MEMORANDUM

TO: [Blank]
FROM: [Blank]

REMARKS: Subject: American Intelligence Network.

Att'n: Richard D. Helms

1. The attached report was forwarded to me by a personal friend who is presently in charge of a sub-regional CIC Detachment in Germany.

2. The report was undoubtedly forwarded to me as the C.O. of the CIC Det, possibly thought that this network might be one operated by our organization.

3. Inasmuch as the subject matter of the report is of a rather delicate nature, I am forwarding it on for you to take whatever action you might deem necessary.

4. To my knowledge the attached report has not been forwarded to any other channels.

Attached: 1 Memorandum, Subject: American Intelligence Network.
MEMORANDUM FOR THE OFFICER IN CHARGE

SUBJECT: AMERICAN INTELLIGENCE NETWORK

1. In August 1945 this Headquarters first became acquainted with an organization which has come to be known as Operation MICE. This organization — an espionage network established under the auspices of G-2 USINF to penetrate and observe Russian activities in areas under Russian control — was discovered by clandestine observation of a group of Germans who actually seemed engaged in subversive activities against American forces. After a prolonged surveillance which finally resulted in the arrest and interrogation of some of the individuals involved, agents of this organization discovered they were dealing with Germans and HFS in the hire of a special section of G-2 USINF. These persons were charged with the specific job of conducting offensive espionage operations against the Russians and Russian satellite countries.

2. The fact that Americans are conducting espionage against the Russians is firmly endorsed by this Headquarters; the fact that this espionage is being run by inexperienced amateurs is most certainly not. The activities and control of this espionage organization are such that it not only constitutes a source of serious embarrassment to the theater commander but also places the government of the United States in a precarious international position. It is pointed out that this offensive espionage network was introduced in the American Zone of Germany by the Military Intelligence Service Center without any prior coordination with on-the-ground intelligence agencies. The ex-enemy nationals and displaced persons serving MICE worked loosely in all directions, arousing the suspicion of CIA field personnel for some time before the real pattern became apparent and a partial explanation of the program was forthcoming from USINF. It is believed that the following case histories will paint the picture:

a. In the middle of August 1946, Lt. MIEHaus, a German civilian, was reported to CIA as attempting to recruit intelligence operatives and collecting information along US-Russian demarcation line. MIEHaus stated he was interested in contacting reliable former German officers, and, if necessary, could bring about the release of POWs and SS internees. No letters from MIEHaus to a friend were intercepted by CIA; MIEHaus' residence was searched. The search yielded maps of the Russian and Czechoslovakian border areas, overlay paper, a folder containing intelligence notes on conditions in Czechoslovakia and the Russian Zone and a document written in German entitled "Instructions to Section Leaders" giving complete HFS for use of
the Agents working for him. One sentence of the EBI document was: "The ideals for which we strive must be placed higher than all material gains, regardless whether we have the approval of the authorities in power or not."

When questioned, WIEHAUS was extremely reluctant to give information about his activities. He finally asserted he received the money, cigarettes, overlay papers and EBI document from one Alexander SCHMIDMANN of NUREMBERG, Germany, whom he was assisting in doing intelligence work for the Americans. Subsequently contacted and questioned, SCHMIDMANN admitted with much hesitation his role in the organization. SCHMIDMANN asserted he was recruited for the American intelligence agency by one Robert HENZEL, who introduced him to an American Captain named ERIK WALKMAN. Captain WALKMAN assigned SCHMIDMANN to the task of collecting information from the Russian Zone and Czechoslovakia; to accomplish this SCHMIDMANN was authorized to recruit and dispatch agents outside the US Zone. For his own use, SCHMIDMANN was given a letter by Captain WALKMAN certifying that he was connected with USFRE as a Liaison Deputy for citizens of Argentina and a letter of introduction addressed to German city officials of NUREMBERG, signed by Lt. Col. CALLIOTT, Director of Military Government, NUREMBERG. SCHMIDMANN stated he had refused any salary for his own use. WIEHAUS also brought him his instructions and assignments. WIEHAUS joined the German Army in 1944, became an officer in 1945 and attained the rank of Captain in 1944; he was in the Russian front and has a brother who was an SS Obersturmbannführer, although WIEHAUS disclaimed any ENRAB connections. SCHMIDMANN also joined the German Army in 1944; he was in the Russian front and has a brother who was an SS Obersturmführer, with SS-Gruppe Mitte. HENZEL did similar work as a Sonderführer in the East during the war and was attached to a regiment of VIADAG's army stationed in BERNIK, Russia. SCHMIDMANN and HENZEL met in 1945 during the war. (AGENT'S NOTE: When this investigation was culminated, this Headquarters forwarded the report to USFRE with the observations:

1. Lack of coordination by the Agency responsible for this so-called German Intelligence Organization working for the Americans has resulted in the loss of many couriers by competent OIO agents who devoted time and energy to tracking down leads on suspicious moves of Germans believed involved in subversive activities.

