development; b) if we accept the case, we require complete turning over to us, coupled with absolute subsequent security by S-2. This general policy was also explained to Col. Pretty.

During the last months of 1947, Capt. Sogolow gave us a number of offers of defection leads. In the majority of cases we were obliged to decline, sometimes for lack of facilities, sometimes for lack of interest or for doubts as to security. As a result, Sogolow came to feel that we were indifferent to his efforts, and we were repeatedly compelled to soothe his feelings, and explain to Col. Pretty the real motives for our stand-offishness. The proof that the cooperation was not totally empty came in the case of [redacted] whom we received directly from Sogolow and cultivated into a promising penetration agent whose Order of Battle information is now greatly appreciated by ODDI, WUCOK.

In any case the Sogolow era came to an end in January 1948, when Major General Kotikov, Commandant of the Russian Sector, in a formal protest to the American Commandant, Brig Gen Hesketh, accused the Americans of the "forcible" defection of a Russian captain. Despite the fact that the bulk of Gen Kotikov's letter consisted purely of shots in the dark, the case came to rest on Capt Sogolow's doorstep. A high command decision was made - precisely on whose initiative, General Walsh or General Hesketh, is not clear - and Sogolow was flown out of Berlin to the States on a few hours notice.

The departure of Sogolow has virtually eliminated S-2 from the active cultivation of Russian defectors. Nevertheless, in a recent conference on the subject, Col. Pretty has assured us that the basic principle of cooperation still stands, and within the limits of his personnel he will continue to make available leads which are suitable to our mission and capabilities.

Other chapters in the cooperation of Berlin Base and S-2 have already been mentioned, notably the London CFK crisis and the agreement to divide the task of obtaining background information on Soviet personnel at the ACA and Kommandatura levels. We might also mention the completely amicable arrangement through which we took over the services of [redacted] as an agent, while maintaining intact his cover as an S-2 staff member. General Walsh and Col. Pretty have been fully cooperative in this effort to retain the services of a topnotch technical intelligence officer, who was otherwise rendered ineligible by the application of the 10 year citizenship rule. The entire setting up of this promising cover arrangement has been characterized by stress on mutual advantage.

We shall strive to continue in this present vein of cordiality and helpfulness. The pressure of empire building, of suspicion and mistrust, seems to have died down in S-2, and, while it is too early to speak of an entente cordiale, we have hopes that the two principal American agencies in the clandestine field can be said from now on to belong to the same team.

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2. ~~CIC~~ Region VIII

The pattern of our relations with CIC in Berlin has been distinctly more satisfactory than with S-2. Almost from the beginning of my stay in Berlin, we established a harmonious working relationship which has been mutually beneficial. It is perhaps not unfair to point out that the cooperativeness of CIC may have been favored by the fact that several key members of its staff (unlike the regular Army personnel of S-2) have kept in the back of their minds the prospect of future employment by CIA!

On the side of CIC the chief proponent of this policy of good relations has been Major Joseph Stewart, until recently the head of the detachment. In this he has been seconded by the most important member of his staff, Mr. Severin Wallach, head of the Special Case Section. ~~On the side of our own staff~~ two chiefs of ~~the~~ Branch ~~WALKER AND THE POLGAR~~ and ~~staff~~ on behalf of FR, have assiduously cultivated the principal officers of CIC.

It would be impossible to give in detail a picture of the day to day contacts between ourselves and CIC. Gradually these contacts have been extended from our Branch chiefs to include some of the case officers. However, it must be admitted that this practice of direct contact on the lowest working level has occasionally produced some confusion, and by mutual consent, the present tendency is to restore the liaison to the narrower basis of the executive level.

From our viewpoint, the most important benefit of the CIC liaison has been the enlistment of their executive facilities in support of both our positive and counter operations. These have ranged throughout the entire operational and technical field, including surveillances, monitoring, protection of agents, forging of documents on occasion, and above all the conduct of vetting and other investigations. On our part we have provided innumerable leads to CIC as the by-product of our own operations. We have also given them a sort of higher moral support during periods of difficulty with the Theater Command and Director of Intelligence. We have pointed out to General Walsh the importance of an autonomous CIC, exempt from onerous restrictions in regard to billeting, uniform, and other military requirements. And above all we have tried to emphasize the solidarity of interest between positive secret intelligence and the protecting and supporting forces of counter intelligence.

As I have already indicated, CIC in Berlin has had a constant uphill battle. It has always been torn between the pull of the local G-2 or S-2 and the higher echelon of the 970th Detachment at Frankfurt. It is only fair to say that this tension has frequently worked to the advantage of the local Detachment, enabling it to play both ends against the middle. It is particularly note-

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worthy that Stewart, with the rank of captain and then major, was able to sustain and defend a Detachment which elsewhere in the Theater would have been commanded by a Lieutenant Colonel or Colonel. This has been all the more remarkable as an achievement, because of the peculiarly exposed and vulnerable position of the Berlin Detachment. It is directly under the eye of the Theater Commander, and subject through his Director of Intelligence to both a more critical scrutiny and a more extensive set of demands than the regional detachments in the Zone. It is at the same time more open to the temptations of the black market and the corruption and seductions of metropolitan life. It is greatly to Major Stewart's credit that, during the two years of his command, his detachment without major scandal and was able to avoid the frequently severe strictures which General Clay has delivered against CIC in the Zone.

The principal working contact with Berlin CIC is with the Special Case Branch, headed by Mr. Wallach. This Branch has varied somewhat in composition, but in general has comprised two main groups, the Political and the Counter Espionage Sections. The Political Section is in fact almost exclusively concerned with penetration of the Communist Party and related organizations. Headed until recently by two former associates of Lt. Saunder - Mr. Manley and Mr. Gutman it has achieved a fair measure of success in penetrating the Berlin Communist-controlled SED party. Through our liaison with [redacted] we have had access to their results, and have been able to coordinate our own activities so as to avoid duplication. It should be stated, however, that both Manley and Gutman have inherited some of the careless and romantic traits of Lt. Saunder. They have on occasion fallen for major hoaxes. Indeed, it was largely through our warning that they escaped the greatest hoax of all, the notorious forgery of Protocol "M".

The Counter Espionage Section has, on the whole confined itself to relatively low-grade cases, and has not, we believe, accomplished any major penetration of the RIS. It is only fair to say that they may have bigger things up their sleeve which they have kept from our eyes. For instance Mr. Wallach has hinted that he has been carrying out some [redacted] operations, about which not even his immediate superiors have been informed. However that may be, we must agree that our close liaison with Mr. Wallach has paid off in the CR field: we need only mention the [redacted] case, which came originally to CIC, but to which we were admitted on equal terms in the interrogation. Indeed, it was undoubtedly the brilliant approach of [redacted] which enabled him and Mr. Wallach to work as a team, in extracting all [redacted]'s essential information in what was formally only a preliminary interrogation.

The most recent phase in our relations with CIC has marked perhaps a slight recession from the uniformly high tide of cooperation which existed while Major Stewart was the commanding officer of the Berlin CIC. Stewart's successor, Major Clark Purkitt -

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formerly Chief of the Regensburg CIC - was fully indoctrinated and has accepted both in principle and practice the tradition of close liaison with WDD and especially the SC Branch. The slight change in our relations was due to Purkitt's personality; while Stewart possessed maturity and intelligence experience and a quiet dignity far in excess of what one would expect of a man his age, Purkitt is impetuous, aggressive and relatively inexperienced in intelligence. His strongest point, and one which undoubtedly was considered before his appointment, is his tremendous personal energy and drive - qualities which are almost essential for the CO of a large CIC detachment operating under at least semi-combat conditions. It is only natural that Purkitt's interpretation of close liaison is different from Stewart's. Other factors complicate the situation: for one, a recent change of command in CIC at the EUCOM level. The new CO, as we understand, is not too favorably inclined toward our organization and has moved to restrict liaison except on the command level. This has not yet affected our local relationship materially; it may do so later.

Another factor affecting our relations with CIC at this time has been the planning for intelligence in the European Command after the transfer of authority (now cancelled) from the Department of the Army to the State Department, as of 1 July 1948. CIC, at both Berlin and EUCOM levels, has felt that it is fighting for its life. They think there is a good chance that the large intelligence-gathering organization built by CIC since the end of hostilities in Europe might be discarded altogether. Accordingly, CIC has been out to "sell" itself to the State Department. They have been particularly anxious to receive credit lines wherever possible, especially whenever their intelligence is disseminated locally. Since CIC conceives the WDD as its most dangerous current competitor it is understandable that their relations with us have been tainted lately with a certain suspicion. That those relations have nevertheless remained almost unchanged is largely due to the efforts of Mr. Wallach, who now heads all agent operations of the Berlin CIC. Mr. Wallach, whose contract with CIC was renewed after negotiations dragging over several months, is truly the moderating influence on Major Purkitt, and prevents the latter from carrying out certain hasty decisions in both liaison and operations. One example will illustrate: In February 1948 Major Purkitt assumed responsibility for all CIC outside liaison, both policy-making and operational. All other CIC personnel, including Mr. Wallach, were expressly forbidden to have liaison with other U.S. and Allied agencies. About one week of the new system proved conclusively to Purkitt that the job was too big for one man to handle and he was easily persuaded that Mr. Wallach should again be authorized to handle operational liaison. (We might add that Purkitt's original decision did not disturb us much, especially since Mr. Wallach assured us that liaison would continue de facto, if necessary on an entirely personal, after-office hours, basis.) On the whole, however, we welcomed the narrowing of the points of contact, since direct liaison on the lower levels had multiplied to the point of confusion.

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To sum up, we believe that despite periodical ups and downs our relations with CIC will continue to be excellent, and we are confident that we can count in the future, as we have in the past, on the cooperation and basic good will of the Berlin CIC - which is undoubtedly today and probably will remain for some time the most important and largest operational intelligence organization in Berlin.

G. Military Liaison Mission to the Soviet Zone of Occupation, Potsdam

During the past year we have maintained an informal contact of quasi intelligence nature with the Military Liaison Mission to the Soviet Zone. This group of ten Army, Navy and Air officers, under the command of Brigadier General W. W. Peas, Jr. has headquarters and mess in Potsdam, though the members actually live in the American sector of Berlin. The Mission also maintains a small liaison office in the Armed Forces Building of OIGUS. The British and French have similar Missions at Potsdam, which in turn are paralleled by the Soviet Military Liaison Mission to the American Zone in Frankfurt.

The function of the Mission is to conduct liaison business of any kind between the American Theater Command and the Soviet Zone Command. This includes routine private transactions for American citizens, such as inquiries concerning American property in the Soviet Zone, etc. The actual volume of business is not very great, and the Mission in general has found that it is frequently obstructed, either wilfully or because of Soviet red tape or inefficiency.

It was apparent from the outset that the Liaison Mission would be expected to perform an intelligence function. Two former intelligence officials, Lt. Col. O. J. Pantuhoff and Captain P. Schneider were attached to the Mission with that purpose in mind. Col. Pantuhoff who is American born, is bilingual in Russian and English, and served as interpreter to President Roosevelt at Teheran and Yalta. In many ways he was admirably qualified to carry out intelligence observation as a side line to his liaison work. However, both Col. Pantuhoff and Capt. Schneider soon found themselves in difficulty with the Russians. Members of the Mission were theoretically at liberty to drive about the Soviet Zone, in uniform and in plainly marked American sedans. Actually their freedom of movement was seriously limited. Each trip had to be announced in advance, with a precise objective and itinerary, and the Russians frequently refused to grant clearance for areas of special interest (notably the uranium mine region of the Erzgebirge which was declared closed on grounds of "quarantine"). Pantuhoff and Schneider made repeated attempts to get at interesting targets, and as a result were frequently arrested and detained by local Russian commandants. Although they were always able to obtain

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fairly prompt release by telephoning Potsdam, they gradually built up a record with the Russians which clearly marked them as conducting a form of espionage. The crisis occurred in January 1948, when on orders from General Fess, Pantuhoff attempted to gain entry to a factory which the Russians had barred. As a result, the Soviet commander declared Pantuhoff and Schneider persona non grata and asked for their recall.

From our viewpoint there was little to be gained by associating ourselves closely with this type of activity. Col Pantuhoff and General Fess have invited us to submit intelligence briefs, and to send a representative to the weekly staff meeting of the Mission in their Berlin headquarters. Although [redacted] and others have attended these meetings fairly regularly, they have been increasingly impressed with the futility of the Mission, so far as intelligence is concerned. It is apparent that an American officer in uniform cannot conduct espionage on anything but the most obvious and uninteresting targets. Accordingly, after a few experimental briefs, we ceased to put any requests to the Mission. With the departure of Pantuhoff, our interest has dropped to zero, and we have discontinued the practice of attending their weekly meetings.

H. Office of Military Government, Berlin Sector Civil Affairs Branch

The Berlin Operations Base, in the liaisons described above, has occupied the position of an agency with a Theater-wide mission and scope. But we are also, inevitably, enmeshed in the arrow fabric of the city of Berlin, and specifically the American Sector. In this more restricted aspect of our work, we would normally direct our principal liaison to the Intelligence Office - if it existed - of the American Commandant in Berlin. Unfortunately, the one office which answers that description, has in fact, both through its jurisdictional ambiguity and the dubious cover position of its staff, been the one office which we take pains to avoid as much as possible.

As I mentioned above, the dissolution of the old G-2 Berlin District led to the establishment of a so-called intelligence office within the headquarters of the Berlin Commandant, Col. Frank Fowley, specifically in the Civil Administration Branch under Mr. (formerly Colonel) L. Glaser. Under Mr. Glaser as Political Intelligence Officer was Mr. (formerly Colonel) William Feimlich, who also carried the title of Deputy Chief of Branch. When Feimlich left Berlin District, he took with him a small group of his former intelligence officers, notably Mr. F. Mathews and Mr. F.A. Dilger, whose Special Intelligence Reports have been the staple of Mr. Feimlich's production, both before and after the headquarters switch. Unfortunately, despite the merits of these officers, the very nature of their position has brought them, since the departure of Lt. Saunder, into the category of "best blown" intelligence officers in Berlin.

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The basic fault of the Feimlich office lies deeper than mere inherited insecurity. OEGBS, Col. Fowley's headquarters at 35 Grunewald Strasse, is the directing center of the American occupation in Berlin. As such it is a workaday headquarters, staffed by a rather pedestrian but vigorous group of extrovert Army officers who run everything from motor pools to VD clinics. The building is wide open, thronged by Germans, DF's, and allied nationals with every conceivable errand. The headquarters is a constant focus of publicity and inter-allied bickering in the Berlin Kommandatura. Inevitably, clandestine operation from this near madhouse is doomed to penetration and exposure.

Moreover, the Civil Administration Branch by its very nature is incapable of housing a true intelligence office. The function of Mr. Glaser is primarily to advise Col. Fowley on Berlin politics, and to provide him with the necessary ammunition to defend American interests against the constant and shrewd attacks of the Soviet Commandant, Major General Kotikov. It is clear that the political information which Col. Fowley requires is primarily overt. It seems therefore, to have been a basic mistake to have attempted to house Mr. Feimlich's semi-covert operators in the fully overt Civil Administration Branch. The best explanation why such a step was taken, probably lies in the personal ambitions of Mr. Feimlich. It is an open secret in OEGUS that Mr. Feimlich hoped, through this cover in Civil Administration Branch, to accomplish two things: a) to put himself in line for a decisive role in Berlin politics, and b) to evade the jurisdiction of ODI, OEGUS. He came fairly close to succeeding, but in fact, as it turns out, actually failed in both objectives. It was no doubt the realization of this failure which prompted him in February 1948 to accept a transfer, out of Civil Administration, into Information Control Branch, where he now heads the radio station in the American Sector (RIAS). In view of his extensive peacetime experience as a radio executive, this appears to be a good solution of both his personal ambition and the dissatisfaction which has been felt in OEGUS over his intelligence work.

The way is now open for the appointment of a new intelligence officer, who would accept his full measure of responsibility toward ODI, and function in parallel to the Land Intelligence officers in the American Zone. This has long been the avowed objective of Colonel Rhodes, to bring Berlin into line with the situation in the three American Laender, thereby enabling OEGUS headquarters to draw directly on the political intelligence produced under OEGBS. Whether this will lead to the establishment of a new and separate intelligence branch within OEGBS, or whether it will continue, in the past, as a part of the Civil Administration Branch under Mr. Glaser, remains to be seen, but clearly the continuation of the status quo is undesirable.

