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96. [Critchfield] to Chief, FBW, "[Gehlen Organ] Third Parties," 22 September 1949, enclosing [Critchfield] to Dr. Schneider, "The Coordination and Control of Negotiations with German Political and Economic Circles and Representatives of Western European Intelligence Services," 20 September 1949

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22 September 1949

Chief, Foreign Branch M

Chief of Station, Karlsruhe

Dr. SCHNEIDER's Negotiations with Third Parties

1. Although the substance of reference has at various times been discussed with Dr. Schneider and more often with his alter ego Herdahl, I feel that it is a problem with which we shall experience some difficulty and that our position should be made unmistakably clear to Schneider and a matter of record.

2. During the past few weeks there have been a number of incidents in which unilateral action by [] has brought about situations fairly embarrassing to Dr. Schneider and served to bring home the point that the days of the free and uncontrolled ride with the Army are over and he must prepare to coordinate his activities with us.

3. I anticipate that Dr. Schneider will officially and probably with conviction concur with the substance of the attached letter. Whether he will as conscientiously adhere to it depends primarily on whether we can persuade his staff, particularly Herdahl, to settle Dr. Schneider down occasionally to put down the details of his own activities and, more so, whether we can add to our staff a man qualified to enjoy the trust of and work closely with Mr. [], whose section handles all significant connections to German political and economic circles as well as to numbers of Western European intelligence services with whom Schneider has already established contact.

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20 September 1949

MEMORANDUM TO: DR. SCHNEIDER []

SUBJECT: The Coordination and Control of Negotiations with German Political and Economic Circles and Representatives of Western European Intelligence Services.

1. Insistence on being informed and in a position to control our activities at all points where they may become involved, or in conflict with, the interests and activities of my organization as well as those of the United States Government as a whole, is the single dominant theme of all recent correspondence that I have received from my home office.
2. I can state categorically, however, that the nature of the control that my home office envisages is not greater than that which it imposes on the individuals and activities of my own organization. In fact, with regard to the allocation of funds and the conduct of operations, I feel that we enjoy comparative freedom.
3. Those matters in which my home office feels the highest degree of coordination and cooperation are essential are:
 - a. Those activities in which this project is actually or potentially involved with other activities of the American Intelligence Service.
 - b. Those activities in which this project is actually or potentially involved with the activities of other friendly intelligence services.
 - c. Those activities in which this project is actually or potentially involved with the activities of non-intelligence agencies of the United States Government.
4. My home office considers it basic that they can support only political or economic activities that are directly related to the maintenance of our intelligence functions. However, they are thoroughly appreciative of the fact that the establishment of economic cover and reaching of working terms with elements of the German Government are at this time essential to the continuation of the development of this project along the lines of our mutual interest. Washington feels that our solutions to the problems of cover and governmental acceptance should conform to broader US policy in Germany and Europe. In stating this they have not implied in any way that actions already taken by you have not been consistent with their position on broader issues. On the contrary, it is my impression that our activities during the past

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few months tend to supplement and coincide with those of my organization.

5. In supporting this project, my organization has taken full responsibility vis-a-vis the United States Government for our activities as a German intelligence organization. When the activities of this project extend into those spheres in which other US agencies have a paramount interest, it is absolutely essential that our activities be consistent with resolved United States policy. This point becomes vital when we become involved in matters that transcend the limits of what can be defined as being solely of intelligence interest. Thus, even within the boundaries of Germany our activities within the political and economic circles is a matter of immediate concern to other US government agencies having a paramount interest in those fields, and the need for US intelligence ensuring that we move in a direction consistent with general US policy becomes clearly evident. At no time, however, do we expect you or any member of your organization to become involved, at our suggestion, in furthering, in either the German political or economic fields, activities which are unacceptable to you as loyal German citizens. In this sense, the control which the US element of this project desires to impose is passive and not active. In the final analysis, and certainly consistent with your fundamental conception of German-American cooperation in the broadest sense, this type of a controlled and coordinated assault on the problems that confront us should prove mutually beneficial.

6. My home office has taken an increasingly adamant position on controlling your connections with the intelligence services of Western Europe.

Because of this, Washington has recently informed me that insofar as connections with foreign intelligence services are concerned, you and members of your immediate staff will be subject to the limitations

Washington grants clearance in each case after being informed of the persons involved and the matters to be discussed. That your future position in the European intelligence world is, to an extent, dependent upon relationships that you develop and maintain with the leading figures of other Western European services is appreciated. The fact that my home office does not, in principle, intend to oppose such contacts is evidenced by their willingness to approve the visit to to contact leading figures of the I urge that at the earliest opportunity we carefully review in detail the nature and extent of your present relationships with other services, with a view toward proposing to Washington a suitable disposition of each existing relationship.

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7. I can state categorically that you have, since the establishment of our present relationship, invariably advised me of your contacts in German economic and political circles as well as your impending contacts with Western European IS personalities. Also, the results of such contacts have been habitually reported. I have admittedly been remiss in not passing on to my superior headquarters sufficiently detailed accounts of our connections in either the German political and economic circles or with personalities of Western European Services. Normally, our conversations preceding or following your contacts with personalities of interest to my home office are of a general nature in which the substance but not the details of events are covered. While I conclude such conversations feeling adequately informed, I do not normally have either sufficient detail to provide the basis for a report to my home office nor the time available to follow up such conversations with requests for such details as names, places, dates, exact description of circumstances, etc.

I would greatly appreciate it if our present almost daily conversations which deal with all significant aspects of the entire organization, including developments of interest involving a third party, could be supplemented by detailed written accounts of contacts by you or members of your immediate staff which appear to have implications described above. This purely mechanical variation of our present method of handling these problems appears to be the best solution until such time as I have available on my staff an individual especially qualified to deal with the Special Connections Section (35) on these problems.

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