2. It would have been only common courtesy for the Captain WALKMAN to have notified this Headquarters he was interrogating refugees in this Zonal border area. It has been only by a stroke of luck that such an uncoordinated project has not compromised other important operations in this area.

3. When briefed for their mission, some of these German agents are specifically instructed not to divulge any of their operations to OIO. This not only plants seeds of distrust in the minds of the individuals so instructed but it places legitimate intelligence agencies in the position of appearing to be working at cross purposes.

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(4) Footnotes of the HRI exhibit states: "Read, Remember and Destroy at Once." The fact that it is an exhibit with this report obviates any need for comment on the manner in which this order was observed.

(5) If these German agents with questionable political backgrounds are compromised by CI, it is highly likely that the Russians and Czechs also can learn of such an explosive-laden operation.

(6) It is further pointed out that prospective agents for this operation were approached indiscriminately and fully informed in general terms of the purpose of the organization. Such will approaches unquestionably compromise the technique and purpose of any highly classified legitimate intelligence operations.

(7) While the uncovering of this suspicious activity by CI is considered a compliment to Field Agents, it is the opinion of this Headquarters that the investigation will have been in vain unless:

- Such projects are coordinated with all interested agencies in the future;
- Competent authorities supervise such important, long-range projects;
- Operational technique be so perfect that such a delicate operation cannot be compromised by mere interrogation.

b. By the end of August 1944, another of those agents — Gerhard GANDELL — found himself under investigation by CI. He was found to be in possession of a 90-page set of HRI which outlined in detail the target technique to be employed by agents in this supposed American Army-supervised espionage by Germans. These instructions were so complete they stated such details as this: "We must penetrate Red Army units; it should therefore be arranged for to get as soon as possible a picture of Red Army units, their weapons, morale and supply depot and subsequent reports. The Red Army, in as short a period of time as possible, must be revealed to us like an open book." In its endorsement forwarding the GANDELL report to USFVE, this Headquarters commented:

(1) These instructions, it is emphasized again, have been issued to German Agents — usually former German Army officers falling in Automatic Arrest categories. These instructions carry the notation: "Afterdt Acknowledgment, Destroy — See Manual CR.1040;" Despite this order, German agents interrogated by CI have been found in possession of these highly explosive — from a political viewpoint — instructions. It is not too far fetched to assume that Soviet Intelligence Agencies can get into possession of these HRI if CI can ferret them out.

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o. Meanwhile, USMAC had published a directive for GIC in the field outlining a code-word arrangement whereby these German intelligence operatives were to call for a GIC agent, speak a code word and then gain release from ordinary law restraints to permit them to pursue their mission.

d. Those German agents continued to be arrested on such charges as illegal border crossing, suspected black marketeering, etc. One time one of the leaders of a group of operatives visited this Headquarters to expedite the release of three of his men held in jail. As his cover he presented a letter, as reproduced below:

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HEADQUARTERS
UNITED STATES FORCES EUROPEAN THEATER
APO 797

23 August 1946

CERTIFICATE


TO: Whom it may concern

This is to certify that the German civilian Mr. SIEBERND UNKEMAN,
Georgenstr. 89, MUNICH, connected with this Headquarters, is engaged in transportation business.

It is, therefore, requested that Mr. UNKEMAN be given any assistance needed to accomplish his mission.

This certificate is valid until 30 January 1947.

Any questions should be referred to Captain WALMAN, Tel. FRANKFURT 3-3636 Ext. 115.

/s/ Eric Waldman
ERIC WALMAN
0-1182999
Capt. PA
c/o J, Special Project

(The deficiencies of this so-called "cover-letter" are so obvious as to render further comment ridiculous.)

E. The story of experiences of other American military units in the field have reported is encapsulated in this letter;

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SUBJECT: CID Liaison Agents

To: HQ United States Forces Theater
Technical Intelligence Branch

Attn: Lt. Col. BERNARD R. OLARK

1. There are operating in the town of Hof and Hof Landkreis three (3) German civilians by name ofolf Reinhauer, Kurt Koch, J. K. Higginson, of whom the man K. Higginson is said to be in charge.

2. By loose talk these people have lost whatever value they may have had to the United States Army in this area. They are known generally as being agents and by my informers are said to have made such statements as "they are here to supervise or check the activity of Jewish G.I.O. agents."

3. It is assumed that you have knowledge of their black market activities, but their boasting of their agent status has become a matter of town gossip.

4. This officer trusts that these people will be withdrawn at an early date and if replaced, closer briefing be given to operators in Hof Landkreis and/or Landkreis Behan. These 2 Landkreises are rather hot spots.

/s/ Andrew G. Russell Jr.