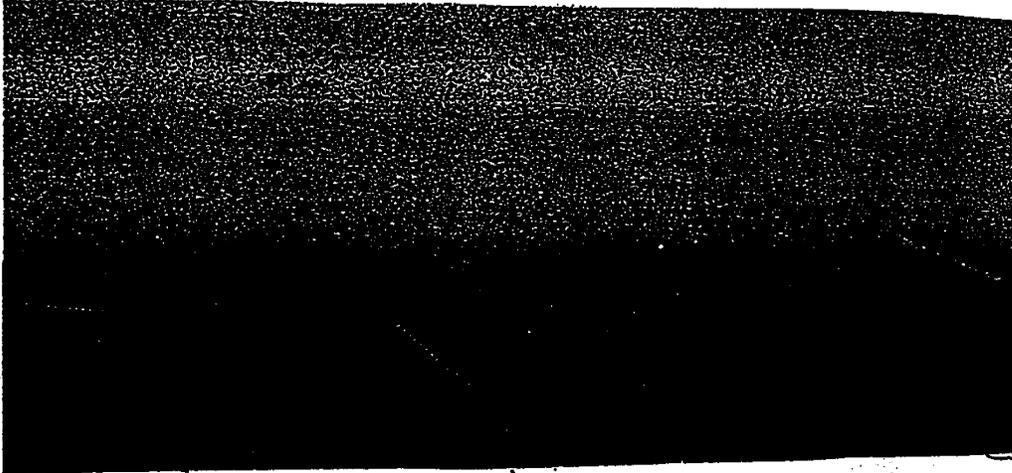
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In the light of this situation, it is easy to understand why our relations with Mr. Weimlich's office have been far from perfectly cordial. Mr. Weimlich has never forgotten the fact that General Sibert's letter of July 1946 deprived him of his principal franchise - running agents into the Russian Zone - in favor of SSU. We have never forgotten the fact that his office is staffed with German secretaries and has no possibility of maintaining internal security. We have indeed kept up a friendly personal contact with Mr. Mathews, and even accepted an occasional intelligence lead from him. However, even in such instances we have been forced to be exceedingly reserved, since there is abundant evidence that Weimlich's office is the classic point in Berlin for penetration feelers, not only from Soviet but from other allied intelligence agencies, and Mathews, by his own admission has been hit with devastating accuracy. Indeed, our caution now goes so far, that it can be said that we no longer are willing to accept any operational initiative which we know to have been associated in any way with Weimlich's office. Possibly under a new incumbent we may be able to relax our stand-offishness, but the fundamental difficulty will always remain, so long as overt and covert are completely intertwined, and the whole direction of intelligence is oriented toward a tactical political situation.

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I. Non-Intelligence Contacts

With the agencies described above, we have exhausted the roster of our major intelligence liaisons. There remain a large group of Berlin agencies, bordering upon or ancillary in function to clandestine intelligence, with whom we have close contact. These contacts cover every aspect of our operations and administration, and constitute a complex fabric which it is only possible to describe in very general terms.

1. Public Safety, OEGUS and OEGBS

Not strictly of an intelligence nature, but basic to the performance of our mission is our liaison with the Public Safety Branch of OEGUS and of OEGBS headquarters.

a. Public Safety Branch, OEGUS

As the senior headquarters in the Theater, Public Safety Branch OEGUS exercises general policy control in all matters affecting the German police and law enforcement agencies and denazification inspection, both in the American Zone and in Berlin, and participates on the quadripartite level in the ACA Public Safety Committee. It is a fairly compact office within the Internal Affairs and Communications Division.

OEGUS Public Safety with its subordinate echelons in the Laender owes its present distinctive pattern to the influence of Col. O.W. Wilson, who was chief of the Branch until the summer of 1947. Col. Wilson enjoys a wide reputation in the United States as the founder of what might be called the higher education of the professional policeman. As head of the graduate police school at the University of California, Col. Wilson established the concept

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of an elite corps; and trained according to this concept hundreds of officers who are now chiefs and senior officials of police forces throughout the country. He brought with him to Military Government his concept, which he himself embodies: the soft spoken, intellectual, gentlemanly type of police official, as opposed to the traditional "flat foot". Needless to say, this admirable discipline has been particularly effective in Germany, which has always had a highly trained, elite police bureaucracy. As a result, the German police in the American Zone and Sector of Berlin have displayed a respect for our Public Safety officialdom which has not always been so apparent in other executive Branches of Military Government.

The cordial relations which Berlin Base established with Col. Wilson have continued under his successor, Mr. T. V. Fall, and his deputy Mr. J. L. McCraw. The full measure of their cooperation was demonstrated in the summer of 1947, when Mr. Fall granted the facilities of Public Safety cover to Mr. HENRY HECKSHER. Mr. H. was given a position as a special investigator in the OMGUS office, under circumstances which allowed him complete operational latitude to perform his mission for the Berlin Base. Competent orders were procured, under [redacted] working alias, and a desk and listed telephone were laid on. Unfortunately,

[redacted] As a result of General Clay's decisive veto on use of Military Government cover, we were obliged to withdraw Mr. HECKSHER from the office.

Despite this set back the close working contact has remained in effect.



b. Public Safety Branch, Office of Military Government - Berlin Sector.

With OMGBS our Public Safety ties are even closer than on the OMGUS level, amounting to a day to day working liaison of the

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utmost value in support of our SC and FR operations. The original and still the basic contact has been with Mr. (formerly Major) Charles Bond, who was Chief until the spring of 1947 and is now deputy Chief of Branch, under Mr. Ray Ashworth. Bond is a professional police officer of long experience in the States. During the past two and a half years, he has built the police force in the American Sector of Berlin into a trustworthy and reasonably efficient organization, carrying out its mission, within the limits imposed by inadequate personnel and equipment, according to prewar German standards. His greatest success has been in freeing the American Sector from the pernicious influence of the Soviet-controlled central Polizeipraesidium. Considering the strength of the prewar system of centralized police administration in Berlin, this has been a particularly difficult achievement. SC Branch, as I mentioned above, may claim considerable credit for strengthening Mr. Bond's hand, through its inside coverage of the police force.

The immediate benefits of this liaison are too numerous to catalogue. Hardly a week goes by without a visit to Mr. Ashworth or Mr. Bond, for the purpose of straightening out the affairs of an agent in trouble, securing police protection for our operations, or following up a lead of counter intelligence nature. Through Public Safety, we secured the full time services of a trained police detective to investigate the incidents of petty thievery in our motor pool and office premises. This experiment has paid off in the apprehension of a number of intruders, and in bringing to light points of weakness among our otherwise trustworthy German personnel. We are presently using the same detective to carry out vetting checks on all our indigenous personnel and to cast a protective eye over our billets and other official installations.

Finally, we may add, from these, our most trusted friends within OMCBS headquarters, we have obtained innumerable bits of inside information which enable us to keep on good terms with the other Branches of that rather temperamental headquarters. We have kept posted on affairs of vital concern to FR and SC, such as secret plans for raids and arrests carried out on a quadripartite level. Advance warning of such operations is of the utmost importance, especially to FR, since the Soviets have frequently tried to utilize quadripartite machinery to probe into the mysteries of American intelligence operations. On our side, we have done our best to strengthen the hand of Public Safety in its constant battle to curb abductions and other illegal Soviet incursions into our Sector. We have been able to use our ready access to the higher echelons of OMCBS to plead the cause of Public Safety in this matter, which, however explosive in nature, has generally failed to rouse a commensurate degree of interest on the Kommandatura and ACA echelons.

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2. Information Control Division

Information Control Division, like Public Safety, is of interest to us on both the OMGUS and the OMGBS levels. Although by its charter it should be only indirectly concerned with clandestine operations as such, it has nevertheless figured prominently in the history of intelligence in Germany.

a. Information Control Division, OMGUS.

I have already alluded to the bitter struggle which took place in 1945 and 1946 between the Office of the Director of Intelligence and the Information Control Division. As I pointed out the pendulum reached full swing in September 1946 when ICD actually secured the approval of a staff study which would have brought ODI under at least the personal headship of the Chief of ICD, Brig. Gen. McClure. Since then, the pendulum has swung nearly full in the opposite direction. The latest indications are that ICD will be withdrawn from the entire field of political intelligence which is presently being cultivated by its Research Branch under Dr. Robert C. Schmid (formerly OSS, R and A). In Bavaria indeed the Research Branch has already been merged with the Office of the Land Director of Intelligence, the chief of the former becoming head of the latter under the merger. It seems likely that similar mergers will take place in the other two Laender, to be followed eventually at the OMGUS level. Dr. Schmid is returning to the States in late Spring 1948, at which time his Branch will, in all probability be incorporated into ODI. Such a step would certainly clarify the situation in the field of political information and reduce a serious element of duplication.

To be sure the functions of ICD Research Branch are to some extent different from those of ODI. Research Branch is concerned primarily with the sampling of public opinion by an application of Gallup Poll methods. This type of work has an obvious bearing on the legitimate propaganda and educational functions of ICD, and there is consequently considerable pressure to retain at least the opinion polls within the Division. However, the basic weekly publication, Information Control Review, although based in large part on such samplings and on overt newspaper and periodical analysis, does in fact overlap to a considerable extent the political and sociological coverage of the ODI Weekly Notes. A clean-cut merger is obviously indicated.

The solution of this jurisdictional conflict is of only indirect concern to Berlin Operations Base. ICD has not attempted to extend its coverage into our principal target area, the Soviet Zone. Nevertheless, the consolidation and simplification of the political coverage which would result from such a merger, would react, I believe, beneficially to WDD Bases operating in the American Zone, and would reduce the incidence of potential friction with ourselves. In addition, it must be stated frankly, that the withdrawal of ICD will certainly not have an adverse effect

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on the security picture. ICD, by the nature of its function and by the quality of its personnel, has been notoriously insecure, dabbling beyond the edge of overt activity, and jeopardizing agencies legitimately chartered in the clandestine field. The loyalty of much of its foreign born personnel has been seriously questioned, and the need for a greater concentration of control and discipline is universally admitted. The most recent reaction to the presence of dubious elements in ICD has been the crisis over the radio station in the American Sector of Berlin, which culminated, as I mentioned above, in the transfer of Mr. Feinlich from Civil Administration Branch, OEGBS to RIAS.

Mention should be made of numerous incidental points of liaison with ICD, notably in the field of licensing periodicals and other means of publicity. We have not infrequently been requested by AMZON to promote with ICD the special interests of one of our agents or of a group or organization which we are interested in building up. In general, it has been our experience that these requests are dangerous. The insecurity of ICD makes it risky to display our interest in a publications project. Moreover, because of their sometimes prejudiced, sometimes reasonable lines of policy, it is extremely difficult to procure special favors from ICD without an effort incommensurate to the worth of the project. For that reason, we have not always been willing or able to undertake such intervention. Our credit with the present division chief Col. G. E. Textor is excellent, but we feel it wise policy to husband it for matters of vital concern and to keep minor requests to the minimum.

One principal point of potential contact with ICD lies in the field of propaganda, black or white. Here, again, extreme caution is indicated. It is well known that when General Clay announced the launching of an anti-communist propaganda drive in October 1947, Information Control immediately seized the ball and started running for a touchdown. It was halfway down the field when the referee's whistle was vigorously blown by ODI, POLAD, and CAD all at once, who pointed out that the ball had not even been put into play. Since then, ICD has been moving somewhat more cooperatively with the line of scrimmage, but there is always danger that it will try another runaway. At any rate, from our viewpoint, it is a team mate to be kept altogether under circumspection.

Our policy remains, as it has been since October 1946, no direct dissemination to ICD, OEGUS, and only a minimum of working contact.

b. ICD, Berlin Sector

The Information Control Branch of OEGBS is subject, in our mind, to the same weaknesses as its OEGUS parent, namely

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insecurity and lack of discretion in intelligence matters. Nevertheless we have permitted ourselves a slightly closer working contact, both because it has been expedient and because there have been one or two individuals in whom we have had real confidence. This confidence applies chiefly to the former chief Mr. F. N. Leonard (now with OMGF), and the present deputy chief, Mr. M. Josselson. We have felt reasonably safe in turning to these officials for such incidental matters as checks on journalistic personnel, procurement of correspondent status for our agents, occasional straightening out of licensing problems and other minor favors. Mr. Josselson in addition has given us a number of valuable intelligence leads. It is to him that we owe the FR agent POFFOK. He is particularly useful because of his knowledge of Russian, and his close liaison contacts with his allied opposite numbers.

But unquestionably our most valuable contact in ICD Berlin is with Mr. Enno Fobbing, editor of the Berlin edition of the American-licensed newspaper, Die Neue Zeitung. Mr. Fobbing, who was one of my most talented students at Harvard, has had a brilliant career both in journalism and intelligence. Unlike many others of similar background, he has not allowed the former to drive out the latter. Because he is a Military Government official, and therefore not subject to the pressure of the commercial by-line, he is able to submerge his journalistic impulses in the interest of a clandestine operation. He, more than any other MG official of our acquaintance, presents the ideal qualifications for directing and carrying out propaganda work, whether of the white or black type. As the lines of such a campaign begin to emerge, we are convinced that our best opportunity to contribute, without loss of security, would be through further intensification of our present close working arrangement with Mr. Fobbing.

3. Provost Marshal, Berlin Command.

Essential to any conduct of intelligence and counter intelligence operations in an occupied area is a satisfactory working relationship with the non-indigenous law enforcement agencies. It has always been a cardinal point of our policy to be on good terms with the Provost Marshal and the Criminal Investigation Division. Unlike CIC, these are agencies from which we request considerable support and assistance, without being able to offer much in return. Good will with them, therefore, is more a function of personal respect than of mutual benefits.

During the past two years there have been two Provost Marshals of Berlin Command, both cavalry officers and admirable gentlemen. I have already mentioned Col. G. W. Busbey, who served a brief period as S-2 after more than a year as Provost Marshal. Col Busbey was by instinct a rough and ready diplomat in the field of law enforcement. He always displayed the utmost courtesy toward our organization, and granted any reasonable operational

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requester's successor Col. Falck, [REDACTED], has been even more friendly and cooperative.

The high point of our relations with the Provost Marshal was reached when Col. Falck agreed to our use of his office as cover: *George Beck*. Because of *George Beck's* knowledge of Russian, it was essential that he have a post, sufficiently overt to account for constant appearance in offices of every type, yet sufficiently covert to permit the necessary security. This position was found in the Special Liaison Section, attached directly to Col. Falck's office. In addition [REDACTED] it had the very mixed advantage of placing *George Beck* in contact association with Mr. Michael Tscherbine and the Soviet Liaison Section. *George Beck* has been able to make the most of this association, taking into himself potential CE leads which Tscherbine uncovered, while keeping at arm's length from the latter's notorious and questionable associates. [REDACTED]

In administrative matters, as well as intelligence, our Provost Marshal connection has been beneficial. We have been able on the strength of our credit with Col. Falck to extract ourselves successfully from difficult situations with the Military Police, such as are bound to arise in the conduct of delicate operations in a tightly patrolled area of occupation. We have secured such important administrative favors as a completely free hand in obtaining new license plates for blown automobiles. In return we have, as I stated above, lent our moral support in issues of vital concern to the Provost Marshal. Thus under the regime of Col Busbey when General Clay ordered the pulling in of outlying MP Detachments to a central barracks, we sent the General a strong letter advising against this step. The fact that General Clay overrode the protests of our agency and of several others did not diminish the Provost Marshal's gratitude for our effort.

4. Criminal Investigation Division

CID in Berlin is a picturesque, hard-boiled outfit, contrasting sharply with the almost genteel atmosphere of Public Safety. Owing only a nominal obedience to the Berlin Provost Marshal, it has acted pretty much as a law unto itself, and has carved its way into the lush lawlessness of Berlin with gusto and abandon. Its chief, Mr. O.R. Carlucci, has worked himself rapidly to a considerable eminence, enjoying in effect the status of a sort of personal bodyguard and detective for General Clay. His principal agent, Mr. E. A. Strauch is a well known and color-

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ful figure, striking a mild degree of terror in the hot spots of Berlin.

The basic achievements of CID are not really impressive, though one must hasten to add that this is by no means their fault. In many of their principal efforts they have been frustrated, just short of bringing the criminal to justice. This was particularly apparent in the sad case of [redacted] and [redacted] who quite literally beat the rap on very heavy charges which CID had fully documented. This gross miscarriage of justice (which appears to have been engineered in Washington) so discouraged CID that they have subsequently confined themselves to such modest but sure publicity bringers as the Hohenzollern jewel case. They have made no real effort to enforce a high standard of integrity in matters of black marketing among OLGUS personnel, recognizing their limitations of manpower, and the lack of real interest in securing spectacular convictions. Even in the limited field of stolen American vehicles, they have found themselves obliged to turn over responsibility almost entirely to Public Safety and the German Police.

[redacted]. We approached Mr. Carlucci, with the able assistance of Martin E. Sanford (Mr. Carlucci was a private detective in New Jersey where Mr. Sanford was a member of the State Police), and were able to insure the security of our organization's interests. Because of our general willingness to cooperate with the prosecution of the case, we won the confidence of CID, and have had no difficulty maintaining it subsequently.

