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Authority NNJ003021
By MBNARA Date 06/05/02

83. Chief, FBM to COS, Karlsruhe, [untitled], 10 February 1949, enclosing
Alan R. McCracken, ADSO, to Irwin, "Operation Rusty," 9 February 1949

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TO : Chief of Station, Karlsruhe DATE: 10 February 1949
FROM : Chief, Foreign Branch
SUBJECT: GENERAL-
SPECIFIC- [] []

Attached hereto is a document for your files. This is in an effort to keep you informed in general terms on some of the steps taken here in connection with subject Operation. The attached memorandum was delivered on 9 February 1949.

Attachment [] []

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Date 25 MAR 1961

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FEB 9 1949

MEMORANDUM FOR:

MAJOR GENERAL S. LEMAY
DIRECTOR OF INTELLIGENCE
DEPARTMENT OF THE ARMY

CENTRAL INTELLIGENCE AGENCY
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SUBJECT: Operation Rusty

In view of the current negotiations with respect to Operation Rusty, we felt that you would be interested in certain comments received yesterday from our representative in Germany. Since we must rely on your assistance for EUCOM administrative and logistical support if we take over control of the Operation, it is believed pertinent that you should have the following text in the hope that you may be able to take steps to ameliorate the personnel situation described.

"During the past six weeks a general deterioration in the relationship between the American and German elements of Rusty culminated on 3 February 1949 with General von Gehlen, German Chief of Rusty, informing Colonel Philp in writing that the vacillating support of the United States element leaves him no alternative but to recommend the dissolution of the Rusty operation. In summary, General von Gehlen made the following points: He cited the unsatisfactory calibre of the American personnel assigned to Rusty, noting that the only three exceptions to this (Major Walker, Captain Waldman, and Lieutenant Richardson) were scheduled for imminent departure from the theater. He also pointed out that what he believes to be 'the absolutely wrong attitude' of all the United States personnel, which can be attributed to inexperience, has caused disunity and distrust on both sides. Von Gehlen also deplored the lack of firm financial commitment sufficiently in advance to permit planning. He stressed that he was not requesting more money but a clear-cut allocation well in advance in order to permit him to plan such contingencies as the recent 40 percent depreciation of the dollar on the local market. He says that although he forecast this devaluation and desired to reduce the operations in advance, he was told not to cut on the grounds that the funds would be increased. Von Gehlen reaffirmed his ideological convictions but stated that he personally was unwilling to risk his reputation by trying to run a large intelligence organization without fundamental backing.

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"This approaching crisis at Rusty headquarters has become increasingly obvious during the past three weeks. The order for the premature return of Captain Eric Waldman to the United States with no provision for replacement or opportunity for him to turn over his operational contacts proved to be merely the final incident which crystallized von Gehlen's growing conviction that the United States Army was not sufficiently interested in running a large intelligence organization under present conditions to give it essential support. When von Gehlen was informed by Colonel Philp of General Clay's unwillingness to have the Army release control of Rusty, he said he saw no hope in such a future and felt that dissolution was the only answer. He also expressed some apprehension that the Army, not appreciating the complex problems involved, might withdraw financial support simultaneously with the termination of the productiveness of the project.

"We here are much concerned about the personnel picture in the American element of Rusty. At the moment, it looks decidedly gloomy. Some of the officers seems to have compromised themselves with the German element, others are making an honest effort but have no experience or command of the language. The three representatives who seem to have done a good job by all testimony are to return to the United States within the predictable future. In view of this, our entry into Rusty now would necessitate a commitment in personnel which we are not in a position to meet immediately, unless the Army counters von Gehlen's charges by quickly reinforcing the United States element with competent officers."

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

/s/ ALAN R. McGRATH
Acting Assistant Director
Special Operations

Copy #1 to Gen. Inami
" #2 to Gen. Galling (Dep.) } By hand
" #3 to AOSO } Mr. Haynes
" #4 att'd to FGM (By Inami) } 19 Feb 490

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