Major, 23rd Cns. Sq.
Project Marshall

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f. On 21 December 1946, one Herr SCHULTZ-KLEISER reported to this Headquarters and stated he was the Commanding Officer of a region similar to this one. His superior, he said, was a Lt. Col. Olark, assisted by a Capt. BROWN. He had been told by these two officers to report to this Headquarters, tell G.I.O. "everything he was doing" and correspondingly receive a review of everything G.I.O. was doing. He further stated the exchange of information would take place weekly and that he knew he could depend on G.I.O. cooperation. SCHULTZ-KLEISER was told in no uncertain terms that he was unknown to G.I.O., that G.I.O. was not accustomed to giving information to Germans. Also on 21 December 1946 there appeared at Regional and Sub-Regional Headquarters no less than nine individuals; they varied from Automatic Arrest types to Russian DP's. Their common story was that they had been sent by a Mr. BUKALSKI of PASSER to G.I.O. to receive instructions.
All had now been active and covering stories about as compelling as a fish net. No instructions were given to these individuals, but the entire Saturday afternoon of 21 December was spent by this Headquarters trying to contact either the mythical Col. CLARK or the equally ethereal Capt. BRAHNO for illumination. The CLARK-BRAHNO telephone was not answered. Informed that this Headquarters was not accustomed to receiving instructions from Col. CLARK or Capt. BRAHNO and that it had received no prior notice or information from either office, the individuals were encouraged to return home. All nine were much surprised and hurt because they had made long journeys to report to GIO for instructions. They could not understand how GIO could be so confused and inefficient. Further, they could not understand the apparent insufficiency of their own organization being run by Col. CLARK. They had the feeling American Intelligence was confused, uncoordinated and inefficient and that GIO was equally blundering and uninformable. This Headquarters particularly desires that the GIO be unfavorably presented and reflected in anyone's eyes—especially those of Germans or other Europeans.

5. In December 1946 one Herr BRAHNO, supposed to be a former officer of the German intelligence service, stated to Herr BOLD that the organization is mostly interested in matters of Counter Intelligence value such as relationships between the KGB in the US Zone and the SED, illegal border crossing of members of the Communist Party and surveillance and penetration of the KGB in the US Zone. These three functions, it is pointed out, has been assigned to the 970th GIO Detachment in the US Zone of Germany. It is obvious that no two organizations of such totally diverse nature as GIO and the 970 collection of refugees from internal enemies can be working on the same job at the same time. This Headquarters is particularly anxious to determine why none of the GIO information garnered by these agents has been disseminated to GIO in the field.

6. It is pointed out that of the nine men who appeared at this Headquarters on 21 December, every one of them had the name of the Regional Commander and his title. Some had the names of Sub-Regional Commanders. One also possessed a diagram of this GIO Region. His organizational knowledge of the Region was virtually complete. Considering the chance with which these agents handled KGB (see paragraphs 2a and b above), it is considered highly likely that these GIO organizational facts could well fall into the possession of the wrong people.

7. Agent's Notes: Specifically, this Headquarters registers the following complaints:

a. It would appear that the entire operation is supervised by American personnel lacking experience in the direction of such a far-flung and potentially dangerous network. Any important incident involving these field agents might easily precipitate a top-level international dispute.
b. While it is possible that the American personnel running the operation may have stringent and satisfactory control over the top three or four individuals in the network, it is obvious that insufficient control is exercised over field agents. It is the understanding of this Headquarters that the network is built on a cell system, with three or four top agents having three or four agents working for them, and three or four agents working for them, and so on down the line until the organization runs into the thousands of men.

c. These agents carry documents which compromise not only the personnel of legitimate American military intelligence agencies but, more importantly, compromise the targets and techniques of American intelligence agencies. Their REIs, for example, contain more intelligence information than a normal report of investigation. As a result, when carried into the Russian Zone, these REIs could enable the Russians to learn just what we know and what we are interested in. It is a known fact that these REIs have been carried into Russian Occupied territory.

d. The existence of this organization, while not widely known, has nevertheless been reported to this Headquarters by various German sources. That such reporting has been possible is explained by the open-handed recruiting methods which German agents of this organization use; e.g., they will meet another German on the street, offer to employ him for this intelligence work, outline the purpose and ask him if he is interested. In the event he replies in the negative, he still has received a great deal of pertinent information.

e. Cover of these agents is inadequate and poorly rehearsed. (See paragraphs 2d and f above). Primary requisite of such an organization is, of necessity, meticulous cover and documentation.

f. Lack of coordination with legitimate field intelligence agencies such as CIO. An astonishing number of men-hours have been wasted by CIO agents who have pursued what they considered to be leads on possibly suspicious individuals, only to learn that they were on the trail of non-suspicious agents doing the same thing CIO is doing—searching for information. This lack of coordination also extends to the realm of dissemination of information obtained by the vast network of German agents. In at least one instance, this Headquarters obtained more information sought in a highly-classified CIO project through interrogation of a suspicious CIO agent than it had been able to obtain through field activity of its own. Yet this information had not been previously reported to any agency.