CID is not much interested in intelligence as such, and possesses the virtue of complete security only in matters of vital concern to itself. We can always count on them to give us a reasonable degree of executive support, in such matters, for instance, as investigating black market activities of our agent or other German personnel. There is no question that our relationship with CID is of benefit to the organization. As an example we may point out that the original lead to SC's most important operation [redacted] was obtained from the CID.

5. The Functional Divisions of OLGUS

In concluding the roster of our contacts with American agencies, a word should be said concerning the functional divisions of OLGUS. These divisions, now some 10 in number, are the basic executive organs of Military Government. They are patterned to correspond to the quadripartite structure of the Allied Control Authority, but the congruence is by no means absolute. The

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divisions vary greatly in size and influence. By far the most powerful grouping are the Economics and related divisions (Transport, Finance, Manpower) which constitute the working arm of General Clay in the material rebuilding of Germany. The bulk of these divisions are moving to Frankfurt this spring, leaving only policy-making and advisory echelons to sit with the Theater Commander and the Deputy Military Governor.

Broadly speaking, we have eliminated direct contact with the functional divisions. Two years ago, we passed both dissemination and raw reports directly to Economics, to Transport, to Civil Administration and to Armed Forces Division as the subject matter required. In October 1946, when we concluded our agreement with General Clay, we undertook henceforth to use ODI as our basic channel to OEGUS, thereby concentrating the use of our material, eliminating our own distribution headaches, and tightening our security. We have adhered to this agreement, and none of our formal distribution goes to OEGUS except through ODI and FOLAD.

We have, however, maintained a considerable volume of direct contact, partly on the basis of earlier connections. Thus when a case requires direct action, either of a policy or an executive nature we are not totally at a loss where to turn. The classic example of such direct action was the [redacted] affair, in which we presented our inside information on the Askania Werke directly to the Industry Branch of the Economics Division. Only in this way, and by the assiduous personal pressure of Kr., were we able to work up sufficient interest to lead to a thorough investigation resulting in the seizure of the plant and ultimate conviction of its directors. Had we been content to let this matter ride through ODI channels, it is doubtful whether any executive action would have been taken. This liaison with Industry Branch is further extended for day to day operational support of FR operations. Dr. Nordstrom, the Research Control officer of OEGUS, has provided us in the past with necessary background information for long range technical and scientific operations, and we believe that this liaison will prove invaluable in this important field in the future. His chief, Mr. (formerly Colonel) F. L. Mayer, has been very helpful since initial contact was made with him by SICREL in the [redacted] case. We have passed on leads to us (one or two resulting in FR case [redacted]), and has provided valuable policy and background information for the prosecution of our operational program. One of the most valuable contributions from Mr. Mayer's office has been the intelligence passing through their hands as a by product of their day to day operations, which has often resulted in informatory cables from us to Washington.

Another instance of fruitful liaison is with the Finance Division. This liaison on one hand provides us with inside information on such important matters as the currency reform, and on the other hand furnishes occasional cover for specific jobs of case

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officers. Two separate contacts are maintained in this division, both by [redacted], in the persons of [redacted] and [redacted]. The former, by virtue of his position, [redacted] of operations, [redacted] has assisted us in many ways in our

[redacted] Both have provided investigative leads and details on personalities of interest to us, e.g., [redacted] evaluation of [redacted]. Contacts of this type are invaluable to preserve our anonymity in operational situations requiring a secure telephone number, a one time cut-out, a one time cover, etc.

Another reason for maintaining direct contact, here and there, is the importance of being able to locate and place our staff personnel and our agents under the cover of such agencies as the Joint Export-Import Agency, Bizonal Economic Council, eventually perhaps ERP, etc. It is only by personal acquaintance with a select and trusted group of the top echelons in the functional divisions that we can hope to achieve our ends. We must remain careful, however, not to allow such contacts to get us involved in affairs which are of no concern to our long term mission. We have repeatedly had to turn down requests or suggestions for special investigations on behalf of the functional divisions. It is only when, as in the [redacted] affair, a clandestine intelligence lead ends up in a clear call for executive action that we permit ourselves to deviate from the general rule - hands-off OKGUS.

J. Liaison With Allied Intelligence Services

1. British Intelligence.

During 1947 our liaison with British Intelligence followed a pattern of continuing friendliness and cooperation, but with a steadily decreasing incidence of actual contact.

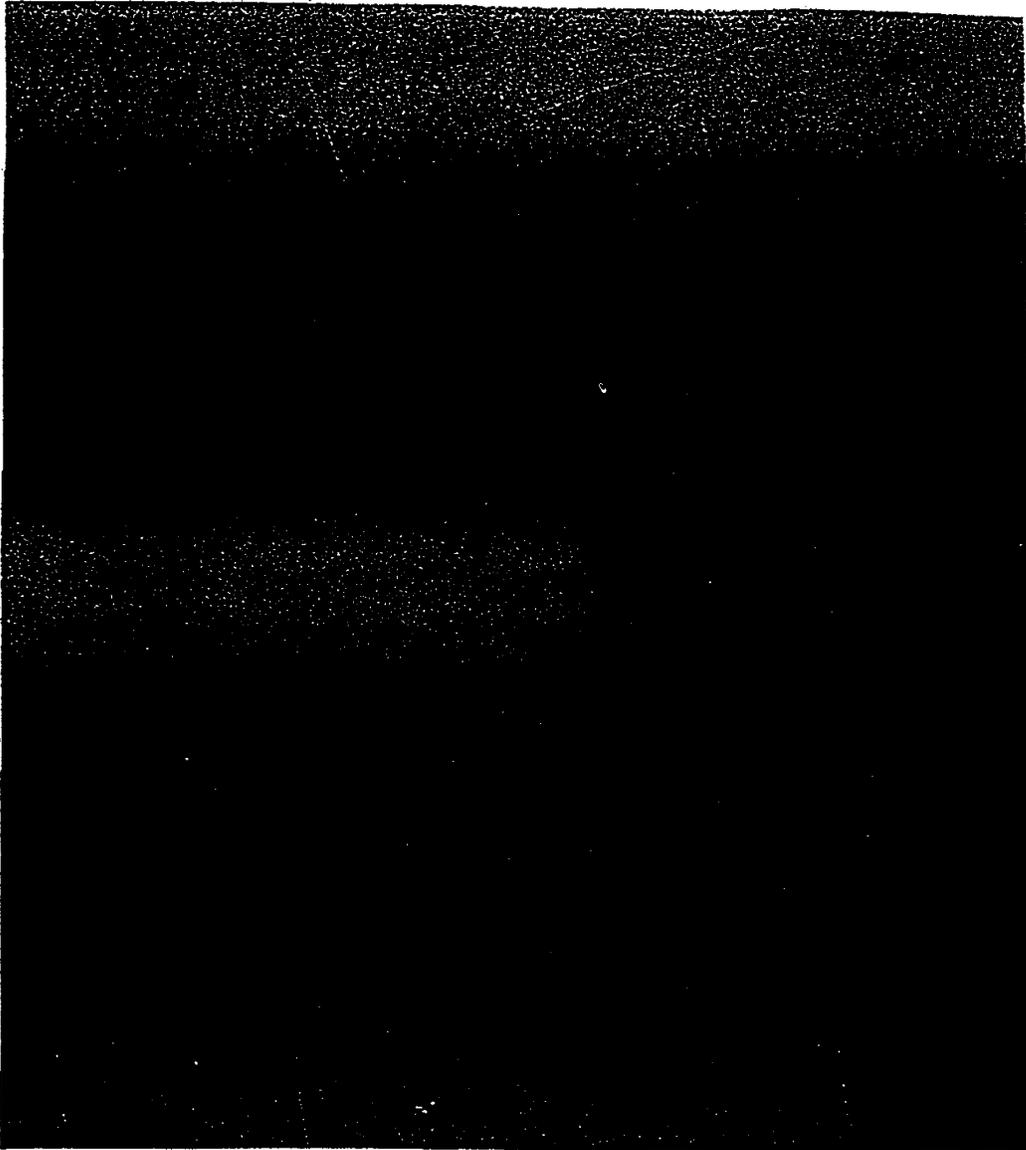


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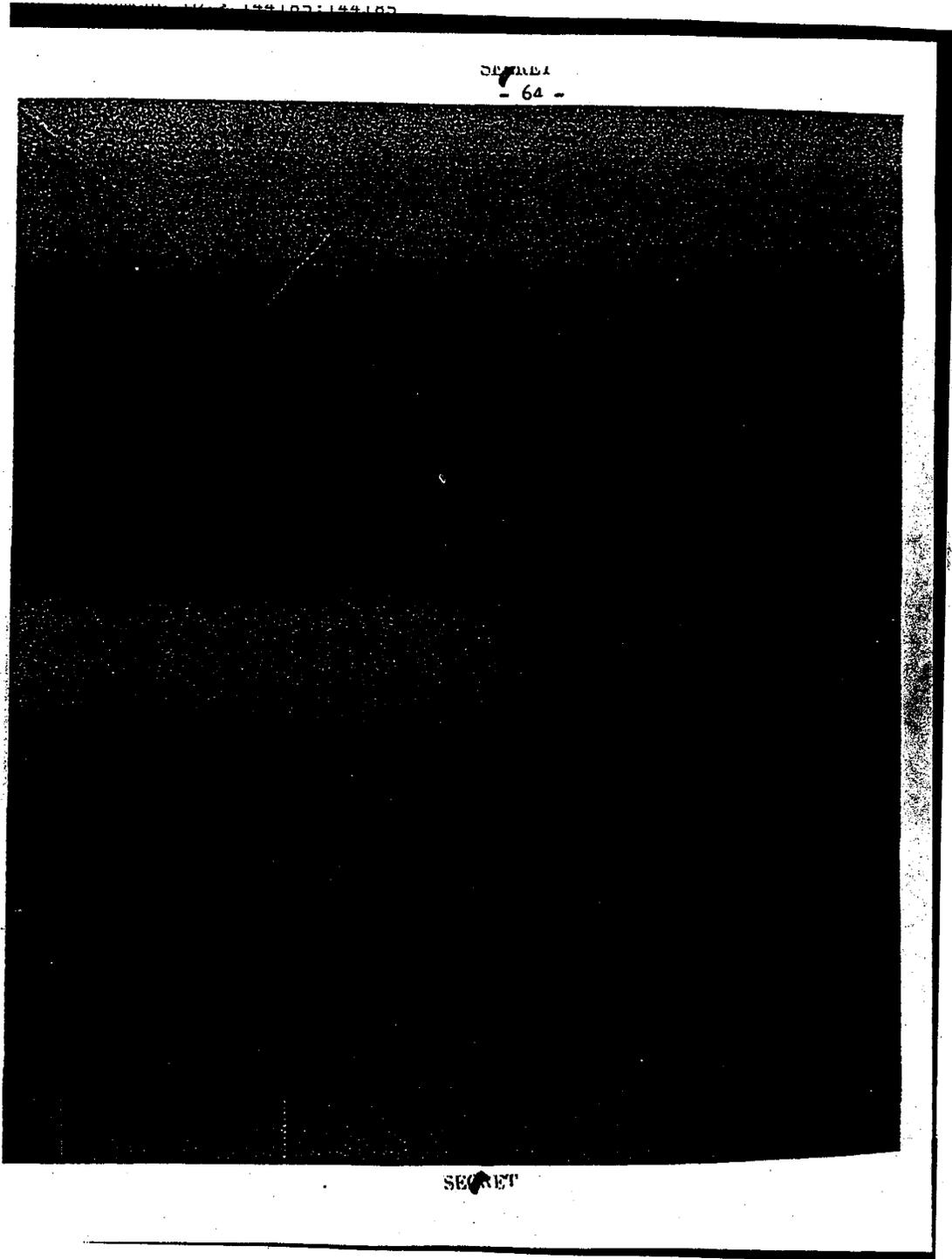
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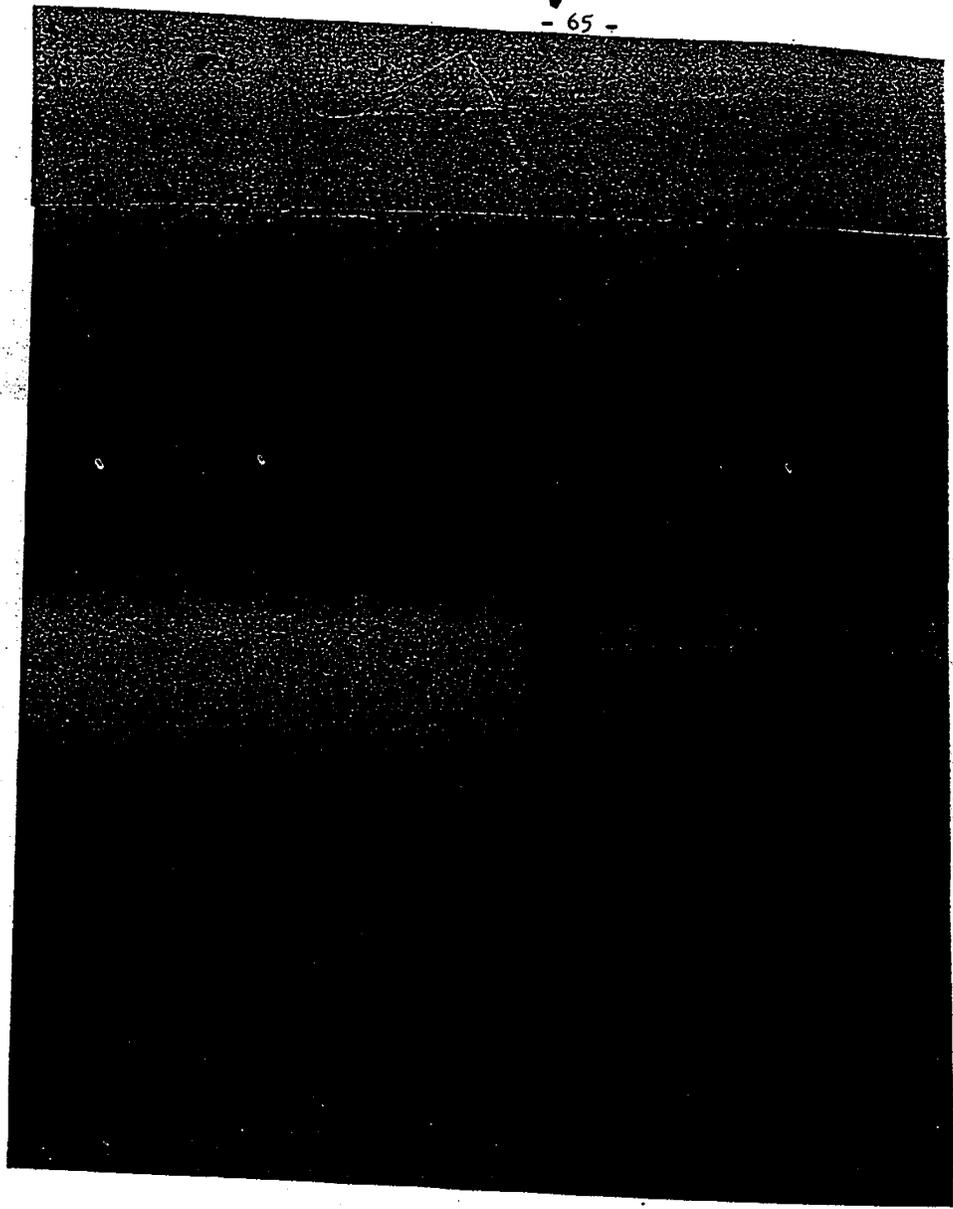
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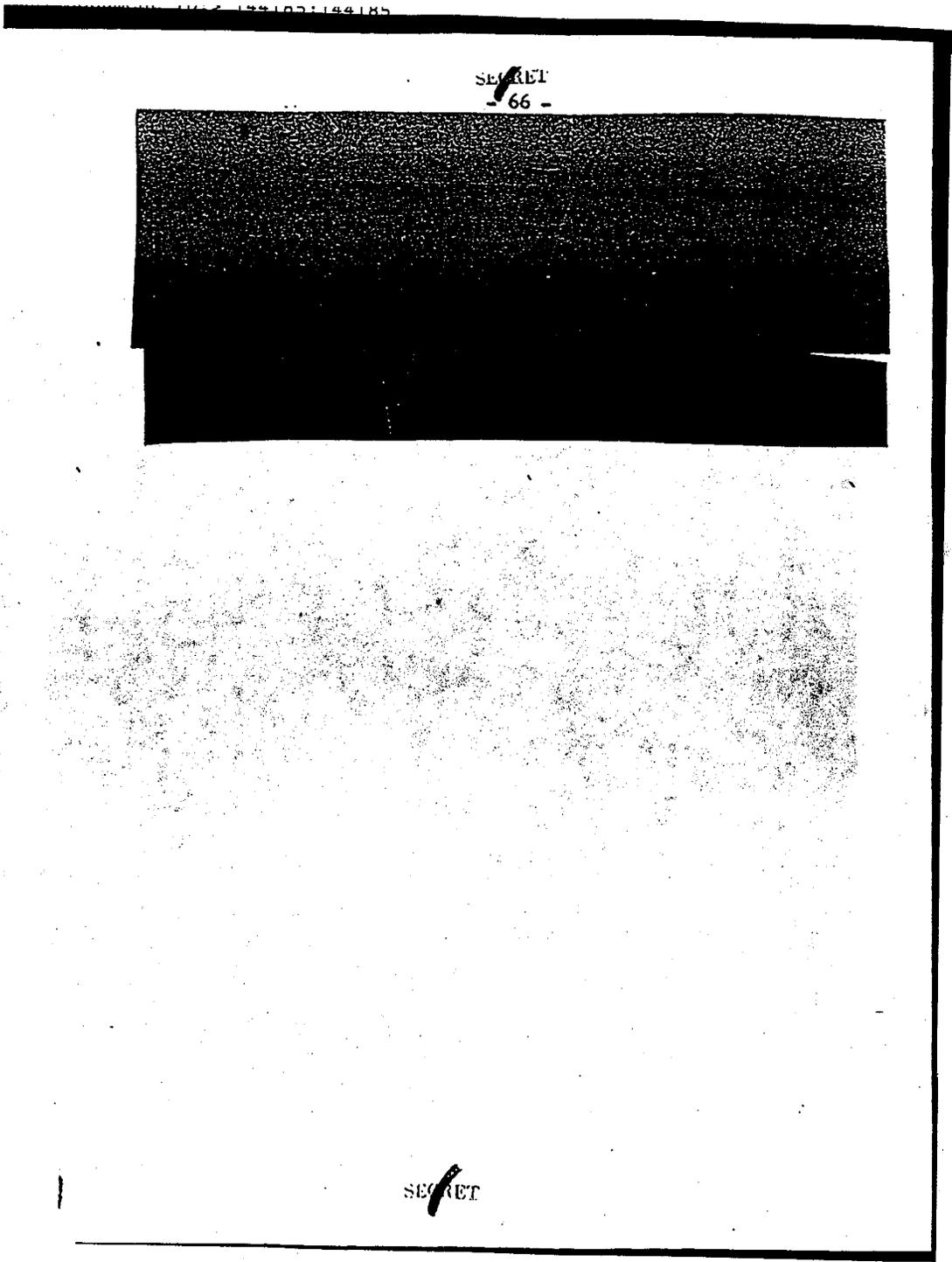
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PART IV

