MEMORANDUM FOR:

SUBJECT: Operation RUSTY

1. The attached memorandum is furnished to the members of the NIA in connection with the proposal of O-2 EDDY that Central Intelligence take over Operation RUSTY.

2. It is recommended that a meeting of the NIA be called at an early date to decide on this matter.

3. Certain specialists of Central Intelligence will be available to furnish detailed information if it should be required.

SECRET/RELEASE
TO GERMANY ONLY

2 copies with identification.
21 Aug 50

SECRET/RELEASE
TO GERMANY ONLY
SECRET/RELEASE
TO GERMANY ONLY

BACKGROUND

SUBJECT: Operation RUSTY

1. Background and History

Operation RUSTY has existed as a military intelligence service of the Office of German Intelligence since January 1966. The operation is directed by Major General Reinhardt von Gehlen, former head of the division of German Army assigned to the British Army. Second in command is Lt. Colonel Hermann Rosen, an experienced officer who served in the war. von Gehlen's Chief of Operations, having served in the early summer of 1945, von Gehlen was brought to Washington with several of his closest associates as prisoners of war where they made their knowledge directly available to the Office of German Intelligence. During this same period, von Gehlen and his staff were similarly exploited in Germany by the Office of German Intelligence.

After the return of von Gehlen and his staff from the United States in the summer of 1966, he assumed his present position as head of an evaluation group in order to direct von Gehlen's work. In von Gehlen's group, the product is evaluated, collated, and translated by Gehlen's group who delivers it in finished form to the representation of the Office of German Intelligence. At this stage, this organization is considered by von Gehlen to be its most dependable and prolific source of information on Russian military intentions and strengths.

On October 1, 1966, the Office of German Intelligence presented a staff study of Operation RUSTY to the Director, OIG, with the recommendation that OIG take over the operation and conduct it from the United States. OIG agreed to conduct its own investigation of the operation with the purpose of validating the advantages and disadvantages of participation.

2. Conclusions of OIG Investigation

1. The chief personnel of Operation RUSTY have, during the period of their organization, recruited some 3,000 soldiers from anti-Soviet factions in central Europe who, during the course of the war gave their support to Germany.

2. Operation RUSTY has become less a clandestine intelligence operation directed by American authorities than a potential resistance group supported and led by the U.S. Government.

3. It can be stated with certainty that the lines of communication extend presently over an area lying between Stockholm and Rome, Prague and Paris, with the possibility that they can be further extended through the Middle East to the Far East and into the United States and South America.
There now exist plans for camouflage which can provide the personnel with an opportunity to continue their operations independently of American support.

The operation has become known to the and possibly to the .

The operation has been productive not only because of the strength and nature of the personnel employed, but chiefly because American authorities have granted them wide scope for their operations and relative freedom in their planning and actions.

Upon withdrawal of American support, this group could constitute a source of political embarrassment to the U.S. Government and a security menace to American covert as well as overt activities in Germany.

Advantages

The advantage of this operation is that it has furnished Army Forces in Europe with certain high grade tactical intelligence.

Disadvantages

1. The present compliment of Operation RUSTY includes a cryptanalytic section, with equipment, presently engaged in breaking Russian and possibly other European codes.

2. It is both a potential resistance group and as an organization could become the intelligence nucleus of a future German government.

Possible lines of action

1. O-2 ERTHI to liquidate Operation RUSTY.

2. The HIA, in view of the disadvantages listed, to determine if any part is to be retained.

Recommendation

It is recommended that the action listed as 2.1 above be taken.