MEMORANDUM FOR THE SECRETARY OF STATE
SECRETARY OF THE NAVY
PERSONAL REPRESENTATIVE OF THE PRESIDENT
ON N.I.A.

Subject: OPERATION RUSTY

1. The attached memorandum is furnished to the members of the N.I.A. as an initial brief on Operation RUSTY. It has been proposed by O-2 EUCOM that Central Intelligence assume control of this operation.

2. In view of the political and military implications involved, it is recommended that the N.I.A., at an early date, decide on the line of action to be taken.
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TO GERMANY ONLY
6 June 1947

MEMORANDUM ON OPERATION "RUSTY"

A. Background and History

Operation RUSTY has existed as a military intelligence service of G-2 War Department since January 1946. The operation is headed by Maj. Gen. Marshall von Sahlen, former chief of the Mission "F" section of the 2nd Army (G-2) under the direction of Maj. Gen. G. O. Deveraux, G-2 War Department, and is under the control of the European Command. Operation RUSTY has been in operation since 1946.

After the surrender of Germany and the formation of the Allied Control Council in May 1945, von Sahlen assumed his present position as Director of G-2 Evaluation Group in order to direct new missions assigned by G-2 Summer 1945. Von Sahlen remained Chief of Operations but the post was evaluated, organized, and translated by Gen. O. Deveraux's group who deliver reports to the representatives of G-2 Summer. At this stage, this organization is considered by G-2 Summer to be the most important and reliable source of information on Russian military intentions and strength.

On October 1, 1946, G-2 Summer presented a staff study of Operation RUSTY to the Director G-2, with the recommendation that the latter conduct an investigation of the operation with the purpose of outlining the advantages and disadvantages of participation.

B. Conclusions of G-2 Investigation

1. In addition to former German Intelligence personnel, the Chief of Operation RUSTY has recruited some 3000 workers from anti-Soviet factions in central Europe who during the course of the war gave their support to the U.S. and British Governments.

2. Operation RUSTY has become less of a clandestine intelligence operation directed by American authorities than a potential resistance group supported and fed 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.
45. (Continued)

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3. There now exist plans for camouflage which can provide the personnel with an opportunity to continue their operations independently of American support.

5. Upon withdrawal of American occupation forces and loss of all control, this group could constitute a source of political embarrassment to the U. S. Government and a security menace to American covert as well as covert activities in Germany.

6. The operation has become known to the Russian and Yugoslav.

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

C. Summary

The advantage of this operation is that it has furnished us a base in Europe with high grade tactical intelligence.

D. Disadvantages

1. The present complement of Operation RUSTFI includes a complex analytic section, with equipment, presently engaged in breaking Russian and possibly other European codes. This activity might well conflict with the comparable American activities.

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

E. Possible Lines of Action

1. That Central Intelligence take over Operation RUSTFI as presently constituted.

2. That Central Intelligence take over certain segments of Operation RUSTFI to be determined as a result of the briefing of the members of the National Intelligence Authority.

3. That Operation RUSTFI be liquidated and that CIC assume no responsibility for its continuation or liquidation.

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MEMORANDUM FOR THE RECORD

Key personnel from Abteilung Freunde Heere, Ost des Generalstabes des Heeres:

Evaluation Group:
- Reinhard Gehlen (Brig. Gen.)

Information Group:
- Herman Baum

Members of the Secret Intelligence Service:
- Lt. Col. Hermann Baum
- Capt. Hans Ludwig von Lossen
- Lt. Adolph Miecke
- Capt. Ferdinand Roedigheimer
- Capt. Siegfried Graber
- Col. Erich Reutzen
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