ADMINISTRATION, BERLIN OPERATIONS BASE

A. General Remarks

During the past two years a very considerable part of my time and energy has been devoted to supervising the administration of the Berlin Operations Base. In part this absorption in administrative detail was beneficial, in that it brought me into direct contact with a great many individual problems of which, otherwise, I would have been imperfectly aware. On the whole, however, the fact that I did not have an executive officer during the bulk of 1946 and 1947 was unfortunate, since a fairly considerable part of my personal concentration on administrative matters was done at the expense of the supervision of operations and the conduct of liaison.

The question as to whether Berlin Base required an executive officer was discussed back and forth at intervals during the entire two years. For two months (October and November 1946) I was lent the services of [redacted]. [redacted] greatly assisted me in straightening out a number of vital problems, notably the security of our building and the requisitioning of houses for agents. However, after the two months' trial, the Chief of Mission, Mr. Lewis, reached the conclusion that the problems of Berlin Base were not sufficient to warrant the assignment of a full time executive officer. I concurred in that decision at the time, though in retrospect I now see that it was unfortunate. I do not wish to complain in this matter, since it was my own desire not to tie up in executive work a competent officer who might otherwise be used for case work.

By the end of 1947, however, it became fully apparent to me and to the staff of this Base that an executive officer really was needed. We were losing our one remaining army officer (Capt. John Ives), and our administrative personnel (as I shall point out in more detail below) was completely swamped by its tasks. Accordingly, I requested the Chief of Station to authorize an executive officer. Since 1 January 1948 this position has been filled by one of the junior FR case officers, Mr. [redacted]. The benefits of this new arrangement have been apparent. At least half of the minor administrative matters which were formerly laid before me, are now taken care of on a routine basis. [redacted] working with the administrative officer, [redacted] has introduced a new standard of efficiency, thereby greatly contributing to the improvement of morale at the Base. Moreover, he has been able to carry out his assignment on considerably less than a full time basis. It has been possible for him to continue part time case work, gaining experience in

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both the executive and the operational aspects of intelligence.

In passing, I should like to make an observation based on the experience of the past two years. In my opinion it is essential that specially recruited and trained administrative officers should be made available for field bases. It is not sufficient to assign army or civilian personnel who are without intelligence background. We have had in Berlin since the end of 1945 four army officers, all of whom have been conscientious and hardworking, and reasonably efficient. But by the same token, all four have constituted personality problems, some of major proportions. The reason for this, as I see it, is that their limited and conventional experience in Army administration was quite inadequate background for the entirely different problems of our type of operation. As a result, there was a marked tendency to develop what might be described as "complexes" such as a feeling of inferiority and hostility toward case officers, jitters in the face of crises, lack of self-confidence and even certain paranoiac traits. In each of the four cases of which I speak, the officer frequently complained that he felt himself "out of his depth" or that he was a misfit in this type of organization. Despite constant encouragement and build-up on my part, all of them remained personnel headaches.

At present the situation is quite different. [redacted] has been doing administrative work in support of intelligence for nearly three years (he was formerly with ODI, OMFUS). [redacted] has had considerable intelligence training and experience, superimposed on a fairly extensive background in army administration. Both feel completely at home and happy in the hectic atmosphere of "flaps" and crises which is normal to a direct operating espionage unit. There is a complete understanding between case officers and administration, and personal friction is reduced to a minimum.

I am not attempting to elevate our experience at this base into a generalization, but I submit that it is well worth taking into consideration in personnel planning. Although the ideal can seldom be attained, it should be approximated: key administrative personnel who, if not by training, at least by temperament, are adapted to clandestine intelligence work.

In addition to our past difficulties with our administrative officers, we have to a considerable extent been handicapped by the inadequate staffing of the separate administrative functions. Our basic administrative T/O has been set at the figure of 9 persons, civilian and military. It is only as of the present writing that we have actually reached that strength. Our present staff comprises the administrative officer [redacted] (CAF-5);

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the Registry clerk (██████████) CAF-5), the motor sergeant (Sgt. Harold Bartelt), the supply sergeant (S/Sgt. Tomlinson) and his assistants (T-5 Davis and Sgt. Kilby), and the photographer (T-5 Smith). The administrative office has one secretary (██████████) CAF-7). On 18 March ██████████ (CAF-5) arrived in Berlin. He is assigned to services, but his duties have not yet been fixed.

Even with our T-0 filled, we are still operating on an absolute minimum basis. Considering the size of our detachment community (average strength 40 American members, with about twenty dependents, thirty-five German employees, many with families) and the magnitude of our operations (ranging from a maximum of about 250 agents to a current figure of about 125), our administrative apparatus is strikingly modest. In part this is made possible by the fact that some of the overhead administrative functions are performed in Heidelberg (personnel records, supply procurement, finance). However, the main basis for our economy of personnel has been our success in obtaining building guards from the Army (thereby freeing at least four T-0 slots), and running our motor pool with only one enlisted man who supervises an average of 12 German mechanics and helpers, and himself does much of the actual repair work, and emergency and operational driving.

The same strictures apply to the quality of our enlisted personnel as were made in the case of our administrative officers. During the past two years we have had in effect three complete turnovers of enlisted men. Each group has had different characteristics. The first contingent were left-overs from the war, who had been introduced to life in Berlin in the truly lush days. They were on the whole a reasonably hard working lot, but it was only after they were redeployed in the spring of 1946 that we realized the full extent to which many of them had become involved in various forms of corruption. The second crop of GI's was the sorriest; very young, run-of-the-mill draftees for the most part without any military experience or training, who adopted the attitude of "conquerors" and were guilty of most of the faults of the preceding group, without the merit of at least having helped win the war. This group disappeared, with no regret on our part, in the spring of 1947. The third and current contingent of GI's include a number of re-enlistees, who consequently are at least more mature than their predecessors and have some idea why they are here. Moreover, a certain element of selection entered into their recruitment, and one or two are young men of real promise. Others must be classed as "weak sisters" whom we hope to get rid of as soon as replacements are in sight. We have on occasion been tempted to dispose of certain individuals, even without visible replacement, but we usually fall back on the principle of expediency: a body is a body, after all.

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Our extensive, and predominantly painful experience with unselected enlisted men has firmly convinced us that one carefully recruited and trained civilian clerk or administrative assistant is worth at least two of what "the cat brought in". If our T-0 of 9 could be filled with a group of sound CAF-5 to 7 civilians, stateside trained, coupled with our present pair of responsible regular army sergeants for motor pool and supply work, I believe our efficiency would be doubled.

B. Administrative Relations with Berlin Command

The basic administrative support of the Berlin Base derives from Berlin Command, which is the administrative headquarters of OMGUS. During the past two years this support has been given generously: we have never been frustrated or disappointed in any vital respect. But this present excellent situation was not achieved without considerable effort. During the month of December 1945, the administrative relations of the Berlin Base with OMGUS had reached the point of disaster. On the morning of my arrival, 7 January 1946, I was confronted with the fact that the Director of Administrative Services, Brig. Gen. James Edmunds, had ordered the Military Police to impound the entire motor pool of the Detachment. Gen. Edmunds was motivated, as he frankly admitted, by the desire to appropriate our three Buicks which Mr. Dulles had purchased in Switzerland. Within two hours after my arrival, I secured the return of our motor pool, and convinced Gen. Edmunds that the Buicks were the inalienable property of SSU. The crisis was over, but Gen. Edmunds was hardly one to forgive and forget such a defeat.

In March 1946 Gen. Edmunds called to the attention of Gen. Clay the fact that our SSU detachment was an agency deriving material support from OMGUS, yet not strictly speaking under its command. On the strength of this representation, Gen. Clay requested that our unit drop all its administrative connections with OMGUS, and attach itself fully to Headquarters Berlin District. It will be recalled that, at that period, Berlin District was a separate major command, and was not under OMGUS. In October, when Berlin District was downgraded to a subordinate position under OMGUS, as Berlin Command, our attachment remained unchanged.

The present situation is therefore that Berlin Operations Base is attached for administrative support to Headquarters Berlin Command, and is thus a part of the general OMGUS complex. This arrangement was ratified orally by Gen. Clay in October 1946, at the time of the change from SSU to CIQ. General Clay's personal assurance of continuing support was subsequently implemented by a number of written agreements with Berlin Command, which constitute the fabric of our logistic support. These agreements were

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concluded on various levels, chiefly through the S-4 of Berlin Command (at that time Col. W. Hensey), with the approval of the commanding officer (Col. R. A. Willard). Our present solid position is the product of: a) high level Washington directives, notably the Top Secret War Department Order "Supplies and Equipment for CIG" of 24 October 1946 with supporting DSFET and EUCOM orders developed by Heidelberg and Frankfurt, which naturally command immediate attention and respect from army administrators; b) the expressed assurance of support and good will from General Clay; c) the cooperative attitude of Col. Willard and his staff; d) a multitude of working arrangements covering every aspect of our administrative needs from the requisitioning of operational liquor to the exclusion of our telephone numbers from the OMGUS Directory. I shall allude to these in more detail under the separate headings below.

It will readily be agreed that this complex tissue of administrative arrangement constitutes an extremely valuable asset. It is understandable, I believe, that most of our thinking and planning in regard to dispersal of the Base comes squarely up against the reflection that our hard-won position should not be put in jeopardy.

C. The Administrative Office - Adjutant functions.

Until the creation of an executive officer in January 1948, the entire burden of administration rested on a single administrative officer, who, at least until the recruitment of [redacted] in October 1947, had always been obliged to carry his manifold burdens without the benefit of an administrative assistant. As I said above, the four Army officers who acted as administrative officers during 1946 and 1947 ([redacted]) within the varying limits of their personal capacities, performed their duties with zeal and loyalty to the organization. The fact that they were insufficiently staffed produced varying degrees of frustration and discontent, but never led to a complete breakdown of the administrative system.

1. Travel.

The primary adjutant function of the administrative officer has been the handling of travel orders. This function is, however, somewhat limited in scope by the higher jurisdiction of the Heidelberg Adjutant. When I arrived in Berlin, the administrative officer, [redacted] was, at least de facto, exercising real adjutant functions, notably issuing travel orders for personnel of the Base over his own signature. It soon became apparent that this practice was unauthorized, and we dropped it completely. At present, travel and leave orders for points within the Theater

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are procured by our administrative officer from the Orders Branch of the Adjutant General, OMGUS. They are usually issued under Berlin Command heading. Duty travel from Berlin is cleared through Heidelberg, and if the travel is outside the Theater, the orders are issued either from Heidelberg or Frankfurt under EUCON authority. Leave travel also requires Heidelberg approval, but the so-called Authorization to Travel can be issued here. All travel out of Berlin requires a Russian translation of the orders.

In addition to the travel of staff personnel, the administrative officer obtains orders for our agents. This was formerly a fairly substantial volume of business. It was not so great, however, as was claimed in the sensational Associated Press article which stated that "a War Department detachment" had been running an underground railway which was evacuating several hundred persons from Eastern Germany per year. It is true that the total number of orders issued at our request during the past two years has run into the hundreds, but of course only a very small percentage represented actual evacuations. The great majority were return trip orders, issued either for business connected with the agent's mission or as personal favors, such as facilitating convalescence from illness, settling an estate, or purely compassionate visits.

Despite the advantages to our operations of issuing American travel orders to our agents, we have in recent months greatly cut down on the practice. In part this cut has been the result of our increasing concern over the security risk involved in all forms of agent travel. But it has also been forced upon us, to a certain extent, by the stiffening of OMGUS policy. About six months ago a near crisis developed, when Marguerite Higgins, correspondent of the New York Herald Tribune, got wind of the clandestine evacuation by S-2 Berlin Command of a German national, who had fled the Russian Zone, allegedly in fear of his life. The operation was of quite low level and actually had no intelligence significance, but Miss Higgins thought she had the makings of a sensational story, comparable to her minor classic "I Interviewed Two Russian Spies". The publication of the story was headed off, but Gen. Gailey, Chief of Staff, OMGUS, issued instructions that all requests for travel orders for Germans must be personally screened and approved by himself. Gen. Gailey soon discovered that handling an average of thirty such requests a day was quite unfeasible, and delegated the responsibility to the Personnel Officer. The practical effects, as far as we were concerned, were nil. General Walsh gave what amounted to a blanket approval in advance to any requests we might make for orders involving return to Berlin, only stipulating that outright evacuation cases should be cleared with him. Even this proviso has not been insisted upon, and in practice we can

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obtain orders for our agents without any difficulty. As I have said, however, we voluntarily keep our requests for agent travel to the minimum. We are not unduly concerned about the security of our requests within OMGUS. These are hand-processed to the head of the AG Travel Branch (Major J. B. Mallon), and are issued without passing through the hands of the German secretaries in his office. No copy of the request bearing the name of our organization is kept by the AG; we receive all copies of the orders from the mimeograph machine, and in effect there is no record of the affair in OMGUS.

Agent travel out of Berlin, in whatever form, presents serious security risks and technical difficulties. There are three possible methods, air, rail and highway.

Within the category of air travel, three different types exist. The first, and until recently the standard method of moving agents by air, has been the use of the regular European Air Transport Service planes. EATS carries both duty and paying passengers, and we can put agents and escorting officer on the plane in either category. The disadvantage of this system is that it involves sitting in the lobby of Tempelhof Airport, sometimes for many hours on consecutive days, waiting for the takeoff. Such delays inevitably make both the German civilian and his escort rather conspicuous, and constitute a serious security hazard. In addition the nerves of the agent may suffer considerably, especially if he has any reason to think he may be blown.

The second method is to lay on a special plane, or at least get permission to put our agent on an unscheduled flight, of which there are a considerable number from Tempelhof. This is undoubtedly the most secure method, since it is possible to drive directly to the runway and load the bodies without risk of observation from the terminal. Such flights require the clearance of General Walsh, which means that the operation must be explained to him in some detail. He has been cooperative in making arrangements with the Commanding Officer of Tempelhof, Col. W. H. Dorr. The actual technical details of handling have been developed through such cases as [redacted] to the point of routine, and the procedure as such is secure. There are certain drawbacks, however, in having to coordinate through General Walsh's office. Thus, in the recent evacuation of [redacted] we concluded the necessary arrangements with General Walsh and Col. Dorr, only to find that S-2 Berlin Command also had a body (a Russian defector) to be evacuated at the same time. Since special flights are not a dime a dozen, General Walsh ordered Col. Pretty of S-2 to send his character and escort on the same plane as ours. This did not cause us any great distress, since [redacted] was not particularly hot from the security viewpoint. Col. Pretty, however, was distinctly unhappy and protested in vain to General Walsh. The two operations went off

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simultaneously without incident, but it is obvious that in a highly sensitive operation such as ~~██████████~~ it would have been impossible for us to agree on the sharing of the plane with another agency.

