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

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MEMORANDOM FORe The Director, Central Intelligence

SUBJECT: Recommendations in re Operation Rusty

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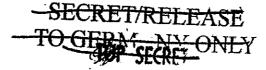
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L. As the result of a request to the Director, OIA. from the Director of Intelligence, EUCOM, Operation Rusty was briefly investigated by this organisation in the period between 18 November and 15 December 1948. The purpose of this investigation was to determine in a preliminary way the character of Operation Rusty with a view to feelilitating a decision was to whather or not OIA should and the the Army's request that it "take over" this Operation.

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

- 3. It is recommended that these provises 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 Councilfurther direct that CIA be given the same logistical support in Germany which the army, the Air Forces, and other American agencies have been according the Operation to date. This provision is to include support from the German economy as long as the United States isin this statusof an occupying power.
 - (d) That it be clearly understood by all interested agencies that, although OIA will run Operation Rusty for the benefit of the U. S. ecoupation forces, it will have complete



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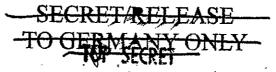
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authority and control to handle the Operation as it sees fit.

(e) That, if CTA is directed by the Mational 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 CTA representatives assigned to the project.

In support of the above recommendations, it might be adwishle to point up briefly the ream na for these provisor. As regards (a), the national and international political implications of a reconstructed German Intelligence Service with German General Staff remifidations are such that it would be most hawardous from a domestic political viespoint for this organization to become involved without specific directive from the Ensoutive. In addition, the security and of feedfal (perations isin no way set up to corry the personnel ministrative load involved in operating a wait of 4,000 Geralia Without the personnel and logistic support already contributed by other agencies, OIA 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 insamuch 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 CTA deserves some budgetary protection against such a contingency. On point (d), little explanation isseeded, except that CIA's position would be untenable over thelong pull if it did not have complete control of the Operation. As regards (e), it is absolutely essential that OIA 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 doesnot either. Without being able to run traces on the personnal and examine specific details of the operations with Army assistance and personnel, we might well lay OIA open to woolessie penetration by the Rusty organization. Further, we have no ides whether or not the Russians are feeding deception into the Busty pipelies. If this were the case and Rusty, 4,000 strong, were plained insediately and solely on our doorstep, we, as an organisation 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 OIA 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.

DOMAID H. GALLGMAY Assistant Director Special Operations

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