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Authority MND 003027 et  
By STP NARA Date 06/03/02 ER

45. DCI to Secretary of State, et al, "Operation Rusty," [undated], enclosing "Memorandum on Operation RUSTY," 6 June 1947

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CENTRAL INTELLIGENCE GROUP  
NEW WAR DEPARTMENT BUILDING  
21st and VIRGINIA AVENUE, N. W.  
WASHINGTON, D. C.

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OFFICE OF THE DIRECTOR

MEMORANDUM FOR THE SECRETARY OF STATE  
SECRETARY OF WAR  
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 G-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. It is increasingly apparent that decision in this regard must be made on the highest level.
3. Representatives of Central Intelligence are available to furnish detailed information on Operation RUSTY at your convenience.
4. The line of action indicated in paragraph E.3., of attached memorandum, is strongly recommended — That Operation RUSTY be liquidated and that CIG assume no responsibility for its continuation or liquidation.

*20 June 1947*  
*Memo for Record*  
 This (and other copies of same paper) was not despatched to NIA members at request of Gen Chamberlain G-2 WD. Agreement made that CIG would have nothing to do with the matter further except with regard to advice when requested by G-2.

*W. H. HILLENKOETER*  
 Rear Admiral, USN  
 Director of Central Intelligence

*W. H. HILLENKOETER*  
 Rear Admiral, USN  
 Director of Central Intelligence

*at c.c. destroyed by burning 9/30/49.*

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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 Major General Reinhart von Gehlen, former Chief of the division Foreign Armies East of the German Army. Second in command is Lt. Colonel Hermann Baum who serves now, as he did during the war, as Gehlen's Chief of Operations. After his surrender to American forces in the early summer of 1945, Gehlen was brought to Washington with several of his close associates as prisoners of war where they made their knowledge directly available to G-2 War Department. During this same period, Baum and his staff were similarly exploited in Germany by G-2 USFE.

After the return of Gehlen and his staff from the United States in the summer of 1946, he assumed his present position as head of an evaluation group in order to direct Baum serving as head of an information group in the fulfillment of the missions assigned by G-2 USFE. Baum has remained the Chief of Operations but the product is evaluated, selected and translated by Gehlen's group who delivers it in finished form to representatives of G-2 EUCOM. At this stage, this organization is considered by G-2 EUCOM to be its most dependable and prolific source of information on Russian military intentions and strength.

On October 1, 1946, G-2 USFE presented a staff study of Operation RUSTY to the Director GIG, with the recommendation that GIG take over the operation and conduct it from the United States. GIG agreed to conduct its own investigation of the operation with the purpose of outlining the advantages and disadvantages of participation.

B. Conclusions of GIG Investigation

1. In addition to former German Intelligence personnel, the Chief of Operation RUSTY has during the period of organization recruited some 3000 bodies 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 fed by the U. S. Government.
3. It can be stated with certainty that the lines of connection 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.

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4. 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 [ ] and possibly to the Russian, [ ] and Yugoslavs.

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. Advantages

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

#### D. Disadvantages

1. The present complement of Operation RUSTY includes a cryptologic 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 an organization which 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 RUSTY as presently constituted.

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

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

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MEMORANDUM FOR THE RECORD

Key personnel from Abteilung Fremde Heere Ost des Generalstabes  
des Heeres:

Evaluation Group:  
Reinhard Gehlen (Brig. Gen.)

Information Group:  
Herman Baum

Members -- former members of the G-2 Division, Division of the  
Foreign Armies East of the General Staff of the Army:

Col. Heinz-Danko Herre, GSC  
Lt. Col. Gerhard Wessel, GSC  
Lt. Col. Fritz Scheibe, GSC  
Maj. Albert Schöeller, GSC  
Maj. Horst Hiemenz, GSC  
Maj. Hans Hinrichs, GSC  
Capt. Woldemar Hinderstein.

Members of the Secret Intelligence Service:

Lt. Col. Hermann Baum  
Capt. Hans Ludwig Von Lossow  
1st Lt. Adolph Tietze  
Capt. Ferdinand Boedighelmer  
Capt. Siegfried Graber  
Col. Erich Notzny  
Maj. Carl Kunrow

*Dunk  
over file  
Wagner*

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