The third form of air travel is by commercial plane. American Overseas Airlines has recently introduced the practice of making available to German civilians empty seats on its Frankfurt-Berlin scheduled flights. The price is 110 RM, which is obviously within the reach of any German who wants to travel. Consequently there is an enormous waiting list, and a system of priorities has been introduced. As I mentioned above, Gen. Galley has placed our agency in Priority I. The only other agencies enjoying this privilege in blanket form are S-2 Berlin Command, Public Safety OKGBS and the German Police in the American Sector. In cases where sufficient justification is present, the Joint Export Import Agency (JEIA) is authorized Priority I, but not on a blanket basis. We are not clear why CIC and CID do not enjoy this privilege. The advantages of this form of travel are obvious, being cheap and convenient. It can only be used, however, for routine cases involving interzonal passes rather than NG travel orders; it must be avoided where security factors occur. We have, during the six weeks since the system was initiated, used it at least a dozen times.

Until fairly recently, the principal method of agent travel has been by rail. The American duty train has one coach, intended primarily for Americans who do not have sleeping car reservations, but which may be used by German civilians traveling on NG orders. Theoretically such orders are restricted to bona fide employees of Military Government, but, in practice, we can obtain them for our agents merely by certifying that they are engaged on official business.

The principal drawback to the American train lies in the possibility that it may be subject to Russian control. Actually, during the past two years, there has been no instance of the Russians boarding the train and removing German passengers. However, during the past months a number of serious incidents have occurred with the British train. The Russians have demanded entry to the coaches carrying Germans, claiming, and rightly, that many of these were without interzonal travel passes. Interzonal passes are issued to Germans, nominally on the basis of quadripartite agreement, but actually unilaterally by any of the four occupying powers, who in turn delegate the authority to German Bürgermeisters. It has consistently been the American position that no interzonal pass is required by Germans using the duty train. In the American view the train is de jure American territory, and may not be boarded for executive action by the Russians, any more than they may legally enter our sector to make an arrest. The British, unfortunately, have not maintained this position. They have

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conceded the Russian claim that the duty train does not enjoy extraterritorial status, and they now require German civilians to carry interzonal passes which are subject to Russian check. This yielding of the British has naturally weakened our own position, but General Clay has continued to maintain a firm stand on the inviolability of the American train. In order to enforce his policy, two MPs with submachine guns now travel on each of the coaches and sleeping cars of the train. Orders have been issued to resist Russian entry with force. If the Russians actually refuse to let the train pass their frontier without inspection, the train commander is instructed to return the train to the point of departure -- Berlin or Frankfurt. This display of toughness so far has had its effect and the train has not been molested. But there may always be a firmer stance, and that thought lies in the background of General Clay and General Gailley's insistence on the strict control of German civilian travel. It was undoubtedly the fact that the British had played fast and loose with their train, moving literally hundreds of agents and (from the Russian viewpoint) other questionable characters, which brought about the showdown the Americans are trying to avoid.

The third method of travel -- by car -- involves a trip of about 100 miles through the Russian Zone on the Autobahn between Berlin and Helmstedt. This journey, per se, presents no special risks in a reliable car, but the vehicle and passengers are subject to Russian control at the Helmstedt end. This control has always been perfunctory, being carried out by quasi-literate Russian soldiers, who glance at the Russian translation of the American travel orders but make no effort to check the identity of the persons mentioned. It is easy and relatively safe to take Germans through the check point but it is advisable to have them wear American uniforms. There is of course, always the possibility of a sudden tightening of the control, and in any case we would hesitate to take through any person for whom the Russians might be looking, such as a Soviet defector or a prominent German politician. But for the average agent, whom we have no reason to believe to be blown, movement by car seems to be the simplest and safest means.

I have dealt at some length with the problem of agent travel, because it is a basic feature of our present operational procedure. If conditions should change markedly, through a tightening of the situation in Berlin, we might be called on to evacuate compromised agents in considerable numbers and at short notice. Since any such crisis would automatically produce a stiffening of Russian control on the highway and probably the rail corridor, it is presumed that the only feasible means of evacuation would be by air. Whether the Russians would eventually harass or obstruct even this avenue, would be a function of the gravity of the situation itself.

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2. Personnel functions.

The personnel functions of our administrative office are relatively minor. The basic personnel records are kept in Heidelberg -- leave and pay data, 201 files, etc. Important matters such as change of station and transfer are taken up through Heidelberg to Washington by pouch or cable according to the degree of urgency. Civilian pay is disbursed by the Special Funds Office at Heidelberg, which pouches the funds and vouchers for each pay period. Since we no longer have an Army officer attached to this Base, it is necessary for an officer to come from Heidelberg to Berlin each month to pay our enlisted men. There is always sufficient other business to justify this trip by the Heidelberg adjutant or his representative and the system appears to be satisfactory.

D. Finance.

The financial responsibilities of the administrative office, though considerable, are not sufficient to warrant the assignment of a special funds officer. The financial reports are prepared jointly by the administrative and the executive officer, but are signed by the latter for the Chief of Base.

Broadly speaking our financial problems fall into two categories: those involving payments in Reichsmarks and those which are met by Military Payment Certificates, the dollar scrip of the American occupation personnel. We do indeed maintain a small account of American greenback dollars, and an inactive account in Russian roubles. We have virtually no occasion to use other foreign currencies, though we have recently raised with Heidelberg the question of maintaining a fund of Swiss francs for use as a basis of hard cash payments to agents in the event of currency reform. A small amount of British currency, the so-called BAFs, is required for trips into the British Zone, but this has usually been accumulated unofficially by personal negotiation with our British opposite number who are always eager to obtain American scrip in order to make purchases in the PX and clothing store. This exchange of currencies constitutes a small but significant item in operational food bill.

Our official expenses, on instruction from Washington, are broken down into three categories, overhead, working and project funds. The dollar outlay in all three categories is relatively small, averaging during the past two years less than \$500 per month. The largest single item under this category is the purchase of operational liquor. Occasional disbursements are made for direct purchases from the PX or the Army Exchange Service auto sales section. These are confined to such minor items as are urgently needed for agent operation or the repair of a vehicle which would be deadlined.

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for a long period, if the part had to be procured by requisition through Ordnance or our own organization. Only three of our non-American agents are paid in dollar instruments: [REDACTED]

Our expenditures in German currency range between 25,000 and 50,000 marks per month. At the official value of 10 cents per RM, this appears to be a fairly formidable sum. But, as is well known to Washington, the official value of the mark bears no relation to its actual purchasing power. Especially in the case of an agent, who frequently has to resort to the black market in order to survive, the real purchasing power of the mark in Berlin is of the order of 1/2% to 2% of its nominal value. A pound of fat (margarine, lard, or tallow) at ration prices (one pound is approximately two months' ration) costs 1.20 RM. At the black market rate it costs 220, and so on down the line. The black market value of commodities for the American PX is generally estimated on the flat basis of 3% to 5% to the dollar. Thus a Hershey bar is worth about 15 to 20 marks, which is the equivalent of two days' wages for a domestic servant or unskilled laborer. These elementary statistics are mentioned in order to throw into a more realistic perspective the accounting picture of our Reichsmark outlay.

Hovering in the background of all our financial arrangements with agents is the prospect of Währungsreform, reform of the German currency. Every German knows that economic recovery presupposes the establishment of a reasonably sound monetary system. The only question is when and how it will occur. The present trend toward splitting Germany into an eastern and a western grouping makes the actual realization of a monetary reform for all four zones seem somewhat problematical.

In any case Währungsreform, whether unitary or dual, will create a radically new set of conditions for our operations. We have attempted to plan for any contingency. We envisage the probability that our operations for some time to come would still be built primarily on payment in commodities: food, cigarettes, and supplies. But we will be able considerably to extend our control over agents by making us to them the losses which many will be bound to experience especially in the case of those who have substantial amounts of currency which they will be unable to convert without running into difficulties with the tax authorities. We also assume, as mentioned above, that a certain amount of hard currency, greenbacks or Swiss francs, will be a useful negotiable asset for an agent during the period between the currency reform and the relative stabilization of his earning power.

The mechanics of our financial accounting system are relatively simple. Payments are recorded on a simple voucher with receipts attached, and consolidated at the end of each month into the

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appropriate category. Our reports are pouched to Heidelberg for consolidation in the overall Station account. In general our accounting seems to have been satisfactory to Heidelberg. Minor mistakes are usually the product of uncertainty as to the category in which a payment should be entered.

E. Billeting and Agent Installations.

Billeting is one of the most important responsibilities of the Administrative Office. It falls into two aspects, a) staff and b) agent billets.

a) Staff billets. The billeting of the American personnel of the Berlin Base is primarily a personal affair which can be handled directly with the OMGUS billeting office. Although there have been fluctuations in the real estate situation, in general there have always been enough quarters available to enable our staff to obtain accommodations appropriate to their rank or rating. However, in a number of instances we have found it advisable to classify the billets of bachelor case officers as operational installations. In such cases, the billeting office gives special treatment to our requests, making available small houses or apartments which would otherwise be earmarked for families. This preferential treatment, as indeed all services rendered to us by the billeting and real estate offices in OMGUS, are the result of basic agreements concluded with the S-4 of Berlin Command at various times during the past two years. These agreements have been implemented by good liaison on the part of our administrative officers, especially [redacted]. We have been at pains to assure Berlin Command that we will not abuse the right to requisition property for operational purposes, and that any request for change of quarters which is not motivated by bona fide security considerations will be submitted purely as a personal matter for routine disposition.

b) Operational installations fall into two categories. The bachelor case officer quarters are operational only in a limited sense. They may be used for entertaining of German contacts, primarily on a social basis. Occasionally, agents from out of town may be billeted for a short period in a case officer's quarters. This is done with careful consideration of security risks.

The second category of operational installations is the regular agent billet or holding area. The history of our agent housing in Berlin has been complex and at times rather painful. In the early days, with our overexpanded chain system, we maintained a number of large establishments, notably a 12-room house at 2 Promenadenstrasse and a 27-room villa on the Kleiner Wannsee [redacted]. It was originally taken under the regime

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of ^{the villa} at a time when we had an ambitious project of training and holding a group of agents for work in the Polish Zone and Poland. When this project was abandoned, we continued to use ^{the villa} as an agent area. Because of its immense size and its isolation, we yielded to the temptation to house a considerable number of characters simultaneously. Despite the fact that the villa was admirably suited to internal compartmentalization, it was impossible with our inadequate American personnel to maintain strict segregation. As a result, the semi-permanent guests inevitably came to know a lot about each other, and even about the transients. When the security blows began to fall in the winter of 1946-47, it became apparent that our establishment was, if not actually blown, at least rendered unteachable from the security viewpoint. We decided to give up ^{the villa} in the fall of 1947, and were luckily able to make a virtue of necessity by turning it over to CIC who needed just such a place as a special detention center. At about the same time we liquidated our other principal white elephant, No. 2 Promenadenstrasse, which had been set up in the fall of 1945 before my arrival. We were left with only one major agent house, 26 Ruhmeweg, which like the other two had served its usefulness, but which we have retained for temporary housing of blown agents.

Faced with an acute shortage of agent accommodations, we turned to the S-4 and Billeting Office with an appeal for a new type of property: small unpretentious houses or apartments, which could be kept up by a single German housekeeper, with or without the presence of a resident case officer or enlisted man. Berlin Command has been extremely cooperative in providing half a dozen such accommodations, stipulating only that we not compromise by an excess of clandestine activity, any billets which would be suitable for American families.

Only one other category of operational real estate remains to be mentioned, viz. permanent residences for agents in the American sector. This type is the hardest to procure. It must be realized that the real estate situation for Germans in Berlin, though less critical than in the American Zone, is nevertheless extremely tight (average 1.8 persons per room in the American Sector of Berlin). Accordingly, the possibility of setting up new living quarters for Germans through German channels on a routine basis is practically nil. Even if the agent is completely in order with his papers, he has virtually no hope of procuring an apartment through the Wohnungsamt in any of the five American Sector boroughs, unless he obtains a supporting order from American Military Government. Such an order will only be issued on behalf of an actual employee of MG, and, while we can readily procure it, we automatically expose the connection of our agent. Moreover, even if such an order is delivered to the Wohnungsamt, it is still not sufficient to guarantee the immediate availability of a suitable dwelling. Accordingly, we have frequently been forced to resort to the rather extreme measure of requisitioning under MG authority.

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This procedure is unsatisfactory. In the first place General Clay, as early as the fall of 1946, ordered the cessation of new requisitioning, and the turning back to the German economy of a substantial amount of property already requisitioned. By great effort, jointly between ourselves, Heidelberg, and Frankfurt, we were able to secure a high level authorization for requisitioning German property for operational purposes. The extent of this privilege was limited to ten separate dwellings. In actual fact, we have exercised our right in only five cases.

The upshot of our headaches with procurement of agent billets has been the adoption of a policy of putting the agent on his own. If his present position is not such that he can take care of himself, it is unlikely that he can ever become a useful agent with adequate security. Inevitably, this consideration has limited the scope of our recruitment, and occasionally compelled us to forego the services of an otherwise promising candidate. But it has also compelled us to be more realistic, and to assess an agent's prospects against his capacity to survive without artificial support in the existing German economy.

One result of this trend in our policy has been to turn our attention toward the outright purchase of real estate. Under prevailing conditions, with the powerful leverage of the inflated mark, it is possible to buy apartments, houses, and even business establishments at prices which we can readily afford to pay. The principal difficulty, of course, is setting up a cooperative and reliable German to hold the title, in such fashion that his purchase will appear to have been legal, without attracting undue attention from tax collectors, etc. To date, although we have examined a number of possibilities, we have not succeeded in actually mounting such a purchase. It will readily be seen that any transaction of this type will have to be associated with a degree of long range planning which the fluid situation in Berlin hardly encourages at the present moment.

Furniture also presents a headache to our administrative office. In the case of staff billets, the Army has usually been able to provide at least a decent minimum, which can be supplemented by a little enterprise on the part of the billet holder. But in the case of agent premises, furniture is extremely difficult to organize. Because of its immense black market value, furniture is also one of the last things an agent is willing to give up, if he is forced to leave Berlin. Nearly all our evacuation agreements are complicated by a housemoving proviso. Sometimes it is sufficient to move the furniture from another sector of Berlin to our own. But even this is hard to accomplish, as we have found out empirically; German or allied police are likely to turn up at embarrassing moments and question the transaction. If the agent is obliged to leave Berlin permanently, we frequently have to agree to ship his furniture and personal belongings to the

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American Zone, which may involve a 1000 or even a 1500 mile trip with a 2½ ton truck. Needless to say there always seems to be a discrepancy between what the agent claims he had and what actually arrives. Our long-suffering friends in the disposal unit at Heidelberg can testify to the intensity of these household woes.

F. Transportation

Motor transport is unquestionably the aspect of Berlin Base administration in which I have been forced to take the closest personal interest. It has always been my conviction that the efficiency of our intelligence production to a considerable extent has been a direct function of the efficiency of our transportation. I am glad to report a steady improvement in the latter which has certainly been paralleled by improvement in the former. I believe there is a real cause and effect relationship.

In January 1946, as I stated above, our motor pool narrowly escaped complete liquidation at the hands of COMGUS. With the exception of Mr. Dulles's three Buicks it was a sorry prize for General Edmunds. We had a fleet of about 10 beaten up wartime jeeps, half a dozen rattletrap Opels and Mercedes turned over to us as captured enemy equipment, an exotic and unreliable Tatra and some trucks.

During the first half of 1946, this dismal situation still further deteriorated, and with it the morale of our dwindling group of case officers. I first realized clearly in the Fall that my primary administrative obligation was to reverse this trend by building up our motor pool. By direct negotiation I succeeded in obtaining from the Chief of Ordnance, Berlin District, twelve salvaged sedans which the Army admitted it was unable to repair. These were of very diverse quality ranging from an excellent Buick, which only lacked a clutch throw out bearing, to moderately useful Opels and Mercedes. All twelve of these vehicles were towed to our motor pool and the painful process of rehabilitation was begun. Although in some cases the process took as much as six months, with parts being scrounged or hand made in obscure German garages or imported from Belgium or Switzerland, eventually all twelve sedans were brought into running condition. Seven are still serving us, for better or worse, today.

Although the acquisition of these 12 sedans marked the turning point in the history of our transportation, we still were faced with an acute shortage of vehicles. Because of the difficulty of repairs, and the bitter cold of the winter of 1946-47, as many as 50% of our vehicles would be deadlined at a given moment.

