

Authority NNJ003021
By MBNARA Date 06/05/02

73. Galloway to DCI, "Recommendations in re Operation Rusty," 21 December 1948

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MEMORANDUM FOR: The Director, Central Intelligence

SUBJECT: Recommendations in re Operation Rusty

DOCUMENT NO. _____
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CLASS. CHANGED TO: TS C 2011
NEXT REVIEW DATE: _____
AUTH: HR 70-2
DATE: 1/1/81 REVIEWER:

1. As the result of a request to the Director, CIA, from the Director of Intelligence, EUCOM, Operation Rusty was briefly investigated by this organization in the period between 16 November and 15 December 1948. The purpose of this investigation was to determine in a preliminary way the character of Operation Rusty with a view to facilitating a decision as to whether or not CIA should accede to the Army's request that it "take over" this operation.

2. This memorandum is predicated on the assumption that CIA is willing to assume the responsibility for Operation Rusty with the understanding that certain provisos shall be agreed to by the Army as prerequisites to this assumption of responsibility.

3. It is recommended that these provisos include the following:

(a) That the National Security Council be informed concerning Operation Rusty, its origin, and its development to date.

(b) That the National Security Council direct that CIA "take over" Operation Rusty as to financial support, operational and administrative direction, etc., but that simultaneously the National Security Council further direct that CIA be given the same logistical support in Germany which the Army, the Air Forces, and other American agencies have been accorded the operation to date. This provision is to include support from the German economy as long as the United States is in the status of an occupying power.

(c) That CIA finance Operation Rusty on an annual budget not to exceed

(d) That it be clearly understood by all interested agencies that, although CIA will run Operation Rusty for the benefit of the U. S. occupation forces, it will have complete

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authority and control to handle the Operation as it sees fit.

(e) That, if CIA is directed by the National Security Council to "take over" Operation Rusty, that it be given a period of a minimum of one year during which the current managements would continue on duty, but under control of CIA representatives assigned to the project.

4. In support of the above recommendations, it might be advisable to point up briefly the reasons for these provisions. As regards (a), the national and international political implications of a reconstructed German Intelligence Service with German General Staff ramifications are such that it would be most hazardous from a domestic political viewpoint for this organization to become involved without specific directive from the Executive. In addition, the security and basic orientation of Rusty is most dubious, since we know of at least two countries, () that have been approached by Rusty personnel with offers of direct liaison. As for (b), the Office of Special Operations is in no way set up to carry the personnel and administrative load involved in operating a unit of 4,000 Germans. Without the personnel and logistic support already contributed by other agencies, CIA would not be able to support Rusty. With regard to (c), it is felt advisable to put a ceiling on the number of dollars to be allocated to Rusty in a given year inasmuch as another currency reform in Germany or other factors might shoot the cost to a figure two or three times as high. It is felt that CIA deserves some budgetary protection against such a contingency. On point (d), little explanation is needed, except that CIA's position would be untenable over the long pull if it did not have complete control of the Operation. As regards (e), it is absolutely essential that CIA be given sufficient time to find out in precise terms and with Army assistance detailed characteristics of the organization for which it is assuming the responsibility. It is abundantly clear that we do not know very much about the inner-workings of the Rusty organization, and it is probable that the Army does not either. Without being able to run traces on the personnel and examine specific details of the operations with Army assistance and personnel, we might well lay CIA open to wholesale penetration by the Rusty organization. Further, we have no idea whether or not the Russians are feeding deception into the Rusty pipeline. If this were the case and Rusty, 4,000 strong, were placed immediately and solely on our doorstep, we, as an organization in Europe, would be in no position from a personnel standpoint to handle the operations alone securely and carefully with consequences which are obvious.

5. No attempt has been made in the foregoing to go into details regarding Operation Rusty. It is simply a brief statement of

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the conviction that unless CIA takes on this operation under its own terms, it should not be taken on at all and should be regarded as a friendly though competitive intelligence service with all that that implies.

DONALD W. GALLOWAY
Assistant Director
Special Operations

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