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Sedans were no longer available from the Army. The only prospect of immediate relief was to procure some Volkswagens. After securing approval from Heidelberg and Washington, in October 1946 I placed a request with our British friends in 7 CCU for an allocation of thirty "bumble bees". Despite the cooperativeness of our liaison contacts, the entire transaction became enveloped in a mass of red tape. After several months delay, the matter was finally carried through Brigadier Howard and Major General Lethbridge of Intelligence Division, CCG to the Director of the Economics Subcommission, Sir Cecil Weir, who personally authorized the allocation. From that point on, American red tape succeeded British but Heidelberg and Frankfurt successfully surmounted all obstacles created by USFET Ordnance, G-4, and Army Exchange Service. The thirty vehicles were delivered in a mass operation in early spring 1947, 10 being driven straight from the factory to Berlin. The arrival of the 10 Volkswagens on top of the 12 Ordnance sedans marked the final liberation of Berlin Base from the "struggle buggy" era. It now became possible to assign each case officer and executive member of the staff a closed vehicle, and to maintain a minimum reserve for periodic checks, deadlining and dispatch

The third turning point in the history of our transportation was the arrival in late summer of the first of the new American sedans, ordered by Washington. One by one these shiny vehicles have filtered in, and as of the present writing we have a total of 12 new American vehicles. We have gradually been able to shuffle off our worst pieces of junk, but we still find it necessary to retain a few substandard vehicles in order to meet all our operational, dispatch, visitors, and reserve requirements. We hope by this summer that every active member of the staff will have a permanently assigned reliable American sedan.

In order to service and maintain our vehicles with maximum efficiency we have found it necessary to keep a staff of German mechanics and helpers, averaging about 10 to 12. It is quite impractical to carry out repairs through Ordnance facilities, which are hopelessly swamped; they themselves have encouraged us to do third echelon work, which officially is prohibited for small motor pools in Berlin. Ordnance has been cooperative in issuing such parts as are available, making only the stipulation that we avoid stockpiling. Army Exchange Service maintains minimum facilities for servicing the thousand odd civilian vehicles in Berlin, but they are so inadequately staffed and stocked with parts that we can derive only slight support from them. Basically, we remain as we have been during the past two years--on our own. Our motor sergeant and his principal mechanics have developed a veritable network of German contacts who provide anything...at a price! Since the price is usually measured in terms of cigarettes or Lebensmittel, we are able to keep the wheels rolling for almost nothing. For example, a complete factory quality paint job worth \$100 in the States costs an average of one Ten-in-One package or fifteen packs of cigarettes.

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Maintenance of a fully developed motor pool presents certain obvious drawbacks, chiefly from the security viewpoint, and we have frequently deliberated on the advisability of liquidating it. But the prospect of throwing fifteen active case officers and a bus administrative and executive staff completely "on the town", has always led us to cherish the status quo.

The question has occasionally been raised from Washington why we have laid such extraordinary emphasis and expended so much effort on transportation. No person who has been in Berlin ever raises this question. I can best put the situation in a few simple comparisons. The City of Berlin is almost four times the size of the District of Columbia. This area is inhabited to the city limits. The American Sector is as big as the City of Washington. It is possible to drive in a straight line in thickly settled areas for a distance almost as great as from Washington to Baltimore. In effect, Berlin is probably areawise the largest city in the world. Our business knows no sector limits.

The other side of the picture is the fact that for all practical purposes there is no alternative to motor transportation. The common carrier system has been restored, but the service is so poor that it cannot be used efficiently by American personnel, entirely apart from security or prestige considerations. There is a rudimentary bus service (six lines) between key American installations, which does not, however, connect with the other sectors. There is no commercial taxi service, and the handful of dilapidated German taxis operated under MG sponsorship are unobtainable because of the civilian demand. In short, without a car the conduct of our type of business is impossible. We are glad that this basic proposition has been recognized and Washington has undertaken to provide us with new and sound vehicle sufficient to our needs.

G. Registry.

An important administrative change coeval with the dissolution of Intelligence Branch in Heidelberg in June 1947 was the dispersal of Registry personnel and responsibilities. For the first time Berlin acquired a full fledged Registry of its own, and the services of a trained, conscientious registrar, Mr. [redacted]. Pouches had been prepared in the Adjutant's office, which was already overworked a dozen ways: such tasks as logging, indexing records, distribution of incoming pouches, internal routing of cables and memoranda, maintenance of Top Secret Control and maintenance of files had been scattered among several offices and performed in the catch-as-catch-can manner necessitated by personnel shortage. Now, however, [redacted] has gathered all these and other functions into a smooth-running central Registry which has greatly improved the efficiency of this Base. One indication of the size of the job is that since he arrived the incoming and outgoing correspondence has numbered four thousand pieces and the cables more than two thousand.

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H. Communications

Communications is perhaps the only administrative field in which we have never had any headaches. The high standard of efficiency and security which the Communications Branch of OSS developed during the war has been maintained, so far as we can judge, without impairment. Our present Chief Code Clerk, Mr. [redacted] is a good example of this efficiency.

The cable traffic of the Berlin Base has varied considerably, but it has generally fallen slightly above the normal capacity of a single communications clerk. There have been peak loads when the code clerk was swamped, but we have fortunately had a few trained substitutes among the regular office personnel to step into the breach. The heaviest volume of traffic was reached in December 1947 with a total of 26,000 groups. This is almost double the amount which is considered normal for a single code clerk. Traffic has declined slightly since that peak, but still averages at least 50% more than a single clerk should handle. We hesitated, however, to ask for the outright assignment of a second clerk until we were absolutely sure that it was necessary. It was finally agreed in March 1948 to send a second clerk [redacted] on an experimental basis.

The most important innovation in our message center was the installation in January 1948 of a teleprint connection with the OMGUS Signal Center, which provides direct relay of the encoded messages to and from our office. This put an end to the time consuming system of picking up the messages by courier, and insured that priority messages will be handled without delay.

Until the arrival of [redacted] and [redacted] we had had only girls as code clerks, a series of six or seven rotated to Berlin from Heidelberg. I wish to take this occasion to commend them all, for their efficiency, their patience under conditions of strain and for their friendly and cheerful participation in the life of our little community. Orchids to Commot!

I. Secret Section.

Berlin Base operates a Secret Section on a part time basis. During 1946 we embarked on a rather ambitious program of document reproduction, in support of our clandestine operations. We did this because the time factor in most cases ruled out processing documents through to Washington, and Heidelberg had not at that time reconstructed the liquidated C&D Section of the wartime OSS.

Unfortunately this document program ran into difficulties in the winter of 1946-47. Our principal German contact, the Zander Printing Company, was compromised in the blowing of the Cakewalk-Calesa-Calf chains. Moreover a number of security jolts had

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convinced us that it was dangerous to equip our agents with forged papers beyond absolute necessity. It was not that our forgeries were incompetent. The danger lay rather in the fact that many other people were in the business, on a strictly money-making, as opposed to an intelligence basis. Consequently it was quite normal for the Soviet or German police to apprehend Germans with false Reisesmarken, etc. Even though our agents might not incur special risks in such routine pick ups, there was always the danger that the investigation of a forged documents case might lead to the discovery of espionage activity.

We were further deterred from continuing in the documents business by the visit of Col. Leers. Col. Leers was chiefly concerned with the reorganization of the Secret Section in Heilberg, to serve the purpose of an intermediate processing point between the field bases and Washington. He did, however, devote some attention to our own products. As a result of his critical scrutiny, we became aware of the fact that our efforts had frequently been clumsy or amateurish. We realized that, with the tightening of controls, we would only jeopardize our own and our agents' security by continuing to equip them with papers which would not stand rigid tests.

At present our activities in this field are greatly restricted. We have indeed one useful resource in cases of emergency, viz. CIC. Berlin CIC has the services of a really expert forger (formerly with the Abwehr I.G.), whom they are willing to make available for us on special occasions. Actually, we have taken advantage of this offer only once. For obvious security reasons, we prefer not to entrust our commissions to an outside agency, no matter how cooperative.

Our Secret Section functions are at present carried out by an FR Case Officer, [redacted] in addition to document work, handles special equipment, secret inks, etc. It must be confessed that we have not been fully satisfied with the support he has received in these matters. We have been disappointed over delays in filling our requests. I also recommend greater liberality in supplying secret inks and special devices to the field. I realize that security considerations are paramount, but some risks must be assumed if we are not to sacrifice profitable current operations.

The greatest positive contribution of the Secret Section in Berlin has been the steady stream of documents, as well as document and operational intelligence which has been diligently and ably collected and passed on by [redacted]. Indeed, we have fully realized that any future large scale reactivation of the Secret Section for day to day operational problems will necessitate the collection of documents and document intelligence in the intervening time. [redacted] has shown an outstanding aptitude in this field, and it is largely due to his diligence and conscientiousness that this has not been handled perfunctorily, as a secondary duty. An outstanding contribution in this field has been the

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excellent working arrangement with the Reichsdruckerei, the official German printing office. This working arrangement, originally set up by ~~SECRET~~ through ~~SECRET~~ is now handled by ~~SECRET~~. It has resulted in our procuring a copy of every document of identity printed by the Reichsdruckerei. We have been able with their assistance to obtain any type of document paper which the Secret Section in Washington might need. This has even resulted in the Reichsdruckerei offering their very extensive dyeing facilities to duplicate paper samples.

A certain amount of special communications material is also on hand. We have three different types of sound recorders, with microphones and wire. We do not, however, have any competent technician to install them, and therefore we have to call on Heidelberg for support. It is possible that we can arrange to have a technician trained for us, in the person either of our photographer or our communications clerk.

We have at present a satisfactory listening and recording arrangement in the house of the SC Branch chief, which has been used effectively on several occasions. FR Branch has a similar installation in one of its agent houses. We can also, if necessary, mount a recording machine in certain rooms of our office building. On the whole, however, as in Secret Section matters, we have been insufficiently supported by higher headquarters in the training of both staff and enlisted personnel. We hope that this defect will be remedied. We also recognize that in part the fault has been our own: it is a hard decision to detach a valuable case officer for the considerable period of time necessary to give him expert training.

J. Photographic Laboratory.

The photographic laboratory has been a vital part of the Berlin Operations Base technical setup. As a result of our clandestine operations, we receive a substantial volume of reports which have to be microfilmed or photostated for transmission to Heidelberg and Washington. This work frequently has to be carried out on a rush basis, especially where the documents have been purloined at night and must be returned by morning.

Our laboratory equipment is installed in a sizable room in the attic of our building. The conversion of the attic to the purposes of a dark room, constituted a major operation which could only be carried out by resorting to the open German market for lumber, insulation, black cloth and paper, etc. A large part of the equipment was inherited from our predecessor organizations some was procured from Washington, a small amount locally from the Army, and individual items were purchased on the indigenous market with inflated marks or cigarettes.

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Our photo laboratory was inspected by Col. Joseph Leers in the summer of 1947. Col. Leers made many important recommendations for the improvement of our service, both as to equipment and operating methods. So far as possible, these recommendations have been carried out. It still remains difficult to secure an adequate supply of materials within the Theater, especially enlarging paper, and we have not found that requisitions from Washington arrive very promptly.

Our Chief problem, however, has been personnel. During the past two years we have had to rely entirely on enlisted men, for the most part untrained in photographic technique at the time of their recruitment. Training has been carried out by Communications Branch at Heidelberg, and furthered, locally, as far as possible, after the transfer to Berlin. Nevertheless, none of our photograph technicians to date has been really satisfactory. As of the present writing, we have for the first time under recruitment a fully trained Army photographer. With his transfer, we shall finally enter an era of technically satisfactory photo work. As it has been in the past, our enlisted photographers have had to be closely supervised by a staff officer on any really important work. Fortunately, [redacted] takes a personal interest in photography, and has willingly devoted a considerable part of his spare time to developing the laboratory, training the photographers and supervising important assignments.

In addition to a microfilm camera, we have German photostatic equipment and enlargers, a Speed Graphic with accessories, German dryers and other special pieces of equipment procured locally. There is need for a new 35 mm enlarger, preferably of American manufacture.

K. Security.

It is altogether appropriate to conclude this lengthy survey of the Berlin Operations Base with a discussion of security. Volumes could be written on this subject, which has been our most constant and ever present concern.

Security falls into two broad categories, a) operational, and b) administrative, viz. security of installations, correspondence, and personnel. I have devoted considerable discussion to the former in treating the operations of FR and SC Branches. The only point that needs to be stressed here is the fact that the lack of an assigned security officer during the bulk of 1946 and 1947 was a great drawback to the operational Branches. This lack coupled with the removal of security functions from SC Branch was in large measure the cause for the material aspects of the major chain blows.

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Administrative security was also badly neglected. During the period prior to the appointment of the present security officer, [redacted] efforts were made from time to time to designate a particular case officer as being responsible for physical security, but the press of other duties, usually resulted in his neglecting the security responsibility. Two exceptions have already been noted: [redacted] during his brief period as Executive Officer in 1946 prepared certain basic studies on the compartmentalization of our building with a view to segregating the German help. [redacted] who also served as part time security officer for a few months in the fall of 1946 concluded the basic agreement with S-4 Berlin Command by which we obtained military and German Industrial Police guards for the inside and outside of the building. These were important achievements; but they were static, and did not meet the needs of a dynamic security defense.

It was in response to our lack of effective measures in both operational and administrative security that [redacted] was assigned his present functions. In order to insure maximum effectiveness it was decided to make him directly responsible to the Base Chief. Actually he works closely with, but not under the Executive Office the two constituting a team for coordination of security and administrative matters of all types.

[redacted]'s first achievement was clearing up a rather unsatisfactory situation in our indigenous personnel office. We had long suspected the head of this office of being heavily involved in black market operations, and possibly connected with thefts of a number of our vehicles. The latter suspicion has not been confirmed, and we now feel that we were simply victims of outside operators, like hundreds of others in Berlin. The black market involvements were, however, established beyond doubt through [redacted] investigation, and the offender was summarily dismissed with a strong threat of court action if he molested us in any way.

With the elimination of this sore spot, a major moral danger to our enlisted personnel and an ultimate security threat was removed. We were still painfully aware of the existence of a certain amount of petty thievery, chiefly in the motor pool. It is a regrettable but admitted fact in Berlin, that a certain amount of pilfering will always exist, so long as the indigenous personnel and their families live under the prevailing economic conditions. Motor pools are particularly vulnerable; portable items such as tools and cans of gasoline have a high value on the black market, and short of riveting them down, there is no way to keep them from disappearing. However, our security officer has made a determined and successful effort to reduce the amount of

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loss through theft. Recognizing that only an inside German detective could cope with the problem, we obtained from Public Safety the loan of one of their most trusted and experienced Kriminalpolizei operatives. He was installed under cover of a driver for FR Branch, and contacted the security officer only after hours and outside the office premises. The report which this detective submitted at the end of two months indicated the following points. a) With the dismissal of our head of indigenous employees, the principal source of corruption was eliminated. Only one dishonest employee remains, who unfortunately has made himself nearly indispensable by his mastery of the art of scrounging parts for our cars. With great regret we have decided to get rid of him, too. b) The morale and attitude of the German mechanics and maintenance personnel on the whole are good. They, of course, realize that they are working for a secret organization, and have a pretty shrewd idea what it is all about. But they appear to have a real pride in their situation, and a considerable loyalty which has been strengthened by a generous and friendly treatment on our part (we have made small handouts about once every two months, a pack of cigarettes, a pound of lard and some PX items to each). Police file checks and background investigations have not brought to light any cases of security interest, so far. The danger of petty thievery in the motor pool is greater from outside than from within. This detective and (ironically) the dishonest mechanic referred to above, have captured several prowlers who escaped the vigilance of the German Industrial Police guard patrolling the enclosure.

In addition to this type of direct protective work, our detective has also conducted background investigations of other employees including the servants in our operational installations, and, as far as practicable, in our staff billets. The latter, of course, are not direct employees of this Base, but are obtained from the Berlin Command Labor Office on a routine basis. While there is little security danger from that source, we are including them on our investigation program.

The security of our American personnel is largely a matter of maintaining a decent minimum of cover in the OMGUS community. On the whole we have had few unfortunate experiences in this respect. The existence and name of our Detachment are not classified information as such. Our personal mail is addressed to War Department Detachment, OMGUS APO 742. Inevitably the identity of the Detachment is known to a considerable number of German employees in OMGUS and Berlin Command, such as clerks in the Post Office and the commercial telegraph offices, in the various OMGUS clubs, etc. But the neutrality of the name and the normal behavior of our personnel are sufficient to allay latent curiosity. In casual social contacts with American personnel, our staff generally employs a minimum of cover subterfuge. Since it would be pointless to pretend to work with such agencies as POLAD or any of the functional divisions, we usually simply say that we are connected with the Office of the Director of Intelligence. If

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the questioner is connected with ODI he will already know who we are; if not, the answer is sufficient to satisfy.

We have had a very few moments of embarrassment from former OSS personnel, some of whom have casually turned up and made embarrassing remarks in public. There was one particularly bad case in 1946 of a disgruntled secretary, who had been dismissed from OSS on security grounds, and who took a vindictive delight in heckling some of our staff in the presence of outsiders. The situation became so critical that we had taken steps to persuade the Theater Commander to have her removed. Fortunately the problem was solved by her marrying and returning to the States.

By and large, our staff have preserved a high degree of anonymity. None of our billet telephones are listed and our names do not appear on published lists. This anonymity does not prevent the staff, and especially those with dependents, from enjoying normal social lives and blending inconspicuously with the large American community. I have never believed it wise to discourage normal social intercourse, not only with Americans but with selected Germans. Too much seclusion is bad for morale, and ultimately for security itself.

Our greatest security preoccupation has naturally been with our office building. Here we started with a great advantage in the very layout of the building and grounds. Our premises at 19 Foeherweg were selected in July 1945 by Mr. Allan Dulles, at a time when the pick of the real estate was available. His choice could not have been better. The building is located on a one block long dead-end street, surrounded by a heavily wooded park of about four acres with high and strong metal fences. There is no house opposite our street entrance, nor indeed anywhere within 150 feet. In winter, when the shrubs are bare of leaves, our motor pool is indeed visible from a main and heavily travelled highway, a fact which we have had occasion to regret, since it attracted the unfavorable attention of General Clay and the OMGUS Chief of Staff. However, by systematically planting a curtain of evergreen shrubs, we have achieved a fair degree of privacy on that side, also.

The building itself is extremely solid of construction. Originally designed as a sort of rest home for high ranking German army officers, it is said to have served during the war as a personal headquarters for Field Marshal Keitel. At any rate, it was equipped with a special air raid shelter with gas decontamination equipment and a tunnel escape. There are massive steel doors at each level, and the windows which are accessible from the ground are furnished with heavy steel bars. The less accessible windows are also reinforced with strong solid steel shutters which lock from the inside. A highly professional and determined prowler could gain entry only under the most exceptional circumstances, and even this possibility has been virtually eliminated by an outside system of lights and a roving German guard.

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Even/the improbable event of gaining entry to the building, the intruder would be confronted with the fact that all our classified material is locked in heavy American combination lock filing cabinets. Moreover the American military guard at the front entrance makes an hourly patrol of the inside of the building. As a final precaution we have adopted the practice of having several of our enlisted personnel sleep inside the building. Of late we have been obliged to reduce the number, partly because we have had to billet EM in some of our agent houses, and partly because with the increase of our staff we have had to take some of the billet rooms as office space. At present it is our policy to billet three enlisted men in the building, and the number may presently be reduced to two. It is believed that this, with the presence of the military and the German civilian guard, is sufficient to protect the building against all but an onslaught in force. Even that very remote contingency has been considered, and we have had our building put on the beat of the roving MP patrol which circulates through the OMGUS area hourly at night.

All our staff have been alerted to constant sensitivity in regard to building security. As a result there have been a number of incidents in which staff personnel have personally arrested suspicious loiterers outside the building. One rather comic instance occurred in 1946 when the Chief of SC Branch was photographed by a German civilian on the street outside the building. Our officer noticed that the civilian was accompanied by an American captain who was sitting near by in a jeep. He noted the number of the jeep, and later ascertained that it belonged to the head of the Signals Photo Unit at Berlin District. The civilian was being given a little training in candid photography, and, of all places, the captain happened to select our building! Needless to say the film was recovered and destroyed.

We have frequently had our building checked for possible microphones or telephone taps. The only serious danger, in our opinion, would come from an outside tap mounted at a central telephone exchange. We have frequently asked Army Signals for their opinion as to our vulnerability and have received uniformly reassuring answers. Although the telephone system has now been restored to the German Reichspost, the administration is carried out on a sector, rather than a city-wide basis. It is believed that it would be difficult, if not impossible, for any of the other three allies to operate a successful monitoring service into the exchanges of the American sector without our becoming aware.

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Although we are thus relatively complacent about danger through the local telephones, we naturally practice all the normal forms of telephone security, avoid discussing confidential matters even within the strictly military exchange, and resort to double talk, use of first names, etc. The most serious danger comes from the long distance phone, which passes by land line through the Russian Zone. Although the relay stations on this line are manned by American soldiers, it must be assumed that the line can be and probably is tapped. The principal defense, apart from rigid security, is the fact that some thousand calls a day are made between Berlin and Frankfurt. It seems logical to believe that our small volume of traffic (average of two calls a day) would be lost in such a volume. In any case, we play it safe and relay all sensitive business by cable.

To sum up, our attitude toward security is one of constant watchfulness. We strive continually for greater protection without allowing it to become an inhibiting factor. With a detachment and operation of our sire, there is danger of becoming muscle bound by an excess of precaution. The ideal toward which we aim has never been achieved to the full, but we have learned to relax while remaining alert.

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NOTE: Document ID# 144270-144270

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CIG-A-10-01

This document has been approved for release through the HISTORICAL REVIEW PROGRAM of the Central Intelligence Agency. 10 January 1947

Date 3/9/94

MEMORANDUM

HRP 94-1

SUBJECT: Targets of German Mission

From : Richard Halm

DOCUMENT NO. 002
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: U.S. 2010
NEXT REVIEW DATE:
AUTH. OR FOR: OTIS
DATE: 12/27/80 REVIEWER:

Herewith is a list of basic targets which are being covered currently by the German Mission. This list of targets highlights the commitments we have had to USFET, OSKUS; and POLAD in Germany.

✓ 1. OB Information

- A. OB information on Russian Army in Occupied Germany.
- B. OB information on Russian and Polish armies in Poland.
- C. OB information on Polish and Russian armies in Polish Occupied Germany.
- D. OB information on Russian Army in Baltic States and the Mother Country.
- E. Same information as (A-D) above on installations, posts, training camps, etc.

2. Political

- A. Clandestine coverage of three major political parties and trade unions in Russian Zone of Germany, including secret directives, connections with Russian, British, and other governments, financial aid, aims, and their general place in the long-range political plans of the Soviet Union.
- ✓ B. Coverage of political parties and political life of the Polish Occupied Zone of Germany.
- ✓ C. Coverage of political parties, trade unions, etc., in Poland.
- ✓ D. Coverage of political life, Communist Party policy and its implementation in the satellite countries and Russia.
- E. Coverage of land administrations in the Russian Zone of Germany, as well as in the Polish Zone of Germany, Poland, the Baltic States, and Russia to determine the extent and details of behind-the-scenes political direction and planning.
- F. Political indoctrination of the Russian and Polish armies.

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Date: 15 Nov 66 1966

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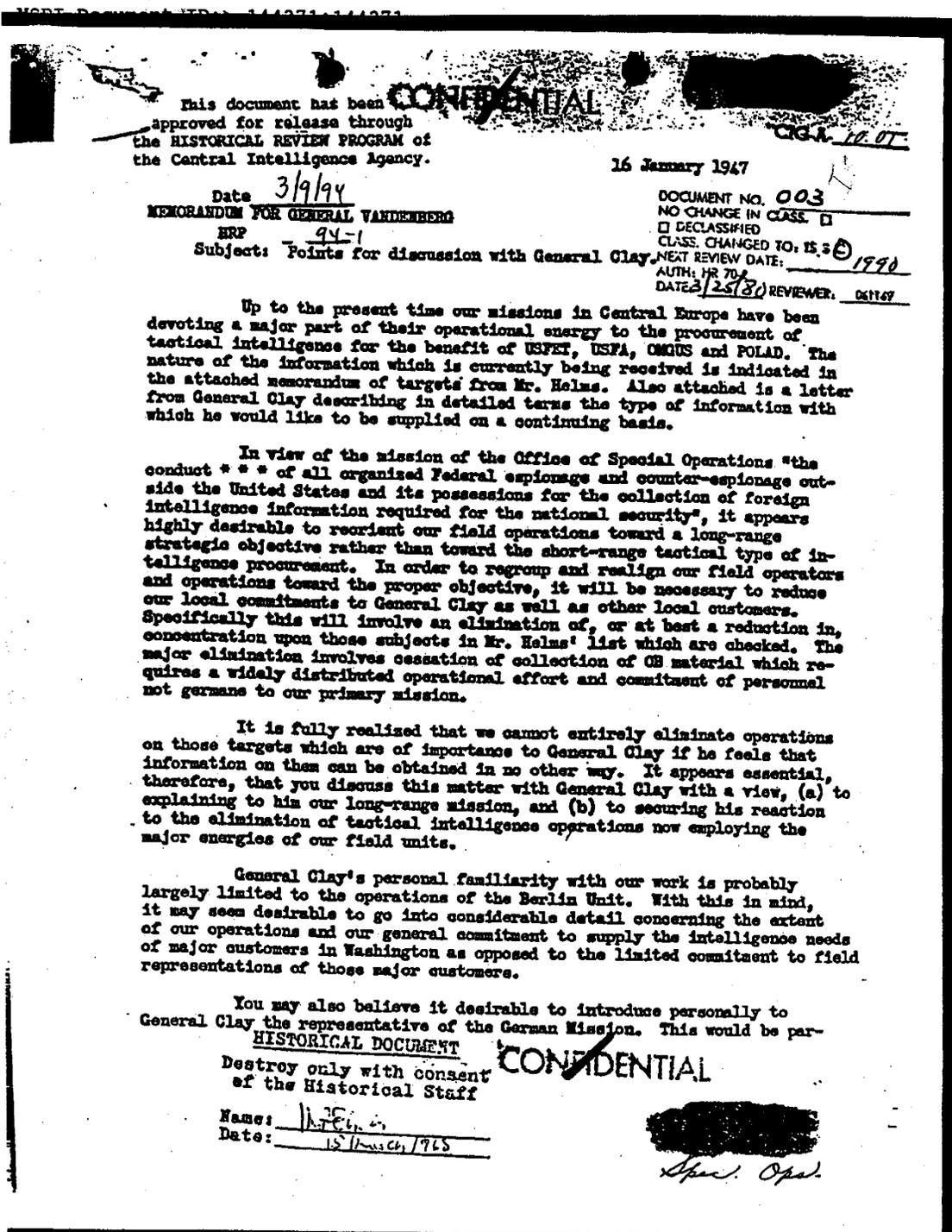
3. Economic Intelligence

- ✓ A. Dismantling of factories in the Russian Zone of Germany, Polish Zone of Germany, the Baltic States, and Poland by the Russians.
- B. Dismantling in the Polish Zone of Germany by the Poles.
- C. Over-all industrial production of the Russian Controlled Economy.
- D. Over-all industrial production in Poland.
- ✓ E. Details of Germany production with delivery schedules to Russian and Germany Economy.
- ✓ F. Production of coal, iron, and other minerals in the Russian Controlled Economy, with delivery figures and details.
- G. Coverage of over-all economic planning by Russian controlled German administration, Polish administration, and Russian administration in the Russian Zone of Germany, Polish Zone of Germany, Poland, the Baltic States, and Russian proper.
- ✓ H. Details on road and rail networks, and inland waterways in the Russian and Polish Zone of Germany, Poland, the Baltic States, and Russia proper, as well as extent of available transportation, extent of the use of same, and details on goods and personnel transported.
- ✓ I. Information installations and capacities of the Baltic ports.

4. Scientific Information

- A. Nuclear physics, coverage of raw material needed for research and production, as well as installations, laboratories, personnel, etc., participating in research or contemplated production in the Russian Controlled Economy.
- B. Research on supersonic devices, rockets, jet propulsion, and other special devices or weapons. Details on personnel, extent of research, extent of intended or actual production and purpose of same.
- C. Information on research on biological warfare, as well as full coverage of personnel, laboratories, installations and actual production.

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16 January 1947

Date 3/9/94
MEMORANDUM FOR GENERAL VANDENBERG

HRP 94-1
Subject: Points for discussion with General Clay.

DOCUMENT NO. 003
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: IS: 0 1990
NEXT REVIEW DATE:
AUTH: HR 70
DATE: 2/25/80 REVIEWER: 061167

Up to the present time our missions in Central Europe have been devoting a major part of their operational energy to the procurement of tactical intelligence for the benefit of USFET, USFA, COMUS and POLAD. The nature of the information which is currently being received is indicated in the attached memorandum of targets from Mr. Helms. Also attached is a letter from General Clay describing in detailed terms the type of information with which he would like to be supplied on a continuing basis.

In view of the mission of the Office of Special Operations "the conduct * * * of all organized Federal espionage and counter-espionage outside the United States and its possessions for the collection of foreign intelligence information required for the national security", it appears highly desirable to reorient our field operations toward a long-range strategic objective rather than toward the short-range tactical type of intelligence procurement. In order to regroup and realign our field operators and operations toward the proper objective, it will be necessary to reduce our local commitments to General Clay as well as other local customers. Specifically this will involve an elimination of, or at least a reduction in, concentration upon those subjects in Mr. Helms' list which are checked. The major elimination involves cessation of collection of CB material which requires a widely distributed operational effort and commitment of personnel not germane to our primary mission.

It is fully realized that we cannot entirely eliminate operations on those targets which are of importance to General Clay if he feels that information on them can be obtained in no other way. It appears essential, therefore, that you discuss this matter with General Clay with a view, (a) to explaining to him our long-range mission, and (b) to securing his reaction to the elimination of tactical intelligence operations now employing the major energies of our field units.

General Clay's personal familiarity with our work is probably largely limited to the operations of the Berlin Unit. With this in mind, it may seem desirable to go into considerable detail concerning the extent of our operations and our general commitment to supply the intelligence needs of major customers in Washington as opposed to the limited commitment to field representations of those major customers.

You may also believe it desirable to introduce personally to General Clay the representative of the German Mission. This would be per-

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Date: 18 March 1965



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particularly appropriate since a new chief of mission is being appointed in the person of Mr. Gordon Stewart. Mr. Stewart has been in Germany over an extended period and is completely familiar with both the potentialities and actualities of our operations in the area concerned.

DONALD H. GALLOWAY
Assistant Director
Special Operations

Attachments

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NOPI Document ID: 14422-14421

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To: 81-00815R

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Page 1 of 2 pages

ER-428

This document has been approved for release through the HISTORICAL REVIEW PROGRAM of the Central Intelligence Agency.

MEMORANDUM FOR: EXECUTIVE SECRETARY
NATIONAL SECURITY COUNCIL

Date 12/19/44

SUBJECT: Utilization of the Mass of Soviet Refugees. 44-1

Reference: SACO 975, 27 March 1945, Utilization of Refugees from the Soviet Union in U.S. National Interest. Recommendation 5, as required of CIA.

PROBLEM: Whether the mass of refugees from the Soviet world, now in free Europe and Asia can be effectively utilized to further U. S. interests in the current struggle with the USSR and whatever may eventuate therefrom.

ANALYSIS:
1. During the past three years, CIA (and its predecessors) has systematically explored the potential intelligence value of the numerous anti-Communist and anti-Soviet groups in Central and Eastern Europe. Contacts have been developed with the leading groups of the mass of Soviet emigres, e.g., Ukrainians, Georgians, Balts and White Russians. Although these contacts were established primarily for purposes of procuring intelligence on Eastern Europe and the USSR, sufficient overall information on these groups has been inevitably gathered to permit a sound evaluation of their possible value to the U.S. Government for purposes of propaganda, sabotage and anti-Communist political activity.

2. On the basis of experience and careful analysis CIA has found the following characteristics in every group in the mass of Soviet emigres.

- a. These groups are highly unstable and un dependable, split by personal rivalries and ideological differences, and primarily concerned with developing a secure position for themselves in the Western world.
- b. They have been completely unable to provide intelligence of real value since they are rarely able to tap useful sources of information within the USSR, and generally concentrate on producing highly biased propaganda materials in place of objective intelligence.
- c. They are almost exclusively interested in obtaining maximum support (usually from the U.S.) for their own propaganda activities and insist upon the provision of substantial financial, communications, propaganda, movement and personal assistance in return for vague and unrealistic promises of future service.

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d. They immediately capitalize upon any assistance which they receive to advertise the fact of official (U.S.) support to their colleagues and to other governments in order to advance their own personal or organizational interests.

e. These groups are a primary target for the Soviet KGB and intelligence agencies for purposes of political contacts, espionage and counterespionage. CIA has sufficient evidence at this time to indicate that many of these groups have already been successfully penetrated by Soviet and intelligence agencies.

CONCLUSIONS

In view of the above and after careful consideration of all possible ways in which a large number of Soviet emigres might be exploited in the U.S. national interest, it is the firm conclusion of OIA that the large mass of these people cannot be effectively used in time of peace except for the purposes mentioned in the annex already proposed to SARMAC. (Reference is made to SARMAC 1974 Recommendations 1, 2, 3, and 4.)

It is noted that, in the other hand, the possible value to the U.S. Government of large numbers of Soviet emigres would be great. The U.S. Government would, in a post-war world, have a critical need for thousands of these emigres as a source of personnel, interrogation teams, and sabotage and espionage operations and administrative personnel.

RECOMMENDATIONS

In the light of the foregoing conclusions and as a matter of national policy, it is recommended that:

1. Prior to a point at war in Europe and apart from the special use of a few individuals selected from the mass of Soviet emigres, there will be no organized utilization by the U.S. Government of large groups or the mass of Soviet emigres.
2. In connection with the screening of refugees from the Soviet world, a systematic index should be developed by the State Department, or other appropriately located government agencies concerned, of all those refugees who possess qualifications which will make them of use in the event of war. In addition, it would be useful if there would be recorded in a single place the residences and occupations (and changes therein) of all available Soviet refugees.
3. Screening must include the object of isolating persons who are suitable for direct use in intelligence operations, as distinct from merely furnishing miscellaneous information.

H. H. HILLENKOTTER
REAR ADMIRAL, USN
DIRECTOR OF CENTRAL INTELLIGENCE

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NOTE: Document ID# 144287-144287

DRAFT

~~CONFIDENTIAL~~

9 March 1994 Document has been approved for release through the HISTORICAL REVIEW PROGRAM of the Central Intelligence Agency.

MEMORANDUM FOR: Lt. Gen. Lucian K. Truscott
SUBJECT: Instructions

Date 3/9/94
RFP 94-1

1. You will proceed to Germany and take station as senior Central Intelligence Agency representative in Germany. Your general responsibilities are as follows:

- a. You will be the senior Central Intelligence Agency representative in the area, representing the Agency as a whole. You will supervise all Central Intelligence Agency activities carried on in Germany. Such supervision will normally be exercised through insuring the coordination of all activities and the cooperation of all elements of the Central Intelligence Agency in your area. You are authorized to direct the deferment of action on any Central Intelligence Agency project or operation in your area until the matter has been reviewed and decided by the Director of Central Intelligence.
- b. You will keep the activities and personnel of OSO and OFC separate from each other to the extent required by security and necessary to preserve the effectiveness of the two staffs. You will keep the activities and personnel of OSO and OFC separate from the activities and personnel of all other Central Intelligence Agency offices.
- c. You will review administrative and support facilities and determine the extent to which efficiencies may be effected by consolidation or by other means.
- d. You will review and supervise all budgets and will supervise the expenditure of all Central Intelligence Agency funds in your area.
- e. You will supervise all Central Intelligence Agency personnel actions in your area.

DOCUMENT NO. 008
 NO CHANGE IN CLASS
 DECLASSIFIED
 CLASS. CHANGED TO: TS S 1990
 NEXT REVIEW DATE:
 AUTH: MR 78-2
 DATE: 3/13/90 REVIEWER: 06168

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2. In addition to supervising the normal Central Intelligence Agency liaison functions, you will personally discharge, or personally delegate under your responsibility, such other duties as may be designated hereafter by the Director of Central Intelligence. It is considered desirable that steps be taken to coordinate the intelligence functions of CIA with the other U/S/A. intelligence agencies operating in Germany, and to effect a coordination of the agencies among themselves so as to avoid duplication of activities and to see that there is adequate coverage of the entire intelligence field. The CIA is charged, under the law, to make recommendations with respect to the coordination of the intelligence activities of the government relating to the national security. It is suggested, however, that in lieu of CIA's presenting this matter of coordination of intelligence in Germany to the ~~NSC~~, you endeavor to work out such coordination among the various agencies in Germany by mutual agreement. It is suggested that you arrange, if possible, for periodic meetings of the respective intelligence agencies for this purpose; and that you advise the Director of the progress you may have made and your recommendations if any action is required or desirable here in Washington. As you know, through the IAC, I am directly in touch with the heads of the respective intelligence agencies of State and in the Defense Establishment, and I am, therefore, in a position to take up on a continuing basis any problems which you may find in Germany which require discussion here in Washington.

NSC

3. The following provisions apply to Central Intelligence Agency communications from or to your area:

a. All such communications, both cable and dispatch, to and from your area, including those between Assistant Directors and their field representatives, will be accessible to you to the extent and in the manner in which you desire.

b. All such communications will conform to the appropriate Central Intelligence Agency communication or pouch procedure.

c. Any such communication which contains particularly sensitive matter should indicate that it should be referred to the Office of the Director of Central Intelligence or the Deputy Director (Plans), in addition to any other indication of destination. You should likewise indicate any communication which you particularly wish the Director of Central Intelligence or the Deputy Director (Plans) to see.

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REF ID: A66666

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4. Your status in Germany will be that of Special ~~Assistant~~ ^{Assistant} to the U.S. High Commissioner. Where necessary, you will state but will not publicize your connection with the overt activities of the Central Intelligence Agency. You will disclaim association with the covert activities of the Central Intelligence Agency, except to the following:

- a. Responsible United States, British, French, and German officials on a need-to-know basis.
- b. Central Intelligence Agency personnel on a need-to-know basis.

WALTER D. SMITH
Director

United States

~~CONFIDENTIAL~~

CENTRAL INTELLIGENCE GROUP
WASHINGTON, D.C.
December 19, 1946

Soviet Intelligence

Filed: 740.00119 Control
(Germany)/12-1946

N00001

COUNTRY: GERMANY (RUSSIAN ZONE)
SUBJECT: SERSH Department of the Soviet Central
Kommandatura, Berlin - Luisenstrasse

Refer to CIA

DATE OF CURRENT
INFO:

EVALUATION: B -2

The following information comes from a well-situated source who is reliable and well-trained:

1. There are three staff sections "attached" to the office of Major General KOTIKOV, Military Commandant of the Central Kommandatura on Luisenstrasse, but only nominally under his command. These sections are not to be confused with those offices directly commanded by KOTIKOV and his staff. The three sections are:

- a. Office of the Prosecutor, Attorney
- b. Military Court
- c. A so-called SERSH Department

The above three sections are under the supervision of Brigadier Gen. KART, but take orders from and report directly to their superiors at SA Karlshorst, while Gen. KART is only kept informed of their activities.

2. The SERSH Department of the Soviet Central Kommandatura in Luisenstrasse is commanded by Colonel KOLLEK, who has about fifty officers under him. Its function is the close surveillance of all personnel in Berlin; Soviet, Allied and German civilians, especially in regard to their contacts with Soviet military personnel. It is also concerned with the "political integrity" of Soviet officers and keeps close check on the activities of all Soviet personnel. At least one of the officers in each department of KOTIKOV's Central Kommandatura is working for this SERSH Department at the same time; hence all are in the same building. It is not known whether all officers in the SERSH Department play a dual role. NOTE: According to source, this SERSH Department comes under the jurisdiction of the MVD (Ministry of State Security), through Karlshorst. Here again we find the term SERSH used in a purely functional sense as indicating counter-intelligence, whereas we are dealing probably with an echelon of the KGB, otherwise known as the Third Administration of the KGB.

3. In addition to the SERSH Department of the Office of the Military Commandant, there is a so-called SERSH Group in Luisenstrasse under the command of Major SPILSKO. This group consists of about four officers. Its

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Approved for Release
Date 11-APR 1994

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Its particular job is the checking and surveying of all Soviet personnel at the Soviet Central Kommandatura.

4. General SIDNEV's Department, on the other hand, is MVD (Ministry of Internal Affairs) and entirely independent of the Office of the Military Commandant of the Central Kommandatura, even though they occupy the same building. SIDNEV is directly responsible to Colonel General SEROV and is more concerned with Public Safety and GI activities.

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2/35

Date 5/23/94
GRP 94-1

601-772
~~SECRET~~

FROM : Information Control, OSO.
COUNTRY : Germany (Russian Zone).
SUBJECT : Reorganization of the RIS in Germany.
DATE OF INFORMATION: Current.
EVALUATION : F-2.

The following information, based on the interrogation of a defected interpreter from an MGB Operational Sector Headquarters in Germany, is believed to be correct and has been partially substantiated. Previous information on the suspected reorganization of the Russian intelligence service in Germany had been fragmentarily reported by a number of sources. A lucid and consecutive compilation, however, was not possible without the additional and strategic information of this source. A series of reports on the structure and key personnel of the Russian intelligence service in the Russian Zone of Germany, and specifically in the Province of Brandenburg, will be disseminated, of which this is the first:

1. The reorganization of the Russian intelligence service in Germany, which began in September 1946, was completed in November of that year. A uniform system of intelligence echelons, under the exclusive jurisdiction of the MGB (Ministry of State Security), entailing the liquidation of the old MVD (Ministry for Internal Affairs) system, was accomplished. The reorganization was coincidental with the departure from Germany of Colonel General SEROV and the appointment of his successor, Lieutenant General KOVALCHUK.

NOTE: Whether the Russian intelligence service in its pre-October 1946 form was essentially an NKVD organization, is still a contentious question. Source states that in preparation for the Potsdam Conference in September 1945, approximately two thousand NKVD operatives were brought from Soviet Russia to Germany. They were addressed by Colonel General SEROV in Babelsberg, who was accompanied by a number of ranking NKVD officers slated to become heads of the newly established Operational Sectors. SEROV told the group that they were responsible for all necessary security precautions for the Conference and that their task did not end with the Conference, but that most of them would be retained in Germany.

WKM

- 2 -

2. The basic structure of the old Russian intelligence service remained, with the Operativni Sektor at the top level (provincial), the Operativni Okrug at the district level, and the Oper Grupa at the Kreis level, as the lowest echelon. Source states that this organizational set-up, as well as the functional sections of the Operational Sector as given in paragraph 3, is the same for the other five Operational Sectors in the Russian Zone: Berlin, Land Saxony, Saxony-Anhalt, Thuringia and Mecklenburg/Vorpommern.

NOTE: It can be assumed, however, that regional variations are in effect. The organizational and functional plan of MGB Operational Sector BRANDENBURG, for example, would not necessarily apply to MGB Operational Sector BERLIN, which is the only city in the Russian Zone set up in itself as an Operational Sector.

3. The MGB Operational Sector is divided into the following functional offices. Source is not able to explain the difference between the two named categories, section and sub-section, nor the obvious inconsistency of an alphabetical denotation for one sub-section while using numbers for the rest:

Sub-Section A: An independent sub-section maintaining all operational files of the Sector, except informant files. All case files, as well as informant card indices, are kept by this office. The latter contain the agent's personal description, code-name, and assigned field of activity. No files can be removed and special permission is required to gain access to the card indices.

Sub-Section I: An independent sub-section for the collection of positive intelligence. This is accomplished by maintaining a net of informants in the American, British, and French Zones and sectors and by sending agents on missions into those Zones and sectors. The following information is gathered: OB of American, British, and French troops in Germany; political, economic and technical intelligence; public opinion; situation in DP Camps; activities of foreign intelligence services.

NOTE: This section evolved, according to source, from MVD Section IV, sub-section I, which was formerly charged with positive intelligence.

Section II: This section conducts counter-intelligence operations. At least in the Operational Sector BRANDENBURG, this Section has two branches, one dealing with U. S. espionage, the other, with British and French espionage. It also engages in offensive operations, sending agents into the American, French, and British Zones on counter-intelligence missions.

NOTE: This section evolved, according to source, from

- 3 -

MVD Section IV, sub-section II, which was formerly charged with counter-intelligence. Agents of MVD Section IV could be sent on both positive and counter-intelligence missions. Under the MGB system, the chiefs of Sub-Section I and Section II are authorized to send agents only on missions germane to the basic functions of their respective sections.

Section III: This section covers, through informant nets, administrative agencies in the Soviet Zone of Germany. Informants are planted in every branch of the German Administration, in political parties, churches, schools, and cultural organizations.

NOTE: Under the MVD system, according to source, MVD sections I, II, and III represented functional divisions of the Operational Sector, each of which dealt with a specific phase of German public life: denazification, political parties, churches, etc. Under the MGB system, these sections were consolidated into Section III, which has been known to dispatch agents into the western zones, to corroborate facts brought to light in the course of investigations.

Sub-Section IV: An independent office for locating persons wanted by the Russian intelligence service. It maintains a number of German leg-men and makes extensive use of German police facilities.

Section V: This section maintains a net of informants within the Soviet Military Administration of Germany. Informants are placed in every Kommandatura, and in other administrative offices. Source considers it possible that this section also has its informants in military units.

Section VI: This is the investigative and interrogation section. Source was employed in such a section from November 1946 to June 1947. The section is charged with the investigation of all arrests and performs interrogations on the basis of briefs submitted by other sections, particularly Sub-Section I and Section II. It is not authorized to engage in agent operations, but can brief and debrief agents of either Sub-Section I or Section II, with proper authorization, on the elements of information in which Section VI is interested.

Finance Section: This section maintains the payrolls of officers, enlisted men and civilian interpreters. It also distributes confidential funds at the request of section chiefs.

Kader Section: The personnel section of the Operational Sector, maintaining all personnel files of officers, enlisted men, and civilians.

4. Overall command is under the direction of Lt. General KOVALCHUK, whom source identifies as chief of the MGB in Germany. KOVALCHUK has a complete staff with functional staff-sections corresponding to those of the MGB Operational Sectors. Source

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is uncertain whether such a staff existed under Colonel General SEROV.

a. A central investigative group, similar to Section VI of the Operational Sector, entrusted with investigative activity covering the whole of Soviet-occupied Germany. Its offices are located in POTSDAM, under Colonel CHIZENKOV.

b. A section, similar to Section III of the Operative Sector, entrusted with surveillance of German public life in all its aspects. This section is under the command of Colonel KRISTIAKOVICH.

c. A central disbursing agency, similar to the Finance Section of the Operational Sector, which manages finances of all MGB installations in Germany. Its offices are presumably located in BERLIN.

d. Source is unable to identify staff-sections corresponding to sections and Sub-Sections I, II, IV, and V of an MGB Operational Sector; he is, however, convinced that such exist.

Source is not informed about command channels between Lt. General KOVALCHUK's staff and the MGB Operational Sectors. He considers it likely that the same system applies which is known to exist between MGB Operational Sectors and MGB Operational Districts under their command. Command channels of the Operational Sectors reveal that the Sector has jurisdiction over its Operational District (Okrug) offices, which correspond roughly to Regierungsbezirke. The CO of a sector can give orders directly to the CO of an Okrug, as well as to the section chiefs within that Okrug. Staff officers and section-chiefs on the provincial level of the Sector can also give direct orders to their corresponding section-chiefs on the district level. Similarly, the CO and section-chiefs of the District office level have authority to issue direct orders to the Oper Grupi, which are under the District's jurisdiction. The close integration existing between the functional sections of an MGB Operational Sector and parallel functional sections in its Okrug offices, source illustrates by the fact that Okrug section-chiefs report once a month directly to their counterpart section-chief on the provincial level. Only after this has been done, do they submit a report to their own Okrug commanding officer. Thus a double chain of command is stressed with two parallel lines of authority, one through the commanding officers on each level, and the other through the functional section offices and section-chiefs on each level. The second can evidently override the authority of the CO's of the various level installations.

JFB:eda
11 September 1947.
Sources: BRG-782, 792, 794.
OO: State, War, Navy.

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c. He denied the possibility of a rift within the Politburo, pointing out that once the majority reaches a policy decision, the decision is accepted without dissidence. The four members who are "above criticism" are Stalin, Molotov, Beria, Zhdanov.

d. He characterized as American propaganda the alleged existence of a Paulus army, but conceded that Soviet charges on the militaristic character of the industrial police (in the Western Zones of Germany) may be unfounded.

e. He considered a quadripartite currency reform understanding possible on the basis that the currency be printed in Berlin and in Leipzig and both printing establishments made 4-power enclaves.

Malinin offered the following items of information on Stalin, Molotov, and Beria:

a. Stalin has had three serious attacks (of a nature not specified) within the past year.

b. Molotov is certain to succeed Stalin if the latter "should retire from active life within the next few months".

c. Beria has been only nominally concerned with NKVD affairs during the last seven years. During the war he was in charge of the Army supply system and is now in charge of heavy industries. Recurrent rumors of his visits to Germany are entirely unfounded; in view of his prominence such visits would have become known to many.

Malinin indicated that, although social contacts between Soviet and U.S. officials were strongly frowned upon by the Politburo, he and Sokolovsky share the conviction that many controversial Control Council issues are susceptible of settlement "sitting around the table drinking cocktails. Obviously if you and I agree, the British and French will not object afterwards." He declared to Belic his willingness to arrange further informal meetings, but requested that future invitations be extended to him privately and not through official channels since further official contact with Ambassador Murphy might result in his recall to Moscow.

Our Berlin station is in a position to continue informal contacts with Malinin, and if called upon, to initiate exploratory contacts in Marshal Sokolovsky's direction.

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II: The March Crisis and the Berlin Airlift

